

**Management Board Report
on the Activity of the Company
and the Group
for the financial year 2022**

Ronson Development SE



General Information

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*

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Letter from the President of the Management Board

To our shareholders

Following the record results in the 2021 financial year Ronson focused in the 2022 financial year on remaining profitable amid the challenging business environment and progressively completing pre-pandemic projects. Our Activity had faced not only pandemic-related delays but additionally was impacted by conflict taking place next to Poland's borders, which effected the global economy as well as the Polish one. Under the guidance of the Board, we delivered a credible performance in spite of the multi-faceted challenges.

Our profitable performance in the 2022 financial year was by no means an easy feat. Since the start of the year, the Management has had to continually address evolving challenges while remaining agile and focused. Our progressive mindset, strong resilience and prudent execution have formed a stable foundation for us to prevail during this difficult period.

Throughout the year, the residential sector has been challenged by administrative delays and significant inflationary pressure in all parts of the supply chain, including labour and materials. Prices of key construction materials like steel, rebar sharply increased, while the sector faced a constricted labour pool due to military conflict between Russia and Ukraine.

During the year 2022 Ronson Group managed to complete the purchases of plots already scheduled from year 2021, as well as expanded its land bank further during the year 2022. Thanks to that, the current land bank of the Company is over 5,450 units (from it more than over 1,471 units are in future stages of ongoing projects) which will serve the financial needs for the coming years. In addition to the purchased land bank, the Company signed number of preliminary purchase agreements securing a future land bank of 101,659 m² usable area for approximately 2,311 units.

This will guarantee a potentially steady growth of the Company business for the next years. Nevertheless, the Company is consistently searching and negotiating the purchase of new plots for land bank growth and development reason, mainly in Warsaw.

In terms of sales result, in 2022 the Company managed to achieve 441 units, which represent a decrease of approximately 50% comparing to last year. Warsaw remained the most significant city for the Company as in previous years. However the Company is actively pursuing to increase its land bank in each of the cities in which it operates.

Highlights for the Company's 2022 results include:

- Commencement – we commenced 9 new projects/stages – with 1,020 units;
- Completion – we completed over 471 units in 5 projects/ stages of projects;
- Sales - we sold 441 units;
- Delivery – we delivered 745 units to our clients;
- During February 2022 the Company completed the transaction with a group of Israeli investment funds in the amount of ILS 60 million (PLN 74.6 m at the moment of the transaction);
- RONSON increased its ranking position to the honourable third place on the Nationwide Ranking of the best Polish Residential Developers in 2022.

Overlooking forward on the year 2023, the Company will retain its focus on the same cities in which it is active. We expect that the year 2023 will be a start year of recovery in the economic situation as well as in the residential sector. 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 the new project Zielono Mi I in Mokotow. In Wrocław a new stage of Viva Jagodno, in Szczecin new stage of Nowe Warzymice and our new project Skyline in Poznań.

Apart from traditional activities under the Residential sector, the Company started expanding its investment in land bank related to the PRS sector and the new Brand, LivinGo. As announced in December 2021, we have taken the decision to enter the PRS sector with the aim to achieve our goals to secure substantial land bank, which represents another new product opportunity made possible by our strong balance sheet and stable foundation. At the publication of this financial reports the Company is secured 8 projects with a potential to build over 1,300 units.

With the current situation Ronson is obliged to ride the wave of expected recovery in the market, using its full fledged capabilities in order to pass this difficult time and be ready with its projects when the market will return to its normal.

Letter from the President of the Management Board

In past years we have built stable foundation on which we will gradually recover from the current market situation, we possess the strength and resilience to embrace multiple opportunities in the future.

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.

The shares of the Company were traded on the Warsaw Stock Exchange until 28 April 2022. As at 31 December 2022, 100% of the shares are controlled by Amos Luzon Development and Energy Group Ltd. ('A. Luzon Group'), whereas 32.98% of the shares are controlled directly by A. Luzon Group, 66.06% of the shares are controlled via I.T.R. Dori B.V., a fully owned subsidiary of A. Luzon Group and 0.96% of the shares are held by the Company.

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, primarily apartments, in residential real-estate projects to individual customers in Poland as well as in the PRS rental sector (where development first started in 2021). 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 2022, the Group realized sales of 441 units with the total value of PLN 207.8 million, which is a decrease of 49.7% comparing to sales of 877 units with the total value PLN 425.3 million during the year ended 31 December 2021.

Until 31 December 2022 the Group delivered 720 units in 100% owned projects which represent a total revenue of PLN 300.3 million comparing to delivery of 885 units in 100% owned projects with a total revenue value of PLN 458.4 million during year ended 31 December 2021.

As at 31 December 2022, the Group has 1,380 units available for sale in 11 locations, of which 1,342 units are in ongoing projects and the remaining 38 units are in completed projects. The ongoing projects comprise a total of 1,910 units, with an aggregate floor space of 104,528 m². The construction of 1,201 units with a total area of 65,033 m² is expected to be completed during 2023.

The Group has a pipeline of 16 projects in different stages of preparation, representing approximately 4,901 units with an aggregate floor space of approximately 269,149 m² for future development of the residential activity in Warsaw, Poznań, Wrocław and Szczecin and 4 projects representing approximately 578 units with an aggregate floor space of 25,545 m² for future development of PRS rental sector in Warsaw.

In addition to the above, as at 31 December 2022 the Group is in different stages of finalizing the process of purchasing 4 plots located in Warsaw with a total projected usable area of apartments ('PUM') of 101,659 m² with an estimated 2,311 units for construction for a total purchase price of PLN 174.1 million.

Business highlights during the year ended 31 December 2022

A. Results breakdown by project

The following table specifies revenue, cost of sales, gross profit and gross margin during the year ended 31 December 2022 on a project by project basis:

Project	Information on the delivered units		Revenue ⁽¹⁾		Cost of sales ⁽²⁾		Gross profit	Gross margin
	Number of units	Area of units (m2)	PLN thousands	%	PLN thousands	%	PLN thousands	%
Ursus Centralny IIa	194	10,400	81,620	27.2%	61,861	28.1%	19,759	24.2%
Miasto Moje V	155	7,493	59,705	19.9%	40,385	18.3%	19,320	32.4%
Ursus Centralny Ib	97	5,740	47,356	15.8%	34,611	15.7%	12,745	26.9%
Nowe Warzymice III	57	3,144	23,632	7.9%	15,485	7.0%	8,147	34.5%
Viva Jagodno IIa	59	2,942	22,958	7.6%	17,697	8.0%	5,260	22.9%
Nowe Warzymice II	64	3,325	21,530	7.2%	15,685	7.1%	5,846	27.2%
Miasto Moje IV	51	2,434	20,046	6.7%	14,997	6.8%	5,050	25.2%
Panoramika VI	24	1,165	7,464	2.5%	6,943	3.2%	521	7.0%
other	19	1,640	15,948	5.3%	12,683	5.8%	3,264	n.a.
Total / Average	720	38,283	300,259	100%	220,347	100%	79,911	26.6%
Impairment recognized	n.a.	n.a.	n.a.		485		(485)	n.a.
Results after write-down adjustment	720	38,283	300,259		220,831		79,427	26.5%
Wilanów Tulip ⁽³⁾	25	1,782	16,883		13,062		3,821	22.6%
Economic results	745	40,065	317,142		233,893		83,248	26.2%

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

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

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

Revenue from the sale of residential units is recognized when the performance obligations are satisfied and when the customer obtains control of the good, i.e. upon signing of the protocol of technical acceptance and the transfer of the key to the buyer of the residential unit and total payment obtained. Revenue from sales and services of residential projects recognized during the year ended 31 December 2022 amounted to PLN 300.3 million, whereas cost of sales before write-down adjustment amounted to PLN 220.3 million, which resulted in a gross profit before write-down adjustment amounting to PLN 79.9 million representing a gross margin of 26.6%. Total economical revenue, whereby results from joint ventures are presented on a fully consolidated basis, amounted to PLN 317.1 million, with cost of sales amounting to PLN 233.9 million, resulted in a gross profit of PLN 83.2 million and representing gross margin of 26.2%.

Projects completed during the year ended on 31 December 2022

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 2022:

Project name	Location	Number of units	Area of units (m2)	Total units sold until 31 December 2022	Units delivered in 2022	Units sold not delivered as at 31 December 2022
Nowe Warzymice II	Szczecin	66	3,492	64	64	-
Ursus Centralny Ib	Warsaw	97	5,740	97	97	-
Miasto Moje V	Warsaw	170	8,559	160	155	5
Viva Jagodno IIa	Wrocław	76	4,329	63	59	4
Nowe Warzymice III	Szczecin	62	3,537	58	57	1
Total		471	25,657	442	432	10

Business highlights during the year ended 31 December 2022

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 2022:

Project name	Location	Completion date	Total Project Units	Total Area of units (m2)	Total units sold until 31 December 2022	Total units delivered until 31 December 2021	Units delivered during 2022	Recognised income during year 2022 (PLN'000)	Units sold not delivered as at 31 December 2022	Units for sale as at 31 December 2022	Left to sale/ deliver after 31 December 2022
Ursus Centralny IIa	Warsaw	Q4 2021	251	13,509	251	57	194	81,620	-	-	-
Miasto Moje IV	Warsaw	Q4 2021	176	8,938	176	123	51	20,046	2	-	2
Panoramika VI	Szczecin	Q4 2021	75	3,591	75	51	24	7,464	-	-	-
Nova Królikarnia 3a	Warsaw	Q2 2021	31	3,188	31	29	2	3,325	-	-	-
Nowe Warzymice I	Szczecin	Q2 2021	54	3,234	51	47	4	2,372	-	3	3
Verdis	Warsaw	Q4 2015	441	26,039	441	436	3	1,427	2	-	2
Nova Królikarnia 3c	Warsaw	Q2 2021	23	2,298	23	22	1	1,401	-	-	-
Panoramika V	Szczecin	Q3 2020	115	5,992	115	113	2	1,159	-	-	-
Młody Grunwald I	Poznań	Q2 2014	148	8,575	148	144	2	982	2	-	2
Miasto Moje I	Warsaw	Q2 2018	205	10,917	205	204	1	819	-	-	-
Młody Grunwald III	Poznań	Q4 2017	108	7,091	107	106	1	694	-	1	1
Grunwald2	Poznań	Q2 2020	268	14,456	268	267	1	624	-	-	-
Others			8	480	4	-	2	2,229	2	4	6
Total excluding JV			1,903	108,309	1,895	1,599	288	124,161	8	8	16
Wilanów Tulip	Warsaw	Q3 2021	149	9,574	148	122	25	16,883	1	1	2
Total including JV			2,052	117,882	2,043	1,721	313	141,044	9	9	18

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Business highlights during the year ended 31 December 2022

B. Units sold during the period

The table below presents information on the total number of units sold (i.e. total number of units for which the Company signed the preliminary sale agreements with the clients), including net saleable area (in m²) of the units sold and net value (exclusive of VAT) of the preliminary sales agreements (including also parking places and storages) executed by the Company during the year ended 31 December 2022:

Project name	Location	Total Project Saleable area (m ²)	Total project units	Units sold until 31 December 2021	Units sold during 12 months ended 31 December 2022	Net Sold area (m ²)	Value of the preliminary sales agreements (in PLN thousands)	Units for sale as at 31 December 2022
Miasto Moje VI ⁽²⁾	Warsaw	11,722	227	39	88	3,418	33,564	100
Ursus Centralny IIc ^{(2)/(4)}	Warsaw	11,124	235	3	71	3,165	33,044	161
Viva Jagodno IIb ⁽²⁾	Wrocław	8,876	152	-	64	3,224	26,461	88
Ursus Centralny IIb ⁽²⁾	Warsaw	11,758	206	124	30	1,751	17,530	52
Nowe Warzymice IV ⁽²⁾	Szczecin	3,818	75	-	31	1,364	12,072	44
Osiedle Vola ⁽²⁾	Warsaw	4,851	84	-	14	694	10,366	70
Ursus Centralny Ib ⁽¹⁾	Warsaw	5,740	97	87	10	596	5,659	-
Viva Jagodno IIa ⁽¹⁾	Wrocław	4,329	76	50	13	871	6,742	13
Nowe Warzymice III ⁽¹⁾	Szczecin	3,537	62	46	12	827	5,696	4
Grunwaldzka ⁽²⁾	Poznań	3,351	70	34	18	872	8,378	18
Miasto Moje IV ⁽¹⁾	Warsaw	8,938	176	167	9	637	5,967	-
Nowa Północ Ia ⁽²⁾	Szczecin	5,230	110	-	14	464	4,022	96
Nowe Warzymice I ⁽¹⁾	Szczecin	3,234	54	47	4	333	2,320	3
Miasto Moje V ⁽¹⁾	Warsaw	8,559	170	154	6	395	4,286	10
Eko Falenty I ⁽²⁾	Warsaw	4,304	42	-	4	518	3,833	38
Ursus Centralny IIe ⁽²⁾	Warsaw	16,246	280	-	5	145	1,550	275
Viva Jagodno III ⁽²⁾	Wrocław	3,140	58	-	3	110	923	55
Verdis ⁽¹⁾	Warsaw	26,039	441	439	2	96	769	-
Miasto Moje VII ^{(2)/(5)}	Warsaw	11,740	243	-	2	55	569	241
Młody Grunwald I ⁽¹⁾	Poznań	8,575	148	147	1	71	547	-
Między Drzewami ⁽²⁾	Poznań	5,803	117	-	24	1,051	10,610	93
Nowe Warzymice II ⁽¹⁾	Szczecin	3,492	66	63	1	88	671	2
Nova Królikarnia 4b1 (Thame) ⁽²⁾	Warsaw	2,566	11	-	-	-	-	11
Młody Grunwald III ⁽¹⁾	Poznań	7,091	108	107	-	-	-	1
Other	-	n.a	n.a	n.a	3	245	3,459	4
Total excluding JV		184,063	3,308	1,507	429	20,990	199,038	1,379
Wilanów Tulip ^{(1)/(3)}	Warsaw	9,574	149	136	12	901	8,760	1
Total including JV		193,637	3,457	1,643	441	21,892	207,797	1,380

(1) For information on the completed projects see "Business highlights during the year ended 31 December 2022 – A. Results breakdown by project".

(2) For information on current projects under construction, see "Outlook of 2032 – B. Current projects under construction and/or on sale".

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

(4) Part of the stage of Ursus Centralny IIc project is designated for PRS activity – comprises 121 units of an aggregate floor space of 4,935 m².

(5) Part of the stage of Miasto Moje VII project is designated for PRS activity – comprises 71 units of an aggregate floor space of 3,326 m².

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 2022	31 December 2021	In PLN	%
<i>In thousands of Polish Zlotys (PLN)</i>				
Warsaw	125,895	280,722	(154,827)	(55%)
Wrocław	34,127	48,969	(14,842)	(30%)
Szczecin	24,781	64,440	(39,659)	(62%)
Poznań	19,535	26,407	(6,872)	(26%)
Other	3,459	4,758	(1,299)	(27%)
Total	207,797	425,296	(217,499)	(51%)

Business highlights during the year ended 31 December 2022

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 2022:

Project name	Location	Number of units	Area of units (m ²)
Nowe Warzymice IV	Szczecin	75	3,818
Eko Falenty I	Warsaw	42	4,304
Miasto Moje VII	Warsaw	243	11,740
Ursus Centralny IIe	Warsaw	280	16,246
Nowa Północ Ia	Szczecin	110	5,230
Osiedle Vola	Warsaw	84	4,851
Grunwald Między Drzewami	Poznań	117	5,803
Nova Królikarnia 4b1 (Thame)	Warsaw	11	2,566
Viva Jagodno III	Wrocław	58	3,140
Total		1,020	57,698

For additional information see section “Outlook for 2022 – 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 2022:

Location	Type of agreement	Signed date	Agreement net value (PLN million)	Paid net till 31 December 2022 (PLN million)	Number of units	Potential PUM
Warsaw, Stojowskiego	final	11 Aug 2021, 11 Jan 2022	16.9	16.9	191	11,000
Warsaw, Dudka ⁽¹⁾	final	28 Oct 2021, 13 Jan 2022	51.4	51.4	1,081	43,754
Warsaw, Marynin	final	22 Feb 2022	25.9	25.9	148	8,100
Warsaw, KEN ⁽³⁾	final	29 Mar 2022	11.9	11.9	94	5,700
Warsaw, Marynin ⁽²⁾	final	15 Jun 2022	9.0	9.0	101	4,183
Warsaw, Zaborowska	final	16 Oct 2021, 31 Aug 2022	19.5	19.5	123	6,928
Warsaw, Wolska ⁽²⁾	final	23 Dec 2021, 19 Sep 2022	23.7	-	292	13,947
Warsaw, Epopei ⁽⁴⁾	final/preliminary	23 Nov 2020, 23 Dec 2022	20.0	20.0	432	20,700
Total			178.3	154.6	2,462	114,312

1) The part of the land designated for PRS activity

2) The land designated for PRS activity, the agreement amount of EUR 5 mio converted to PLN at the purchase date

3) According to the final agreement the former owner of the plot (Orange Polska S.A.) has the right to use the property till 31 December 2024, until it moves out its telecommunication technical infrastructure located in the Building, the user of the property will pay to the Company leasing fee for the time of usage

4) The Company signed final agreements for all land except for 1 land with the total value of PLN 1.45 million in which preliminary agreement is signed but not all conditions regarding this land were fulfilled. The payment is presented in line: advances for land.

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 (PLN million)	Paid net till 31 December 2022 (PLN million)	Number of units	Potential PUM
Warsaw, Ursus	preliminary	17 Jan 2021	140.0	10.0	1,860	85,000
Warsaw, Ochota	preliminary	10 Aug 2021, 5 Oct 2021	7.1	7.1	67	3,700
Warsaw, Włochy	preliminary	30 Dec 2021	16.0	2.0	142	8,400
Warsaw, Bielany ⁽¹⁾	preliminary	21 Mar 2022	11.0	1.0	242	4,559
Total			174.1	20.2	2,311	101,659

1) The land designated for PRS activity

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
2022 (12 months)	4.688	4.488	4.965	4.690
2021 (12 months)	4.567	4.454	4.721	4.599

Source: National Bank of Poland ('NBP')

Selected financial data	EUR*		PLN	
	(thousands, except per share data)			
	For the year ended 31 December			
	2022	2021	2022	2021
Revenues	64,240	105,715	300,259	480,899
Gross profit	16,993	18,620	79,427	84,701
Profit/(loss) before taxation	10,201	12,184	47,679	55,424
Net profit/(loss) for the period attributable to the equity holders of the parent	6,707	8,869	31,351	40,347
Cash flows from/(used in) operating activities	(23,914)	(428)	(111,774)	(1,947)
Cash flows from/(used in) investing activities	(1,669)	(2,181)	(7,800)	(9,923)
Cash flows from/(used in) financing activities	7,702	2,243	35,999	10,205
Increase/(decrease) in cash and cash equivalents	(17,597)	(366)	(82,249)	(1,664)
Average number of equivalent shares (basic)	162,442,859	162,445,075	162,442,859	162,445,075
Net earnings/(loss) per share (basic and diluted)	0.041	0.039	0.193	0.177

Selected financial data	EUR*		PLN	
	(thousands)			
	As at 31 December			
	2022	2021	2022	2021
Inventory and Land designated for development	157,778	144,711	768,348	665,583
Total assets	205,779	210,157	1,002,103	966,597
Advances received	28,730	43,098	139,911	198,227
Long term liabilities	37,493	45,888	182,583	211,057
Short term liabilities (including advances received)	75,593	72,943	368,124	335,495
Equity attributable to the equity holders of the parent	92,693	91,326	451,396	420,045

* 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 2022 comparing to 2021, when reviewing this data.

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

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

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Overview of results

The net profit attributable to the equity holders of the parent company for the year ended 31 December 2022 was PLN 31,351 thousand and can be summarized as follows:

	For the year ended		change	
	31 December			
	2022	2021	nominal	%
	PLN			
	(thousands, except per share data)			
Revenue from sales of residential units	300,259	457,677	(157,418)	(34.4%)
Revenue from sales of land	-	22,500	(22,500)	(100.0%)
Revenue from sale of services	-	722	(722)	(100.0%)
Revenues	300,259	480,899	(180,640)	(37.6%)
Cost of sales of residential units	(220,832)	(371,223)	150,391	(40.5%)
Cost of sales of land	-	(24,976)	24,976	(100.0%)
Cost of sales	(220,832)	(396,199)	175,367	(44.3%)
Gross profit	79,427	84,700	(5,273)	(6.2%)
Changes in the value of investment property	303	(297)	600	202.0%
Selling and marketing expenses	(4,565)	(4,760)	195	(4.1%)
Administrative expenses	(25,505)	(23,676)	(1,829)	7.7%
Share of profit/(loss) from joint venture	1,278	5,763	(4,485)	(77.8%)
Other expense	(2,486)	(2,494)	8	(0.3%)
Result from operating activities	48,452	59,236	(10,784)	(18.2%)
Finance income	3,520	600	2,920	486.7%
Finance expense	(8,414)	(4,412)	(4,002)	90.7%
Gain/loss in fair value of financial instrument at fair value through profit and loss	4,121	-	4,121	-
Net finance income/(expense)	(773)	(3,812)	3,039	(79.7%)
Profit/(loss) before taxation	47,679	55,424	(7,745)	(14.0%)
Income tax benefit/(expenses)	(16,328)	(15,077)	(1,251)	8.3%
Net profit/(loss) for the period before non-controlling interests	31,351	40,347	(8,996)	(22.3%)
Net profit/(loss) for the period attributable to the equity holders of the parent	31,351	40,347	(8,996)	(22.3%)
Net earnings/(loss) per share attributable to the equity holders of the parent (basic and diluted)	0.193	0.248	(0.055)	(22.2%)

Revenue from sales and services of residential projects

The revenue from sales and services of residential units decreased by PLN 157.4 million (34.4%) from PLN 457.7 million during the year ended 31 December 2021 to PLN 300.3 million during the year ended 31 December 2022, which is primarily explained by the delivery of lower number of units (720 units) to the customers characterized by a lower units average selling price (PLN 417 thousands per unit) during the year ended 31 December 2022, comparing to the 885 units delivered during the year ended 31 December 2021 (in terms of fully owned projects) with an average price of PLN 517 thousands per unit.

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

Overview of results

Cost of sales of residential units

Cost of sales of residential units decreased by PLN 150.4 million (40.5%) from PLN 371.2 million during the year ended 31 December 2021 to PLN 220.8 million during the year ended 31 December 2022. The decrease relates to lower number of units delivered during the year ended 31 December 2022 and a different mix of projects delivered to the customers characterized by a different profitability compared to higher number of units delivered during the year ended 31 December 2021.

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

Gross margin

The gross margin from sales and services of residential units during the year ended 31 December 2022 amounted 26.5% which increased comparing to 19.0% during the year ended 31 December 2021. 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 2022 compared to the mix of projects delivered to customers during the year ended 31 December 2021.

During year ended 31 December 2022 the projects that significantly impacted revenues and 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 profit margin of 24.2%, 32.4% and 26.9%), comparing to the period ended 31 December 2021 when the projects that significantly impacted revenues and profitability of the Group were: Miasto Moje IV, Viva Jagodno I, Vitalia III and Ursus Centralny Ia (contributed respectively PLN 14.6 million, PLN 11.0 million, PLN 8.3 million and PLN 9.8 million to the gross profit representing a gross profit margin of 31.1%, 25.1%, 18.1% and 17.3%).

During year ended 31 December 2021 the gross margin has been negatively impacted by the loss generated on sold land in the total amount of PLN 2.5 million.

Selling and marketing expenses

Selling and marketing expenses decreased by PLN 0.2 million (4.1%) from PLN 4.8 million during the year ended 31 December 2021 to PLN 4.6 million during the year ended 31 December 2022. The small difference in the costs between the years is primarily explained by higher marketing efforts during the year ended on 31 December 2022 which resulted still in lower number of sold units (441 units sold during the year ended 31 December 2022 compared to 877 units sold during the year ended 31 December 2021). During the reporting period the Company invested in its marketing activities in order to attract new clients and continued its new marketing strategy, adjusting to the market situation being a result of the effect of the high interest rates in mortgage loans on client ability to buy apartments, as well as negative perspectives on the future economy development due to the Russian invasion on Ukraine. On the other hand in the year ended 31 December 2021 the Group managed to provide very effective marketing strategies adjusting to the Covid-19 pandemic.

Administrative expenses

Administrative expenses increased by PLN 1.8 million (7.7%) from PLN 23.7 million in the year ended 31 December 2021 to PLN 25.5 million ended 31 December 2022, which is primarily explained by higher personnel expenses due to increase in number of employees and increase in salaries, higher delegation costs due to potential investors relations as well as increase in taxes.

Net finance income/(expenses)

Finance income/(expenses) is accrued and capitalized as part of the cost price of inventory to the extent that is directly attributable to the construction of residential units. Unallocated finance income/(expenses) not capitalized is recognized in the statement of comprehensive income. Net finance expenses decreased by PLN 3.0 million (79.0%) from PLN 3.8 million during the year ended 31 December 2021 to PLN 0.8 million during the year ended 31 December 2022. It is mainly explained by the generated gain in fair value of financial instrument at fair value through profit and loss in amount of PLN 4.1 million as well as interests from deposits and positive exchange rates valuations, compensated on the other hand by increase in the interests from bond loans due to growth of WIBOR rate.

Overview of selected details from the Consolidated Statement of Financial Position

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

	As at 31 December 2022	As at 31 December 2021
<i>PLN (thousands)</i>		
Inventory and Residential landbank	768,348	665,583
Investment properties	63,139	28,596
Advances received	139,911	198,227
Loans and borrowings	219,667	250,806
Financial liability measured at FVPL	70,506	-

Inventory and residential landbank

The balance of Inventory and Residential landbank amounted to PLN 768.4 million as at 31 December 2022 compared to PLN 665.6 million as at 31 December 2021. The increase is primarily explained by purchases of land during the year ended 31 December 2022 in the total amount of PLN 88.3 million and investments in direct construction costs and capitalized finance costs for a total amount of PLN 229.3 million, which is partly offset by the recognized costs of sales in the total amount of PLN 220.8 million.

Investment properties

The balance of Investment properties is PLN 63.1 million as at 31 December 2022 compared to PLN 28.6 million as at 31 December 2021. The increase is primarily explained by purchase of new investment land dedicated for PRS business during the year ended 31 December 2022 in the total amount of PLN 34.1 million. As at 31 December 2022 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 139.9 million as at 31 December 2022 compared to PLN 198.2 million as at 31 December 2021. The decrease is explained by the revenues recognized from the sale of residential units for a total amount of PLN 300.3 million during the year ended 31 December 2022, which was offset by advances received from clients regarding sales of units during the period ended 31 December 2022 for a total amount PLN 242.1 million.

Loans and borrowings

The total of short-term and long-term loans and borrowings is PLN 219.7 million as at 31 December 2022 compared to PLN 250.8 million as at 31 December 2021. The decrease in loans and borrowings is primarily explained by the effect of net repayment of series T bond loans in total amount of PLN 50.0 million, compensated by net proceeds from secured bank loans in the amount of PLN 16.3 million (mainly credit loan for Miasto Moje VI with balance PLN 11.8 million). Average level of debt from bonds loans as at 31 December 2022 amounted to PLN 203.4 million, out of which an amount of PLN 45.3 million comprises facilities maturing no later than 31 December 2023. The balance of bond loans comprises of: principal amount of PLN 200.0 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 1.9 million). For additional information see Note 23 of the Consolidated Financial Statements.

Financial liability measured at FVPL

On 30 January 2022 and 22 February 2022, the Company entered into 5 separate SAFE agreements with Israeli institutional investor ("SAFE") raising a total amount of ILS 60 million, equivalent of PLN 70.5 million as at 31 December 2022. The agreement is classified as financial liability according to IFRS endorsed by EU. For further information regarding the set off of the agreement please see Note 25 of the Consolidated Financial Statements.

Overview of cash flow results

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

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

	For the period of year ended 31 December	
	2022	2021
	<i>PLN (thousands)</i>	
Cash flows from/(used in) operating activities	<u>(111,774)</u>	<u>(1,947)</u>
Cash flow from/(used in) investing activities	<u>(7,800)</u>	<u>(9,923)</u>
Cash flow (used in)/from financing activities	<u>35,999</u>	<u>10,205</u>

Cash flow from/(used in) operating activities

The Company's net cash outflow from operating activities for the year ended 31 December 2022 amounted to PLN 111.7 million comparing to a net cash outflow from operating activities during the year ended 31 December 2021 amounting to PLN 1.9 million. The decrease by PLN 109.8 million is primarily explained by:

- net cash outflow increase of PLN 194.7 million due to decrease in advances received from clients in the total amount from PLN 436.8 million in the year ended on 31 December 2021 comparing to PLN 242.1 million received during the year ended on 31 December 2022;
- increase in cash held in escrow account from PLN 8.8 million on 31 December 2021 to PLN 11.2 million on 31 December 2022 which result in net cash outflow of PLN 2.4 million;

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

- the decrease of PLN 58.5 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 113.8 million purchased for the year ended on 31 December 2021;
- decrease in the amount paid for income taxes of PLN 11.0 million, resulting from the payment of taxes in the amount of PLN 9.0 million in the period ended 31 December 2022 comparing to payment of taxes in amount of PLN 20.0 million in the period ended million 31 December 2021.

Cash flow from/(used in) investing activities

The Company's net cash outflow used in investing activities amounted to PLN 7.8 million during the year ended 31 December 2022 compared to net outflow from investing activities in comparative period in the amount of PLN 9.9 million. The change is primarily explained by net cash outflow due to acquisition of investment properties land for the PRS activity in the total amount of PLN 10.5 million in the year ended on 31 December 2022 compared to PLN 19.9 million in the year ended on 31 December 2021. The change is partially compensated by higher inflows from joint ventures in year ended 31 December 2021 in the total amount PLN 11.8 million comparing to inflows in the period ended 31 December 2022 in the amount PLN 3.0 million.

Overview of cash flow results

Cash flow from/(used in) financing activities

The Company's net cash inflow from financing activities amounted to PLN 36.0 million during the year ended 31 December 2022 compared to a net cash inflow from financing activities amounted to PLN 10.2 million during the year ended 31 December 2021. The change is primarily explained by:

- net inflow of proceeds received from the SAFE agreement in the amount of PLN 74.6 million;
- non-payment of loans from others during the period of the year ended 31 December 2022 compared to PLN 6.7 million during analogical period ended on 31 December 2021;
- 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 17.2 million during analogical period ended on 31 December 2021;
- net inflow from secured bank loans in the amount of PLN 12.6 million during year ended on 31 December 2022 comparing to PLN 0.7 million inflow during year ended on 31 December 2021.

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
2022 (12 months)	4.688	4.488	4.965	4.690
2021 (12 months)	4.567	4.454	4.721	4.599
<i>Source: National Bank of Poland ("NBP")</i>				
Selected financial data	EUR		PLN	
	(thousands, except per share data)			
For the 12 months ended 31 December				
	2022	2021	2022	2021
Revenues from management services	833	1,319	3,904	6,025
Financial income (Wise majority from loans granted to subsidiaries)	4,412	1,408	20,681	6,430
Financial expenses (Wise majority from Interest on bonds)	(3,296)	(2,791)	(15,449)	(12,746)
Profit including results from subsidiaries	6,458	8,835	30,272	40,347
Cash flows from/(used in) operating activities	(2,970)	(3,900)	(13,924)	(17,812)
Cash flows from/(used in) investing activities	(3,880)	(3,462)	(18,188)	(15,809)
Cash flows from/(used in) financing activities	5,254	1,400	24,626	6,393
Increase/(decrease) in cash and cash equivalents	(1,314)	(3,196)	(6,159)	(14,596)
Average number of equivalent shares (basic)	162,442,859	162,445,075	162,442,859	162,445,075
Net earnings/(loss) per share (basic and diluted)	0.040	0.054	0.186	0.248
Selected financial data	EUR		PLN	
	(thousands)			
As at				
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Investment in subsidiaries	94,943	99,676	445,275	458,449
Loan granted to subsidiaries	58,974	43,447	276,581	199,828
Total assets	155,582	145,986	729,664	671,447
Long term liabilities	34,421	42,985	161,433	197,705
Short term liabilities	25,142	11,675	117,914	53,697
Equity	96,019	91,326	450,317	420,045

Outlook for 2023

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 2023:

Project name	Location	Number of residential units delivered ⁽¹⁾			Number of residential units expected to be delivered ⁽¹⁾			Total project
		Until 31 December 2021	During the period ended 31 December 2022	Total units delivered	Units sold not delivered as at 31 December 2022	Units for sale as at 31 December 2022	Total units expected to be delivered	
Ursus Centralny IIa	Warsaw	57	194	251	-	-	-	251
Miasto Moje V	Warsaw	-	155	155	5	10	15	170
Ursus Centralny Ib	Warsaw	-	97	97	-	-	-	97
Nowe Warzymice II	Szczecin	-	64	64	-	2	2	66
Viva Jagodno IIa	Wrocław	-	59	59	4	13	17	76
Nowe Warzymice III	Szczecin	-	57	57	1	4	5	62
Miasto Moje IV	Warsaw	123	51	174	2	-	2	176
Panoramika VI	Szczecin	51	24	75	-	-	-	75
Nowe Warzymice I	Szczecin	47	4	51	-	3	3	54
Verdis	Warsaw	436	3	439	2	-	2	441
Panoramika V	Szczecin	113	2	115	-	-	-	115
Nova Królikarnia 3a	Warsaw	29	2	31	-	-	-	31
Młody Grunwald I	Poznań	144	2	146	2	-	2	148
Młody Grunwald III	Poznań	106	1	107	-	1	1	108
Other (old) projects		-	5	-	2	4	6	6
Total excluding JV		1,106	720	1,821	18	37	55	1,876
Wilanów Tulip ⁽²⁾	Warsaw	122	25	147	1	1	2	149
Total including JV		1,228	745	1,968	19	38	57	2,025

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

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

For information on the completed projects see "Business highlights during the year ended 31 December 2022-A. Results breakdown by project".

Outlook for the year 2023

B. Current projects under construction and/or on sale

The table below presents information on projects for which completion is scheduled for the years 2023-2025. 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 2022	Units for sale as at 31 December 2022	Total units	Total area of units (m ²)	Expected completion of construction
Ursus Centralny IIb	Warsaw, Ursus, Gierdziejewskiego st.	Q1 2021	154	52	206	11,758	Q1 2023
Grunwaldzka	Poznań, Grunwaldzka st.	Q2 2021	52	18	70	3,351	Q2 2023
Miasto Moje VI	Warsaw, Bialoleka, Marwilska st.	Q3 2021	127	100	227	11,722	Q2 2023
Ursus Centralny IIc	Warsaw, Ursus, Gierdziejewskiego st.	Q4 2021	74	161	235	11,124	Q2 2023
Nowe Warzymice IV	Szczecin, Do Rajkowa st.	Q1 2022	31	44	75	3,818	Q2 2023
Viva Jagodno IIb	Wrocław, Jagodno, Buforowa st.	Q4 2021	64	88	152	8,876	Q3 2023
Eko Falenty I	Falenty Nowe, Droga Hrabaska st.	Q1 2022	4	38	42	4,303	Q3 2023
Osiedle Vola	Warsaw, Wola, Studzienna st.	Q2 2022	14	70	84	4,851	Q4 2023
Nowa Północ Ia	Szczecin, Bogusława Świątkiewiczza st.	Q3 2022	14	96	110	5,230	Q4 2023
Między Drzewami	Poznań, Smardzewska st.	Q4 2022	24	93	117	5,803	Q3 2024
Viva Jagodno III	Wrocław, Jagodno, Buforowa st.	Q3 2023 ⁽¹⁾	3	55	58	3,140	Q4 2024 ⁽³⁾
Miasto Moje VII	Warsaw, Bialoleka, Marwilska st.	Q1 2023 ⁽²⁾	2	241	243	11,740	Q4 2024 ⁽³⁾
Nova Królikarnia 4b1 (Thame)	Warsaw, Srebrnych Świerków	Q1 2023 ⁽³⁾	-	11	11	2,566	Q2 2024 ⁽³⁾
Ursus Centralny IIe	Warsaw, Ursus, Gierdziejewskiego st.	Q2 2023 ⁽³⁾	5	275	280	16,246	Q2 2025 ⁽³⁾
Subtotal			568	1,342	1,910	104,528	

(1) Part of the stage of Ursus Centralny IIc project is designated for PRS activity – comprises 121 units of an aggregate floor space of 4,935 m².

(2) Part of the stage of Miasto Moje VII project is designated for PRS activity – comprises 71 units of an aggregate floor space of 3,326 m².

(3) The sales on the projects started, the construction start and completion date are expected dates based on current Management estimations.

C. Projects for which construction work is planned to commence during 2023

Project name	Location	Total units	Total area of units (m ²)
Nova Królikarnia 3d	Warsaw	15	2,191
Zielono Mi I	Warsaw	92	5,440
Skyline	Poznań	48	4,100
Total		155	11,731

Outlook for the year 2023

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

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

Project name	Location	Number of the sold but not delivered units signed with Clients	Value of the preliminary sales agreements signed with clients	Completed / expected completion of construction
Miasto Moje V ⁽¹⁾	Warsaw	5	2,526	Completed
Viva Jagodno IIa ⁽¹⁾	Wrocław	4	2,087	Completed
Miasto Moje IV ⁽¹⁾	Warsaw	2	1,492	Completed
Moko I ⁽¹⁾	Warsaw	1	1,178	Completed
Młody Grunwald I ⁽¹⁾	Poznań	2	964	Completed
Nowe Warzymice III ⁽¹⁾	Szczecin	1	612	Completed
City Link III ⁽¹⁾	Warsaw	1	580	Completed
Verdis ⁽¹⁾	Warsaw	2	715	Completed
Moko II ⁽¹⁾	Warsaw	-	110	Completed
Other (old) projects ⁽¹⁾		-	162	Completed
Subtotal completed projects excluding JV		18	10,424	
Wilanów Tulip ⁽¹⁾⁽³⁾	Warsaw	1	759	Completed
Subtotal completed projects including JV		19	11,184	
Ursus Centralny IIb ⁽²⁾	Warsaw	154	82,039	2023
Miasto Moje VI ⁽²⁾	Warsaw	127	50,367	2023
Ursus Centralny IIc ⁽²⁾	Warsaw	74	34,565	2023
Viva Jagodno IIb ⁽²⁾	Wrocław	64	26,461	2023
Grunwaldzka ⁽²⁾	Poznań	52	21,014	2023
Nowe Warzymice IV ⁽²⁾	Szczecin	31	12,072	2023
Eko Falenty I ⁽²⁾	Warsaw	4	3,833	2023
Nowa Północ Ia ⁽²⁾	Szczecin	14	4,022	2023
Osiedle Vola ⁽²⁾	Warsaw	14	10,366	2023
Grunwald Między Drzewami ⁽²⁾	Poznań	24	10,610	2024
Viva Jagodno III ⁽²⁾⁽⁴⁾	Wrocław	3	923	2024
Miasto Moje VII ⁽²⁾⁽⁴⁾	Warsaw	2	569	2024
Ursus Centralny IIe ⁽²⁾⁽⁴⁾	Warsaw	5	1,550	2025
Subtotal ongoing projects		568	258,390	
Total		587	269,574	

(1) For information on the completed projects see "Business highlights during the year ended 31 December 2022–A. Results breakdown by project".

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

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

(4) Projects where the Company started the sales but did not start construction process until 31/12/2022

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

The Company's and the Group's business activities are significantly affected by global events, and their impact on the Polish economy. In addition to the COVID-19 effect which the Company was experiencing over the last two years and the Russia - Ukraine conflict, which started beginning of 2022, the most important macroeconomic factors effecting the Company and the Group are: the level of development of the Polish economy, the level of interest rates in Poland, the inflation rate, the financial stability of banks and their ability to provide financing to developers and their customers as well as the ability of other financial institutions to invest in corporate bonds.

In terms of risks specific for the sector, in which the Group operates, the most significant uncertainties for the financial year ending 31 December 2022 and for the next months would be: a potential further increase in construction costs, the challenge of securing lands for reasonable prices, the significant impact of increased costs and land prices on the margins of new phases and projects, a prolongation of administrative procedures and an increasing competition in the market. In addition to the above the year 2022 was very challenging with respect to other risk factors in the market in particularly the high inflation rate and very high interest rate on bank loans, which were the main factors influencing the Company activity and they will have an important influence on Group's operations in the nearest future.

Construction cost risk

Construction costs increased significantly over the last 2 years, and high increase especially in the 4th quarter of the 2022. There is a high risk that building costs may still be rising during 2023. The increase was mainly related to increase of raw materials and energy costs influencing directly and indirectly the costs of production adding to that the pandemic situation and shortage of construction employees. The Company and the Group do not operate in a construction business, but, instead, for each project an agreement is concluded with a third-party general contractor, who is responsible for running the construction and for finalizing the project including obtaining all permits necessary for safe use of the apartments.

In the year 2021 there were many changes in the constructions law, which impacted the cost of constructions as well as sharp increase in inflation rate, costs of raw materials and energy costs.

In terms of construction law, the biggest change refers to the increase in fire safety in case of a change in the use of the building or its part. The notification should be accompanied by an expert's opinion on fire safety, which by the end might be reflected in the construction costs offered by the general contractor.

Ordinance No. 1715/2021 of the President of the Capital City of Warsaw dated October 19, 2021 on determining the principles of concluding agreements specifying the terms of construction or reconstruction of public roads by investors of non-road investments and appointing a team for cooperation with investors of non-road investments, which came into force on January 1, 2022, regulated the procedure for the City of Warsaw to conclude agreements with investors for the construction or reconstruction of roads caused by non-road investments (based on Article 16 of the Act on Public Roads dated March 21, 1985). Pursuant to Article 16 of the Law on Public Roads, the construction or reconstruction of public roads caused by a non-road investment is the responsibility of the investor in the project. The provision in question specifies that the detailed conditions for the construction or reconstruction of these public roads shall be determined by an ordinance concluded between the road manager and the investor of the non-road investment. The Ordinance regulates, among other things, the procedure for concluding the agreement and the rates at which the value of the road investment in which the investor in question will bear his share is calculated, according to the size of the planned investment. The new procedure will cover commercial service facilities with a floor area of more than 1,000 sqm and other investments with a floor area of more than 5,000 sqm.

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

Construction cost risk

In addition, a number of regulations forcing the introduction of green solutions in newly designed buildings came into force in 2022:

- on December 24, 2021, the Act of December 2, 2021, amending the Act on Electromobility and Alternative Fuels and certain other laws came into force - this act, among other things, implements EP Directive 2018/844 on the energy performance of buildings, and based on these regulations, residential buildings will be required to be designed to provide for each parking space inside and adjacent to the building electrical conduits and cables to enable the installation of charging points;
- on October 7, 2022, an amendment to the Act on the Energy Performance of Buildings and the Construction Law was adopted. The new solutions result, among other things, from the need to improve the effectiveness of the current system for assessing the energy efficiency of buildings in Poland. The planned solutions include changes to the requirements for the inspection of heating systems and air conditioning systems, expanding the scope of systems subject to inspection (this will apply to systems with a capacity of more than 70 kW.). In addition, it is planned to provide universal access to the basic information contained in energy performance certificates collected in the central register of energy performance of buildings. The substantive quality of the energy performance certificates drawn up is also to be raised (this will also apply to protocols drawn up from the inspection of the heating system or air conditioning system).

In order to mitigate the risk of rising construction costs, the Company and the Group are signing a lump-sum contract with a general contractor, which will allow the Group to complete the project based on the planned budget.

Risk of non-performance by General Contractors

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

Financing risk

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

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

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, access to mortgages decreased significantly mainly due to high interest rates and the KNF's tightening of rules for calculating creditworthiness resulting in sharp declines in sales in the housing sector. The sharp increase in interest rates has significantly affected and will continue to affect a large proportion of mortgage borrowers seeking home mortgage financing and the lower availability of mortgage loans due to the lower creditworthiness of individuals. The Company is monitoring the situation on an ongoing basis and offering administrative assistance to its customers in obtaining loans.

Interest rate risk

A vast majority of loans and borrowings obtained by the Group is against variable interest rates that are based on 6 months WIBOR rates plus a margin. As at 31 December 2022 the 6M WIBOR rate reached 7.14% (as at 31 December 2021 amounted to 2.84%) which reflects 12 month increase of 151.4%. The changes in the WIBOR rates will have material impact on the cash flow and the profitability of the Group.

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 2024, while the implementation by market participants of a new offer of financial products using the WIRON index is planned for 2023 and 2024. The method of replacing the existing rates by WIRON will be regulated in the Ordinance of the Minister of Finance planned for 2023, which will specify the dates of replacement and adjustment spread. The assumptions of the Road Map also indicate that the WIBOR and WIBID reference indices will cease to be published from the beginning of 2025.

Administration

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

Risk related to regulations. Risks related to the interpretation and application of regulations

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

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

Risk related to regulations. Risks related to the interpretation and application of regulations

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

- Entry into force on 1 January 2022 of the new Polish Order which according to its assumptions, assumes resignation from the possibility of including depreciation charges on houses and flats in tax costs was especially important tax benefit to individuals and companies planning to purchase a property for rent;
- Regulations on developers' participation in the cost of road and infrastructure construction in Warsaw, effective January 1, 2022. The regulations are to apply to developments of more than 5,000 sqm PUM. As the Company understands it, the idea behind the Ordinance is to systematize the rules of contracting under Article 16 of the Public Roads Act of March 21, 1985, by allowing a specific amount of participation (in accordance with a set price list of fees depending on the location of the investment) to be determined at the design stage of the investment in exchange for an expedited road contracting process;
- the Act on the Protection of the Rights of the Purchaser of a Dwelling or Single-Family House and the Developer Guarantee Fund, which is effective as of 1 July 2022, where its provisions require the Company to deposit 0.45% of the amounts received from customers in the designated fund - in the case of an open trust account and 0.1% in the case of a closed trust account.

Effect of the War Conflict 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. The upward trend in global oil, gas and coal prices observed since the beginning of 2021 increased sharply after Russia's invasion of Ukraine due to sanctions imposed on Russia, pushing up inflation to levels not seen in Europe for decades.

According to a recent update of a World Bank publication, Poland's economic growth in 2023 is expected to slow more than initially thought, as the ongoing war in Ukraine has dimmed the prospects for a post-pandemic recovery in Europe.

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 is currently one of the highest in the European Union. The Polish government's decision to completely abandon imports of Russian energy resources by the end of 2022 has also influenced activities related to the acquisition of new sources of supply, particularly coal, and the intensification of investments aimed at energy diversification.

The Polish government has also taken measures to reduce the increase in energy prices for citizens and businesses in the form of subsidies for coal and other energy resources and a freeze on electricity prices for vulnerable consumers.

In order to curb rising inflation, the Monetary Policy Council of the National Bank of Poland (NBP) raised reference interest rates for the eleventh time in a row in September 2022, resulting in a huge increase in loan instalments for borrowers and consequently worsening the situation of many households. In order to counteract the deterioration in the financial situation of borrowers, the Polish parliament introduced a consumer support programme. It includes, among other things, four months of credit holidays in 2022 and four in 2023. The government has also increased the level of the Borrower Support Fund and made it easier to apply for assistance from it.

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.

In addition, as a consequence of the armed conflict in Ukraine, the supply chains of materials from eastern markets were disrupted and, due to the outflow of workers from Ukraine, the demand for workers on construction sites also increased.

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

Effect of the War Conflict on the Polish economy and real estate industry

On the other hand, however, according to the Management Board's observation, high interest rates will also force more people to enter the rental market as they will no longer be able to afford mortgages, putting even more pressure on the available rental stock. It is important to recognise that due to increasing geopolitical and economic risks, the war conflict in Ukraine will continue to intensify factors such as high inflation, increased construction costs and more restrictive financing policies for new developments and mortgages.

The Company is monitoring the situation on an ongoing basis to assess its impact on business operations. As part of its strategy, the Company will evaluate its currently planned projects and initiate projects that will be secured with bank financing and have the best chance of success in the near future, all with the aim of mitigating the impact of this crisis on the Company's business as much as possible

Inflation risk

At the beginning of 2022, prices of energy and agricultural commodities were high and significantly exceeding their levels seen since last year. Inflation slightly decreased to 16.6% in December from November's 17.9%. December's result represented the highest inflation rate since March 1997. According to the Statistical office of Poland (GUS), the main factors contributing to the high inflation rate are driven by cost of housing and utilities (22.6%), transport (13.3%) and food and non-alcoholic beverages (21.5%), as well as increase in USD/PLN and EUR/PLN exchange rates.

The inflation growth and with it the NBP reference interest growth affects the polish economy in many aspects and the real estate residential sector in the following:

- the risk of average mortgage rates increase which might result in decline in volume of mortgages granted 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.

The Management Board understand that the process of stabilising the inflation is long and that it may take significant efforts and time, due to that it is continuing monitoring the situation, and is prepared to adopt further actions, if necessary, in order to reduce as much as possible the effect of the inflation and interest rates increase on the Company's operations and strategy.

Assessment of the Group's finance management

In 2022, 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 the investors agreement "SAFE" in the total amount of PLN 74.6 million and on the other hand managed to repay the bonds series T in the total amount of PLN 50.0 million.

The Group's leverage ratios have remained at a safe level as at 31 December 2022. 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 2022 was 50.5 %.

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

As at 31 December	2022	2021
<i>In thousands of Polish Zlotys (PLN)</i>		
Loan and borrowings, including current portion	203,370	249,238
Secured bank loans	16,297	1,568
Financial liability measured at FVPL	70,506	-
IFRS 16 - Lease liabilities related to cars	363	292
Less: cash and cash equivalents	(51,185)	(133,434)
Less: other current financial assets	(11,217)	(8,794)
Net debt	228,134	108,870
Total equity	451,396	420,045
Total capital employed	679,530	528,915
Total assets	1,002,103	966,597
Debt to equity ratio	64.4%	59.8%
Net debt to equity ratio	50.5%	25.9%
Equity ratio	45.0%	43.5%
Leverage ratio	33.6%	20.6%
Liquidity Ratios	2022	2021
Current assets	898,467	907,345
Inventory and advance for land	767,904	703,995
Short term liabilities less advances received	228,213	137,268
Cash and cash equivalents	51,185	133,434
Current ratio <i>current assets / short-term liabilities less advances received</i>	3.94	6.61
Quick ratio <i>current assets less inventory and advance for land / short-term liabilities less advances received</i>	0.57	1.48
Cash ratio <i>cash and cash equivalents / short-term liabilities less advances received</i>	0.22	0.97

Information on secured bank loans, bonds, sureties and guarantees

Bonds loans contracted or redeemed

On 19 May 2022, the Company repaid all outstanding 50,000 series T bonds with total nominal value of PLN 50,000 thousand together with its accrued interest on the amount of PLN 1,125 thousands. After this repayment, the total number of outstanding bonds series T was zero.

Bank loans contracted or repaid

On 28 January 2022 the Company signed agreements for bank loans for Miasto Moje VI project in amount up to PLN 59.6 million.

On 11 April 2022 the Company signed agreement for bank loans for Ursus Centralny 2c projekt in amount up to PLN 61.9 million.

On 15 July 2022 the Company signed agreement for bank loan for Nowe Warzymice IV project in amount up to PLN 20.0 million.

On 15 July 2022 the Company signed agreement for bank loan for Viva Jagodno IIb project in amount up to PLN 38.85 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 2022 are presented in the table below:

Entity name	Amount of guarantee
	<i>In thousands of Polish Zlotys (PLN)</i>
DANYA CEBUS ISRAEL	34,200
BNP Paribas	8,782
Credit Agricole	7,981
Bank Discount ⁽¹⁾	6,248
Tokio Marine HCC	3,195
Bank Pekao S.A.	2,520
Wiener Vienna Insurance Group	1,625
InterRisk TU S.A.	1,080
Wiener Insurance company	958
ING Bank	835
SANTANDER	443
InterRisk	76
Total	67,942

1. the guarantee amount is 5 million ILS and translated to PLN base on the exchange rate as at 31.12.2022

Guarantees provided by the Group

The table below present sureties that were provided only by the Group as at 31 December 2022 to banks with respect to the construction loan contracts signed by the Company's subsidiaries:

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

As at 31 December 2021 there were guarantees provided to Powszechna Kasa Oszczędności Bank Polski S.A. in the amount of PLN 7.0 million with respect to the construction loan contracts granted by the Company.

Additional information to the report

Changes in the Management and Supervisory Board during the year ended 31 December 2022 and until the date of publication of this report

In connection with the withdrawal of the Company's shares from trading on the regulated market operated by WSE, on 26 May 2022 the Extraordinary General Meeting of the Company decided to introduce certain changes to the Articles of Association of the Company. In relation to the Management Board and Supervisory Board main changes are as follows:

- a. resignation from the joint term of office of members of the Management Board and of the Supervisory Board,
- b. decrease of minimum number of the Supervisory Board members from 5 to 3,
- c. deletion of requirement to establish the Audit Committee and the Remuneration Committee in the Supervisory Board.

In connection with the abovementioned changes, that were registered in the National Registry Court on 30 June 2022, on 7 July 2022 the Extraordinary General Meeting of the Company decided about:

- a. the end of the period of the current joint term of office of the Supervisory Board of the Company in connection with the amendment of the Company's Articles of Association and the expiry of the mandates of the current members of the Supervisory Board of the Company;
- b. the re-appointment to the Supervisory Board of Amos Luzon, Alon Kadouri and Ofer Kadouri (i.e. three of previous six members of the Supervisory Board);
- c. the end of the period of the current joint term of office of the Management Board of the Company in connection with the amendment of the Company's Articles of Association and the expiry of the mandates of the current members of the Management Board of the Company;
- d. re-appointment to the Management Board of the Company of all its existing members to the same functions (i.e. Boaz Haim as President of the Management Board, Yaron Shama as Finance Vice-President of the Management Board, Andrzej Gutowski as Sales Vice-President of the Management Board and Karolina Bronszewska as Marketing and Innovation Member of the Management Board).

Also in connection with the abovementioned changes, on August 29, 2022 the Supervisory Board of the Company adopted following resolutions regarding:

- a. appointment of Amos Luzon as the Chairman of the Supervisory Board;
- b. resignation from the application of the Rules of Procedure of the Supervisory Board of Ronson Development SE;
- c. dissolution of the Audit Committee of the Supervisory Board and resignation from the application of its Rules;
- d. dissolution of the Remuneration Committee of the Supervisory Board and resignation from the application of its Rules.

Changes in ownership of shares and rights to shares by Management and Supervisory Board members during the year ended 31 December 2022 and until the date of publication of this report

Mr Amos Luzon, member of the Supervisory Board, as at 31 December 2021 held 71.14%, while as at 31 December 2022 held 68.14% and as at the day preceding the publication of this report held 66.42% of the shares and voting rights in A. Luzon Group (to the best of the Company's knowledge, inter alia through A. Luzon Properties and Investments Ltd., a private company owned by Mr Amos Luzon "99%"), and as a result, thus indirectly held a 94.95% of shares in the Company as at 31 December 2021, 100% as at 31 December 2022 and as at the day preceding the publication of this report.

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.

Additional information to the report

Agreements with shareholders

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

Agreements between shareholders

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

Changes in the Company's group structure

During the year ended 31 December 2022 there were the following changes in the Company's group structure:

1) Creation of new Companies:

- Ronson Development SPV12 Sp. z o.o.
- Ronson Development SPV13 Sp. z o.o.

All the above companies are 100% owned by Ronson Development SE.

2) On the 9 March 2022 the following companies were merged into Ronson Development South Sp. z o.o.:

- Ronson Development Creations Sp. z o.o.,
- Ronson Development Investment Sp. z o.o.,
- Ronson Development Metropol Sp. z o.o.,
- Ronson Development North Sp. z o.o.,
- Ronson Development Warsaw Sp. z o.o..

3) On the 18 August 2022 the company Semela Sp. z o.o. was merged into Ronson Development SPV7 sp. z o.o.

4) On the 22 August 2022 the following companies were merged into Ronson Development South Sp. z o.o.:

- AGRT Sp. z o.o.
- Ronson Espresso Sp. z o.o.

5) On the 13 October 2022 the following companies were merged into Tras 2016 Sp. z o.o.:

- Jaśminowa 2016 Sp. z o.o.
- Town 2016 Sp. z o.o.
- Enterprise 2016 Sp. z o.o.

The Company's group structure as at 31 December 2022 and 31 December 2021 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

There were no transactions and balances with related parties during the year ended 31 December 2022 other than described above: the remuneration of the Management Board, loans granted to related parties within the Group, the reimbursement of audit review costs and the consulting services agreement with A. Luzon Group, the major (indirect) shareholder, for a total monthly amount of PLN 70 thousand and covering travel and out of pocket expenses. All transactions with related parties were performed based on market conditions.

During the year ended 31 December 2022 the Group sold one apartment and one parking place to Mr. Boaz Haim for a total net amount (excluding VAT) of PLN 579.6 thousand.

Additional information to the report

Related parties' transactions

In addition, the Group sold three apartments to the company owned by Andrzej Gutowski for a total net amount (excluding VAT) of PLN 855 thousand. Those transactions were executed at arm's length basis and in adherence to the Group's policy regarding transactions with related-parties.

Option program

On November 28, 2022, Luzon Group announced a private issuance of options for shares of Luzon Group ("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 Luzon Group of NIS 0.01 par value, for an exercise price of 2 NIS (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 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 36 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

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. Haim will hold c.a. 2.38% of the issued and paid-up capital of Luzon Group and about 1.89% of the issued and paid-up capital of Luzon Group on a full dilution basis. The Option program envisages adjustments in case of various corporate events in Luzon Group (such as the issuance of shares or other options, merger, dividend distribution, etc.). The impact of the programme for the reporting year is insignificant.

Proceedings before the courts, arbitration or public administration authority

As of 31 December 2022, there was no individual proceeding before any court, authority competent for arbitration or public administration body, concerning the liabilities or receivables of the Company or the Group, the value of which would be at least 10% of the Company's shareholders' equity.

As at 31 December 2022 the total value of proceedings in progress any court, authority competent for arbitration or public administration body, concerning the liabilities or receivables of the Company and the Group amounted to about PLN 7.1 million out of which PLN 2.0 million relates to cases where Ronson Group is suing. With regard to the claims that the Company and the Group determined to be justified, provisions were established in the total amount of about PLN 3.7 million. For more information about the current litigations within the Group please refer to Note 30 and 37 of the Consolidated Financial Statements for the year ended 31 December 2022.

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 2022.

Employees

The average number of personnel employed by the Group – on a fulltime equivalent basis – during the year ended 31 December 2022 was 78 compared to 73 during the year ended 31 December 2021. There is 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 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 2022 nor in 2021.

Research and development

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

Environmental protection

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

Assessment of the possibility to implement investment projects

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

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 2022 was prepared and approved by the Management Board of the Company on 15 March 2023.

The 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

Warsaw, 15 March 2023