



INDEPENDENT AUDITOR'S REPORT ON THE AUDIT

To the General Meeting and the Supervisory Board of Ronson Development SE

Audit report on the annual consolidated financial statements

Opinion

We have audited the annual consolidated financial statements of Ronson Development SE Group (the 'Group'), for which the holding company is Ronson Development SE (formerly: Ronson Europe N.V.) (the 'Company') located in Warsaw, Al. Komisji Edukacji Narodowej 57, containing: the consolidated statement of financial position as at 31 December 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the period from 1 January 2018 to 31 December 2018 and notes to the consolidated financial statements, including a summary of significant accounting policies (the 'consolidated financial statements').

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and its consolidated financial performance and its consolidated cash flows for the period from 1 January 2018 to 31 December 2018 in accordance with required applicable rules of International Accounting Standards, International Financial Reporting Standards approved by the European Union ('IFRS') and the adopted accounting policies.

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the '*Auditor's responsibilities for the audit of the consolidated financial statements*' section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in our audit
<p>Revenue recognition</p> <p>Revenue arising from the multi-family residential real estate projects under development or construction contracts, represents the majority of the Group's total revenue amounting to 292 million zloty. During the audited period, the Group applied IFRS 15 "Revenues from contracts with customers" for first time.</p> <p>Revenues are recognized by the Group when performance obligations are satisfied and when the customer obtains control of the good (residential unit).</p> <p>The control is usually considered as transferred to the buyer when the residential units have been substantially constructed, the occupancy permit for the property has been issued, the apartment has been accepted by the customer (hand-over protocol has been signed between the buyer and the Company) and the full amount resulting from the sale agreement has been paid by the buyer. The remaining risks are considered by the Company's Management as insignificant. Consequently, the proper revenue recognition has been identified as a key audit matter.</p> <p>The Group's disclosures regarding revenue recognition, including the impact of new IFRS 15 standard, were presented</p>	<p>We have gained understanding of the revenue recognition process (including the implementation of IFRS15) with respect to sale of residential units, evaluated the design of the controls over the process and tested identified controls.</p> <p>Additionally, we have performed substantive audit procedures by, amongst others, detailed margin analyses, tests of details and tests of transactions to assess the correctness and completeness of revenue recognition and related cost of sales, including proper cut-off.</p> <p>We have also assessed the adequacy of the related disclosures in the Group's consolidated financial statements.</p>

<p>in notes 2 and 7 of the Group's consolidated financial statements.</p>	
<p>Inventory valuation</p> <p>Inventory consists of multi-family residential real estate projects under development or construction and is the most significant account in the consolidated financial statements of the Group. As of 31 December 2018 inventory amounted to 597 million zloty and represented 74% of the total consolidated assets. Inventory is measured at the lower of cost and net realizable value. The cost of inventory includes, amongst others, land or leasehold rights for land, construction costs, planning and design costs, perpetual usufruct fees and real estate taxes, borrowing costs and professional fees directly attributable to the project, construction overheads and other directly related costs.</p> <p>The Company assessed internally the net realizable value of the inventory and decreased the value when the net realizable value was lower than the cost. The net realizable value calculation is highly dependent on estimates like, amongst others, the estimated sales prices per m², the estimated construction costs and the expected timing of sales of the units. The Management assessed the valuation and accordingly possible write-downs on inventory for each project separately, according to the projection of revenues net off the cost of sales.</p> <p>As the value of inventory is significant to the financial statements and significant estimates are involved in the assessment of net realizable value, we have concluded that it is key audit matter.</p>	<p>We have gained understanding of the net realisable value estimation process, performed a walkthrough of the process and evaluated the design of the controls over the process.</p> <p>We determined that inventory is periodically assessed by the Company's management and the net realizable values are estimated based on appropriate data.</p> <p>We engage our internal real estate valuation specialists to assist us in obtaining an understanding of management's analyses. We evaluated the work of the Management, including the competence, with respect to the net realizable value assessment. We obtained an understanding of the net realizable value assessment processes and considered the internal controls in this process as being adequate in design and implemented in order to minimize the risk of improper valuation of inventories.</p> <p>Additionally, we performed substantive audit procedures while, amongst others, extensively discussing with the Company' management with respect to the net realizable value method applied, the key assumptions used, including comparing these assumptions to similar projects on the market and actually realized results of the net realizable value calculations on individual projects.</p>

<p>The Group's disclosures about significant judgements and estimates related to inventory valuation are discussed in the note 2 "Material estimates of the management of the Group entities" to the consolidated financial statements.</p> <p>The Group's disclosures regarding inventory were also presented in note 20 of the Group's consolidated financial statements.</p>	
<p>Acquisition of Nova Krolikarnia project</p> <p>On 10 April 2018, the Company acquired the group of entities of Nova Krolikarnia development project for the total consideration of 87 million zloty.</p> <p>As a result of the transaction the Group recognized the surplus between the purchase price and the net assets value of Nova Group as of the transaction date in the amount of 28 million zloty which has been presented as a part of the inventory.</p> <p>In addition the Company and the seller entered into the three separate call option agreements, under which the Company has been granted options to acquire shares of the eight additional entities holding the remaining stages of the Nova Krolikarnia project. Those call options can be executed by April 2020 while they amount to 79 million zloty as of the balance sheet date. The transaction was determined to be an asset deal and not a business combination.</p> <p>We consider the above mentioned acquisition transaction to be a key audit matter due to the significant impact on the Group's balance sheet and judgments involved in determination how to account for the transaction and the call options.</p>	<p>We have gained understanding of the purchase agreement, including the terms and conditions, and the acquisition date. We have evaluated the accounting treatment of this transaction in the consolidated documentation in respect of meeting the requirements of an asset deal or business combinations.</p> <p>We have traced the transaction price to the bank statements and the signed agreement and additionally we have assessed the correctness of the presentation of the call options in the consolidated financial statements. We have analyzed and evaluated the documentation prepared by the Group for the purpose of identification and valuation of the acquired assets, liabilities, and contingent liabilities.</p> <p>We have also assessed the adequacy of the related disclosures in the consolidated financial statements.</p>

<p>The financial statements' disclosures relating to the acquisition of the Nova Krolikarnia are presented in the note 6 of the consolidated financial statements and the disclosures relating to the call options are presented in the note 42.</p>	
------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--

Responsibilities of the Company's Management and members of the Supervisory Board for the financial statements

The Company's Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and for such internal control as the Management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Company's Management is responsible for assessing the Group's (the holding company and significant components') ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Company's Management either intends to liquidate the Group (the holding company or significant components) or to cease operations, or has no realistic alternative but to do so.

The members of the Company's Supervisory Board are responsible for overseeing the Group's financial reporting process.

Auditor's responsibility for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements may arise as a result of fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of the users taken on the basis of these consolidated financial statements.

The scope of the audit does not include assurance on the future profitability of the Group nor effectiveness of conducting business matters now and in the future by the Company's Management.

Throughout the audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism and we also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control,
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control,
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's Management,
- conclude on the appropriateness of the Company's Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our independent auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report, however, future events or conditions may cause the Group to cease to continue as a going concern,
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation,
- we obtain sufficient appropriate audit evidence regarding the financial information of entities and business activities within the Group for the purpose of expressing an opinion on the consolidated financial statements. We are solely responsible for the direction, supervision and performance of the audit of the Group and we remain solely responsible for our audit opinion.

We communicate with the members of the Company's Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide the members of the Company's Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the members of the Company's Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other matters

We also issued an auditor's report in accordance with the International Standards on Auditing in the version adopted as the National Auditing Standards by the National Council of Statutory Auditors ('NAS') in Poland and pursuant to the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight (the 'Act on Statutory Auditors') and the Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (the 'Regulation 537/2014') on the consolidated financial statements of the Group for the same period prepared in Polish and in accordance with International Financial Reporting Standards approved by the European Union and the adopted accounting policies.

Other information, including the Directors' Report

The other information comprises the Directors' Report for the period from 1 January 2018 to 31 December 2018, the representation on the corporate governance and the Annual Report for the period from 1 January 2018 to 31 December 2018 (the 'Annual Report'), (jointly 'Other Information').

Responsibilities of the Company's Management and members of the Supervisory

The Company's Management is responsible for the preparation the Other Information in accordance with the law.

The Company's Management and members of the Company's Supervisory Board are required to ensure that the Directors' Report (with separate elements) meets the requirements of the Accounting Act dated 29 September 1994 (the 'Accounting Act').

Auditor's responsibility

Our opinion on the consolidated financial statements does not include the Other Information. In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether it is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other

Information, we are required to report that fact in our independent auditor's report. Our responsibility in accordance with the Act on Statutory Auditors is also to issue an opinion on whether the Directors' Report was prepared in accordance with relevant laws and that it is consistent with the information contained in the consolidated financial statements.

In addition, we are required to inform whether the Company has prepared the representation on non-financial information and to issue an opinion on whether the Company has included the required information in the representation on application of corporate governance.

Opinion on the Directors' Report

Based on the work performed during our audit, in our opinion, the Directors' Report:

- has been prepared in accordance with the article 49 of the Accounting Act and paragraph 71 of the Decree of the Minister of Finance dated 29 March 2018 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states (the 'Decree on current and periodic information'),
- is consistent with the information contained in the consolidated financial statements.

Moreover, based on our knowledge of the Group and its environment obtained during our audit, we have not identified material misstatements in the Directors' Report.

Opinion on the corporate governance application representation

In our opinion, in the representation on application of corporate governance, the Group has included information stipulated in paragraph 70, section 6, point 5 of the Decree on current and periodic information.

Moreover, in our opinion, the information stipulated in paragraph 70, section 6, point 5 letter c-f, h and i of the Decree on current and periodic information included in the representation on application of corporate governance is in accordance with applicable laws and information included in the consolidated financial statements.

Representation on the provision of non-audit services

To the best of our knowledge and belief, we represent that services other than audits of the financial statements, which have been provided to the Group, are compliant with the laws and regulations applicable in Poland, and that we have not provided non-audit services, which are prohibited based on article 5 item 1 of Regulation 537/2014 and article 136 of the Act on Statutory Auditors. The non-audit services, which we have provided to the Group in the audited period, have been disclosed in the Directors' Report.

Appointment of the audit firm

We were appointed for the audit of the Group's consolidated financial statements based on the resolution of Supervisory Board dated 17 December 2018. The consolidated financial statements of the Group have been audited by us as Ernst & Young network for the last 10 consecutive years starting from the financial year ended on 31 December 2009, however the consolidated financial statements for the previous years were audited by another firm from our network i.e. Ernst & Young Accountants LLP due to the fact that the registered seat of the Company until 31 October 2018 was based in Rotterdam in the Netherlands.

Key Certified Auditor

Marcin Zieliński
certified auditor
no in the register: 10402

on behalf of:
Ernst & Young Audyt Polska spółka
z ograniczoną odpowiedzialnością sp. k.
Rondo ONZ 1, 00-124 Warsaw
no on the audit firms list: 130

Warsaw, 14 March 2019