Ronson Development SE

(formerly named Ronson Europe N.V.)

Management Board Report
on the Activity of the Company and the Group
for the financial year 2018

General Information

Management Board

Nir Netzer, *President of the Management Board*
Rami Geris, *Vice-President of the Management Board, Chief Financial Officer*
Andrzej Gutowski, *Vice-President of the Management Board, Sales and Marketing Director*
Alon Haver, *Member of the Management Board*

Supervisory Board

Amos Luzon, *Chairman of the Supervisory Board*
Ofer Kadouri
Alon Kadouri
Przemysław Kowalczyk
Piotr Palenik
Shmuel Rofe

Registered office

Al. Komisji Edukacji Narodowej 57,
Warsaw
Poland

Auditors

Ernst & Young Audyt Polska sp. z o.o. sp. k.
Rondo ONZ 1
00-124 Warsaw
Poland

To our shareholders

The year 2018 was another significant year for Ronson Development SE ('Ronson' or 'the Company'), mostly for strengthening the Warsaw activity by finalizing the purchase of Ursus Centralny at Ursus district and the repurchasing of Nova Królikarnia project in Mokotów district. These two significant projects are complementing the existing portfolio of the company.

Thanks to significant land purchases over the last couple of years, the current land bank of the Company is strongly built to serve the needs for the next coming years, allowing us a growth of our business without the need to further purchases. Additional plot purchases will happen as a result of a specific need or an attractive market opportunity. This goes in line with the Company's view for the current market conditions following the rapid increase in land prices.

This year brought lots of challenges to the management of Ronson, part are still being handled on an on-going basis. On the one hand, the Company is adopting its construction costs to market abilities, keeping its high performance and brand quality to our clients. On the other hand, the Company is dealing with longer procedures of obtaining permits for several projects in Warsaw and is planning to overcome these delays and increase the stock introduced to the market during 2019.

During this year, the Company successfully paid special attention to some slower moving inventory, mostly non-residential units which it accumulated during the last few years and meanwhile amended its selling methods to avoid having such inventory in the future.

In a year with so many challenges, the Company again achieved its sales goals resulting from its strong position maintained in all four cities in which it is present, despite the general market slowdown since the record high year 2017. Warsaw remained the most significant city for Ronson but Wroclaw, Poznan and Szczecin were developed as well.

Overlooking the year 2019, the Company will remain its focus on the same cities in which it is active, with a natural increase in the volume of products introduce to the Warsaw market with new stages of Nova Krolikarnia and Miasto Moje together with new projects to be commenced, such as Ursus Centralny and the new JV project in Wilanów district. In Wrocław, we will commence Vitalia stage III and open a new project: Matisse. In Szczecin, we will start the new stage of Panoramika and we intend to introduce to the market the new Chopin project.

As long as the markets "cash rich" and looking for relatively solid investments rather than finding alternatives with very low yields at the banks, we assume the demand in general will stay at a level high enough to support our pricing system for apartments, taking into account additional costs and a possible significant increase of construction costs.

Highlights for the Company during 2018 include:

- pre-sales of 773 units, which was in line with the Company's initial plan to pre-sell over 750 units in 2018, representing another very strong year for the Company's sales team;
- delivery of 764 units to our customers;
- finalizing the purchase of a land plot in Ursus and the repurchase of the Nova Królikarnia project which allowed the Company to secure a well-diversified land bank for the coming years;
- completion of construction works on 2 projects and 5 sub-stages of Nova Królikarnia project resulting in the receipt of occupancy permits for 457 units;
- commencement of construction of 3 projects/stages (Grunwald[2], Nova Królikarnia 2b and 2c), representing a total of 314 units;
- giving special attention to slow moving inventory by selling or renting it out;
- updating our dividend policy, i.e. allocating 50% of consolidated net profit, but not less than PLN 9.9 million, to be paid out to our shareholders each year;
- a further strengthening of Ronson's brand name (as affordable quality) resulting from its overall activities.

Letter from the President of the Management Board

We believe the Company is in an advantageous position to benefit from current market conditions and that it currently enjoys the following advantages:

- the ability to secure transactions not only in the ordinary course of business but also taking advantage of opportunities the market offers;
- a pipeline of projects at attractive locations;
- the ability to increase and decrease the size and timing of specific projects based on perceived market demand;
- a highly professional staff, and
- a well-known brand in Warsaw and an emerging brand in other Polish cities.

The advantages mentioned above should give the Company the opportunity to expand the scale of its operations and sales, and ultimately to rank amongst the largest residential development companies in Poland.

I wish to thank all of our shareholders, bondholders and banks for their continued support and confidence in our ability to carry out our corporate vision.

On behalf of my senior management and myself I wish to personally thank each and every one on the Ronson team who made so much efforts to make it all happen.

Sincerely,
Nir Netzer
President of the Management Board

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Introduction

Ronson Development SE ('the Company'), a European Company with its statutory seat in Warsaw, Poland. The registered office is located at al. Komisji Edukacji Narodowej 57, Warsaw, Poland. The Company was incorporated in the Netherlands on 18 June 2007 as Ronson Europe N.V. with statutory seat in Rotterdam, the Netherlands. On 6 April 2018, the Company changed its name and was transformed into a European Company (SE). On 31 October 2018, the Company moved its seat from the Netherlands to Poland.

The shares of the Company are traded on the Warsaw Stock Exchange since 5 November 2007. According to publicly available information, as at 31 December 2018, 66.06% of the outstanding shares are controlled by Amos Luzon Development and Energy Group Ltd. ('A. Luzon Group'). The remaining 33.94% of the outstanding shares are held by other investors including Nationale Nederlanden Otwarty Fundusz Emerytalny and Metlife Otwarty Fundusz Emerytalny. For an overview of shares outstanding and major shareholders of the Company reference is made to page 49.

Overview of the Activity of the Company and the Group

The Company (together with its subsidiaries, 'the Group') is active in the development and sale of residential units, primarily apartments, in residential real-estate projects to individual customers in Poland. The Company has been operating through its subsidiaries on the following markets in Poland: Warsaw, Wrocław, Poznań and Szczecin.

The Company and the Group aims to maximize value for its shareholders by a selective geographical expansion in Poland as well as by creation of a portfolio of real estate development properties. Management believes the Company and the Group has positioned itself strongly to navigate the volatile economic environment the Company and the Group has found itself in over the past several years. On one hand, the Polish economy appears to remain stable, which potentially bodes well for the Company's and the Group's prospects, on the other hand, the tenuous European recovery, exacerbated by the uncertain impact of the exit of the United Kingdom from the European Union, may continue to have a negative impact on the Polish economy and the Company's overall prospects. As a result, the Company continues to adhere to a development strategy that allows it to adjust quickly to these uncertain conditions by spreading risks through (i) closely monitoring its projects, (ii) potentially modifying the number of projects and their quality and sizes and (iii) maintaining its conservative financial policy.

On 10 April 2018, the Company completed the acquisition of certain shares in and loans granted to project companies owning properties constituting the Nova Królikarnia project for a price of PLN 83.8 million under a sale and purchase agreement with Global City Holdings B.V. (hereinafter 'GCH'). As the result of this transaction Company will be able to realize the sale of 197 units with an aggregate floor space of 19,500 m^2, which on the day of transaction, include completed projects with 53 units and an aggregate floor space of 4,950 m^2, projects under construction with 126 units and an aggregate floor space of 11,150 m^2 and project in pipeline with 18 units and an aggregate floor space of 3,400 m^2 (hereinafter 'the Nova Transaction'). In addition, the Company and GCH have concluded a call option agreements for a total value of PLN 78.9 million, under which the Company has been granted three call options with respect to the shares in the eight other project companies holding the remaining stages of the Nova Królikarnia project, the last option shall be executed the latest till April 2020.

The exercise of the three call options will allow the Company to develop 161 units with an aggregate floor space of 21,500 m^2 (hereinafter 'the Nova Call Option Agreements'). For additional information see Note 6 of the Consolidated Financial Statements.

Overview of the Activity of the Company and the Group (cont'd)

In March 2018, the Company finalized Ursus transaction and signed final purchase agreements for transferring the ownership of three out of the four plots, while the final agreements of the fourth plot are planned to be concluded by December 2019 (the Company received from the seller an irrevocable power of attorney to execute all necessary actions for the development of the project on this last plot of land, including the transferring of its perpetual usufruct, obtaining all necessary permits and perform part of the construction works). The mentioned agreements concern the acquisition of perpetual usufruct rights of real properties located in Warsaw, Ursus district, for the development of multi-family housing projects with approximately 1,600 units.

As at 31 December 2018, the Group has 562 units available for sale in 12 locations, of which 480 units are available for sale in ongoing projects and the remaining 82 units are in completed projects. The ongoing projects comprise a total of 1,409 units, with a total area of 75,900 m^2. The construction of 1,123 units with a total area of 57,800 m^2 is expected to be completed during 2019.

In addition, the Group has a pipeline of 12 projects in different stages of preparation, representing approximately 4,907 units with a total area of approximately 303,400 m^2 for future development in Warsaw, Poznań, Wrocław and Szczecin. During 2019 the Group is considering commencement four new projects comprising 470 units with a total area of 25,400 m^2 (including Wilanow Tulip, a new project purchased in March 2019) and of another four stages of the currently running projects comprising 568 units with a total area of 31,500 m^2 (in total 1,038 units with a total area of 56,900 m^2). Based on the Nova Królikarnia Call Option Agreements, the Group has a potential additional pipeline of 161 units with an aggregate floor space of approximately 21,500 m^2. The Group is considering – through exercising its rights under those call options– to commence another four stages of the Nova Królikarnia project comprising 85 units with a total area of 9,300 m^2 during the 2019.

During year ended 31 December 2018, the Group realized sales of 773 units with the total value PLN 329.4 million which compares to sales of 815 units with a total value of PLN 313.0 million during the year ended 31 December 2017.

During year ended 31 December 2018, the Company and the Group did not discontinue any of its activities.

The Group does not depend on any of its customers because the sales are dispersed amongst a large, varied and changing group of buyers of residential and commercial units. The majority of the Group's customers are natural persons mainly polish resident. For information about the preliminary sales agreements that were signed during the year 2018 and 2017 with a breakdown per city, see Business highlights during the year ended 31 December 2018 – C. Units sold during the period.

Description of the Company's group structure and information on the Company's organizational or capital links

The table below presents the structure of the Company's group and the Company's interest in the share capital:

	Entity name	Year of incorporation	Share of ownership & voting rights at the end of	
			31 December 2018	31 December 2017
a.	**held directly by the Company :**			
1.	Ronson Development Management Sp. z o.o.	1999	100%	100%
2.	Ronson Development 2000 Sp. z o.o.	2000	100%	100%
3.	Ronson Development Warsaw Sp. z o.o.	2000	100%	100%
4.	Ronson Development Investment Sp. z o.o.	2002	100%	100%
5.	Ronson Development Metropol Sp. z o.o.	2002	100%	100%
6.	Ronson Development Properties Sp. z o.o.	2002	100%	100%
7.	Apartments Projekt Sp. z o.o.	2003	100%	100%
8.	Ronson Development Enterprise Sp. z o.o.	2004	100%	100%
9.	Ronson Development Company Sp. z o.o.	2005	100%	100%
10.	Ronson Development Creations Sp. z o.o.	2005	100%	100%
11.	Ronson Development Buildings Sp. z o.o.	2005	100%	100%
12.	Ronson Development Structure Sp. z o.o.	2005	100%	100%
13.	Ronson Development Poznań Sp. z o.o.	2005	100%	100%
14.	E.E.E. Development Sp. z o.o.	2005	100%	100%
15.	Ronson Development Innovation Sp. z o.o.	2006	100%	100%
16.	Ronson Development Wrocław Sp. z o.o.	2006	100%	100%
17.	Ronson Development Capital Sp. z o.o.	2006	100%	100%
18.	Ronson Development Sp. z o.o.	2006	100%	100%

Entity name	Year of incorporation	Share of ownership & voting rights at the end of	
		31 December 2018	31 December 2017
a. held directly by the Company (cont'd) :			
19. Ronson Development Construction Sp. z o.o.	2006	100%	100%
20. City 2015 Sp. z o.o.	2006	100%	100%
21. Ronson Development Village Sp. z o.o. (1)	2007	100%	100%
22. Ronson Development Conception Sp. z o.o.	2007	100%	100%
23. Ronson Development Architecture Sp. z o.o.	2007	100%	100%
24. Ronson Development Skyline Sp. z o.o.	2007	100%	100%
25. Continental Development Sp. z o.o.	2007	100%	100%
26. Ronson Development Universal Sp. z o.o. (1)	2007	100%	100%
27. Ronson Development Retreat Sp. z o.o.	2007	100%	100%
28. Ronson Development South Sp. z o.o.	2007	100%	100%
29. Ronson Development Partner 5 Sp. z o.o.	2007	100%	100%
30. Ronson Development Partner 4 Sp. z o.o.	2007	100%	100%
31. Ronson Development North Sp. z o.o.	2007	100%	100%
32. Ronson Development Providence Sp. z o.o.	2007	100%	100%
33. Ronson Development Finco Sp. z o.o.	2009	100%	100%
34. Ronson Development Partner 2 Sp. z o.o.	2010	100%	100%
35. Ronson Development Skyline 2010 Sp. z o.o. w likwidacji	2010	100%	100%
36. Ronson Development Partner 3 Sp. z o.o.	2012	100%	100%
37. Nova Królikarnia B.V. (3) *(Company with the register office in Netherland)*	2016	100%	n.a.
b. held indirectly by the Company:			
38. AGRT Sp. z o.o.	2007	100%	100%
39. Ronson Development Partner 4 Spółka z ograniczoną odpowiedzialnością – Panoramika Sp.k.	2007	100%	100%
40. Ronson Development Spółka z ograniczoną odpowiedzialnością - Estate Sp.k.	2007	100%	100%
41. Ronson Development Spółka z ograniczoną odpowiedzialnością - Home Sp.k.	2007	100%	100%
42. Ronson Development Spółka z ograniczoną odpowiedzialnością - Horizon Sp.k.	2007	100%	100%
43. Ronson Development Partner 3 Spółka z ograniczoną odpowiedzialnością - Sakura Sp.k.	2007	100%	100%
44. Destiny Sp. z o.o.	2007	100%	100%
45. Ronson Development Millenium Sp. z o.o.	2007	100%	100%
46. Ronson Development Spółka z ograniczoną odpowiedzialnością - EEE 2011 Sp.k.	2009	100%	100%
47. Ronson Development Spółka z ograniczoną odpowiedzialnością - Apartments 2011 Sp.k.	2009	100%	100%
48. Ronson Development Spółka z ograniczoną odpowiedzialnością - Idea Sp.k.	2009	100%	100%
49. Ronson Development Partner 2 Spółka z ograniczoną odpowiedzialnością –Destiny 2011 Sp.k.	2009	100%	100%
50. Ronson Development Partner 2 Spółka z ograniczoną odpowiedzialnością - Enterprise 2011 Sp.k.	2009	100%	100%
51. Ronson Development Partner 2 Spółka z ograniczoną odpowiedzialnością - Retreat 2011 Sp.k.	2009	100%	100%
52. Ronson Development Partner 5 Spółka z ograniczoną odpowiedzialnością - Vitalia Sp.k.	2009	100%	100%
53. Ronson Development Spółka z ograniczoną odpowiedzialnością - 2011 Sp.k.	2009	100%	100%
54. Ronson Development Spółka z ograniczoną odpowiedzialnością - Gemini 2 Sp.k.	2009	100%	100%
55. Ronson Development Spółka z ograniczoną odpowiedzialnością - Verdis Sp.k.	2009	100%	100%
56. Ronson Espresso Sp. z o.o.(5)	2006	100%	82%
57. Ronson Development Apartments 2010 Sp. z o.o.	2010	100%	100%
58. RD 2010 Sp. z o.o.	2010	100%	100%
59. Retreat Sp. z o.o.	2010	100%	100%
60. Enterprise 2010 Sp. z o.o.	2010	100%	100%
61. Wrocław 2010 Sp. z o.o.	2010	100%	100%
62. E.E.E. Development 2010 Sp. z o.o.	2010	100%	100%
63. Ronson Development Nautica 2010 Sp. z o.o.	2010	100%	100%
64. Gemini 2010 Sp. z o.o.	2010	100%	100%
65. Ronson Development Spółka z ograniczoną odpowiedzialnością - Naturalis Sp.k.	2011	100%	100%
66. Ronson Development Spółka z ograniczoną odpowiedzialnością - Impressio Sp.k.	2011	100%	100%
67. Ronson Development Spółka z ograniczoną odpowiedzialnością - Continental 2011 Sp.k.	2011	100%	100%
68. Ronson Development Spółka z ograniczoną odpowiedzialnością - Providence 2011 Sp.k.	2011	100%	100%
69. Ronson Development Partner 2 Spółka z ograniczoną odpowiedzialnością - Capital 2011 Sp. k.	2011	100%	100%
70. Ronson Development Spółka z ograniczoną odpowiedzialnością - Architecture 2011 Sp.k.	2011	100%	100%
71. Ronson Development Spółka z ograniczoną odpowiedzialnością - City 1 Sp.k.	2012	100%	100%
72. Ronson Development Partner 2 Spółka z ograniczoną odpowiedzialnością - Miasto Moje Sp. k.	2012	100%	100%
73. Ronson Development Spółka z ograniczoną odpowiedzialnością - City 3 Sp.k.	2012	100%	100%
74. Ronson Development Spółka z ograniczoną odpowiedzialnością - City 4 Sp.k.	2016	100%	100%
75. Ronson Development Partner 2 Sp. z o.o. – Grunwald Sp.k.	2016	100%	100%
76. Ronson Development Spółka z ograniczoną odpowiedzialnością - Projekt 1 Sp.k.(4)	2017	50%	100%
77. Ronson Development Spółka z ograniczoną odpowiedzialnością - Projekt 2 Sp.k.	2017	100%	100%
78. Ronson Development Spółka z ograniczoną odpowiedzialnością - Projekt 3 Sp.k.	2017	100%	100%
79. Ronson Development Spółka z ograniczoną odpowiedzialnością - Projekt 4 Sp.k.	2017	100%	100%
80. Ronson Development Spółka z ograniczoną odpowiedzialnością - Projekt 5 Sp.k.	2017	100%	100%
81. Ronson Development Spółka z ograniczoną odpowiedzialnością - Projekt 6 Sp.k.	2017	100%	100%
82. Ronson Development Spółka z ograniczoną odpowiedzialnością - Projekt 7 Sp.k.	2017	100%	100%
83. Ronson Development Spółka z ograniczoną odpowiedzialnością - Projekt 8 Sp.k.	2017	100%	100%
84. Ursus 2017 Sp. z o.o.	2017	100%	100%
85. Projekt City Sp. z o.o.	2017	100%	100%
86. Bolzanus Limited (2)	2013	100%	n.a.

Entity name	Year of incorporation	Share of ownership & voting rights at the end of	
		31 December 2018	31 December 2017
b. held indirectly by the Company(cont'd) :			
87. Park Development Properties Sp. z o.o. - Town Sp.k. [(3)]	2007	100%	n.a.
88. Tras Sp. z o.o. [(3)]	2015	100%	n.a.
89. Pod Skocznią Projekt Sp. z o.o. [(3)]	2015	100%	n.a.
90. District 20 Sp. z o.o. [(3)]	2015	100%	n.a.
91. Arkadia Development Sp. z o.o. [(3)]	2015	100%	n.a.
92. Królikarnia Sp. z o.o. [(3)]	2015	100%	n.a.
93. Tras 2016 Sp. z o.o. [(3)]	2016	100%	n.a.
94. Pod Skocznia Projekt 2016 Sp. z o.o. [(3)]	2016	100%	n.a.
95. District 20 – 2016 Sp. z o.o. [(3)]	2016	100%	n.a.
96. Arkadia Development 2016 Sp. z o.o. [(3)]	2016	100%	n.a.
97. Królikarnia 2016 Sp. z o.o. [(3)]	2016	100%	n.a.
98. Kroli Development Sp. z o.o. [(3)]	2016	100%	n.a.
99. Park Development Properties Sp. z o.o. [(3)]	2016	100%	n.a.
100. Jasminova 2016 Sp. z o.o. [(3)]	2016	100%	n.a.
101. Town 2016 Sp. z o.o. [(3)]	2016	100%	n.a.
102. EEE Development 2016 Sp. z o.o. [(3)]	2016	100%	n.a.
103. Enterprise 2016 Sp. z o.o. [(3)]	2016	100%	n.a.
104. Wrocław 2016 Sp. z o.o. [(3)]	2016	100%	n.a.

(1) The Company has the power to govern the financial and operating policies of this entity and to obtain benefits from its activities, whereas Kancelaria Radcy Prawnego Jarosław Zubrzycki holds the legal title to the shares of this entity.

(2) Company with registered office in Cyprus, was acquired as a part of Ursus transaction; for additional information see Business highlights during the year ended 31 December 2018- E. Agreements significant for the business activity of the Group.

(3) Acquired as a part of Nova Królikarnia transaction; for additional information see Business highlights during the year ended 31 December 2018- E. Agreements significant for the business activity of the Group.

(4) In December 2018, 50% of the share was sold to the JV partner. The entity is designed to be a SPV company to develop a new JV project. The entity did not conduct any business activity until 31 December 2018.

(5) In October 2018, the Company acquired 18% of the share of ownership and voting rights in Ronson Espresso Sp. z o.o.; for additional information see Business Overview of results (Non-controlling interests).

The Investment in joint ventures comprise the Company's 50% interest in the joint ventures companies Ronson IS sp. z o.o. and in Ronson IS Sp. z o.o. Sp.k.. Both joint ventures are involved in the development and sale of residential units in Warsaw.

Business highlights during the year ended 31 December 2018

A. *Projects completed*

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 2018:

Project name	Location	Number of units	Area of units (m^2)
Espresso IV	Warsaw	146	8,100
Miasto Moje I	Warsaw	205	10,900
Nova Królikarnia 1a & 1d (1)	Warsaw	53	4,950
Nova Królikarnia 1b, 1c, 1e	Warsaw	53	5,650
Total		**457**	**29,600**

(1) Project was completed before the completion of the Nova Królikarnia acquisition (10 April 2018).

For additional information see section 'B. Results breakdown by project' below.

B. *Results breakdown by project*

Revenue from the sale of residential units is recognized upon the transfer to the buyer of significant risks and rewards of the ownership of the residential unit, i.e. upon signing of the protocol of technical acceptance and the transfer of the key to the buyer of the residential unit. Total revenue of the Group recognized during the year ended 31 December 2018 amounted to PLN 294.1 million, whereas cost of sales before write-down adjustment amounted to PLN 245.5 million and after write-down adjustment amounted to PLN 248.4 million, which resulted in a gross profit before write-down adjustment amounting to PLN 48.6 million (and a gross margin of 16.5%) and after write-down adjustment amounting to PLN 45.7 million (and a gross margin of 15.5%). Total economical revenue, whereby results from joint ventures are presented on a fully consolidated basis, amounted to PLN 323.0 million, with cost of sales amounting to PLN 268.6 million, which resulted in a gross profit amounting to PLN 54.4 million (and a gross margin of 16.8%).

The following table specifies revenue, cost of sales, gross profit and gross margin during the year ended 31 December 2018 on a project by project basis:

	Information on the delivered units		Revenue (1)		Cost of sales (2)		Gross profit	Gross margin
Project	**Number of units**	**Area of units (m2)**	**PLN thousands**	**%**	**PLN thousands**	**%**	**PLN thousands**	**%**
Nova Królikarnia 1a - 1e (6)	74	7,180	69,007	23.5%	60,098	24.5%	8,909	12.9%
Miasto moje I	193	9,804	56,520	19.2%	43,046	17.5%	13,474	23.8%
Espresso II, III & IV	146	8,084	60,469	20.6%	47,344	19.3%	13,125	21.7%
Moko	28	2,996	25,557	8.7%	18,042	7.3%	7,515	29.4%
Młody Grunwald I - III	74	5,097	29,369	10.0%	29,479	12.0%	(110)	-0.4%
Panoramika II & III	129	6,289	29,452	10.0%	29,415	12.0%	37	0.1%
Vitalia I	25	1,665	9,681	3.3%	7,617	3.1%	2,064	21.3%
Chilli IV	17	1,049	4,204	1.4%	3,907	1.6%	297	7.1%
Other (5)	9	729	9,828	3.3%	6,512	2.7%	3,316	n.a.
Total / Average	**695**	**42,893**	**294,087**	**100%**	**245,460**	**100%**	**48,627**	**16.5%**
Write-down adjustment	n.a.	n.a.	n.a.		2,937		(2,937)	n.a.
Results after write-down adjustment	**695**	**-**	**294,087**		**248,397**		**45,690**	**15.5%**
City Link I(3)/(4)	69	3,121	28,877		20,173		8,704	30.1%
Economic results(4)	**764**	**46,014**	**322,964**		**268,570**		**54,394**	**16.8%**

(1) Revenue is recognized upon the transfer of significant risks and rewards of the ownership of the residential unit to the buyer, i.e. upon signing of the protocol of technical acceptance and the transfer of the key of the residential unit to the buyer.

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

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

(4) Under the assumption that the results from joint ventures are presented on a fully consolidated basis (100%).

(5) Other revenues are mainly associated with fee income for management services provided to joint ventures project and with rental revenues, as well as with delivery of units, parking places and storages in other projects that were completed in previous years.

(6) Nova Królikarnia 1a and 1d were completed before the completion of the Nova Królikarnia acquisition (10 April 2018).

Business highlights during the year ended 31 December 2018 (cont'd)

B. Results breakdown by project (cont'd)

Nova Królikarnia 1a - 1e

The construction of the Nova Królikarnia 1a and 1d projects was completed in February 2018 and March 2018, respectively, while the Nova Królikarnia 1b, 1c and 1e projects were completed in July 2018. The projects were developed on a land strip located in the Mokotów district in Warsaw at Jaśminowa Street. The Nova Królikarnia 1a – 1e projects comprises 106 units and an aggregate floor space of 10,600 m^2.

Miasto Moje I

The construction of the first stage of the Miasto Moje project was completed in May 2018. The project was developed on a land strip located in the Białołęka district in Warsaw at Marywilska Street. The first stage of this project comprises 191 apartments and 14 commercial units with an aggregate floor space of 10,900 m^2.

Espresso II, III & IV

The construction of the second, third and fourth stage of the Espresso project was completed in May 2016, December 2016 and February 2018, respectively. The second, third and fourth stages of this project were developed on a land strip located in Wola district in Warsaw at Jana Kazimierza Street. The Espresso II project comprises 141 apartments and 10 commercial units and an aggregate floor space of 7,600 m^2. The Espresso III project comprises 147 apartments and 8 commercial units and an aggregate floor space of 8,500 m^2. The Espresso IV project comprises 135 apartments and 11 commercial units and an aggregate floor space of 8,100 m^2.

Moko

The construction of the last stage of the Moko project was completed in October 2016. The project was developed on a land strip located in Mokotów district in Warsaw at Magazynowa Street. The project comprises 326 apartments and 19 commercial units and an aggregate floor space of 23,700 m^2.

Młody Grunwald I - III

The construction the last stage of the Młody Grunwald project was completed in October 2017. The project was developed on a land strip located in Grunwald district in Poznań at Jeleniogórska Street. The project comprises 372 apartments and 21 commercial units and an aggregate floor space of 23,800 m^2.

Panoramika II & III

The construction of the second and third stage of the Panoramika project was completed in July 2016 and December 2017, respectively. The second and third stages of this project were developed on a part of land strip located in Szczecin at Duńska Street. The Panoramika II project comprises 107 apartments and an aggregate floor space of 5,900 m^2. The Panoramika III project comprises 122 apartments and an aggregate floor space of 5,800 m^2.

Vitalia I

The construction of the first stage of the Vitalia project was completed in September 2017. The project was developed on a land strip located in Krzyki district in Wrocław at Jutrzenki Street. The first stage of this project comprises 139 apartments with an aggregate floor space of 7,200 m^2.

Chilli IV

The construction of the fourth stage of the Chilli project was completed in December 2017. The fourth stage of the Chilli project was developed on a part of land strip located in Tulce near Poznań, and is a continuation of the Chilli I - III projects, which were completed in 2012, 2013 and 2014, respectively. The fourth stage of this project comprises 45 units with an aggregate floor space of 2,900 m^2.

Other

Other revenues are mainly associated with fee income for management services provided to joint ventures project and with rental revenues, as well as with delivery of 9 units, parking places and storages in other projects that were completed in previous years.

Business highlights during the year ended 31 December 2018 (cont'd)

B. *Results breakdown by project (cont'd)*

Write-down adjustment

During the year ended 31 December 2018, as a result of the Net Realizable Value (NRV) analysis and review, a write-down adjustment for some of the Company's projects was made in the amount of PLN 4,394 thousand, while at the same time write-down adjustment of one of the Company's projects was reversed for the amount of PLN 1,457 thousand. Net impact of NRV analysis and review on profit and loss amounted to PLN 2,937 thousand.

City Link I

The construction of the first stage of the City Link project was completed in September 2017. The project was developed on part of a land strip located in the Wola district in Warsaw at Skierniewicka street. The first stage of this project comprises 301 apartments and 21 commercial units with an aggregate floor space of 14,700 m^2. The project is presented in the Consolidated Financial Statements under investment in joint ventures. The Company's share in the project is 50%.

C. *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 Group signed the preliminary sale agreements with the clients), during the year ended 31 December 2018:

Project name	Location	Units sold until 31 December 2017	Units sold during the year ended 31 December 2018	Units for sale as at 31 December 2018	Total
Espresso II, III & IV (1)	Warsaw	445	2	4	451
Miasto Moje I (1)	Warsaw	154	44	7	205
Miasto Moje II (2)	Warsaw	8	115	25	148
Młody Grunwald I - III (1)	Poznań	348	29	16	393
City Link III (2)	Warsaw	91	195	82	368
Marina Miasto (2)	Wrocław	15	61	75	151
Vitalia I (1)	Wrocław	128	9	2	139
Vitalia II (2)	Wrocław	6	62	15	83
Grunwald^2 (2)	Poznań	-	71	197	268
Chilli IV (1)	Poznań	16	8	21	45
Panoramika II & III (1)	Szczecin	198	30	1	229
Panoramika IV (2)	Szczecin	2	55	54	111
Moko (1)	Warsaw	317	25	3	345
Nova Królikarnia 1a - 1e (1)	Warsaw	81	13	12	106
Nova Królikarnia 2a (2)	Warsaw	15	23	7	45
Nova Królikarnia 2b (2)	Warsaw	10	11	7	28
Nova Królikarnia 2c (2)	Warsaw	-	-	18	18
Other (old) projects		2	4	15	21
Total excluding JV		**1,836**	**757**	**561**	**3,154**
City Link I (1)/(3)	Warsaw	316	5	1	322
City Link II (2)/(3)	Warsaw	178	11	-	189
Total including JV		**2,330**	**773**	**562**	**3,665**

(1) *For information on the completed projects see "Business highlights during the year ended 31 December 2018 – B. Results breakdown by project".*

(2) *For information on current projects under construction, see "Outlook for the year 2019 – B. Current projects under construction".*

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

Business highlights during the year ended 31 December 2018 (cont'd)

C. *Units sold during the period (cont'd)*

The table below presents further information on the units sold (i.e. total number of units for which the Group signed the preliminary sale agreements with the clients), including net saleable area (in m^2) of the units sold and net value (excluding VAT) of the preliminary sales agreements (including also parking places and storages) executed by the Group, during the year ended 31 December 2018:

		Sold during the year ended 31 December 2018		
Project name	**Location**	**Number of units**	**Net saleable area (m^2)**	**Value of the preliminary sales agreements** ***(in PLN thousands)***
Espresso II, III & IV (1)	Warsaw	2	135	1,300
Miasto Moje I (1)	Warsaw	44	2,247	14,236
Miasto Moje II (2)	Warsaw	115	5,752	34,541
Młody Grunwald I - III (1)	Poznań	29	2,434	14,162
City Link III (2)	Warsaw	195	8,855	94,560
Marina Miasto (2)	Wrocław	61	2,216	19,385
Vitalia I (1)	Wrocław	9	878	4,918
Vitalia II (2)	Wrocław	62	3,461	20,361
Grunwald^2 (2)	Poznań	71	3,217	20,533
Chilli IV (1)	Poznań	8	527	2,158
Panoramika II & III (1)	Szczecin	30	1,764	8,826
Panoramika IV (2)	Szczecin	55	2,434	12,551
Moko (1)	Warsaw	25	2,653	23,653
Nova Królikarnia 1a -1e (1)	Warsaw	13	1,751	18,460
Nova Królikarnia 2a (2)	Warsaw	23	1,668	17,143
Nova Królikarnia 2b (2)	Warsaw	11	754	8,119
Other (old) projects		4	265	3,094
Total excluding JV		**757**	**41,011**	**318,000**
City Link I (1)/(3)	Warsaw	5	426	4,805
City Link II (2)/(3)	Warsaw	11	717	6,578
Total including JV		**773**	**42,154**	**329,383**

(1) *For information on the completed projects see "Business highlights during the year ended 31 December 2018– B. Results breakdown by project".*

(2) *For information on current projects under construction, see "Outlook for the year 2019 – B. Current projects under construction".*

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

The table below presents further information on the value of the preliminary sales agreements (with a breakdown per city, excluding VAT) executed by the Group, during the year ended 31 December 2018 with a comparison to the year ended 31 December 2017:

Location	**Value of the preliminary sales agreements signed during the 12 months ended**		**Increase/(decrease)**	
In thousands of Polish Zlotys (PLN)	**31 December 2018**	**31 December 2017**	**PLN**	**%**
Warsaw	223,395	222,795	600	0%
Wrocław	44,664	33,663	11,001	33%
Szczecin	21,377	21,270	107	1%
Poznań	36,853	34,990	1,863	5%
Other	3,094	272	2,822	n.a.
Total	**329,383**	**312,990**	**16,393**	**5%**

Business highlights during the year ended 31 December 2018 (cont'd)

D. 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 2018:

Project name	Location	Number of units	Area of units (m^2)
Grunwald[2]	Poznań	268	14,500
Nova Królikarnia 2b[(1)]	Warsaw	28	2,300
Nova Królikarnia 2c	Warsaw	18	3,600
Total		**314**	**20,400**

(1) The Company commenced the construction work of the Nova Królikarnia 2b project, before the completion of the Nova Królikarnia acquisition.

For additional information see section "Outlook for the year 2019 – B. Current projects under construction".

E. Agreements significant for the business activity of the Group

Agreements with General contractors

During the year ended 31 December 2018 the Group concluded agreement with Hochtief Polska S.A. for the construction works with a total value of PLN 59.5 million. The value of this agreement exceeds 10% of shareholders' equity of the Company.

Agreements for purchasing/selling plots

Ursus

In January 2017 and in February 2018, the Company entered into conditional sale and purchase agreements concerning the acquisition of perpetual usufruct rights of real properties located in Warsaw, Ursus district, and into certain cooperation agreements. The properties are covered by a local zoning plan which allows for the development of multi-family housing projects on the properties with approximately 1,600 apartments. The total price for the acquisition of the properties plus the value of the work which must be performed to allow the Company to carry out the housing projects (such work being the responsibility of the sellers) has been agreed at PLN 81.8 million plus applicable VAT. For three out of four plots the individual final agreements completing their acquisition were concluded in March 2018. For the one remaining plot the final agreement will be concluded not later than by 31 December 2019. The Company received from the seller an irrevocable power of attorney to execute all necessary actions for the development of the project on this last plot of land, including transferring its perpetual usufruct, obtaining all necessary permits and performing part of the construction works.

In March 2018, the Company paid the last tranche of the transaction price amounting to PLN 2.8 million. The total purchase price together with related expenses amounting to PLN 82.8 million has been reclassified from Advances for land to Inventory.

Nova Królikarnia

On 10 April 2018, the Company completed the acquisition of certain shares in and loans granted to project companies owning properties constituting the Nova Królikarnia project for a price of PLN 83.8 million under a sale and purchase agreement with Global City Holdings B.V. (hereinafter 'GCH'). As the result of this transaction Company will be able to realize the sale of 197 units with an aggregate floor space of 19,500 m^2, which on the day of transaction, include completed projects with 53 units and an aggregate floor space of 4,950 m^2, projects under construction with 126 units and an aggregate floor space of 11,150 m^2 and project in pipeline with 18 units and an aggregate floor space of 3,400 m^2 (hereinafter 'the Nova Transaction'). In addition, the Company and GCH have concluded a call option agreements for a total value of PLN 78.9 million, under which the Company has been granted three call options with respect to the shares in the eight other project companies holding the remaining stages of the Nova Królikarnia project, the last option shall be executed the latest till April 2020. The exercise of the three call options will allow the Company to develop 161 units with an aggregate floor space of 21,500 m^2 (hereinafter 'the Nova Call Option Agreements').

Business highlights during the year ended 31 December 2018 (cont'd)

E. Agreements significant for the business activity of the Group (cont'd)

Wilanow Tulip

On 13 December 2018, the Company, via joint venture entity in which the Company holds a 50% interest (hereinafter the "JV Company"), signed a preliminary purchase agreement for the acquisition of the right of perpetual usufruct of property located in Warsaw, Wilanów district, at Syta street. The purchase price of this project has been set at PLN 15 million and will be increased by the applicable VAT (the Group's share is PLN 7.5 million).

The JV Company purchased the project together with the valid building where part of the construction works already commenced. The project will comprise 157 units with an aggregate floor space of 8,700 m^2.

On 4 March 2019, the JV Company signed the final purchase agreement.

Sale of land – Matisse II

In December 2018, a subsidiary of the Company signed a preliminary sale agreement for selling the property located in Wrocław, at Buforowa Street. The sale price was set at PLN 6.5 million increased by VAT. An advance of PLN 650 thousand was received before the end of December 2018. On 25 February 2019, the final agreement for the sale of the property was signed and the remaining portion of the price was received.

Overview of results

The net profit attributable to the equity holders of the parent company for the year ended 31 December 2018 was PLN 13,498 thousand and can be summarized as follows:

	For year ended 31 December	
	2018	**2017**
	PLN (thousands, except per share data)	
Revenue	294,087	231,744
Cost of sales	(248,397)	(193,666)
Gross profit	**45,690**	**38,078**
Selling and marketing expenses	(5,102)	(5,684)
Administrative expenses	(17,683)	(19,335)
Share of profit/(loss) from joint ventures	2,818	11,311
Other expenses, net	(2,358)	(3,615)
Result from operating activities	**23,365**	**20,755**
Finance income	738	859
Finance expense	(5,440)	(7,724)
Net finance income/(expense)	**(4,702)**	**(6,865)**
Profit/(loss) before taxation	**18,663**	**13,890**
Income tax benefit/(expense)	(3,592)	(2,593)
Net profit/(loss) for the year before non-controlling interests	**15,071**	**11,297**
Non-controlling interests	(1,573)	(1,833)
Net profit/(loss) for the year attributable to the equity holders of the parent	**13,498**	**9,464**
Net earnings per share attributable to the equity holders of the parent (basic and diluted)	**0.082**	**0.058**

Revenue

Revenue increased by PLN 62.4 million (26.9%) from PLN 231.7 million during the year ended 31 December 2017 to PLN 294.1 million during the year ended 31 December 2018, which is primarily explained by an increase in apartments delivered to the customers in terms of area size (in m^2).

Overview of results (cont'd)

Cost of sales
Cost of sales increased by PLN 54.7 million (28.3%) from PLN 193.7 million during the year ended 31 December 2017 to PLN 248.4 million during the year ended 31 December 2018, which is primarily explained by an increase in apartments delivered to the customers in terms of area size (in m^2).

During the year ended 31 December 2018, as a result of the Net Realizable Value (NRV) analysis and review, a write-down adjustment for some of the Company's projects was made in the amount of PLN 4.4 million, while at the same time write-down adjustment of one of the Company's projects was reversed for the amount of PLN 1.5 million. Net impact of NRV analysis and review on profit and loss amounted to PLN 2.9 million, which compares to a write-down adjustment of PLN 3.3 million during the year ended 31 December 2017.

Gross margin
The gross margin during the year ended 31 December 2018 before write-down adjustment was 16.5% which compares to a gross margin before write-down adjustment during the year ended 31 December 2017 of 17.9%.

Selling and marketing expenses
Selling and marketing expenses decreased by PLN 0.6 million (10.2%) from PLN 5.7 million during the year ended 31 December 2017 to PLN 5.1 million during the year ended 31 December 2018, which is primarily explained by the capitalization of real estate agencies cost to prepayments according to IFRS 15 during the year 2018. The decrease was offset in part by an increase in advertising expenses.

Administrative expenses
Administrative expenses decreased by PLN 1.6 million (8.5%) from PLN 19.3 million during the year ended 31 December 2017 to PLN 17.7 million during the year ended 31 December 2018. The decrease is primarily explained by the impact of adopting IFRS 15 which requires a capitalization of the costs in connection with obtaining the contract with clients as prepayments. The decrease was offset in part by an increase in personnel expenses.

Share of profit/(loss) from joint ventures
Share of profit/(loss) from joint ventures comprise the Company's 50% interest in the joint ventures companies Ronson IS sp. z o.o. and in Ronson IS Sp. z o.o. Sp.k which companies are running the first two stages of the City Link project in Warsaw.

During the year ended 31 December 2018, the profit from joint ventures allocated to the Company, amounted to PLN 2.8 million which compares to a profit amounting to PLN 11.3 million during the year ended 31 December 2017. The change in results from joint ventures is explained by revenue recognized from delivery of 249 units during the year ended 31 December 2017 in the City Link I project that was completed in September 2017, compared to 69 units delivered during the year ended 31 December 2018.

Other expenses, net
Other expenses net of other income decreased by PLN 1.2 million (34.8%) from PLN 3.6 million during the year ended 31 December 2017 to PLN 2.4 million during the year ended 31 December 2018, which is primarily explained by a decrease in maintenance expenses for unsold units as well as increase in rental income from inventory.

Result from operating activities
As a result of the factors described above, the Company's operating result increased by PLN 2.6 million, from an operating profit of PLN 20.8 million during the year ended 31 December 2017 to an operating profit of PLN 23.4 million during the year ended 31 December 2018.

Overview of results (cont'd)

Net finance income/(expense)

Finance income/(expense) are accrued and capitalized as part of the cost price of inventory to the extent this is directly attributable to the construction of residential units. Unallocated finance income/(expense) not capitalized is recognized in the statement of comprehensive income.

The table below shows the finance income and expenses before capitalization into inventory and the total finance income and expenses capitalized into inventory.

	For the year ended 31 December 2018 PLN (thousands)		
	Total amount	**Amount capitalized**	**Recognized as profit or loss**
Finance income	738	-	738
Finance expense	(14,191)	8,751	(5,440)
Net finance (expense)/income	**(13,453)**	**8,751**	**(4,702)**

	For the year ended 31 December 2017 PLN (thousands)		
	Total amount	**Amount capitalized**	**Recognized as profit or loss**
Finance income	859	-	859
Finance expense	(14,911)	7,187	(7,724)
Net finance (expense)/income	**(14,052)**	**7,187**	**(6,865)**

Net finance expenses before capitalization decreased by PLN 0.6 million (4.3%) from PLN 14.1 million during the year ended 31 December 2017 to PLN 13.5 million during the year ended 31 December 2018. The decrease is primarily a result of decrease in the average net debt position during the period from PLN 161.0 million during the year ended 31 December 2017 to PLN 134.8 million during the year ended 31 December 2018.

Non-controlling interests

On 10 October 2018, the Group acquired 18% of the share of ownership and voting rights in Ronson Espresso Sp. z o.o. (hereinafter "Espresso") from the minority shareholders of Espresso, for a total amount of PLN 3,762 thousand. Following the transaction, the Group became the sole shareholder of Espresso. The book value of the Non-controlling interests as at day of acquisition amounted to PLN 5,696 thousand.

Non-controlling interests comprise the share of minority shareholders in profit and losses from a subsidiary that was not 100% owned and controlled by the Company (presented on a fully consolidated basis) before 10 of October 2018. During the period ended 10 October 2018, the minority shareholder's share in the profit amounted to PLN 1,573 thousand (negatively impacting equity attributable to the holders of the parent), as compared to a share in profit during the year ended 31 December 2017 amounting to PLN 1,833 thousand (negative impact).

Selected financial data

PLN/EUR	Exchange rate of Polish Zloty versus the Euro			
	Average exchange rate	Minimum exchange rate	Maximum exchange rate	Year end exchange rate
2018 (12 months)	**4.262**	**4.142**	**4.398**	**4.300**
2017 (12 months)	4.258	4.171	4.416	4.171

Source: National Bank of Poland ('NBP')

Selected financial data	EUR*		PLN	
	(thousands, except per share data and number of shares)			
	For year ended 31 December			
	2018	2017	2018	2017
Revenue	**69,002**	54,426	**294,087**	231,744
Gross profit	**10,720**	8,943	**45,690**	38,078
Profit/(loss) before taxation	**4,379**	3,262	**18,663**	13,890
Net profit/(loss) for the year attributable to the equity holders of the parent	**3,167**	2,223	**13,498**	9,464
Cash flows from/(used in) operating activities	**19,283**	6,438	**82,185**	27,411
Cash flows from/(used in) investing activities	**(15,575)**	3,823	**(66,382)**	16,279
Cash flows from/(used in) financing activities	**4,731**	(11,246)	**20,165**	(47,886)
Increase/(decrease) in cash and cash equivalents	**8,439**	(985)	**35,968**	(4,196)
Average number of equivalent shares (basic)	**164,010,813**	164,010,813	**164,010,813**	164,010,813
Net earnings/(loss) per share (basic and diluted)	**0.019**	0.014	**0.082**	0.058

Selected financial data	EUR*		PLN	
	(thousands)			
	As at			
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Inventory and Residential Landbank	**149,571**	122,776	**643,154**	512,098
Total assets	**187,237**	169,216	**805,121**	705,799
Advances received	**35,454**	24,513	**152,452**	102,244
Long term liabilities	**44,440**	41,745	**191,092**	174,120
Short term liabilities (including advances received)	**62,918**	45,473	**270,549**	189,667
Equity attributable to the equity holders of the parent	**79,879**	81,009	**343,480**	337,889

* *Information is presented in EUR solely for presentation purposes. Due to the significant fluctuation of the Polish Zloty against the Euro over the past years, the Statement of Financial Position data do not accurately reflect the actual comparative financial position of the Company. The reader should consider changes in the PLN EUR exchange rate in 2018 comparing to 2017, 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.

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 2018	As at 31 December 2017
	PLN (thousands)	
Inventory and Residential Landbank	643,154	512,098
Advances received	152,452	102,244
Loans and borrowings	243,234	211,228

Inventory and Residential landbank

The balance of Inventory and Residential landbank is PLN 643.2 million as at 31 December 2018 compared to PLN 512.1 million as at 31 December 2017. The increase in inventory is primarily explained by the value of inventory purchased in Nova Królikarnia transaction for a total amount of PLN 136.3 million and an increase in land and related expense for a total amount of PLN 86.1 million (that mainly related to reclassification of the Ursus project from Advances for land to Inventory), as well as the Group's investments associated with direct construction costs for a total amount of PLN 145.6 million. The increase is offset in part by cost of sales recognized for a total amount of PLN 248.5 million during the year ended 31 December 2018.

The table below presents Group's major contractors in 2018, in terms of the value of services purchased during the year, were:

General Contractor	Services purchased *In thousands of Polish Zlotys (PLN)*
Hochtief Polska S.A.	43,854
Karmar S.A.	31,855
Strabag Sp. z o.o.	29,734
Erbud S.A.	19,785
Mostostal Warszawa S.A.	13,613
Total	**138,841**

The entire turnover shown above concern services purchased by the Company and accounts for approximately 92% of the sum spent by the Group on construction, planning and permits costs in 2018.

Advances received

The balance of advances received is PLN 152.4 million as at 31 December 2018 compared to PLN 102.2 million as at 31 December 2017. The increase is primarily explained by advances received from clients regarding sales of units during the year ended 31 December 2018 for a total amount of PLN 279.8 million and value of advances received purchased in Nova Królikarnia transaction for a total amount of PLN 62.2 million. The increase is offset in part by revenues recognized from the sale of residential units for a total amount of PLN 291.8 million.

Overview of selected details from the Consolidated Statement of Financial Position (cont'd)

Loans, bonds and borrowings

The total of short-term and long-term loans and borrowings is PLN 243.2 million as at 31 December 2018 compared to PLN 211.2 million as at 31 December 2017. The increase in loans and borrowings is primarily explained by the effect of proceeds from a new bond loan net of issue costs for a total amount of PLN 49.3 million and new bank loans net of bank charges for a total amount of PLN 84.6 million during the year ended 31 December 2018. The increase is offset in part by the effect of repayment of bond loans for a total amount of PLN 42.2 million and repayment of bank loans for a total amount of PLN 61.8 million. Of the mentioned PLN 243.2 million, an amount of PLN 59.5 million comprises facilities maturing no later than 31 December 2019.

The maturity structure of the loans and borrowings reflects the Company's recent activities related to bonds issued in 2015 through 2018 as well as the maturity of the bank loans that were obtained to finance construction costs of the projects developed by the Company.

The balance of loans, bonds and borrowings may be split into two categories: 1) Bond loans and 2) Bank loans related to residential projects which are completed or under construction.

Bond loans as at 31 December 2018 amounted to PLN 205.5 million (as at 31 December 2017: PLN 197.3 million) comprising a bond loan principal amount of PLN 205.0 million plus accrued interest of PLN 1.9 million minus one-time costs directly attributed to the bond issuances which are amortized based on the effective interest method (PLN 1.4 million). For additional information see Note 28 of the Consolidated Financial Statements.

The bank loans supporting completed projects or projects under construction are tailored to the pace of construction works and sales. As at 31 December 2018, loans in this category amounted to PLN 37.7 million (as at 31 December 2017: PLN 13.9 million).

Overview of cash flow results

The Company funds its day-to-day operations principally from cash flows provided by its sales activities as well as from borrowings under several loans facilities. The net cash inflow from operating activities has enabled the Company to proceed with the development of its residential projects and purchasing new plots of lands whilst at the same time maintaining sufficient liquidity for its day-to-day operations.

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

	For the year ended 31 December	
	2018	2017
	PLN (thousands)	
Cash flow from/(used in) operating activities	82,185	27,411
Cash flow from/(used in) investing activities	(66,382)	16,279
Cash flow from/(used in) financing activities	20,165	(47,886)

Cash flow from/(used in) operating activities

The Company's net cash inflow from operating activities during the year ended 31 December 2018 amounted to PLN 82.2 million which compares to a net cash inflow from operating activities during the year ended 31 December 2017 amounted to PLN 27.4 million. The increase in cash inflow is principally explained by:

- a net cash inflow from advances received from clients regarding sales of residential units amounting to PLN 279.8 million during the year ended 31 December 2018, comparing to a net cash inflow amounting to PLN 226.0 million during the year ended 31 December 2017;
- expenses for new land purchases (including advances for land) amounted to PLN 2.8 million during the year ended 31 December 2018 while these expenses amounted to PLN 43.2 million during the year ended 31 December 2017.

The above mentioned effects were offset in part by:

- a net cash outflow used in the Group's investments related to direct construction costs for development of ongoing projects amounted to PLN 145.6 million during the year ended 31 December 2018 as compared to PLN 114.5 million during the year ended 31 December 2017.

Overview of cash flow results (cont'd)

Cash flow from/(used in) investing activities

The Company's net cash outflow used in investing activities amounted to PLN 66.4 million during the year ended 31 December 2018 compared to a net cash inflow from investing activities amounted to PLN 16.3 million during the year ended 31 December 2017. The decrease is primarily explained by:

- a cash outflow used in connection with the acquisition of the Nova Królikarnia project amounted to PLN 68.1 million during the year ended 31 December 2018 compared to nil during the years ended 31 December 2017;
- a cash inflow from the proceeds from loans granted to joint ventures and dividend from joint ventures amounting to PLN 5.8 million during the year ended 31 December 2018 compared a cash inflow from the proceeds from loans granted to joint ventures to PLN 16.1 million during the year ended 31 December 2017.

Cash flow from/(used in) financing activities

The Company's net cash inflow from financing activities amounted to PLN 20.2 million during the year ended 31 December 2018 compared to a net cash outflow used in financing activities amounted to PLN 47.9 million during the year ended 31 December 2017. The increase in net cash inflow is primarily explained by:

- net proceeds from bond loans amounting to PLN 7.2 million during the year ended 31 December 2018 compared to a net repayment of bond loans amounting to PLN 26.4 million during the year ended 31 December 2017;
- net proceeds from bank loans amounting to PLN 22.8 million during the year ended 31 December 2018 compared to net proceeds from bank loans amounting to PLN 11.2 million during the year ended 31 December 2017;
- a payment of dividends amounting to PLN 9.8 million during the year ended 31 December 2018 compared to PLN 31.2 million during the year ended 31 December 2017.

Overview of the economic results during the year ended 31 December 2018

The table below presents the Company economic results during the year ended 31 December 2018, under the assumption that the results from joint ventures are presented on a fully consolidated basis (100%):

For the 12 months ended 31 December	**2018**	**2017**
In thousands of Polish Zlotys (PLN)	**(Unaudited)**	**(Unaudited)**
Revenue from residential projects	320,652	319,269
Revenue from sale of services and land	-	2,200
Revenue	**320,652**	**321,469**
Cost of sale of residential projects	(268,570)	(258,711)
Cost of sale of land	-	(1,221)
Cost of sales	**(268,570)**	**(259,932)**
Gross profit	**52,082**	**61,537**
Selling and marketing expenses	(5,108)	(5,924)
Administrative expenses	(18,027)	(20,027)
Other expenses	(4,410)	(4,442)
Other income	1,576	812
Result from operating activities	**26,113**	**31,956**
Finance income	784	669
Finance expense	(5,457)	(7,737)
Net finance income/(expense)	**(4,673)**	**(7,068)**
Profit/(loss) before taxation	**21,440**	**24,888**
Income tax benefit/(expense)	(3,595)	(2,593)
Profit for the period	**17,845**	**22,295**
Total profit/(loss) for the period attributable to:		
equity holders of the parent	13,498	9,464
Non-controlling interests	4,347	12,831
Total profit/(loss) for the period, net of tax	**17,845**	**22,295**

Overview of the results during the three months ended 31 December 2018

The Company's net loss for the three months ended 31 December 2018 was PLN 2,340 thousand and can be summarized as follows

For the three months ended 31 December *In thousands of Polish Zlotys (PLN)*	**2018** **(Unaudited)**	**2017** **(Unaudited)**
Revenue	40,833	49,512
Cost of sales	(37,209)	(40,775)
Gross profit	**3,624**	**8,737**
Selling and marketing expenses	(1,339)	(2,032)
Administrative expenses	(3,384)	(4,955)
Share of profit/(loss) from joint ventures	173	11,758
Other expenses	(1,133)	(733)
Other income	364	221
Result from operating activities	**(1,695)**	**12,996**
Finance income	239	192
Finance expense	(1,175)	(1,781)
Net finance income/(expense)	**(936)**	**(1,589)**
Profit/(loss) before taxation	**(2,631)**	**11,407**
Income tax benefit/(expenses)	291	(2,132)
Profit/(loss) for the period before non-controlling interests	**(2,340)**	**9,275**
Non-controlling interests	-	(62)
Net profit/(loss) for the period attributable to the equity holders of the parent	**(2,340)**	**9,337**

Outlook for 2019

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:

Project name	Location	Number of units delivered [1]			Number of units expected to be delivered [1]			Total number of units
		Until 31 December 2017	During the year ended 31 December 2018	Total units delivered	Sold until 31 December 2018	Units for sale as at 31 December 2018	Total units expected to be delivered	
Miasto moje I	Warsaw	-	193	193	5	7	12	205
Nova Królikarnia 1a - 1e[3]	Warsaw	6	74	80	14	12	26	106
Espresso II, III & IV	Warsaw	300	146	446	1	4	5	451
Moko	Warsaw	308	28	336	6	3	9	345
Młody Grunwald I - III	Poznań	302	74	376	1	16	17	393
Panoramika II & III	Szczecin	98	129	227	1	1	2	229
Vitalia I	Wrocław	111	25	136	1	2	3	139
Chilli IV	Poznań	5	17	22	2	21	23	45
Other (old) projects		3	9	12	4	15	19	31
Total excluding JV		**1,133**	**695**	**1,828**	**35**	**81**	**116**	**1,944**
City Link I [2]	Warsaw	249	69	318	3	1	4	322
Total including JV		**1,382**	**764**	**2,146**	**38**	**82**	**120**	**2,266**

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

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

(3) 6 units delivered to clients by GCH during 2018 before concluding the Nova Królikarnia transaction (10 April 2018).

For information on the completed projects see "Business highlights during the year ended 31 December 2018 - B. Results breakdown by project".

B. Current projects under construction and/or on sale

The table below presents information on projects for which completion is scheduled in 2019 and 2020. The Group has obtained construction permits for all projects/stages and has commenced construction.

Project name	Location	Units sold until 31 December 2018	Units for sale as at 31 December 2018	Total units	Net saleable area (m^2)	Expected completion of construction
Miasto Moje II	Warsaw	123	25	148	8,100	2019
Nova Królikarnia 2a	Warsaw	38	7	45	3,200	2019
Nova Królikarnia 2b	Warsaw	21	7	28	2,300	2019
City Link III	Warsaw	286	82	368	18,700	2019
Marina Miasto	Wrocław	76	75	151	6,200	2019
Panoramika IV	Szczecin	57	54	111	5,800	2019
Vitalia II	Wrocław	68	15	83	4,700	2019
Grunwald[2]	Poznań	71	197	268	14,500	2020
Nova Królikarnia 2c	Warsaw	-	18	18	3,600	2020
Subtotal excluding JV		**740**	**480**	**1,220**	**67,100**	
City Link II [1]	Warsaw	189	-	189	8,800	2019
Total including JV		**929**	**480**	**1,409**	**75,900**	

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

Outlook for 2019 (cont'd)

B. Current projects under construction and/or on sale (cont'd)

Miasto Moje II

Description of project

The second stage of Miasto Moje project was developed on a land strip located in the Białołęka district in Warsaw at Marywilska Street and is a continuation of the Miasto Moje I project, which was completed in May 2018. The Miasto Moje II project comprises of 145 units and 3 commercial units with an aggregate floor space of 8,100 m^2.

Stage of development

The construction of the Miasto Moje II project commenced in August 2017 and was completed in February 2019.

Nova Królikarnia 2a

Description of project

The Nova Królikarnia 2a project is being developed on a land strip located in the Mokotów district in Warsaw at Jaśminowa Street and will comprise 45 units with an aggregate floor space of 3,200 m^2.

Stage of development

The construction of the Nova Królikarnia 2a project commenced in November 2017, while completion is expected in the first quarter of 2019.

Nova Królikarnia 2b

Description of project

The Nova Królikarnia 2b project is being developed on a land strip located in the Mokotów district in Warsaw at Jaśminowa Street and will comprise 28 apartments with an aggregate floor space of 2,300 m^2.

Stage of development

The construction of the Nova Królikarnia 2b project commenced in February 2018, while completion is expected in the second quarter of 2019.

City Link III

Description of project

The third (and last) stage of the City Link III project (the Company's share in the project is 100%) is being developed on a land strip located in the Wola district in Warsaw at Skierniewicka street. City Link III project will comprise 364 apartments and 4 commercial units with an aggregate floor space of 18,700 m^2.

Stage of development

The construction of the City Link III project commenced in June 2017, while completion is expected in the fourth quarter of 2019.

Miasto Marina

Description of project

The Miasto Marina project is being developed on a land strip located in Wrocław at Na Grobli Street. The project will comprise 151 units with an aggregate floor space of 6,200 m^2. Following the change in the law during 2017, the project is being developed as apart-hotel with 23% VAT instead of 8% VAT applicable on normal residential projects.

Stage of development

The construction of the Miasto Marina project commenced in July 2017, while completion is expected in the second quarter of 2019.

Outlook for 2019 (cont'd)

B. Current projects under construction and/or on sale (cont'd)

Panoramika IV

Description of project

The fourth stage of the Panoramika project is being developed on a land strip located in Szczecin at Duńska Street, and is a continuation of the Panoramika I-III projects, which were completed in 2012, 2016 and 2017, respectively. The fourth stage of this project will comprise 111 apartments with an aggregate floor space of 5,800 m^2.

Stage of development

The construction of the Panoramika IV project commenced in November 2017, while completion is expected in the fourth quarter of 2019.

Vitalia II

Description of project

The second stage of the Vitalia project is being developed on a land strip located in Krzyki district in Wrocław at Jutrzenki Street, and is a continuation of the Vitalia I project, which was completed in 2017. The second stage of this project will comprise 83 apartments with an aggregate floor space of 4,700 m^2.

Stage of development

The construction of the Vitalia II project commenced in December 2017, while completion is expected in the second quarter of 2019.

Grunwald²

Description of project

The Grunwald² project is being developed on a land strip located in Poznań at Świerzawska Street. The project will comprise 267 apartments and 1 commercial unit with an aggregate floor space of 14,500 m^2.

Stage of development

The Company commenced the pre-sale of this project in April 2018 and the construction works in June 2018, while completion is expected in the second quarter of 2020.

Nova Królikarnia 2c

Description of project

The Nova Królikarnia 2c project is being developed on a land strip located in the Mokotów district in Warsaw at Jaśminowa Street and will comprise 18 houses with an aggregate floor space of 3,600 m^2.

Stage of development

The construction of the Nova Królikarnia 2c project commenced in December 2018, while completion is expected in the third quarter of 2020.

City Link II

Description of project

The second stage of the City Link project (the Company's share in the project is 50%) is being developed on part of a land strip located in the Wola district in Warsaw at Skierniewicka street, and is a continuation of the City Link I project, which was completed in 2017. The second stage of this project will comprise 184 apartments and 5 commercial units with an aggregate floor space of 8,800 m^2.

Stage of development

The pre-sales of the City Link II project commenced in April 2016, while the construction commenced in November 2016. Completion of the City Link II project is expected in the first quarter of 2019.

Outlook for 2019 (cont’d)

C. Projects for which construction work is planned to commence during 2019

As the Company is aware of the increasing competition in the market, the Company has been careful to manage the number of new projects and the makeup of such projects in order to satisfy the consumers’ demand. During 2019, the Company is considering the commencement of the 4 stages of ongoing projects and 4 new projects (comprising in total 1,038 units with a total area of 56,900 m^2), which management believes are well-suited to current customer requirements, including smaller apartments at more economical prices. In addition the Company is considering the commencement of 85 units with a total area of 9,300 m^2 in Nova Królikarnia project under the Nova Call Option Agreements. Furthermore, in order to minimize market risk, the Company’s management breaks down the new projects into relatively smaller stages. In the event of any market deterioration or difficulties with securing financing by the banks for the considered projects, management may further delay some of those plans.

a) New Projects

Ursus Centralny

The first stage of Ursus Centralny project will be developed on a land strip located in the Ursus district in Warsaw at Gierdziejewskiego Street. The Company is considering commencing construction of the first stage of this project during 2019, the first stage will comprise 138 units with an aggregate floor space of 7,300 m^2.

Matisse I

The Matisse project will be developed on a land strip located in the Jagodno district in Wrocław at Buforowa Street. The Company is considering commencing construction of the first stage of this project during 2019, the first stage of this project will comprise 121 units with an aggregate floor space of 6,200 m^2.

Chopin I

The Chopin project will be developed on a land strip located in Szczecin. The Company is considering commencing construction of the first stage of this project during 2019, the first stage of this project will comprise 54 units with an aggregate floor space of 3,200 m^2.

Wilanów Tulip

The Wilanów Tulip project will be developed on a land strip located in Warsaw, Wilanów district, at Syta street. The Company commenced the construction work of the project in March 2019, the project will comprise 157 units with an aggregate floor space of 8,700 m^2.

On 13 December 2018 the Company, via joint venture entity in which the Company holds a 50% interest (hereinafter the “JV Company”), signed preliminary purchased agreement for purchasing the Wilanów Tulip project. On 4 March 2019 the JV Company signed the final purchase agreement.

b) New stages of ongoing projects

Vitalia III

The third and the last stage of Vitalia project that is a continuation of the Vitalia I and II projects, will comprise 81 units with an aggregate floor space of 6,800 m^2. The Company is considering commencing construction of this stage during 2019.

Miasto Moje III

The Miasto Moje III project is a continuation of the Miasto Moje I-II projects. The project will comprise 196 units with an aggregate floor space of 10,100 m^2. The Company commenced the construction work of the project in March 2019.

Miasto Moje IV

The Miasto Moje IV project is a continuation of the Miasto Moje I-III projects. The project will comprise 176 units with an aggregate floor space of 8,800 m^2. The Company is considering commencing construction of this stage during 2019.

Outlook for 2019 (cont'd)

C. Projects for which construction work is planned to commence during 2019 (cont'd)

Panoramika V

The Panoramika V project is a continuation of the Panoramika I-IV projects. The project will comprise 115 units with an aggregate floor space of 5,800 m^2. The Company commenced the construction work and the presale of this stage in March 2019.

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

The current volume and value of the preliminary sales agreements signed with the clients do not impact the Consolidated Statement of Comprehensive Income immediately but only after final settlement of the contracts with the customers (for more details see under "A – Completed projects"). The table below presents the value of the preliminary sales agreements (excluding VAT) 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	Value of the preliminary sales agreements signed with clients *(in thousands of PLN)*	Completed / expected completion of construction
Moko	Warsaw	6,432	Completed
Miasto Moje I	Warsaw	2,874	Completed
Espresso II, III & IV	Warsaw	556	Completed
Młody Grunwald I – III	Poznań	745	Completed
Panoramika II & III	Szczecin	412	Completed
Vitalia I	Wrocław	775	Completed
Chilli IV	Poznań	599	Completed
Nova Królikarnia 1a - 1e	Warsaw	18,148	Completed
Other (old) projects		1,814	Completed
***Subtotal completed projects* (1)**		***32,355***	
Miasto Moje II	Warsaw	38,158	2019
Nova Królikarnia 2a	Warsaw	27,312	2019
Nova Królikarnia 2b	Warsaw	16,696	2019
Marina Miasto	Wrocław	23,640	2019
Vitalia II	Wrocław	22,201	2019
Panoramika IV	Szczecin	13,082	2019
City Link III	Warsaw	131,592	2019
Grunwald[2]	Poznań	20,533	2020
***Subtotal ongoing projects* (2)**		***293,214***	
City Link I (1)/ (3)	Warsaw	2,323	Completed
City Link II (2)/(3)	Warsaw	84,771	2019
Subtotal projects held by joint venture		***87,094***	
Total		**412,663**	

(1) *For information on the completed projects see "Business highlights during the year ended 31 December 2018 – B. Results breakdown by project".*

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

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

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

The Company's and the Group's business activities are significantly affected by global developments, and in particular by their impact on the Polish economy. The most important macroeconomic factors are the level of development of the Polish economy, the level of interest rates in Poland, the performance of banks and their ability to provide financing to developers and their customers as well as the ability of other financial institutions to invest in corporate bonds.

In terms of risks specific for the sector, in which the Group operates, a potential increase in construction costs and the challenge of securing lands for reasonable prices and the significant impact of increased costs and land prices on the margins of new phases and projects, a prolongation of administrative procedures and an increasing competition in the market are considered to be the most significant uncertainties for the financial year ending 31 December 2019.

Construction cost risk

Construction costs increased significantly over the last 2 years and might continue to increase also during 2019. The increase is mainly related to the growth in costs of hiring qualified workforce, as well as to an increase in costs of building materials. The Company and the Group do not operate 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 order to mitigate the risk of the increase in construction costs, the Company and the Group are signing a lump-sum contact with the general contractor, which will allow the Group to complete the project based on the estimated budget.

Risk of non-performance by General Contractors

In each project or stage of the project, the Group has concluded and will conclude contracts for the construction and implementation of development projects with one general contractor. There is a risk that non-performace by such a general contractor of its obligations may cause delays in the project or significantly impact the business, financial condition or results of the Company and the Group. The Company sees a potential risk for non-performance of obligations by the general contractor in the availability of qualified workforce and in the increase of salaries and cost of construction materials. Such non-performance may result in claims against general contractor and the general contractor may also fail to fully satisfy possible claims of the Company and the Group. Important selection criteria when hiring a general contractor include experience, professionalism and financial strength of the general contractor (including securing a 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 - to be able to continue and to develop its business - need significant amounts of money which need is satisfied through external financing from 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 Group's control. In the event of difficulties in obtaining required financing, the scale of the Company's and Group's development and the pace of achieving its strategic objectives may differ from what was originally planned. It is not certain whether the Company and the Group will be able to obtain the required financing, nor whether financial resources will be obtained under conditions that are favorable to the Group.

Administration

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

Main risks and other factors important for the development of the Company and the Group (cont'd)

Changes in legislation

Potential future changes in the legislation (contemplated deletion of open escrow accounts as well as the possible introduction of compulsory contributions to the developer guarantee fund) also constitute a risk that could directly or indirectly affect the Company's and the Group's activities and results. The Management Board assesses, however, that the possible introduction of such changes may have a negative impact on the Group's activities to a lesser extent than on other market operators, primarily due to the Company's and the Group's comfortable financial situation and also because of the trust and good reputation, which the Company and the Group enjoy among financial institutions.

Availability of mortgages

The demand for residential real estate largely depends on the availability of credits and loans for financing the purchase of apartments and houses. 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 2018, access to mortgages was relatively high and interest rates on a mortgage were stable, at levels around their historic minimum. Growth in salaries and low inflation had a positive impact on the disposable income of households, thus increasing creditworthiness.

Regulatory risk, risk of interpretation and application of regulations

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

Interest rate risk

A vast majority of loans and borrowings obtained by the Group is against variable interest rates that are based on WIBOR rates plus a margin. Therefore, changes in the WIBOR rates will have impact on the cashflow and the profitability of the Group.

Remuneration Policy Report

A. Introduction

The Extraordinary General Meeting of Shareholders held on 1 October 2007, upon recommendation of the Supervisory Board, approved the Company's remuneration policy which sets forth the terms of remuneration of the members of the Management Board. The remuneration for the Supervisory Board was also adopted at the same General Shareholders' Meeting and is still applicable.

B. Remuneration Policy

The objective of the Company's remuneration policy is to provide a compensation program that allows the Company to attract, retain and motivate members of the Supervisory and Management Boards and those who have the character traits, skills and background to successfully lead, manage and supervise the Company. The remuneration policy is designed to reward members of the Management Boards and other key personnel for their contribution to the success of the Company. Each of the Supervisory Boards member receives fixed annual remuneration and remuneration per attended meeting.

The Management Board of the Company is of the opinion that the Remuneration Policy in place that is linked with economic performance, while meeting business objectives, is the strong foundation for maintaining the viability of the company and the long-term increase in value for shareholders.

C. Governance

The General Meeting of Shareholders approves all aspects of the remuneration policy for the Supervisory Board. The Supervisory Board determines the remuneration of the Management Board. Compensation of both the Supervisory Board and Management Board is reviewed regularly. The Supervisory Board has a dedicated Remuneration Committee.

D. Remuneration of the Management Board

Nir Netzer

Mr Nir Netzer, as a member of the Management Board of Ronson Development SE, entered into an employment contract with a subsidiary of the Company (Ronson Development Management Sp. z o.o.). The conditions of the employment contract include a monthly salary of the PLN equivalent to EUR 2,000, reimbursement of the medical insurance costs and a company car. In addition, he is providing, through his consulting company, services to Ronson Development SE and the Group. For these services, Mr Netzer's company charges Ronson Development SE a monthly fee of EUR 18,000 (EUR 14,000 for the first six months of providing services). The consulting services agreement is expected to be signed in the near future after completion of respective legal and corporate procedures. Mr Netzer's and his consulting company will be entitled to an annual bonus of up to 6 monthly fees and salaries. Moreover, the Company is covering Mr Netzer's out-of-pocket expenses related to services provided to the Company, mainly travel and accommodation expenses.

Rami Geris

Mr Rami Geris, as a member of the Management Board of Ronson Development SE, has entered into an employment contract with a subsidiary of the Company (Ronson Development Management Sp. z o.o.). The conditions of the employment contract include a monthly salary of PLN 5,000, an annual bonus between 2 to 4 monthly fees, reimbursement of the medical insurance costs, a company car and the costs of two round flights to Israel during each calendar year for Mr. Geris and his family.

In addition Mr. Geris provides, through his consulting company, services to Ronson Development SE. During year 2018, the remuneration for these services amounted to a monthly fee of EUR 4,700 and PLN 14,500 (increase by PLN 7,000 in comparison to year 2017). For the year 2018 Mr. Geris was also entitled to an annual bonus between 2 to 4 monthly fees (unchanged in comparison to year 2017), starting from 1 January 2019 the bonus consists of a fixed amount of PLN 55,000 paid in 12 monthly instalments during the year for which it is due and a variable part up to PLN 55,000. The contract with Mr Geris also provides for an additional compensation to be paid in case of termination irrespective of the reasons for such termination, in the amount of 1/12 of monthly remuneration, for each calendar month during which this agreement is in force.

Remuneration Policy Report (cont'd)

D. Remuneration of the Management Board (cont'd)

Andrzej Gutowski

Mr Andrzej Gutowski, as a member of the Management Board of Ronson Development SE, has entered into an employment contract with a subsidiary of the Company (Ronson Development Management Sp. z o.o.). The conditions of the employment contract include a monthly salary of PLN 26,000 during and until 31 December 2017, starting from 1 January 2018 monthly salary of PLN 28,600 and starting from 1 January 2019 monthly salary of PLN 30,000. In addition Mr Gutowski is entitled to the reimbursement of the medical insurance costs and a company car. Based on the adopted incentive plan (by Ronson Development SE), Mr Gutowski is also entitled to an aggregate payment which is the equivalent of 0.1% of the net value of the Group's current sales results.

Alon Haver

Mr Alon Haver is not entitled to any remuneration from Ronson Development SE nor from any of the Company's subsidiaries. His remuneration is covered by the agreement with A. Luzon Group for a total monthly amount of PLN 70 thousand. In addition the Company is covering expenses related to services provided to the Company, such as travel and accommodation expenses.

Erez Tik (until 16 May 2018)

Mr Erez Tik was not entitled to any remuneration from Ronson Development SE nor from any of the Company's subsidiaries. His remuneration was covered by the agreement with A. Luzon Group for a total monthly amount of PLN 70 thousand. In addition, the Company was covering expenses related to services provided to the Company, such as travel and accommodation expenses.

Remuneration of the Management Board in 2018

Total compensation of the Members of the Management Board, including bonuses and incentives linked to Company's financial performance, a company car, flights and accommodation amounted to PLN 2,664 thousand.

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

During the year ended 31 December *In thousands of Polish Zlotys (PLN)*	**From the Company**	**In other companies operating within the Group**	**Total**
Salary and other short-term benefits	854	127	981
Other (1)	225	78	303
Subtotal - Mr Nir Netzer	**1,079**	**205**	**1,284**
Salary and other short-term benefits	415	81	496
Bonuses	83	15	98
Other (1)	-	50	50
Subtotal - Mr Rami Geris	**498**	**146**	**644**
Salary and other short-term benefits	-	367	367
Incentive plan linked to financial results	330	-	330
Other (1)	-	39	39
Subtotal - Mr Andrzej Gutowski	**330**	**406**	**736**
Total	**1,907**	**757**	**2,664**

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

Remuneration Policy Report (cont'd)

E. Remuneration of the Supervisory Board

The Supervisory Board members are entitled to an annual fee of EUR 8,900 plus an amount of EUR 1,500 per board meeting (EUR 750 if attendance is by telephone). The total amount due in respect of Supervisory Board fees during 2018 and 2017 amounted to PLN 341 thousand (EUR 80 thousand) and PLN 336 thousand (EUR 79 thousand), respectively.

Mr Amos Luzon did not receive any direct remuneration from the Company nor from any of the Company's subsidiaries. Instead, his remuneration is covered by and included in the agreement with A. Luzon Group covering costs of remuneration of two members of the Management Board members and of the Chairman of the Supervisory Board for a total monthly amount of PLN 70 thousand.

Remuneration received by each Supervisory Board member for year 2018 is as follows:

- Alon Kadouri, Member of the Supervisory Board – PLN 55 thousands;
- Ofer Kadouri, Member of the Supervisory Board – PLN 77 thousands;
- Przemysław Kowalczyk, Member of the Supervisory Board – PLN 77 thousands;
- Piotr Palenik, Member of the Supervisory Board – PLN 55 thousands;
- Shmuel Rofe, Member of the Supervisory Board – PLN 77 thousands.

Assessment of the Group's finance management

In 2018, the management of the financial resources of the Group was mainly focused on obtaining sources of financing for both projects being conducted as well as on maintaining safe financial ratios at all levels of its business activity. The Group not only obtained new bank credit facilities for the realisation of future projects or the launching of new stages of projects already being conducted, but it also obtained funds from the issue of series T bonds designated for the purchase of new land, for financing the Group's operating activities and bonds refinancing.

The Group's leverage ratios have remained at a safe level as at 31 December 2018. 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 2018 was 37.3%.

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.

Leverage ratios	**2018**	**2017**
Loan and borrowings	243,234	211,228
Cash and cash equivalents	(100,828)	(64,860)
Other current financial assets	(14,319)	(3,466)
Net debt	**128,087**	**142,902**
Total equity	343,480	342,012
Total capital employed	**471,567**	**484,914**
Total assets	**805,121**	**705,799**
Debt to equity ratio *loan and borrowings / equity*	**70.8%**	**61.8%**
Net debt to equity ratio *net debt / equity*	**37.3%**	**41.8%**
Equity ratio *equity / assets*	**42.7%**	**48.5%**
Leverage ratio *net debt / capital employed*	**27.2%**	**29.5%**

Assessment of the finance management in the Group (cont'd)

Liquidity Ratios	**2018**	**2017**
Current assets	733,195	679,700
Inventory and advance for land	596,927	592,158
Short term liabilities less advances received	118,097	87,423
Cash and cash equivalents	100,828	64,860
Current ratio *current assets / short-term liabilities less advances received*	**6.21**	**7.77**
Quick ratio *current assets less inventory and advance for land / short-term liabilities less advances received*	**1.15**	**1.00**
Cash ratio *cash and cash equivalents / short-term liabilities less advances received*	**0.85**	**0.74**

Information on loans, bonds, sureties and guarantees

Bonds loans contracted or redeemed

In February 2018, the Company repaid all outstanding 5,000 series H bonds with total nominal value of PLN 5 million. After this repayment, the total number of outstanding bonds series H amounted to nil.

In May 2018, the Company repaid all outstanding 221,600 series F bonds with total nominal value of PLN 22.2 million. After this repayment, the total number of outstanding bonds series F amounted to nil.

In May 2018, the Company issued 50,000 series T bonds with a total nominal value of PLN 50 million. The nominal value of one bond amounts to PLN 1,000 and is equal to its issue price. The series T bonds shall be redeemed on 9 May 2022. The Bonds bear interest at a variable rate based on the WIBOR rate for six-month deposits increased by a margin of 3.5%. Interest is payable semi-annually in May and November until redemption date. The proceeds from this issue was used to finance the Issuer's core business, in particular the purchase of new plots (payment of liabilities from Nova Królikarnia transaction).

In December 2018, the Company repaid all outstanding 15,000 series L bonds with total nominal value of PLN 15 million. After this repayment, the total number of outstanding bonds series L amounted to nil.

Bank loans contracted or repaid

In March 2018, the Company’s subsidiary executed a loan agreement with Alior Bank S.A. related to the second stage of the Vitalia project in Wrocław. Under this loan agreement Alior Bank S.A. is to provide financing to cover the costs of construction up to a total amount of PLN 20.5 million. Under the loan agreement, the final repayment date of the loan facility is December 2020. The loans bear interest at a variable rate based on the WIBOR rate for three-month deposits increased by a margin.

In April 2018, the Company’s subsidiary executed a loan agreement with Bank Zachodni WBK S.A. relating to the second stage of the Miasto Moje project in Warsaw. Under this loan agreement Bank Zachodni WBK S.A. is to provide financing to cover the costs of construction up to a total amount of PLN 29.1 million. Under the loan agreement, the final repayment date of the loan facility is June 2020. The loans bear interest at a variable rate based on the WIBOR rate for one-month deposits increased by a margin.

In August 2018, the Company’s subsidiary executed a loan agreement with PKO Bank Polski S.A. relating to the fourth stage of the Panoramika project in Szczecin. Under this loan agreement PKO Bank Polski S.A. is to provide financing to cover the costs of construction up to a total amount of PLN 25.0 million. Under the loan agreement, the final repayment date of the loan facility is December 2020. The loans bear interest at a variable rate based on the WIBOR rate for three-month deposits increased by a margin.

In January 2018, the Company prematurely repaid the entire loan at Bank BZWBK S.A. related to the third phase of the Młody Grunwald project in Poznań.

In June 2018, the Company prematurely repaid the entire loan at Bank BZWBK S.A. related to the first phase of the Miasto Moje project in Warsaw.

Information on loans, bonds, sureties and guarantees (cont'd)

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 2018 are presented in the table below:

Entity name	Amount of guarantee *In thousands of Polish Zlotys (PLN)*
Hochtief Polska S.A.	11,614
Erbud S.A.	2,700
Mostostal Warszawa S.A.	3,677
Totalbud S.A.	1,984
Kalter Sp. z o.o.	500
Karmar S.A.	18
Total	**20,493**

From the above mentioned guarantees, PLN 726 thousand had been expired during the year 2018.

Guarantees provided by the Company

During the year ended 31 December 2018, the Company granted guarantees for the total amount of PLN 36 thousands, to clients that purchased apartments form one of it subsidies relate to the claim raised by natural persons regarding the adverse possession of the part of real property, where the project was developed by the subsidiary.

Sureties provided by the Company

The table below present sureties that were provided by the Company during the year ended 31 December 2018 with respect to the construction loan contacts signed by the Company's subsidiaries:

Entity name	Amount of sureties *In thousands of Polish Zlotys (PLN)*
Santander Bank Polska S.A.	16,375
Alior Bank S.A.	15,000
Total	**31,375**

Additional information to the report

Dividend policy

On 11 July 2018, the Management Board of Ronson Development SE resolved to update the dividend policy of the Company. The Management Board recommends in upcoming years a dividend payment of 50% of the consolidated net profit attributable to shareholders but not less than PLN 9,840,649 in total (representing PLN 0.06 per share at the current number of issued shares). The final recommendations regarding the payment of dividends will be made by the Management Board after the examination of the current and expected balance sheet of the Company, expected operating, financial and cash-flow position of the Company and taking into consideration: (i) the close observance of all balance-sheet linked debt covenants, (ii) ability of future repayment of debts, (iii) financial needs of the Company aiming to be ranked amongst leading residential developers and (iv) changing market environment.

Dividend

On 18 July 2018, the Supervisory Board approved the proposal of the Management Board of the Company from 11 July 2018 to make a distribution to its shareholders out of the retained earnings reserve (i.e. dividend) in the amount of PLN 9,840,649, which represented PLN 0.06 per ordinary share. On 14 September 2018, during the extra-ordinary General Meeting of Shareholders, the shareholders of the Company approved the distribution of the dividend. The final payment in the amount of PLN 9,840,649 or PLN 0.06 per ordinary share, with record date of 25 September 2018, was paid on 4 October 2018.

Agreements between shareholders

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

Cooperation agreements

On 29 November 2018, the Company entered into a joint venture agreement with Konsili Limited providing for the joint investment and development of the Wilanów Tulip project. For details about the Wilanów Tulip project the reference is made to sections: (i) Business highlights during the year ended 31 December 2018 – E. Agreements significant for the business activity of the Group. Apart from the agreement mentioned above, the Company and the Group did not conclude any significant cooperation agreements with third parties during 2018.

Transactions with related entities

All transactions made by the Company or its subsidiaries with related entities are based on the arm's length principle. Transactions with the related entities are presented in Note 37 to the consolidated financial statements for the year ended 31 December 2018.

Agreements with shareholders

A. Luzon Group, major (indirect) shareholder of the Company, is covering costs of remuneration of two members of the Management Board of the Company and of the Chairman of the Supervisory Board of the Company. The Company is a party to the agreement with A. Luzon Group to refund those costs. 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 travel and out of pocket expenses of those persons.

Proceedings before the courts, arbitration or public administration authority

As of 31 December 2018 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 2018 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 18.3 million. 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 2.6 million.

Employees

The average number of personnel employed by the Company and its subsidiaries – on a fulltime equivalent basis – during 2018 was 73 compared to 68 during 2017.

Research and development

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

Additional information to the report (cont'd)

Environmental protection

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

Forecasts

The Company did not publish financial forecasts for 2018.

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.

Evaluation of factors and non-typical events affecting the consolidated result for the financial year

On 10 April 2018, the Company completed the acquisition of certain shares in and loans granted to project companies owning properties constituting the Nova Królikarnia project for a price of PLN 83.8 million under a sale and purchase agreement with Global City Holdings B.V. ('GCH'). The Nova Królikarnia project is located at Jaśminowa street in Warsaw and consists of 197 units and an aggregate floor space of 19,500 m^2 (at the day of the transaction the project included, completed projects with 53 units and an aggregate floor space of 4,950 m^2, projects under construction with 126 units and an aggregate floor space of 11,150 m^2 and a project in pipeline with 18 units and an aggregate floor space of 3,400 m^2).

From the date of acquisition (10 April 2018), Nova Królikarnia project has contributed PLN 69.0 million to revenue and PLN 8.9 million to the gross profit of the Group.

Quarterly reporting by the Company

As a result of requirements pertaining to A. Luzon Group with the registered office in Raanana Israel, the Company's controlling shareholder, whose ultimate parent company is listed on the Tel Aviv Stock Exchange, the first quarter reports, semi-annual reports and third quarter reports are subject to a full scope review by the Company's auditors. For the Company itself that listed on the Warsaw Stock Exchange, only the semi-annual report is subject to a review. The Company has agreed with A. Luzon Group that the costs for the first and third quarter review will be shared between the Company and its shareholder. The Company considers having its first and third quarter report provided with a review report a benefit to all of its shareholders.

The Company prepared this Annual Report for the year ended 31 December 2018 in both English and Polish languages, while the Polish version is binding.

Disclosure obligations of controlling shareholder

Please note that A. Luzon Group, the Company's controlling shareholder, is a company listed on the Tel Aviv Stock Exchange with the registered office in and is subject to certain disclosure obligations. Some of the documents published by A. Luzon Group in performance of such obligations, available here: http://maya.tase.co.il (some of which are only available in Hebrew), may contain certain information relating to the Company.

Market capitalization of the Company

As at 31 December 2018 and as at 12 March 2019, the market price was PLN 0.82 and PLN 0.90 per share giving the Company a market capitalization of PLN 134.5 million and PLN 147.6 million, respectively. The Groups' market capitalization is below the value of net assets. Although, the Company strongly believes that this is a temporary situation due to many different factors, including low liquidity of the Company's shares listed on WSE, Management took appropriate steps to review the Company's accounts to determine if there is any additional write-down required and found no basis for it. Management verified that the forecast margin potential in respect of the inventory is positive. Therefore, no indicators for potential additional impairment have been identified.

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 36 of the Consolidated Financial Statements for the year ended 31 December 2018.

Additional information to the report (cont'd)

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

In 2018, there were significant changes to the management rules in the Company and the Group, mainly related to the migration of the Company's registered office from the Netherlands to Poland. Due to the migration, the legal form of the Company's operation changed (the transformation into a European company). In addition, the jurisdiction proper for the Company has also changed (from Dutch to Polish).

In connection with the migration of the registered office, the content of the Company's Articles of Association changed, including the manner of representation of the Company. In the period when the Company was subject to Dutch law, that is, until October 30, 2018 (inclusive) two members of the Management Board were required to represent the Company, of which, if at least one managing director of class B was appointed, at least one should be the class executive B. The above division of board members into two classes was also reflected in the internal decision-making procedure. Namely, the resolutions of the management board regarding the acquisition of real estate were taken by the management board by an absolute majority of votes cast, including the vote approving all the managing directors of class B.

In connection with the migration of the Company's registered office to Poland, the abovementioned division of board members into two classes was abolished. From October 31, 2018, two members of the Management Board are required to represent the Company, including in particular to make statements on behalf of the Company, of which one of the co-operating members of the Management Board is always the President of the Management Board or the Vice-President of the Management Board who is also the Chief Financial Officer. Further changes also covered the sphere of the decision-making process: resolutions concerning the purchase of real estate, perpetual usufruct or share in real estate are taken by the Management Board to be approved by an absolute majority of votes cast and should include a vote of approval by either the President of the Management Board or the Vice-President of the Management Board who is also the Chief Financial Officer.

Information on the contract regarding the involvement of employees in a European company

As part of the procedure of transforming the Company into a European company and then transferring its registered office to Poland, the Company concluded on 5 February 2018 the agreement with a special negotiation body consisting of representatives of the employees of the Company and the Group selected in accordance with the provisions of the Act on the European economic interest grouping and the European company (Journal of Laws of 2018, item 2036).

In the above-mentioned agreement, its parties regulate the involvement of the employees of the Group, including in particular (but not exclusively) access of interested employees to information on changes in the structure of the Company, its economic and financial situation, development and probable trends in employment and mass redundancies, fundamental changes organizational, transfer of production activities. In addition, the agreement also applies to the right to participate in consultations with the Company and to express opinions by interested employees on the issues specified in the contract.

Additional data for the Company

The Company is mainly a holding company and management services provider with respect to the development of residential projects for its subsidiaries. The majority of the Company incomes are from the following sources: (i) interests from loans granted to subsidiaries for the development of projects, (ii) management fee received from subsidiaries for the provision of management services, and (iii) dividend received from subsidiaries. All above revenues are being eliminated on a consolidated level.

Below section presents main data on the Company activity that were not covered in other sections of this Management Board Report. For additional information see the only Company Financial Statements for the year ended 31 December 2018. The table below presented selected financial data for the Company.

	Exchange rate of Polish Zloty versus the Euro			
PLN/EUR	**Average exchange rate**	**Minimum exchange rate**	**Maximum exchange rate**	**Year end exchange rate**
2018 (12 months)	**4.262**	**4.142**	**4.398**	**4.300**
2017 (12 months)	4.258	4.171	4.416	4.171

Source: National Bank of Poland ('NBP')

Selected financial data	**EUR**		**PLN**	
	(thousands)			
	As at			
	31 December 2018	**31 December 2017**	**31 December 2018**	**31 December 2017**
Investment in subsidiaries	**94,723**	108,948	**407,309**	454,422
Loan granted to subsidiaries	**36,241**	20,033	**155,836**	83,557
Total assets	**131,767**	129,405	**566,599**	539,749
Long term liabilities	**35,740**	36,806	**153,683**	153,517
Short term liabilities	**16,148**	11,590	**69,436**	48,343
Equity	**79,879**	81,009	**343,480**	337,889

	EUR		**PLN**	
	(thousands, except per share data and number of shares)			
	For the year ended 31 December			
	2018	**2017**	**2018**	**2017**
Revenues from management services granted to subsidiaries	**2,178**	988	**9,281**	4,207
Financial income (vast majority from loans granted to subsidiaries)	**1,984**	1,169	**8,457**	4,979
Financial expenses (vast majority from Interest on bonds)	**(2,794)**	(3,006)	**(11,908)**	(12,800)
Profit for the year (including results from subsidiaries)	**3,167**	2,223	**13,498**	9,464
Cash flows from/(used in) operating activities	**2,701**	(1,354)	**11,512**	(5,766)
Cash flows from/(used in) investing activities	**(1,612)**	13,338	**(6,871)**	56,794
Cash flows from/(used in) financing activities	**(644)**	(13,890)	**(2,746)**	(59,144)
Increase/(decrease) in cash and cash equivalents	**445**	(1,906)	**1,895**	(8,116)
Average number of equivalent shares (basic)	**164,010,813**	164,010,813	**164,010,813**	164,010,813
Net earnings/(loss) per share (basic and diluted)	**0.019**	0.014	**0.082**	0.058

Corporate governance statement

A. The application of the corporate governance principles

The set of the corporate governance principles which the Company adheres to and the place where the text of the set of the corporate governance principles is available to the general public

The year 2018 marked a turning point in the history of the Company. In the course of that year, the Company changed its legal form and became a European company, and then transferred its registered office from the Netherlands to Poland. Those changes had a major impact on the Company's functioning as the legal regimes under which the Company operated changed during that year.

Between 1 January through 30 October 2018, the Company was subject to Dutch law. And as a Dutch company, the Company was primarily required to comply with the Dutch Corporate Governance Code. At the same time the Company adhered also to the corporate governance principles of "Best Practices for the Warsaw Stock Exchange Listed Companies 2016" ("Warsaw Stock Exchange Best Practices"), yet only to the extent permitted by Dutch law (in consequence, not all the principles of the Warsaw Stock Exchange Best Practices applied to the Company directly).

On 31 October 2018, the District Court for the capital city of Warsaw seated in Warsaw, XIII Commercial Division of the National Court Register, registered the Company in the register of business entities of the National Court Register. Since 31 October 2018 the Company has been subject only to Polish law and the corporate governance principles of "Warsaw Stock Exchange Best Practices", adopted by the Management Board of the Warsaw Stock Exchange on 13 October 2015.

The Warsaw Stock Exchange Best Practices are available for review at the website of the Warsaw Stock Exchange at: https://www.gpw.pl/dobre-praktyki.

The Company is aware of the importance of the corporate governance principles. The Management Board and the Supervisory Board have taken, and will take in the future, appropriate steps towards implementation of the corporate governance principles and better functioning of the corporate governance at the Company. This process continues. The corporate governance policy is the subject of debate at each annual discussion with shareholders which is scheduled during annual General Meeting.

The extent to which the Company departs from the provisions of the corporate governance principles, with the list of such provisions and the reasons for doing so

In the period between 1 January 2018 through 31 December 2018 and as of the date of this Report, the Company did not apply the following recommendations and detailed principles of the Warsaw Stock Exchange Best Practices:

Principle I.Z.1.3.

There is no formal division of tasks and responsibilities among members of the Company's Management Board which could be evidenced in the form of a document publishable on the Company's corporate website. However, the division of duties between members of the management board performing operational functions is and was reflected in their respective titles (i.e. under Dutch law: the Chief Executive Officer, the Chief Financial Officer and the Sales and Marketing Director, and under Polish law: the President of the Management Board, the Vice President of the Management Board and Chief Financial Officer and Vice President of the Management Board for Sales and Marketing). Relevant information is available on the Company's corporate website.

Principle I.Z.1.15.

There is no formal policy on diversity of the Company's governing bodies and its key managers. The Company's Supervisory and Management Board members are elected on the basis of a wide range of factors, such as experience, background, skills, knowledge and insight. The Company recognises the benefits of diversity, including gender equality, and it strives to achieve a greater level of diversity on the Supervisory Board and the Management Board.

Principle I.Z.1.20.

The Company believes that the existing information policy in effect at the Company guarantees that investors have access to complete and thorough information about decisions adopted at the General Meeting of the Company. The Company therefore believes there is no need to publish an audio or video recording of the proceedings of the General Meeting on the Company's corporate website. What is more, the provisions of the Company's Articles of Association do not allow for participation in the General Meeting by means of electronic communications (which in particular includes real-time broadcasting of the General Meeting).

Corporate governance statement (cont'd)

A. The application of the corporate governance principles (cont'd)

Recommendation II.R.3.

One of the Company's Management Board members, Alon Haver, acts as the CFO in the parent company of the Company, and also holds a managerial role in other companies belonging to the Company's parent company group.

Principle II.Z.2.

In the period between the transfer of the Company's registered office from the Netherlands to Poland, neither the corporate documents of the Company nor the generally applicable laws required the Company's Management Board members to obtain the consent of the Supervisory Board to sit on management or supervisory boards of companies outside of the Company's group.

Since the date of the transfer of the Company's registered office to Poland the Company has been subject to Polish law. The Management Board Rules, which have been in effect since 17 December 2018, repeat in that regard the provisions of the Commercial Companies Code and provide that a member of the Management Board cannot, without the consent of the Company, participate in any competitive company as a member of the governing body of a capital company and cannot participate in any other competitive legal person as a member of such person's governing authority. Such consent is granted on behalf of the Company by the Supervisory Board.

According to the Company's best knowledge, the Management Board members do not participate in any competitive company or any other competitive legal person as members of their governing authorities.

Andrzej Gutowski and Rami Geris do not sit on management or supervisory boards of any companies outside of the Company's group. Nir Netzer is the Director in the company fully owned by him and Alon Haver holds a managerial role in companies outside of the Company's group.

Principle III.Z.4.

No separate units responsible for the internal audit have been established at the Company, as there is no justification for this given the size and type of the Company's activity, which complies with Recommendation III.R.1. The Company outsources its internal audit functions to an external entity which carries out an internal audit when requested by the Management Board and reports directly to the Company's Supervisory Board.

Given the limited audit scope, in 2018 the annual assessment of the efficiency of the functioning of the internal audit, risk management and compliance systems and functions was not presented to the Supervisory Board.

Principle IV.Z.2.

In the Company's opinion, ensuring real-time broadcasts of the General Meeting is unjustified in the light of the Company's shareholding structure. Moreover, providing the relevant technical infrastructure necessary for the efficient conduct of the General Meeting by means of electronic communication would involve financial expenditure and organisational effort incommensurate with the result achieved. Moreover, the Company's shareholders have not communicated any expectations to the Company regarding real-time broadcasts of the General Meeting. For this reason, the provisions of the Company's Articles of Association, in the wording adopted in connection with the transfer of the Company's registered office from the Netherlands to Poland, do not allow for participation in the General Meeting by means of electronic communication (which in particular includes real-time broadcasting of the General Meeting).

Principle IV.Z.5.

The Company's Articles of Association was the principal document regulating the internal organisation of a public limited company incorporated under Dutch law. The Articles of Association specified in detail the manner of the convocation, conduct and adoption of decisions (resolutions) by the General Meeting. The Articles of Association could be amended only based on resolutions of the General Meeting.

Similarly, following the transfer of the Company's registered office to Poland, in the Company's assessment, there is no need to adopt Rules of the General Meeting. In the Company's assessment, the Company's Articles of Association coupled with the provisions of the Commercial Companies Code and the Council Regulation (EC) No. 2157/2001 of 8 October 2001 on the Articles of Association for a European company (SE) (OJEU.L No. 294, p. 1), describe exhaustively the manner of convocation and conduct of the General Meeting, and of the adoption of resolutions.

Corporate governance statement (cont'd)

A. *The application of the corporate governance principles (cont'd)*

Principle IV.Z.11.

Dutch law did not contain any provisions that would require the Management Board or the Supervisory Board members to participate in the General Meeting. Prior to the date of the transfer of the Company's registered office to Poland, due to the considerable distance between the statutory registered office, where the General Meeting had been held, and the place of business of the considerable part of the Company's minority investors, the Company had regularly organised preliminary General Meeting at its registered office in Poland several days prior to its formal General Meeting held in accordance with Dutch law, to ensure that shareholders could have direct contact with the Company's Management Board members and ask them any questions they might have.

Since the date of the transfer of the Company's statutory registered office to Poland there have been two General Meetings. In the Company's opinion, in both those cases, the Company's Management Board was represented sufficiently. On 20 December 2018, two members of the Management Board were present (two Vice Presidents of the Management Board), while on 24 January 2019, the General Meeting was attended by the President of the Company's Management Board (whereas the Vice Presidents of the Management Board were not present during the Meeting, yet they were available at the Company's office should an urgent need arise for them to take part in the Meeting). The Company's Management Board considers that any decision of the Supervisory Board members whether or not to participate in the General Meeting is in each case an individual decision of a given Supervisory Board member (the General Meeting held on 20 December 2018 was attended by one Supervisory Board member). In addition, the Management Board of the Company is the only body authorized and obliged at the same time to reply to the shareholder during the general meeting (Article 428 of the Code of Commercial Companies).

Principle VI.Z.2.

The Company does not currently have an incentive program for options or other instruments related to the Company's shares.

The other information about the corporate governance practices endorsed by the Company which go beyond the requirements of Polish law, with the information about the corporate governance practices which the Company complies with.

The Dutch Corporate Governance Code is available at the website of the Dutch Corporate Governance Monitoring Committee which can be found at: https://www.mccg.nl/english. The Company had been subject to that Code until 30 October 2018 (effective from 31 October 2018, the Company's registered office was transferred to Poland). Since 31 October 2018, the Company has been subject only to the Warsaw Stock Exchange Best Practices.

Departures from the application of the Dutch Corporate Governance Code

The Company endorsed the principles of the Dutch Corporate Governance Code and applied its main principles with the exception of the ones described below:

2.1.7

i. any one of the criteria referred to in the best practice provisions 2.1.8, sections i. to v. inclusive should be applicable to at most one supervisory board member;
ii. The total number of supervisory board members to whom the criteria referred to in the best practice provisions 2.1.8 are applicable should account for less than half of the total number of supervisory board members; and
iii. for each shareholder, or group of affiliated shareholders, who directly or indirectly hold more than ten percent of the shares in the company, there is at most one supervisory board member who can be considered to be affiliated with or representing them as stipulated in the best practice provisions 2.1.8, sections vi. and vii.

The Company's Supervisory Board is currently composed of six members, three of which were independent within the meaning of the Corporate Governance Code. Moreover, the Company's Articles of Association stipulated that the Supervisory Board had to have at least two independent members.

Corporate governance statement (cont'd)

A. The application of the corporate governance principles (cont'd)

2.1.9

The chairman of the supervisory board should not be a former member of the management board of the company and should be independent within the meaning of the best practice provisions 2.1.8.

The Chairman of the Supervisory Board, A. Luzon, holds directly 66.06% of shares in the Company, therefore he could not be considered independent within the meaning of the best practice provisions 2.1.8. However, the Company took the view that, given his experience, Mr. Luzon had the required qualifications needed to chair the Supervisory Board. Moreover, three of the six Supervisory Board members were independent within the meaning of the Dutch Corporate Governance Code.

2.7.2, part two

The terms of reference should also stipulate which transactions require the approval of the supervisory board. The company should draw up regulations governing ownership of, and transactions in, securities by management or supervisory board members, other than securities issued, by the company.

The Company believed that the limitations stemming from Dutch law and EU laws were sufficient as far as they governed the ownership of, and transactions in, securities held by the Supervisory and Management Board members. The implementation of additional restrictions would expose the Company to the risk of losses resulting from the inability to secure the effectiveness and continuity of the services provided by the Supervisory Board members. Based on that, the Company believed that the implementation of this good practice did not serve the Company's best interest.

4.2.3, part two

Analyst meetings, analyst presentations, presentations to institutional or other investors and press conferences should be announced in advance on the company's website and by means of press releases. Analysts' meetings and presentations to investors should not take place shortly before the publication of the regular financial information. All shareholders should be able to follow these meetings and presentations in real time, by means of webcasting, telephone or otherwise. After the meetings, the presentations should be posted on the company's website.

Considering the size of the Company, setting up a system that would enable shareholders to participate directly in the types of the meetings and presentations listed in the good practice would create a too large a burden. However, the Company warrants that presentations were posted on the Company's website immediately after the end of above types of meetings.

Transactions creating a conflict of interests

In the course of 2018 (until the date of the transfer of the Company's registered office to Poland) none of the transactions referred to in the good practice provisions 2.7.3, 2.7.4 and 2.7.5 occurred that were connected with the conflict of interests of the Supervisory or Management Board members or natural or legal persons holding 10% or more shares in the Company, save for the following transactions to which the good practice provisions 2.7.3, 2.7.4 and 2.7.5 were dully applied:

During the year ended 31 December 2017, the Company entered into an agreement with its major (indirect) shareholder, A. Luzon Group, covering costs of remuneration of two members of the Management Board and of Chairman of the Supervisory Board. For total monthly amount of PLN 70 thousand and covering travel and out of pocket expenses. The Board (non-Luzon members) believe that entering into the such an agreement is in the interest of the Company and that its terms are at arm's length.

B. Description of the general features of the internal audit and risk management systems applied by the Company with respect to the process of preparation of financial statements and consolidated financial statements

The Management Board of the Company is responsible for the internal control system in the Group and its effectiveness in the preparing of financial statements and periodic reports prepared and published in accordance with the Regulation by the Minister of Finance dated 29 March 2018 on the current and periodic submissions by securities issuers.

The Company's Management Board analyses current financial results, of the Group and its subsidiaries by comparing them with adopted budgets, on the basis of at least quarterly reports, taking into account format and the level of detail of financial data that present the level of detail and significance required in the Management Board's opinion. At least once per quarter Management Board verifying projection of Company cash flows and analyzing adopted strategy of the Group.

Corporate governance statement (cont'd)

B. Description of the general features of the internal audit and risk management systems applied by the Company with respect to the process of preparation of financial statements and consolidated financial statements (cont'd)

Completeness, responsibility and verification in the preparation of financial information

The Group's financial department prepares financial statements, interim and monthly management reports of the Group and the Company under the supervision of the CFO of the Group. The Group's reports are drafted by highly qualified team of employees of the financial, accounting and legal departments. The preparation process is supervised by the financial department's mid-level management. The financial statements are verified by financial controllers and CFO of the Group. Pursuant to the applicable legal regulations, the Group's financial statements are reviewed or audited, respectively, by an independent statutory auditor. This is always a prime and highly qualified statutory auditor.

Consistent accounting policies are applied by the Group for presenting its financial details in the financial statements, periodic financial reports and management reports.

C. The Company's Articles of Association – the rules governing the amendments of the Articles of Association

In 2018, the Company's Articles of Association were amended twice.

The current wording of the Company's Articles of Association were approved by the resolution of the Extraordinary General Meeting held on 14 September 2018 in accordance with Annex 1 to the Draft Terms of Migration. On 31 October 2018, the District Court for the capital city of Warsaw seated in Warsaw, XIII Commercial Division of the National Court Register, registered the Company in the register of business entities of the National Court Register under registration number KRS 0000755299, and at the same time the new Company's Articles of Association were also registered.

As per Article 8.10 of the Council Regulation (EC) No. 2157/2001 of 8 October 2001 on the Articles of Association for a European company (SE), the transfer of the Company's registered office from the Netherlands to Poland and the consequent amendments of the Company's Articles of Association took effect on the date on which the Company was registered in the register of business entities of the National Court National.

In 2018, the Company's Articles of Association was amended once again in connection with the transformation of the Company into a European company incorporated under Dutch law.

The above amendments of the Articles of Association were followed during the year by other amendments of the provisions of the Articles of Association relating to the procedure for the amendments of the Articles of Association (in particular, the introduction of the requirement that the majority of votes in the General Meeting is required to adopt a resolution regarding an amendment of the Articles of Association).

At present – according to the provisions of the Articles of Association and of the Commercial Companies Code, any amendment of the Company's Articles of Association require a resolution of the General Meeting and entry in the register. A resolution regarding amendments of the Company's Articles of Association may be adopted by the General Meeting only by the majority of two thirds of the votes cast.

Corporate governance statement (cont'd)

D. Share capital and Major Shareholders

Major Shareholders

To the best of the Company's knowledge, as at the date of publication of this annual report (13 March 2019), the following shareholders are entitled to exercise over 5% of the voting rights at the General Meeting of Shareholders in the Company:

	As at 31 December 2018 Number of shares / % of shares	Change in number of shares	As oat 31 December 2017 Number of shares / % of shares
Shares issued:	***164,010,813***	-	***164,010,813***
I.T.R. Dori B.V. [(1)]	87,449,187	-	87,449,187
	53.32%		53.32%
RN Residential B.V. [(1)]	20,900,000	-	20,900,000
	12.74%		12.74%
Nationale Nederlanden Otwarty Fundusz Emerytalny	23,884,091	-	23,884,091
	14.56%		14.56%
Metlife Otwarty Fundusz Emerytalny	N/A	N/A	N/A
	Between 5%-10%		Between 5%-10%

[(1)] The subsidiary of A. Luzon Group.

Rights to control

All the Company's shares are common shares and none of them carries any special privileges.

Restrictions on the rights attached to the shares in respect of the exercise of the voting rights and the transfer of the ownership of the Company's securities

The Articles of Association of Ronson Development SE do not provide for any restrictions on the exercise of the voting rights, such as the restriction on the exercise of the voting rights by holders of a certain portion or number of the votes, the time restrictions on the exercise of the voting rights or the provisions stipulating that equity rights attached to securities are separated from the ownership of securities.

There are no restrictions on the transferability of the ownership of the shares in Ronson Development SE.

E. General Meeting

The manner of operation of the General Meeting and its basic powers, the description of the shareholders' rights and the manner of their exercise, in particular the rules arising from the Rules of the General Meeting, provided such Rules have been adopted, and provided such information does not arise directly from the law

Since 31 October 2018, that is since the date of the Company's registration in the register of business entities of the National Court Register (the transfer of the Company's registered office from the Netherlands to Poland), the General Meeting has been held as either ordinary or extraordinary, and being one of the Company's governing authorities, it has operated pursuant to the legal regulations and the provisions of the Company's Articles of Association.

The General Meeting of the Company has not adopted its Rules, hence the manner of operation of that governing authority is set down by the legal regulations, including the Commercial Companies Code and the Council Regulation (EC) No. 2157/2001 of 8 October 2001 on the Articles of Association for a European company (SE) (OJEU.L No. 294, p. 1), and also the Company's Articles of Association.

The General Meeting of the Company is held at the Company's registered office or in the city which is home of the registered office of the company which operates a regulated market on which the Company shares are traded. The General Meeting may also be held at another location within the territory of the Republic of Poland, however, in such case important resolutions can only be adopted if the entire issued capital of the Company is represented in the General Meeting. The Company's Articles of Association do not allow for participation in the General Meeting by means of electronic communication.

Corporate governance statement (cont'd)

E. General Meeting (cont'd)

The General Meeting debates as ordinary or extraordinary. An Ordinary General Meeting is convened by the Management Board or the Supervisory Board pursuant to the rules and procedures set down in the Company's Articles of Association or the legal regulations. The General Meeting is convened by an announcement to be made not later than twenty-six days prior to the date of the General Meeting, in compliance with the formal requirements envisaged in the Commercial Companies Code. The General Meeting is opened by the President of the Management Board or the Vice-President and Chief Financial Officer.

Resolutions of the General Meeting are adopted by the majority of the validly cast votes, without the requirement of a quorum, unless the Company's Articles of Association or the legal regulations specify otherwise. Votes attached to the shares whose holders do not participate in the vote, abstain from voting or cast a blank or damaged ballot paper, are not counted as votes cast.

In addition to other matters enumerated in the legal regulations and the Company's Articles of Association, a resolution of the General Meeting is required for the Company or its subsidiaries to acquire or dispose of assets whose value is equal to or greater than one third of the value of the assets disclosed in the consolidated balance sheet and the explanatory notes from the most recent approved annual financial statements of the Company. Subject to the foregoing, the acquisition and disposal of real property, perpetual usufruct right or a share in real property, does not require a resolution of the General Meeting.

Prior to the date of the Company's registration in the register of business entities of the National Court Register, the Company had been subject to Dutch law. Prior to 6 April 2018, the Company, as a Dutch public limited company, had operated under the business name Ronson Europe N.V. On 6 April 2018, the change of the legal form of the Company to a European company (*societas europaea*) was registered in the Netherlands Chamber of Commerce Business Register Commercial Register. That resulted in the change of the statutory business name of the Company and the amendment of the Company's Articles of Association (the said resolutions were adopted during the Extraordinary General Meeting of the Company held on 5 April 2018).

Prior to the date of the Company's registration in the register of business entities of the National Court Register, the manner of convocation of the Ordinary and Extraordinary General Meetings of shareholders, including the timelimits and the details of the entities authorised to convene them, were specified by the Company's Articles of Association in the then-in-effect wording and Dutch laws.

In 2018, there was one Ordinary General Meeting of the Company's shareholders and three Extraordinary General Meetings.

The Ordinary General Meeting of the Company's shareholders was held on 28 June 2018, at the then registered office of the Company, in Rotterdam (the Netherlands). The agenda of the General Meeting included in particular the approval of the financial statements for the financial year 2017 and the acknowledgement of the fulfilment of duties by the Management and Supervisory Board members, and also acceptance of the resignation tendered by Erez Tik, who was then Managing Director B and a member of the Management Board, effective from 16 May 2018. The proceedings of the Ordinary General Meeting of the Company's shareholders complied with the provisions of Dutch law and the provisions of the Company's Articles of Association.

In 2018, three Extraordinary General Meetings were held – two under Dutch law, prior to the transfer of the Company's registered office from the Netherlands to Poland (on 5 April 2018 and 14 September 2018) and one after the transfer of the Company's registered office (on 20 December 2018).

The agenda of the Extraordinary General Meeting held on 5 April 2018 included in particular the proposal to transform the Company, which operated then under the business name Ronson Europe N.V. (a public limited company incorporated under Dutch law) into the European Company [Societas Europaea], a public European company, and approval of the resulting required amendments of the Articles of Association, and also of the change of the business name of the Company to Ronson Development SE.

The agenda of the Extraordinary General Meeting held on 14 September 2018 included in particular the approval of the transfer of the Company's registered office to Poland and the resulting required amendments of the Company's Articles of Association, and also disbursements to the Company's shareholders from the provision created from the retained profits which totalled PLN 9 840 649 (i.e. PLN 0.06 per share).

Corporate governance statement (cont'd)

E. General Meeting (cont'd)

The agenda of the Extraordinary General Meeting held on 20 December 2018 included in particular the adoption of the resolution regarding the preparation the Company's financial statements in accordance with the International Financial Reporting Standards and the International Accounting Standards.

F. The Management Board

The composition of the Management Board and its changes

In the period from 1 January 2018 to 31 December 2018 and until the date of this Report, there was only one change in the composition of the Company's Management Board. Effective from 16 May 2018, Mr Erez Tik, who was then Managing Director B, tendered his resignation. Moreover, following the transfer of the Company's registered office to Poland and the associated registration of the Company in the register of business entities of the National Court Register, the division of the Management Board members into two categories, namely Managing Directors A and Managing Directors B, ended.

In view of that, over the course of 2018, the composition of the Management Board and the functions of the Management Board members were as follows:

– in the period from 1 January 2018 to 15 May 2018:

- Nir Netzer – Managing Director A and Chief Executive Officer,
- Rami Geris – Managing Director A and Chief Financial Officer,
- Andrzej Gutowski – Managing Director A and Sales and Marketing Director,
- Erez Tik – Managing Director B,
- Alon Haver – Managing Director B.

– in the period from 16 May 2018 to 30 October 2018:

- Nir Netzer – Managing Director A and Chief Executive Officer,
- Rami Geris – Managing Director A and Chief Financial Officer,
- Andrzej Gutowski – Managing Director A and Sales and Marketing Director,
- Alon Haver – Managing Director B.

– since 31 October 2018:

- Nir Netzer – President of the Management Board,
- Rami Geris – Vice President of the Management Board and Chief Financial Officer,
- Andrzej Gutowski – Vice President of the Management Board for Sales and Marketing,
- Alon Haver – Member of the Management Board.

On 11 March 2019, the Supervisory Board decided to terminate the current joint five-year term of office of the Management Board as of 31 March 2019. At the same time, the Supervisory Board appointed the current members of the management board (Nir Netzer, Rami Geris, Andrzej Gutowski and Alon Haver) for a subsequent joint term of office of five years, commencing on 1 April 2019. The members of the Management Board referred to above were appointed to the positions they have held to date.

On 11 March 2019, the Supervisory Board of the Company, appointed Boaz Haim to the position of member of the Management Board of the Company as of 1 April 2019 for a five-year joint term of office of the management board.

The rules of appointment and removal of the Management Board members

It should be noted that under the Dutch law, the members of the Management Board of the Company were appointed by the general meeting of shareholders.

According to the provisions of the Articles of Association, in the wording in effect since the date of the Company's registration in the register of business entities of the National Court Register, the Company's Management Board has at least three members to be appointed and removed by the Supervisory Board. The Supervisory Board specifies the exact number of the Management Board members. Irrespective of the competences of the Supervisory Board in this respect, a member of the Management Board may be dismissed also by the general meeting.

The Supervisory Board appoints one member of the Management Board as the President of the Management Board and at least one member of the Management Board as Vice President of the Management Board and Chief Financial Officer. Notwithstanding the foregoing, the Management Board, by a resolution, may divide duties among its members.

Corporate governance statement (cont'd)

F. The Management Board (cont'd)

The Management Board members are appointed for a joint, five-year tenure, which means that the mandate of the Management Board member appointed prior to the expiry of the given tenure will expire at the same time as the mandates of the other Management Board members.

Each Management Board member may be elected for other tenures, and also may be removed at any time prior to the expiry of his or her tenure. The foregoing is without prejudice to any claims he or she may have under the employment relationship or other legal relationship connected with his or her Management Board membership.

Each Management Board member may at any time tender his or her resignation. The resignation should be tendered in writing to at least one of the other Management Board members, with a copy to the other Management and Supervisory Board members.

The rules of operation of the Management Board and the rights of the Management Board members, in particular the right to adopt a decision regarding an issue or buyback of shares

The Company's Management Board operates pursuant to the Company's Articles of Association, the Management Board Rules (both these documents are available for review on the Company's corporate website) and the legal regulations, including to the Commercial Companies Code since the date of the Company's registration in the register of business entities of the National Court Register.

The Management Board manages the affairs of the Company and represents it before the courts of law, the administrative authorities and also in dealings with third parties. The powers of the Management Board cover all the matters of the Company which are not reserved by legal regulations, the Articles of Association or a resolution of the General Meeting as falling within the powers of the other governing authorities of the Company.

Since 31 October 2018, two members of the Company's Management Board acting jointly have been required to represent the Company, and in particular to make representations on behalf of the Company, and of those jointly acting members of the Management Board one has to be either the President of the Management Board or the Vice President of the Management Board and Chief Financial Officer.

The Management Board operates pursuant to the Rules it adopted, in the new wording approved by the Supervisory Board on 17 December 2018.

The President of the Management Board directs the work of the Management Board, and in particular coordinates, supervises and organises the work of the Management Board members and arranges Management Board meetings.

The Management Board may divide its duties among its members.

The Management Board must immediately inform the Supervisory Board about any matters likely to have a significant impact on the Company's functioning, and at least once every three months about the management of the Company's affairs and the expected development of the Company's activity and the parameters applied with respect to such expectations, should they change. When requested by any member of the Supervisory Board, the Management Board must provide such information in writing or on other durable media.

The Management Board is required to provide to the Supervisory Board members, whenever requested by them, minutes from the Management Board meetings held.

The Management Board adopts resolutions during meetings which may be held either with its members being present in person or by means of remote communication devices (teleconferences), and also by means of circular resolutions.

Each Management Board member has the right to cast one vote during the Management Board meeting. All resolutions of the Management Board require an absolute majority of votes. Resolutions regarding the acquisition of real property, perpetual usufruct right or share in real property are adopted by the Management Board by an absolute majority of the votes cast, including the approving vote of the President of the Management Board or the Vice President of the Management Board and Chief Financial Officer, with account being taken of the provisions of the Articles of Association. Following the registered office's migration to Poland, the said provisions of the Company's Articles of Association are a continuation of the provisions of the Company's Articles of Association which were in force under Dutch law, however, they were modified significantly. Specifically, in accordance with the wording of the Company's Articles of Association which was in force prior to the date of the Company's registration in Poland, resolutions regarding the acquisition of real

Corporate governance statement (cont'd)

F. The Management Board (cont'd)

property, perpetual usufruct right or a share in real property were adopted by the Management Board by an absolute majority of the votes cast, including the approving vote of all Managing Directors B.

According to Article 4.8 of the Articles of Association, the Management Board has the right to increase the Company's share capital by the amount which in total will not be greater than eight hundred and twenty thousand euros (€ 820 000), by way of one or several consecutive share capital increases, all within the above limit (the authorised share capital), by issue of new shares with the nominal value of two eurocents (€) 0.02 each, and in the total number not greater than 41 000 000 shares, in exchange for cash or non-cash contributions. The Management Board's right to increase the Company's share capital and to issue new shares within the authorised capital will expire upon the lapse of three years from the date of the Articles of Association's registration in the National Court Register (the date of the registration is 31 October 2018). The Management Board also has the right to issue subscription warrants. The General Meeting may strip shareholders, in whole or in part, of the right to subscribe for shares on the terms and conditions and in accordance with the provisions of the Commercial Companies Code.

On 24 January 2019, the Extraordinary General Meeting of the Company adopted the resolution no 3 regarding the adoption of the own share purchase plan and the creation of a reserve fund for the purposes of such plan. Based on that resolution, the Extraordinary General Meeting of the Company granted its consent to and authorised the Company's Management Board to purchase fully-paid ordinary bearer shares of the Company with the total nominal value not greater than 1.53% of the Company's share capital, i.e. not greater than 2 500 000 (two million five hundred thousand) shares, on the conditions indicated in this resolution.

The Company's Management Board operates pursuant to the Company's Articles of Association, the Management Board Rules (both these documents are available for review on the Company's corporate website) and the legal regulations, including to the Commercial Companies Code since the date of the Company's registration in the register of business entities of the National Court Register.

G. The Supervisory Board

The composition of the Supervisory Board and its changes

In 2018, and until the date of this Report, there have not been any changes in the composition of the Company's Supervisory Board.

The members of the Company's Supervisory Board are as follows:

- Amos Luzon – Chairman of the Supervisory Board,
- Przemysław Kowalczyk – Member of the Supervisory Board,
- Alon Kadouri – Member of the Supervisory Board,
- Ofer Kadouri – Member of the Supervisory Board,
- Piotr Palenik – Member of the Supervisory Board,
- Shmuel Rofe – Member of the Supervisory Board.

The rules of appointment and removal of the Supervisory Board members

According to the provisions of the Articles of Association, in the wording in effect since the date of the Company's registration in the register of business entities of the National Court Register, the Supervisory Board has at least 5 (five) and not more than 9 (nine) members, of whom at least two members should meet the criteria of independence within the meaning of Article 129.3 of the Statutory Auditors, Audit Firms and Public Supervision Act of 11 May 2017 (Official Journal of Laws of Poland of 2017 item 1089, as amended from time to time), and at least one member should have skills and knowledge of accounting or auditing of financial statements. The General Meeting sets the number of the Supervisory Board members for a given tenure.

The Supervisory Board members are appointed and removed by the General Meeting by an absolute majority of votes. Voting on appointments and removals of the Supervisory Board members is secret.

The Supervisory Board members are appointed for a joint, five-year tenure. Currently, the length of the tenure of individual members of the Supervisory Board is not yet standardized - no less the company intends to gradually bring about the unification of the tenure of all Supervisory Board members.

Corporate governance statement (cont'd)

G. *The Supervisory Board (cont'd)*

Prior to being appointed to the Supervisory Board, a candidate for an independent member of the Supervisory Board must submit a written declaration to the effect that he or she meets the criteria of independence referred to above.

If the mandate of a member of the Supervisory Board expires prior to the end of his or her tenure due to resignation or death, the other Supervisory Board members may elect (co-opt) a new member of the Supervisory Board. The first next General Meeting should approve the election of the co-opted member of the Supervisory Board or appoint another member of the Supervisory Board to replace the member co-opted by the Supervisory Board. The election by the General Meeting of a new member of the Supervisory Board to replace the co-opted member, or refusal to approve the co-opted member, terminates the mandate of the co-opted member of the Supervisory Board, however, without affecting the validity and effectiveness of the actions taken by such member since the date of his or her being co-opted to the Supervisory Board.

The number of the Supervisory Board members who have been co-opted to the Supervisory Board by the Board itself and have not yet been approved by the General Meeting cannot be greater than half of all the members elected by the General Meeting.

The rules of operation of the Supervisory Board

The Company's Supervisory Board operates pursuant to the Company's Articles of Association, the Supervisory Board Rules (both these documents are available for review on the Company's corporate website) and the legal regulations, including the Commercial Companies Code since the date of the Company's registration in the register of business entities of the National Court Register.

The duties and powers of the Supervisory Board are set down in the Articles of Association and the legal regulations in force. The duty of the Supervisory Board is to exercise supervision over all the areas of the Company's activity. While performing their duties, the Supervisory Board members should consider the interests of the Company and its business.

Since the date of the transfer of the Company's registered office to Poland, the duties of the Supervisory Board have included among others:

a. to assess the Management Board report on the Company's activity and the financial statements for a given financial year in terms of their consistency with the accounting books and the actual state of affairs;

b. to assess the Management Board proposals regarding distribution of profits or covering of losses;

c. to submit to the General Meeting annual written reports on the outcomes of the assessments referred to in points a and b above;

d. to elect a statutory auditor to audit financial statements;

e. to approve annual and long-term business plans of the Company;

f. do other things as envisaged by the Articles of Association and the Commercial Companies Code.

The Supervisory Board members will be given access to the buildings, facilities and sites of the Company and will be authorised to review the books and files maintained by the Company and other data media in the Company's possession. For this purpose, the Supervisory Board may appoint one or more persons from among its members or an expert. The Supervisory Board has the right to engage services of experts also in other situations.

The acquisition and sale by the Company or its subsidiary of an asset or assets with a unit value or total value greater than PLN 45,000,000 (forty-five million zlotys) requires the consent of the Supervisory Board.

The Supervisory Board may use the offices and technical facilities of the Company. The Company's Management Board will provide the Supervisory Board with administrative and technical support services. The operating costs of the Supervisory Board are covered by the Company.

The Supervisory Board meetings are convened as needed, however, not less frequently than three times per financial year. The Supervisory Board meetings are to be chaired by the Chairman of the Supervisory Board. The Supervisory Board meetings may be attended by the President of the Management Board or other Management Board members.

Corporate governance statement (cont'd)

G. The Supervisory Board (cont'd)

The Chairman of the Supervisory Board is required to convene a meeting of the Supervisory Board upon a written request of any member of the Company's Supervisory or Management Board. Such meeting should be held within two weeks from the request. Each Supervisory Board member has one vote during the Supervisory Board meeting. All resolutions of the Supervisory Board are adopted by an absolute majority of the votes cast, with at least half of its members present. In case the votes are tied, the Chairman of the Supervisory Board has a casting vote. Under Dutch law, i.e. before the date of transfer of the Company's registered office to Poland, the vote of the Chairman of the Supervisory Board did not have conclusive power in the event of an equilibrium of votes, and in addition, the quorum requirement did not apply when adopting resolutions by the Supervisory Board.

The Supervisory Board may adopt resolutions by means of circular resolutions or by means of remote communication devices. A resolution is valid provided all the Supervisory Board members have been notified of the draft of such resolution.

The Supervisory Board members may participate in the adoption of resolutions by casting their vote in writing through another member of the Supervisory Board. Votes cannot be cast in writing on matters placed on the agenda during the Supervisory Board meeting.

Resolutions cannot be adopted by means of circular resolutions or by means of remote communication devices when they concern appointments of the Chairman and Vice Chairman of the Supervisory Board, appointment of a member of the Management Board, and removal or suspension of those persons.

The Supervisory Board meetings may be held without being formally convened, provided all its members are present and none of them raises any objection to either holding the meeting without it being formally convened or its agenda.

H. The Supervisory Board Committees

According to the provisions of the Articles of Association, in the wording in effect since the date of the Company's registration in the register of business entities of the National Court Register, the Supervisory Board must establish two committees: the Supervisory Board Audit Committee and the Supervisory Board Remuneration Committee. Moreover, the Supervisory Board may establish from among its members other committees, either standing or ad hoc ones, and task them in particular with preparing certain matters for discussion during the meeting of the Supervisory Board.

Under Dutch law, in 2018 at the Company there were the Audit Committee and the Remuneration and the Nomination Committee. The Audit Committee operating in the following composition: Mr Ofer Kadouri, Mr Przemysław Kowalczyk and Mr Shmuel Rofe (on 31 January 2018 the composition of the committee was completed by appointing Mr Shmuel Rofe to the above committee). In the period from 1 January 2018 to 30 October 2018, the Remuneration and Nomination Committee operating in the following composition: Mr Alon Kadouri, Mr Piotr Palenik and Mr Shmuel Rofe (on 31 January 2018 the composition of the committee was completed by appointing Mr Piotr Palenik and Mr Shmuel Rofe to the above committee).

Following the transfer of the Company's registered office from the Netherlands to Poland, on 10 December 2018, the Supervisory Board adopted a resolution by which it ended the activity of the Nomination Committee and decided to continue the activity of the Remuneration Committee in the same composition, and also to continue the activity of the Audit Committee in the same composition, however with the following changes of the functions: Mr Ofer Kadouri was removed from the position of the Chairman of the Audit Committee and Mr Shmuel Rofe was appointed the Chairman of the Audit Committee. Moreover, by the above mentioned resolution, the Supervisory Board adopted the new wording of the Rules of both these committees.

Corporate governance statement (cont'd)

H. The Supervisory Board Committees (cont'd)

The Audit Committee

The Audit Committee is the standing committee of the Supervisory Board.

According to the Rules in the wording adopted on 10 December 2018, the Audit Committee has 3 members, including the Chairman of the Audit Committee, to be elected by the Company's Supervisory Board from among its members, however at least one member must have skills and knowledge of accounting or auditing of financial statements, at least one member must have skills and knowledge of the industry in which the Company operates or individual members in their respective scopes must have skills and knowledge of this industry, and the majority of the Audit Committee members, including its Chairman, must be independent within the meaning of Article 129.3 of the Statutory Auditors, Audit Firms and Public Supervision Act of 11 May 2017 (Official Journal of Laws of Poland of 2018 item 1089).

The Audit Committee members who meet the statutory criteria of independence are Mr Shmuel Rofe (the current Chairman of Audit Committee) and Mr Przemysław Kowalczyk.

The Audit Committee members who have skills and knowledge of accounting or auditing of financial statements are Mr Ofer Kadouri, Mr Shmuel Rofe and Mr Przemysław Kowalczyk.

The Audit Committee members who have skills and knowledge of the industry in which the Company operates are Mr Shmuel Rofe and Mr Przemysław Kowalczyk.

Mr Ofer Kadouri holds BA in economics and accounting and has been a certified accountant in Israel since 1989. In his work as an accountant, he is the managing partner of an accounting firm whose clients include companies from the construction industry.

Mr Przemysław Kowalczyk acquired his skills and knowledge of accounting while he served for more than four years as the Chief Financial Officer of Hyundai Motor Poland, where he was responsible for accounting, finances and controlling. He acquired his skills and knowledge of the industry in which the Company operates during his many years of service as a member of the Company's Supervisory Board (since 2011).

Mr. Shmuel Rofe, since 2014 is an entrepreneur and consultant in real estate. From 2009 until 2013 he served as Chief Executive Officer of Ogen Properties Ltd. During the years 2004 through 2009 he was a Chief Financial Officer and a Chief Executive Officer of Gilaz Properties Ltd. Earlier he served for four years as Chief Financial Officer of Zementcal Ltd. Earlier he also performed a role of controller at Haifa University, Israel.

The tenures and mandates of the Audit Committee members expire on the expiry date of their tenure and mandate as members of the Company's Supervisory Board. When a member is removed or resigns from the Audit Committee, the Supervisory Board is required to immediately appoint a replacement member of the Audit Committee.

The organisation, manner of operation and powers of the Audit Committee are set down in the Audit Committee Rules which are published on the Company's corporate website.

The duties of the Audit Committee include in particular:

– to make recommendations on appointment, reappointment and removal by the Company's Supervisory Board of an external statutory auditor or audit firm to audit the financial statements, and to assess the levels of remuneration and the terms and conditions of engagement of a statutory auditor or audit form, and to assess their independence;

– to prepare and apply the policy and procedure for the selection of an audit firm to audit the financial statements of the Company, to be adopted in the form of a resolution of the Audit Committee;

– to prepare a policy concerning the provision by the audit firm selected to audit the financial statements of the Company, the affiliates of such firm, and also by a member of the audit firm network, of the permitted services other than auditing of the Company's financial statements, to be adopted in the form of a resolution of the Audit Committee;

– to perform an initial assessment of annual financial statements and to monitor the financial reporting process of the Company;

– to supervise, monitor and advise the Management Board on the internal risk management and control systems, including to supervise and implement the relevant provisions and legal regulations, and also to supervise the effects of the application of the codes of conduct;

Corporate governance statement (cont'd)

H. The Supervisory Board Committees (cont'd)

– to monitor, in consultation with statutory auditors or audit firms of the Company, the financial audit procedures and activities of the Company, the fairness of the Company's financial statements and all the formal representations and declarations relating to the Company's financial results, and also to verify the significant financial assumptions and estimates included therein, and to make recommendations on these areas to the Company's governing authorities and to notify the Supervisory Board about audit results, the role of the Audit Committee and fairness;

– to supervise disclosure and reporting of financial information by the Company;

– to supervise the compliance with recommendations and observations of internal auditors and external statutory auditors or audit firms of the Company;

– to monitor and supervise the internal audit activities and functioning;

– to supervise the financing of the Company;

– to supervise the use of ICT systems and tools;

– to liaise on permanent basis and supervise the relations with external statutory auditors or audit firms of the Company.

In 2018, the Audit Committee held 5 meetings, including 4 teleconferences.

The Remuneration Committee

The Remuneration Committee is the standing committee of the Supervisory Board.

According to the Rules of 10 December 2018, the Remuneration Committee has three members, including the Chairman of the Remuneration Committee, to be elected by the Company's Supervisory Board from among its members. According to the Rules of the above committee:

– at least two of the three members must be independent,

– the current (former) members of the Management Board and members of the management boards of other listed company may not act (simultaneously) as the Chairman of the Remuneration Committee, and

– not more than one of the three members may (simultaneously) act as a member of another, listed, public company.

Persons who meet the statutory independence criteria in the Remuneration Committee are Mr. Shmuel Rofe and Mr. Piotr Palenik. All current members of the Remuneration Committee meet the remaining criteria.

The tenures and mandates of the Remuneration Committee members expire on the expiry date of their tenures and mandates as members of the Company's Supervisory Board.

The duties of the Remuneration Committee include in particular:

- to make proposals regarding the remuneration policy applicable to the Management Board members;
- to make proposals regarding remuneration of individual Management Board members, which will be adopted by the Supervisory Board and which in any case should include (i) the remuneration structure, and (ii) the amount of fixed remuneration, shares and/or options and/or other variable elements of remuneration, pension rights, severance pay, and other forms of awardable remuneration, and also the performance criteria and their application;
- to recommend and monitor the levels and structures of remuneration provided to the top level management;
- to ensure that the contractual terms and conditions of the termination of employment contract and all the associated payments are fair both for a given employee and from the Company's point of view, and that no errors or misconduct are awarded, and that the duty to limit losses is fully reflected in such terms and conditions.

Corporate governance statement (cont'd)

I. Shares in the Company owned by Management Board and Supervisory Board members in the year ended 31 December 2018 and until the date of publication of the report

Mr Amos Luzon as at 31 December 2018 and as at the day of publishing this report held 63.99 % of the shares and voting rights in A. Luzon Group (through A. Luzon Properties and Investments Ltd., a private company owned by Mr Amos Luzon "99%"), and as a result, thus indirectly held a 41.85% interest in the Company. A. Luzon Group is indirectly the sole owner of I.T.R. Dori B.V. and RN Residential B.V. – direct shareholders of the Company. In June 2018 the Company was notified by I.T.R. Dori B.V. and RN Residential B.V. about the establishment of pledge on all shares in the Company owned by those entities.

Mr Piotr Palenik as at 31 December 2018 and as at the day of publishing this report held 0.012% of the shares and voting rights in the Company (in total 20 thousand shares).

Mr Erez Tik as at 16 May 2018 (the date of his resignation as Management Board member of the Company) held 0.82% of the shares and voting rights in A. Luzon Group, and as a result, thus indirectly held a 0.54% interest in the Company.

Other members of the Management Board and of the Supervisory Board did not in year 2018 and do not own as of the date of this report any shares in the Company.

J. Policy on diversity

The Company has not developed and has not adopted a policy on diversity. When electing persons to serve in the Company's governing authorities, and directors of the departments within the organisational structure of the Company, the key selection criteria are the knowledge, competences and previous experience, whereas gender and age are of secondary importance.

At present, there are no women holding any positions in the managing and supervisory authorities of the Company. The Supervisory Board is aware of the advantages of the diversity, especially as regards the gender equality. That is why the Supervisory Board continues efforts to enhance the diversity of the Management Board.

K. Appointment of the Auditor

On 10 December 2018, in connection with the transfer of the registered office from the Netherlands to Poland, the Supervisory Board Audit Committee decided to adopt the policy and procedure for the selection of an audit firm and to adopt the policy for the provision of additional non-audit services by an audit firm or its affiliate.

The main assumptions underlying the policy concerning the selection of an audit firm to audit the financial statements of the Company are as follows

1. According to the Company's Articles of Association, an entity authorized to audit financial statements is selected by the Supervisory Board by a resolution, acting upon the recommendations of the Company's Audit Committee.

2. The Audit Committee, prior to making the recommendation, and then the Supervisory Board, during the selection of the audit firm to audit the financial statements of the Company from among those recommended by the Audit Committee, consider the following criteria relating to the entity authorized to audit the financial statements of the Company:

a) impartiality and independence of the entity;

b) its reputation in the financial markets, and also the references, if they were requested in the request for proposal;

c) the price quoted by the entity;

d) the experience in auditing of financial statements of companies listed on the Warsaw Stock Exchange;

e) the guarantee of proper provision of the services requested by the Company;

f) the professional qualifications and experience of the persons to be directly involved in the provision of the services for the Company;

g) the availability to perform an audit within the timeframes indicated by the Company.

The main assumptions of the procedure for the selection of an audit firm to audit the financial statements of the Company are as follows:

Corporate governance statement (cont'd)

K. Appointment of the Auditor (cont'd)

1. The request for proposal connected with the selection of an audit firm to perform a statutory audit the Company's financial statements is to be prepared by the Chief Financial Officer of the Company or the person acting upon his or her instruction, by 31 September of the year preceding the audit year. The request for proposal is to be sent to at least two entities authorised to audit financial statements and must state the requirements that must be met by them. The requirement to send a request for proposal to at least two entities does not apply to a renewal of the financial statements audit contract. The Audit Committee, after consulting with the Chief Financial Officer, has the right to appoint additional entities authorised to audit financial statements to which the request for proposal should be sent.

2. The proposals received by the Company in response to the requests for proposals sent are to be passed on to the Audit Committee which will analyse the proposals sent based on the criteria specified in the policy for the selection of audit firms and the requirements set down in the legal regulations in force.

3. The Audit Committee may set dates of meetings with all or some of the entities authorised to audit financial statements which have sent their proposals, with a view to obtaining additional information from such entities and having negotiations with them.

4. The above meetings and negotiations must be minuted by the Audit Committee.

5. An audit firm is to be selected with account being taken of the rule of rotation of an audit firm and the key statutory auditor to ensure that the maximum uninterrupted duration of the statutory audit engagement with the same audit firm or its affiliated audit firm or any member of the network operating in any of the European union member states to which such audit firms belong, does not exceed five years, and the key statutory auditor does not carry out statutory audits of the Company for longer than five years.

6. The key statutory auditor may carry out statutory audits of the Company after at least three years have passed since the end of his or her last statutory audit.

The main assumptions underlying the policy for the provision of additional non-audit services by an audit firm or any entity affiliated with such audit firm, are as follows:

A statutory auditor or an audit firm carrying out statutory audits of the Company, or any member of the network to which the statutory auditor or the audit firm belongs, may not directly or indirectly provide to the Company any prohibited non-audit services indicated in Article 5.1(2) of the Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC.

The provision of the permitted services is possible only to the extent unrelated to the Company's tax policy, following the Audit Committee's assessment of the threats to independence and the safeguards applied in accordance with Articles 69–73 of the Statutory Auditors, Audit Firms and Public Supervision Act of 11 May 2017 (Official Journal of Laws of Poland of 2017 item 1089). This will require the consent of the Audit Committee and a recommendation on the services to be supplied.

The prohibited non-audit services mean:

a) tax services relating to:

(i) preparation of tax forms;

(ii) payroll tax;

(iii) customs duties;

(iv) identification of public subsidies and tax incentives unless support from the statutory auditor or the audit firm in respect of such services is required by law;

(v) support regarding tax inspections by tax authorities unless support from the statutory auditor or the audit firm in respect of such inspections is required by law;

(vi) calculation of direct and indirect tax and deferred tax;

(vii) provision of tax advice;

b) services that involve playing any part in the management or decision-making of the audited entity;

c) bookkeeping and preparing accounting records and financial statements;

Corporate governance statement (cont'd)

K. Appointment of the Auditor (cont'd)

d) provision of tax advice;

e) designing and implementing internal control or risk management procedures related to the preparation and/or control of financial information or designing and implementing financial information technology systems;

f) valuation services, including valuations performed in connection with actuarial services or litigation support services;

g) legal services, with respect to:

(i) the provision of general counsel;

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

(iii) acting in an advocacy role in the resolution of litigation;

h) services related to the audited entity's internal audit function;

i) services linked to the financing, capital structure and allocation, and investment strategy of the audited entity, except providing assurance services in relation to the financial statements, such as the issuing of comfort letters in connection with prospectuses issued by the audited entity;

j) promoting, dealing in, or underwriting shares in the audited entity;

k) human resources services, with respect to:

(i) management in a position to exert significant influence over the preparation of the accounting records or financial statements which are the subject of the statutory audit, where such services involve:

– searching for or seeking out candidates for such position; or

– undertaking reference checks of candidates for such positions;

(ii) structuring the organisation design and cost control.

A statutory auditor or an audit firm carrying out statutory audits of the Company, or any member of the network to which the statutory auditor or the audit firm belongs, may not directly or indirectly provide to the Company any prohibited non-audit services:

a) in the period between the beginning of the period audited and the issuing of the audit report; and

b) in the financial year immediately preceding the period referred to in point a) legal services, with respect to (i) the provision of general counsel, (ii) negotiating on behalf of the audited entity, and (iii) acting in an advocacy role in the resolution of litigation.

The recommendation made by the Audit Committee on the selection of an audit firm to audit the financial statements for the financial year 2018 complied with the terms and conditions in force and was made following the completion of the selection procedure organised by the Company which meets the applicable criteria with the exception of the dates provided for in the Policy and procedure of the election of an auditing company, that is, the deadline for preparing a request for proposals regarding the selection of an audit firm and the date of selection of an audit company by the Supervisory Board. These dates could not be kept by the Company. First of all, the procedure for selecting an audit firm to audit financial statements for 2018 began before the date of adopting the above-mentioned Policy and procedure and also before the day the Company's headquarters were moved from the Netherlands to Poland. The Resolution of the Audit Committee instructing the Management Board of the Company to apply for the audit of the consolidated and separate financial statements of the Company for the year ended 31 December 2018 was taken on 13 September 2018 (and thus before the date of the General Meeting of Shareholders of the Company, which on 14 September 2018, passed a resolution to transfer the seat of the Company).

Moreover, it was not possible to meet the deadlines due to the ongoing process of transferring the Company's headquarters from the Netherlands to Poland (preceded by the legal form conversion process) and the related uncertainty as to when the change of jurisdiction will take place. The Company was not able to predict whether the date of the appointment of an audit firm will be subject to Dutch law or already to Polish law.

Due to time constraints, the procedure for selecting an audit firm for 2018 and 2019 was therefore commenced under the Dutch law and ended under Polish law.

Corporate governance statement (cont'd)

K. Appointment of the Auditor (cont'd)

On 25 January 2019, the Company concluded an agreement with Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. with its registered office in Warsaw to audit the Company's Financial Statements and the Group's Consolidated Financial Statements for the years ended 31 December 2018 and 31 December 2019, as well as the review of the Company's Condensed Financial Statements and the Group's Condensed Consolidated Financial Statements for the three months ended 31 March 2019, for the six-month period ended 30 June 2019, and for the nine-month period ending on 30 September 2019. In addition, the agreement includes verification of the Financial Statements and presentation of a separate report, in an agreed form, directly to the auditors of the main shareholder of the Company.

The selection of an audit firm to audit the consolidated and standalone financial statements for the years ended 31 December 2018 and 31 December 2019of the Company and the Group was made by the Supervisory Board in the resolution of 17 December 2018, after the recommendation of the Company's Audit Committee of 13 December 2018. Before the selection, the Company has obtained the consent of the Polish Financial Supervision Authority to extend the maximum duration of the order for the audit of consolidated and separate financial statements by Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp.k. (the consent was required due to the fact that prior to the transfer of the Company's registered office to Poland, from year 2009 the audit of the Company's financial statements was conducted by Ernst & Young Accountants LLP with its registered office in Amsterdam).

Apart of the aforementioned services, in 2018 the Company did not use other services of Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k.

Information on the remuneration paid and payable for the financial year and previous financial year, separately for the audit of the annual financial statements, other assurance services, including a review of the financial statements, tax advisory services and other services are included in the note 18 of the Company Financial Statement for the year ended 31 December 2018.

Information on choosing the auditor

In accordance with 70 sec. 1 point 7 and § 71 sec. 1 point 7 of the Regulation of the Minister of Finance dated as of March 29, 2018 regarding current and periodic information published by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Journal of Laws of 2018 r, item no. 757), based on the statement of the Supervisory Board dated March 11, 2019, the Management Board hereby declares that the choice of a Ernst & Young Audyt Polska sp. z o.o. sp. k. (company auditing annual standalone and consolidated financial statement) was executed by the Company in accordance with the provisions of law relating to selection and procedure of choosing the audit company, including in particular:

a) within the Company the selection of the auditor company was executed to perform the audit of the annual standalone and consolidated financial report for the financial year ended 31 December, 2018 in accordance with the generally applicable provisions of law. The Company has its internal procedure for selection of the audit company and the selection of the auditor company was executed in accordance with this procedure, with the exception of deadlines prescribed for particular actions provided in the procedure. The necessity to delay some actions in this respect was a result of the relocation process of the Company's registered seat from Rotterdam to Warsaw, what was effective as of 31 October, 2018. The procedure of selection of the company auditing the financial statements for financial year 2018 commenced prior to the date of resolution on adoption of the respective policy and procedure (which introduces abovementioned deadlines), as well as prior to the registration of the relocation of the registered seat of the Company to Warsaw. The Company could not comply with respective deadlines set forth for the respective actions in because despite scheduled stages of the relocation of the seat to Poland it was not certain the date of factual registration of such transfer, therefore the Company could not, despite the highest diligence, assess which law - the Dutch or the Polish- will be applicable to the matter in question. For the reasons described, the procedure regarding the selection of the auditor was commenced under the Dutch law and finished pursuant to the Polish law. The choice of the auditor auditing the financial statements was made by the Supervisory Board by adoption of a resolution dated as of 17 December, 2018 acting pursuant to the recommendation of the Audit Committee as of 13 December, 2018;

b) the audit company, as well as members of the team that performed the audit of the annual stand-alone and consolidated financial statements for the financial year ended 31 December 2018, met the criteria for execution of an unbiased and independent audit report of the annual financial statements in accordance with the applicable provisions of law, professional standards as well as the rules of the professional ethics;

c) the Company abides the applicable provisions of law relating to the rotation of the audit firm and the key statutory auditor and mandatory grace periods. The Company has obtained the consent of the Polish Financial Supervision Authority to extend the maximum duration of the order for the audit of consolidated and separate financial statements by Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp.k. (the consent was required due to the fact that prior to the transfer of the Company's registered office to Poland, the audit of the Company's financial statements was conducted by Ernst & Young Accountants LLP with its registered office in Amsterdam - an entity related to Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp.k.);

d) within the Company there is the policy of selecting an auditing company and a policy on rendering by the audit company, an entity related to the auditing company or a member of its network of additional non-audit services, including conditionally exempted services rendered by the audit company, which policies and procedures have been adopted in a form of the resolution of the Audit Committee dated as of December 10, 2018.

Statement of the Management Board regarding financial statements and the Management Board Report

The Management Board of Ronson Development SE hereby declares that:

a) to the best of its knowledge, the annual financial statements of the Company and Consolidated Financial Statements of the Group and comparative data have been prepared in accordance with the applicable accounting principles and that they reflect in a true, reliable and clear manner financial position of the Company, the Group and its financial result,

b) the Management Board Report contains a true picture of the Company's and Group's development and achievements, as well as a description of the main threats and risks;

This Management Board Report of activities of the Company and the Group in 2018 was prepared and approved by the Management Board of the Company on 13 March 2019.

The Management Board

Nir Netzer President of the Management Board	**Rami Geris** Vicepresident of the Management Board, CFO
Andrzej Gutowski Vicepresident of the Management Board, Sales and Marketing Director	**Alon Haver** Member of the Management Board