

Ronson Development SE

Interim Financial Report
for the nine months
ended
30 September 2020

Including the Interim Condensed Consolidated Financial Statements of Ronson Development SE
for the 9 months ended 30 September 2020
and the Interim Condensed Company Financial Statements of Ronson Development SE
for the 9 months ended 30 September 2020

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Management Board Report

Introduction

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

The shares of the Company are traded on the Warsaw Stock Exchange since 5 November 2007. According to publicly available information, as at 30 September 2020, 66.06% of the shares are controlled by Amos Luzon Development and Energy Group Ltd. ('A. Luzon Group') and 0.65% of the shares are held by the Company. The remaining 33.29% of the outstanding shares are held by other investors including Nationale Nederlanden Otworthy Fundusz Emerytalny and Metlife Otworthy Fundusz Emerytalny. The number of shares held by the investors is equal to the number of votes, as there are no privileged shares issued by the Company. It shall be noted that as at 30 September 2020, the Company held 1,063,445 own shares (0.65%) and, in accordance with art. 364 § 2 of the Code of Commercial Companies, it does not exercise voting rights from own shares. For an overview of shares, voting rights and major shareholders of the Company reference is made to page 27.

On 6 November 2020, the market price was PLN 1.40 per share giving the Company a market capitalization of PLN 229.6 million.

Overview of the Activity of the Company and the Group

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

During the nine months ended 30 September 2020, the Group realized sales of 661 units with the total value of PLN 325.1 million, which compares to sales of 505 units with the total value PLN 221.4 million during the nine months ended 30 September 2019.

As at 30 September 2020, the Group has 841 units available for sale in 12 locations, of which 741 units are in ongoing projects and the remaining 100 units are in completed projects. The ongoing projects comprise a total of 1,587 units, with an aggregate floor space of 91,697 m². The construction of 277 units with a total area of 16,966 m² is expected to be completed during remaining period of 2020.

The Group has a pipeline of 14 projects in different stages of preparation, representing approximately 3,724 units with an aggregate floor space of approximately 234,000 m² for future development in Warsaw, Poznań, Wrocław and Szczecin. During the remaining period of 2020, the Group is considering commencement of 2 stages of the currently running projects comprising 140 units with a total area of 8,200 m².

On 31 March 2020, the Company (via its subsidiary) entered into a preliminary agreement concerning the purchase of the ownership right of an undeveloped property located in Poznań, Grunwald district. The project will comprise 80 units with an aggregate floor space of 3,400 m². The final agreement was signed on 28 of April 2020, while the price of the property has been fixed at PLN 3.0 million and paid.

On 9 April 2020, the Company (via its subsidiary) exercised the last call option, based on call option agreements concluded on 10 April 2018 with Global City Holdings B.V. (hereinafter "Call Option Agreements"), as a result of this transaction the Company acquired shares in company holding one substage of the Nova Królikarnia project with an aggregate floor space of 3,300 m² for a total value of PLN 9.9 million.

On 14 August 2020, the Company (via its subsidiary) entered into preliminary agreement concerning the purchase of the perpetual usufruct right of a plot of land located in Warsaw, Wola district, with an area of 1,600 m². The final price of the property will depend on the usable area of the units to be build on the property and will be calculated base on a valide building permit obtained by the selling entity. The company estimate that the final sale price for the property shall not eccied PLN 22.0 million.

Management Board Report

Overview of the Activity of the Company and the Group

The Company's group structure and information on the Company's organizational structure

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	
		30 September 2020	31 December 2019
Share of ownership & voting rights at the end of			
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. ⁽²⁾	2000	-	100%
3 Ronson Development Warsaw Sp. z o.o.	2000	100%	100%
4 Ronson Development Investment Sp. z o.o.	2011	100%	100%
5 Ronson Development Metropol Sp. z o.o.	2011	100%	100%
6 Ronson Development Properties Sp. z o.o. ⁽²⁾	2002	-	100%
7 Apartments Projekt Sp. z o.o. ⁽²⁾	2003	-	100%
8 Ronson Development Enterprise Sp. z o.o. ⁽²⁾	2004	-	100%
9 Ronson Development Company Sp. z o.o. ⁽²⁾	2005	-	100%
10 Ronson Development Creations Sp. z o.o.	2005	100%	100%
11 Ronson Development Buildings Sp. z o.o. ⁽²⁾	2005	-	100%
12 Ronson Development Structure Sp. z o.o. ⁽²⁾	2005	-	100%
13 Ronson Development Poznań Sp. z o.o. ⁽²⁾	2005	-	100%
14 E.E.E. Development Sp. z o.o. ⁽²⁾	2005	-	100%
15 Ronson Development Innovation Sp. z o.o. ⁽²⁾	2006	-	100%
16 Ronson Development Wrocław Sp. z o.o. ⁽²⁾	2006	-	100%
17 Ronson Development Capital Sp. z o.o. ⁽²⁾	2006	-	100%
18 Ronson Development Sp. z o.o.	2006	100%	100%
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. ⁽²⁾	2007	-	100%
23 Ronson Development Architecture Sp. z o.o. ⁽²⁾	2007	-	100%
24 Ronson Development Skyline Sp. z o.o.	2007	100%	100%
25 Continental Development Sp. z o.o. ⁽²⁾	2007	-	100%
26 Ronson Development Universal Sp. z o.o. ⁽¹⁾	2007	100%	100%
27 Ronson Development Retreat Sp. z o.o. ⁽²⁾	2007	-	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.	2009	100%	100%
35 Ronson Development Skyline 2010 Sp. z o.o. w likwidacji ⁽²⁾	2010	-	100%
36 Ronson Development Partner 3 Sp. z o.o.	2012	100%	100%

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The Company's group structure and information on the Company's organizational structure

Entity name	Year of incorporation	Share of ownership & voting rights at the end of	
		30 September 2020	31 December 2019
Share of ownership & voting rights at the end of			
b. held indirectly by the Company :			
37 Nova Królikarnia B.V. (Company with the registered office in the Netherlands)	2016	100%	100%
38 AGRT Sp. z o.o.	2007	100%	100%
39 Ronson Development Partner 4 Sp. z o.o. – Panoramika Sp.k.	2007	100%	100%
40 Ronson Development Sp z o.o. - Estate Sp.k.	2007	100%	100%
41 Ronson Development Sp. z o.o. - Home Sp.k.	2007	100%	100%
42 Ronson Development Sp z o.o. - Horizon Sp.k.	2007	100%	100%
43 Ronson Development Partner 3 Sp. z o.o. - Sakura Sp.k.	2007	100%	100%
44 Destiny Sp. z o.o. ⁽⁶⁾	2007	-	100%
45 Ronson Development Millenium Sp. z o.o. ⁽⁶⁾	2007	-	100%
46 Ronson Development Partner 3 sp. z o.o. – Viva Jagodno sp. k.	2009	100%	100%
47 Ronson Development Sp. z o.o. - Apartments 2011 Sp.k.	2009	100%	100%
48 Ronson Development Sp. z o.o. - Idea Sp.k.	2009	100%	100%
49 Ronson Development Partner 2 Sp. z o.o. – Destiny 2011 Sp.k.	2009	100%	100%
50 Ronson Development Partner 2 Sp. z o.o. - Enterprise 2011 Sp.k.	2009	100%	100%
51 Ronson Development Partner 2 Sp. z o.o. - Retreat 2011 Sp.k.	2009	100%	100%
52 Ronson Development Partner 5 Sp. z o.o - Vitalia Sp.k.	2009	100%	100%
53 Ronson Development Sp. z o.o. - 2011 Sp.k.	2009	100%	100%
54 Ronson Development Sp. z o.o. - Gemini 2 Sp.k.	2009	100%	100%
55 Ronson Development Sp. z o.o. - Verdis Sp.k.	2009	100%	100%
56 Ronson Espresso Sp. z o.o.	2006	100%	100%
57 Ronson Development Apartments 2010 Sp. z o.o. ⁽⁶⁾	2010	-	100%
58 Ronson Development 2010 Sp. z o.o. ⁽⁶⁾	2010	-	100%
59 Retreat Sp. z o.o.	2010	100%	100%
60 Enterprise 2010 Sp. z o.o. ⁽⁶⁾	2010	-	100%
61 Wrocław 2010 Sp. z o.o. ⁽⁶⁾	2010	-	100%
62 E.E.E. Development 2010 Sp. z o.o. ⁽⁶⁾	2010	-	100%
63 Ronson Development Nautica 2010 Sp. z o.o.	2010	100%	100%
64 Gemini 2010 Sp. z o.o. ⁽⁶⁾	2010	-	100%
65 Ronson Development Sp. z o.o. - Naturalis Sp.k.	2011	100%	100%
66 Ronson Development Sp. z o.o. - Impressio Sp.k.	2011	100%	100%
67 Ronson Development Partner 3 Sp. z o.o.- Nowe Warzymice Sp. k	2011	100%	100%
68 Ronson Development Sp. z o.o. - Providence 2011 Sp.k.	2011	100%	100%
69 Ronson Development Partner 2 Sp. z o.o. - Capital 2011 Sp. k.	2011	100%	100%
70 Ronson Development Partner 5 Sp. z o.o. - Miasto Marina Sp.k.	2011	100%	100%
71 Ronson Development Partner 5 Sp. z o.o. - City 1 Sp.k.	2012	100%	100%
72 Ronson Development Partner 2 Sp. z o.o. - Miasto Moje Sp. k.	2012	100%	100%
73 Ronson Development sp. z o.o. – Ursus Centralny Sp. k.	2012	100%	100%
74 Ronson Development Sp. z o.o. - 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 Sp. z o.o. - Projekt 2 Sp.k. (The company changed the name as at 24 July 2020 for "Ronson Development Sp. z o.o. Grunwaldzka" Sp.k.)	2016	100%	100%
77 Ronson Development Sp. z o.o. - Projekt 3 Sp.k.	2016	100%	100%
78 Ronson Development Sp. z o.o. - Projekt 4 Sp.k.	2017	100%	100%
79 Ronson Development Sp. z o.o. - Projekt 5 Sp.k.	2017	100%	100%
80 Ronson Development Sp. z o.o. - Projekt 6 Sp.k.	2017	100%	100%
81 Ronson Development Sp. z o.o. - Projekt 7 Sp.k.	2017	100%	100%
82 Ronson Development Sp. z o.o. - Projekt 8 Sp.k.	2017	100%	100%
83 Ursus 2017 Sp. z o.o. ⁽⁴⁾	2017	-	100%
84 Projekt City Sp. z o.o. ⁽⁵⁾	2017	-	100%
85 Bolzanus Limited (Company with the registered office in Cyprus)	2013	100%	100%
86 Park Development Properties Sp. z o.o. - Town Sp.k.	2007	100%	100%
87 Tras Sp. z o.o. ⁽⁷⁾	2015	-	100%
88 Pod Skocznią Project Sp. z o.o. ⁽⁷⁾	2015	-	100%
89 District 20 Sp. z o.o. ⁽⁷⁾	2015	-	100%
90 Arkadia Development Sp. z o.o. ⁽⁷⁾	2015	-	100%
91 Królikarnia 2015 Sp. z o.o. ⁽⁷⁾	2015	-	100%
92 Tras 2016 Sp. z o.o.	2011	100%	100%
93 Pod Skocznią Projekt 2016 Sp. z o.o. ⁽³⁾	2011	-	100%

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Overview of the Activity of the Company and the Group

The Company's group structure and information on the Company's organizational structure

Entity name	Year of incorporation	Share of ownership & voting rights at the end of	
		30 September 2020	31 December 2019
Share of ownership & voting rights at the end of			
b. held indirectly by the Company :			
94 District 20 – 2016 Sp. z o.o. ⁽³⁾	2011	-	100%
95 Arkadia Development 2016 Sp. z o.o. ⁽³⁾	2011	-	100%
96 Królikarnia 2016 Sp. z o.o. ⁽³⁾	2011	-	100%
97 Kroli Development Sp. z o.o. ⁽³⁾	2012	-	100%
98 Park Development Properties Sp. z o.o.	2011	100%	100%
99 Jasminova 2016 Sp. z o.o.	2016	100%	100%
100 Town 2016 Sp. z o.o.	2016	100%	100%
101 E.E.E. Development 2016 Sp. z o.o. ⁽⁷⁾	2016	-	100%
102 Enterprise 2016 Sp. z o.o.	2016	100%	100%
103 Wrocław 2016 Sp. z o.o.	2016	100%	100%
104 Darwen Sp. z o.o.	2017	100%	100%
105 Truro Sp. z o.o.	2017	100%	100%
106 Tregaron Sp. z o.o.	2017	100%	100%
107 Totton Sp. z o.o.	2017	100%	100%
108 Tring Sp. z o.o.	2017	100%	100%
109 Thame Sp. z o.o.	2017	100%	100%
110 Troon Sp. z o.o.	2017	100%	100%
c. other subject to consolidation:			
111 Coralchief sp. z o.o.	2018	50%	50%
112 Coralchief sp. z o.o. - Projekt 1 sp. k.	2016	n/a	n/a
113 Ronson IS sp. z o.o.	2009	50%	50%
114 Ronson IS sp. z o.o. sp. k.	2012	n/a	n/a

- (1) *The Company has the power to govern the financial and operating policies of this entity and to obtain benefits from its activities, whereas Kancelaria Radcy Prawnego Jarosław Zubrzycki holds the legal title to the shares of this entity*
- (2) *In connection with the merger, registered in the National Court Register on 4 May 2020, the company was taken over by the Ronson Development South sp. z o.o. and by law from 4 May 2020 Ronson Development South sp. z o.o. took over all the rights and obligations of the company*
- (3) *In connection with the merger, registered in the National Court Register on 7 May 2020, the company was taken over by the Tras 2016 sp. z o.o. and by law from 7 May 2020 Tras 2016 sp. z o.o. took over all the rights and obligations of the company*
- (4) *In connection with the merger, registered in the National Court Register on 1 April 2020, the company was taken over by the Destiny sp. z o.o. and by law from 1 April 2020 Destiny sp. z o.o. took over all the rights and obligations of the company*
- (5) *In connection with the merger, registered in the National Court Register on 1 April 2020, the company was taken over by the Ronson Development 2010 sp. z o.o. and by law from 1 April 2020 Ronson Development 2010 sp. z o.o. took over all the rights and obligations of the company*
- (6) *In connection with the merger, registered in the National Court Register on 1 July 2020, the company was taken over by the Ronson Development South sp. z o.o. and by law from 1 July 2020 Ronson Development South sp. z o.o. took over all the rights and obligations of the company*
- (7) *In connection with the merger, registered in the National Court Register on 1 July 2020, the company was taken over by the Tras 2016 sp. z o.o. and by law from 1 July 2020 Tras 2016 sp. z o.o. took over all the rights and obligations of the company.*

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Business highlights during the nine months ended 30 September 2020

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 nine months ended 30 September 2020:

Project name	Location	Number of units	Area of units (m²)
Grunwald2	Poznań	268	14,400
Nova Królikarnia 2c	Warsaw	18	3,600
Panoramika V	Szczecin	115	6,000
Total		401	24,000

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 when the performance obligations are satisfied and when the customer obtains control of the good, i.e. upon signing of the protocol of technical acceptance and the transfer of the key to the buyer of the residential unit and total payment obtained. Revenue from sales and services of residential projects recognized during the nine months ended 30 September 2020 amounted to PLN 321.9 million, whereas cost of sales amounted to PLN 246.6 million, that resulted in a gross profit amounting to PLN 75.3 million representing a gross margin of 23.2%. Total economic revenue from sales and services of residential projects, when results from joint ventures are presented on a fully consolidated basis, amounted to PLN 323.97 million, whereas cost of sales amounting to PLN 248.1 million, that resulted in a gross profit amounting to PLN 75.9 million, representing a gross margin of 23.3%.

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Business highlights during the nine months ended 30 September 2020

The following table specifies revenue, cost of sales, gross profit and gross margin during the nine months ended 30 September 2020 on a project by project basis:

Project	Information on the delivered units		Revenue ⁽¹⁾		Cost of sales ⁽²⁾		Gross profit	Gross margin
	Number of units	Area of units (m2)	PLN		PLN		PLN	
			thousands	%	thousands	%	thousands	%
City Link III	286	14,125	147,855	46.0%	90,962	36.9%	56,893	38.5%
Grunwald2	220	10,963	73,543	22.9%	56,543	22.9%	17,000	23.1%
Miasto Marina ⁽⁵⁾	119	5,018	43,610	13.6%	43,594	17.7%	16	0.0%
Panoramika IV	97	5,065	27,647	8.6%	27,410	11.1%	237	0.9%
Panoramika V	63	2,872	17,313	5.4%	16,908	6.9%	405	2.3%
Nova Królikarnia 2b	3	367	4,075	1.3%	3,676	1.5%	399	9.8%
Miasto Moje I	3	164	1,407	0.4%	1,073	0.4%	334	23.8%
Nova Królikarnia 1a-1e	3	327	3,332	1.0%	2,803	1.1%	529	15.9%
Other	3	352	3,152	0.8%	2,902	1.5%	250	n.a.
Total / Average	797	39,253	321,934	100%	245,871	100%	76,063	23.2%
Write off adjustment					737		(737)	
Results	797	39,253	321,934		246,608		75,326	23.2%
City Link I & II ⁽³⁾	2	116	2,033		1,470		563	27.7%
Economic results⁽⁴⁾	799	39,369	323,967		248,078		75,889	23.3%

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

(2) Cost of sales allocated to the delivered units proportionally to the total expected revenue 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) The final permit for use is subject to additional minor fit-out works appropriate to the apart-hotel functionality. During the nine months ended 30 September 2020 the Company completed such fit out works for 119 units.

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Business highlights during the nine months ended 30 September 2020

B. Results breakdown by project

City Link III

The construction of the third (and last) stage of the City Link III project (the Company's share in the project is 100%) was completed in November 2019. The project was developed on a land strip located in the Wola district in Warsaw at Skierniewicka Street. City Link III project comprises 364 apartments and 4 commercial units with an aggregate floor space of 18,700 m². During the nine months ended 30 September 2020, the company delivered 286 units (during the nine months ended 30 September 2019: nil) and recognized sale revenue of PLN 147.9 million (during the nine months ended 30 September 2019: nil).

Grunwald2

The construction of the Grunwald2 project was completed in April 2020. The project was developed on a land strip located in Poznań at Świerzawska Street. The Grunwald2 project comprises 267 apartments and 1 commercial unit with an aggregate floor space 14,455 m². During the nine months ended 30 September 2020, the company delivered 220 units (during the nine months ended 30 September 2019: nil) and recognized sale revenue of PLN 73.5 million (during the nine months ended 30 September 2019: nil).

Miasto Marina

The construction of the Miasto Marina project was completed in June 2019. The Miasto Marina project was developed on a land strip located in Wrocław at Na Grobli Street, and comprises 151 units with an aggregate floor space of 6,200 m². The Company received a permit for use of the buildings, while the final permit for use of the units, due to the purpose of the project, will be received after completion of minor fit-out works appropriate to the apart-hotel functionality. During the nine months ended 30 September 2020, the Company completed such fit-out works for 119 units (during the nine months ended 30 September 2019: nil) and recognized sale revenue of PLN 43.6 million (during the nine months ended 30 September 2019: nil).

Panoramika IV

The construction of the fourth stage of the Panoramika project was completed in December 2019. The fourth stage of the Panoramika project was developed on a part of land strip located in Szczecin at Duńska Street and is a continuation of the Panoramika I - III projects. The Panoramika IV project comprises 111 apartments and an aggregate floor space of 5,800 m². During the nine months ended 30 September 2020, the company delivered 97 units (during the nine months ended 30 September 2019: nil) and recognized sale revenue of PLN 27.6 million (during the nine months ended 30 September 2019: nil).

Panoramika V

The construction of the fifth stage of the Panoramika project was completed in August 2020. The fifth stage of the Panoramika project was developed on a part of land strip located in Szczecin at Duńska Street and is a continuation of the Panoramika I - IV projects. The Panoramika V project comprises 115 apartments and an aggregate floor space of 6,000 m². During the nine months ended 30 September 2020, the company delivered 63 units (during the nine months ended 30 September 2019: nil) and recognized sale revenue of PLN 17.3 million (during the nine months ended 30 September 2019: nil).

Nova Królikarnia 2b

The construction of the Nova Królikarnia 2b was completed in May 2019, respectively. The projects were developed on a land strip located in the Mokotów district in Warsaw near Jaśminowa Street. The Nova Królikarnia 2b project comprises 28 apartments and an aggregate floor space of 2,300 m². During the nine months ended 30 September 2020, the company delivered 3 units (during the nine months ended 30 September 2019: 59 units) and recognized sale revenue of PLN 4.1 million (during the nine months ended 30 September 2019: PLN 45.5 million).

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Business highlights during the nine months ended 30 September 2020

B. Results breakdown by project

Miasto Moje I

The construction of the first and second stage of the Miasto Moje project was completed in May 2018. The projects were developed on a land strip located in the Białołęka district in Warsaw at Marywilska Street. The Miasto Moje I project comprises 191 apartments and 14 commercial units with an aggregate floor space of 10,900 m². During the nine months ended 30 September 2020, the company delivered 3 units (during the nine months ended 30 September 2019: 151 units) and recognized sale revenue of PLN 1.4 million (during the nine months ended 30 September 2019: PLN 50.9 million).

Nova Królikarnia 1a - 1e

The construction of the Nova Królikarnia 1a - 1e projects were completed in 2018. The projects were developed on a land strip located in the Mokotów district in Warsaw near to Jaśminowa Street. The Nova Królikarnia 1a – 1e projects comprise 98 apartments and 8 commercial units and an aggregate floor space of 10,800 m². During the nine months ended 30 September 2020, the company delivered 3 units (during the nine months ended 30 September 2019: 18 units) and recognized sale revenue of PLN 3.3 million (during the nine months ended 30 September 2019: PLN 25.5 million).

Other (old) projects

Other revenues are mainly associated with fee incomes related to management services provided to joint ventures projects and with rental revenues, as well as with the delivery of 3 unit, parking places and storages in other projects that were completed in previous years.

City Link I & II

The construction of the first and second stage of the City Link project was completed in September 2017 and March 2019, respectively. 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 m². The second stage of this project comprises 184 apartments and 5 commercial units with an aggregate floor space of 8,850 m². The project is presented in the Interim Condensed Consolidated Financial Statements under investment in joint ventures. The Company's share in the project is 50%. During the nine months ended 30 September 2020, the company delivered 2 units (during the nine months ended 30 September 2019: 185 units) and recognized sale revenue of PLN 2.0 million (during the nine months ended 30 September 2019: PLN 82.2 million).

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Business highlights during the nine months ended 30 September 2020

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 Company signed the preliminary sale agreements with the clients), during the nine months ended 30 September 2020:

Project name	Location	Units sold until 31 December 2019	Units sold during the period ended 30 September 2020	Units for sale as at 30 September 2020	Total
Ursus Centralny IIa ⁽²⁾	Warsaw	-	160	91	251
Miasto Moje IV ⁽²⁾	Warsaw	33	63	80	176
Miasto Moje III ⁽²⁾	Warsaw	123	49	24	196
Panoramika V ⁽²⁾	Szczecin	53	44	18	115
Grunwald2 ⁽¹⁾	Poznań	195	43	30	268
Viva Jagodno I ⁽²⁾	Wrocław	8	39	74	121
Ursus Centralny Ia ⁽²⁾	Warsaw	98	38	2	138
Vitalia III ⁽²⁾	Wrocław	32	29	20	81
Nova Królikarnia 3a ⁽²⁾	Warsaw	-	20	11	31
Miasto Marina ⁽¹⁾	Wrocław	126	19	6	151
Nowe Warzymice I ⁽²⁾	Szczecin	-	18	36	54
Ursus Centralny Ib ⁽²⁾	Warsaw	-	17	80	97
Panoramika IV ⁽¹⁾	Szczecin	94	15	2	111
Nova Królikarnia 3c ⁽²⁾	Warsaw	-	15	8	23
Panoramika VI ⁽²⁾	Szczecin	-	14	62	76
City Link III ⁽¹⁾	Warsaw	350	8	10	368
Nova Królikarnia 2c ⁽¹⁾	Warsaw	5	7	6	18
Nova Królikarnia 3b ⁽²⁾	Warsaw	14	4	5	23
Miasto Moje V ⁽²⁾	Warsaw	-	4	166	170
Miasto Moje I ⁽¹⁾	Warsaw	199	3	3	205
Nova Królikarnia 2b ⁽¹⁾	Warsaw	27	1	-	28
Nova Królikarnia 1d ⁽¹⁾	Warsaw	10	1	1	12
Other (old) projects			2	24	26
Total excluding JV		1,367	613	759	2,739
Wilanów Tulip ^{(2)/(3)}	Warsaw	20	48	82	150
Total including JV		1,387	661	841	2,889

(1) For information on the completed projects see "Business highlights during the nine months ended 30 September 2020 – B. Results breakdown by project".

(2) For information on current projects under construction, see "Outlook for the remaining period of 2020 – B. Current projects under construction and/or on sale".

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

Management Board Report

Business highlights during the nine months ended 30 September 2020

C. Units sold during the period

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

Project name	Location	Number of units	Sold During the period ended 30 September 2020	
			Net saleable area (m ²)	Value of the preliminary sales agreements (in PLN thousands)
Ursus Centralny IIa ⁽²⁾	Warsaw	160	8,440	65,087
Miasto Moje IV ⁽²⁾	Warsaw	63	2,817	20,683
Miasto Moje III ⁽²⁾	Warsaw	49	3,037	20,609
Panoramika V ⁽²⁾	Szczecin	44	2,447	14,727
Grunwald2 ⁽¹⁾	Poznań	43	2,381	18,603
Viva Jagodno I ⁽²⁾	Wrocław	39	2,081	14,718
Ursus Centralny Ia ⁽²⁾	Warsaw	38	2,440	18,574
Vitalia III ⁽²⁾	Wrocław	29	2,212	15,761
Nova Królikarnia 3a ⁽²⁾	Warsaw	20	1,951	23,314
Miasto Marina ⁽¹⁾	Wrocław	19	1,262	8,529
Nowe Warzymice I ⁽²⁾	Szczecin	18	911	5,675
Ursus Centralny Ib ⁽²⁾	Warsaw	17	886	6,958
Panoramika IV ⁽¹⁾	Szczecin	15	1,091	6,399
Nova Królikarnia 3c ⁽²⁾	Warsaw	15	1,521	17,452
Panoramika VI ⁽²⁾	Szczecin	14	609	4,040
City Link III ⁽¹⁾	Warsaw	8	821	9,446
Nova Królikarnia 2c ⁽¹⁾	Warsaw	7	1,416	17,214
Nova Królikarnia 3b ⁽²⁾	Warsaw	4	480	5,589
Miasto Moje V ⁽²⁾	Warsaw	4	119	871
Miasto Moje I ⁽¹⁾	Warsaw	3	163	1,133
Nova Królikarnia 2b ⁽¹⁾	Warsaw	1	55	652
Nova Królikarnia 1d ⁽¹⁾	Warsaw	1	74	876
Other (old) projects		2	193	1,693
Total excluding JV		613	37,408	298,603
Wilanów Tulip ⁽²⁾⁽³⁾	Warsaw	48	3,017	26,481
Total including JV		661	40,424	325,085

(1) For information on the completed projects see "Business highlights during the nine months ended 30 September 2020 – B. Results breakdown by project".

(2) For information on current projects under construction, see "Outlook for the remaining period of 2020 – B. Current projects under construction and/or on sale".

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

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

Location	Value of the preliminary sales agreements sold during the period ended		Increase/(decrease)	
	30 September 2020	30 September 2019	In PLN	%
<i>In thousands of Polish Zlotys (PLN)</i>				
Warsaw	234,940	129,699	105,241	81.1%
Wrocław	39,008	34,436	4,572	13.3%
Szczecin	30,841	17,847	12,994	72.8%
Poznań	18,603	38,572	(19,969)	-51.8%
Other	1,693	820	873	n.a.
Total	325,085	221,374	103,711	46.8%

Management Board Report

Business highlights during the nine months ended 30 September 2020

D. Commencements of new projects

The table below presents information on the projects for which the construction and/or sales process commenced during the nine months ended 30 September 2020:

Project name	Location	Number of units	Area of units (m²)
Ursus Centralny IIa	Warsaw	251	13,500
Panoramika VI	Szczecin	76	3,600
Miasto Moje V	Warsaw	170	8,500
Ursus Centralny Ib	Warsaw	97	5,700
Total		594	31,300

For additional information see section “Outlook for the remaining period of 2020 – B. Current projects under construction and/or on sale”.

E. Agreements significant for the business activity of the Group

Exercise of the third call option agreement – Nova Królikarnia

On 9 April 2020, the Company exercised the third (last) call option under the Call Option Agreements for the total price of PLN 9.9 million as a result of which the Company (via its subsidiary) acquired shares in company holding substage of Nova Królikarnia project comprising an aggregate floor space of around 3,300 m². The total price for the third option was paid in April 2020.

Agreement of purchase of plot in Poznań

On 31 March 2020, the Company (via its subsidiary) entered into a preliminary agreement concerning the purchase of the ownership right of an undeveloped property located in Poznań, Grunwald district. According to the valid zoning conditions, the plot is designated for development of residential multifamily project. The project will comprise 80 units with an aggregate floor space of 3,400 m². The final agreement was signed on 28 of April 2020, while the price of the property has been fixed at PLN 3.0 million and paid.

Agreement of purchase of plot in Warsaw

On 14 August 2020 Company (via its subsidiary) entered into a conditional preliminary agreement concerning the purchase of the perpetual usufruct right of a plot of land located in Warsaw, Wola district, with an area of c.a. 1.6 thousand m². The final price of the Property will depend on the usable area of units to be built on the Property and will be calculated based on the valid building permit obtained by the selling entity. The final price for the Property shall be not higher than PLN 22 million. On 14 August 2020 the Company paid an advance for the transaction in an amount of PLN 3.0 million.

Management Board Report

Business highlights during the nine months ended 30 September 2020

Financial information

The Interim Condensed Consolidated Financial Statements as included in this Interim Financial Report on pages 33 through 73 have been prepared in accordance with IAS 34 “Interim financial reporting”.

The Interim Condensed Consolidated Financial Statements do not include all the information and disclosures required in annual consolidated financial statements prepared in accordance with International Financial Reporting Standards as endorsed by the European Union (“IFRS”) and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2019 which have been prepared in accordance with IFRS. At the date of authorization of these Interim Condensed Consolidated Financial Statements, in light of the nature of the Group’s activities, the IFRSs applied by the Group are not different from the IFRSs endorsed by the European Union. IFRSs comprise standards and interpretations accepted by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”). For additional information, see Note 3 of the Interim Condensed Consolidated Financial Statements.

The Interim Condensed Company Financial Statements as included in this Interim Financial Report on pages 74 through 84 have been prepared in accordance with IAS 34 “Interim financial reporting”.

The Interim Condensed Company Financial Statements do not include all the information and disclosures required in annual company financial statements prepared in accordance with International Financial Reporting Standards as endorsed by the European Union (“IFRS”) and should be read in conjunction with the Company’s annual financial statements for the year ended 31 December 2019 which have been prepared in accordance with IFRS. At the date of authorization of these Interim Condensed Company Financial Statements, in light of the nature of the Company’s activities, the IFRSs applied by the Company are not different from the IFRSs endorsed by the European Union. IFRSs comprise standards and interpretations accepted by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”).

Management Board Report

Overview of results

The net profit attributable to the equity holders of the parent company for the nine months ended 30 September 2020 was PLN 37,504 thousand and can be summarized as follows:

	For the period ended 30 September	
	2020	2019
	PLN	
	(thousands, except per share data)	
Revenue from sales and services of residential projects	321,934	172,451
Revenue from sales of land	-	6,500
Revenues	321,934	178,951
Cost of sales of residential units	(246,608)	(142,051)
Cost of sales of land	-	(6,312)
Cost of sales	(246,608)	(148,363)
Gross profit	75,326	30,588
Selling and marketing expenses	(5,017)	(4,003)
Administrative expenses	(16,671)	(14,008)
Share of profit/(loss) from joint venture	(510)	8,962
Other expense	(1,305)	(1,488)
Result from operating activities	51,823	20,051
Finance income	457	583
Finance expense	(3,781)	(3,772)
Net finance income/(expense)	(3,324)	(3,189)
Profit/(loss) before taxation	48,499	16,862
Income tax benefit/(expenses)	(10,995)	(3,672)
Net profit/(loss) for the period attributable to the equity holders of the parent	37,504	13,190
Net earnings/(loss) per share attributable to the equity holders of the parent (basic and diluted)	0.23	0.081

Management Board Report

Overview of results

Revenue from sales and services of residential projects

The revenue from sales and services of residential units increased by PLN 149.4 million (86.6%) from PLN 172.5 million during the nine months ended 30 September 2019 to PLN 321.9 million during the nine months ended 30 September 2020, is primarily explained by the delivery of 797 units to the customers during the nine months ended 30 September 2020, comparing to the 349 units delivered during the nine months ended 30 September 2019.

Cost of sales of residential units

Cost of sales of residential units increased by PLN 104.5 million (73.5%) from PLN 142.1 million during the nine months ended 30 September 2019 to PLN 246.6 million during the nine months ended 30 September 2020. The increase in costs of sales is primarily explained by an increase in the amount of apartments delivered to the customers in fully owned projects from 349 units delivered during the nine months ended 30 September 2019 to 797 units delivered the nine months ended 30 September 2020.

Gross margin

The gross margin from sales and services of residential units during the nine months ended 30 September 2020 was 23.2% which compares to 17.6% during the nine months ended 30 September 2019. The change in gross margin relates to a different mix of projects delivered to the customers characterized by a different profitability during the nine months ended 30 September 2020 compared to the mix of projects delivered to customers during the nine months ended 30 September 2019. The most profitable project, which significantly impacted revenues and profitability of the Group was project City Link III in Warsaw (contributed PLN 56.9 million to the gross profit which represents a gross profit margin of 38.5%).

Selling and marketing expenses

Selling and marketing expenses increased by PLN 1.0 million (25.3%) from PLN 4.0 million during the nine months ended 30 September 2019 to PLN 5.0 million during the nine months ended 30 September 2020, is primarily explained by higher number of project under construction and commencement during the first 9 months of 2020 comparing to the 9 months ended 30 September 2019, as well as the increase of sale commissions due to high sales during the first 9 months of 2020.

Administrative expenses

Administrative expenses increased by PLN 2.7 million (19.0%) from PLN 14.0 million during the nine months ended 30 September 2019 to PLN 16.7 million during the nine months ended 30 September 2020. The increase is primarily explained by higher personnel expenses as well as higher expenses due to changes in Management Board.

Result from operating activities

As a result of the factors described above, the Company's operating result increased by PLN 31.7 million, from an operating profit of PLN 20.1 million for nine months ended 30 September 2019 to an operating profit of PLN 51.8 million for nine months ended 30 September 2020.

Management Board Report

Overview of results

Net finance income/(expenses)

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

The table below shows the finance income/(expenses) before capitalization into inventory and the total finance income/(expenses) capitalized into inventory:

	For the period ended 30 September 2020			
	PLN (thousands)			
	<u>Total amount</u>	<u>Amount capitalized</u>	<u>Amount capitalized (under IFRS 16)</u>	<u>Recognized as profit or loss</u>
Finance income	457	-	-	457
Finance expense	(9,534)	5,782	-	(3,752)
Net finance income/(expense) before impact of IFRS 16	(9,077)	5,782	-	(3,295)
Finance expense - on lease liabilities	(745)	-	716	(29)
Net finance income/(expense) after impact of IFRS 16	(9,822)	5,782	716	(3,324)

	For the 9 months ended 30 September 2019			
	PLN (thousands)			
	<u>Total amount</u>	<u>Amount capitalized</u>	<u>Amount capitalized (under IFRS 16)</u>	<u>Recognized as profit or loss</u>
Finance income	583	-	-	583
Finance expense	(10,685)	6,941	-	(3,744)
Finance expense - on lease liabilities	(1,614)	-	1,586	(28)
Net finance income/(expense)	(11,716)	6,941	1,586	(3,189)

Net finance expenses before capitalization and before impact of IFRS 16 decreased by PLN 1.9 million (16.2%) from PLN 11.7 million during the nine months ended 30 September 2019 to PLN 9.8 million during the nine months ended 30 September 2020. Is mainly explained by lower loans and bonds borrowing compared to the 9 months ended on 30 September 2020 to the 9 months ended on the 30 September 2019 and lower interest rates during the period ended on 30 September 2020 comparing to the period ended on 30 September 2019.

Management Board Report

Overview of selected details from the Interim Condensed Consolidated

Statement of Financial Position

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

	As at 30 September 2020	As at 31 December 2019
	PLN (thousands)	
Inventory and Land designated for development	<u>695,443</u>	<u>762,381</u>
Advances received	<u>188,174</u>	<u>254,970</u>
Loans and borrowings	<u>160,502</u>	<u>203,182</u>

Inventory and Residential landbank

The balance of Inventory and Residential landbank is PLN 695.4 million as at 30 September 2020 compared to PLN 762.4 million as at 31 December 2019. The decrease is primarily explained by cost of sales recognized for a total amount of PLN 246.6 million during the nine months ended 30 September 2020. The decrease is partly offset by the Group's investments associated with direct construction costs for a total amount of PLN 182.7 million.

Advances received

The balance of advances received is PLN 188.2 million as at 30 September 2020 compared to PLN 255.0 million as at 31 December 2019. The decrease is primarily explained by the revenues recognized from the sale of residential units for a total amount of PLN 321.2 million during the nine months ended 30 September 2020. The decrease is offset in part by the advances received from clients regarding sales of residential units for a total amount PLN 254.3 million

Loans and borrowings

The total of short-term and long-term loans and borrowings is PLN 160.5 million as at 30 September 2020 compared to PLN 203.2 million as at 31 December 2019. The decrease in loans and borrowings is primarily explained by the effect of net repayment of bank loans for a total amount of PLN 13.1 million and repayment of bond loans for a total amount of PLN 35.0 million. Of the mentioned PLN 160.5 million, an amount of PLN 88.7 million comprises facilities maturing no later than 30 September 2021.

The balance of loans 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 30 September 2020 amounted to PLN 153.4 million (as at 31 December 2019: PLN 188.5 million) comprising a bond loan principal amount of PLN 152.3 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 0.8 million). For additional information see Note 13 of the Interim Condensed Consolidated Financial Statements.

The bank loans supporting completed projects or projects under construction are to the progress in construction works and sales. As at 30 September 2020, loans in this category amounted to nil (as at 31 December 2019: PLN 12.9 million). For additional information see Note 14 of the Interim Condensed Consolidated Financial Statements.

Management Board Report

Overview of cash flow results

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

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

	For the 9 months ended 30 September 2020	For the 9 months ended 30 September 2019
	PLN (thousands)	PLN (thousands)
Cash flows from/(used in) operating activities	19,870	49,109
Cash flow from/(used in) investing activities	(1,160)	(3,202)
Cash flow (used in)/from financing activities	(62,254)	(63,191)

Cash flow from/(used in) operating activities

The Company's net cash inflow from operating activities for the nine months ended 30 September 2020 amounted to PLN 19.9 million which compares to a net cash inflow from operating activities during the nine months ended 30 September 2019 amounted to PLN 49.1 million. The decrease is primarily explained by:

- a net cash outflow used in connection with acquisition of the Nova Królikarnia project amounted to PLN 36.9 million and payment for the new lands (Poznań) amounting to PLN 3.0 million as well as advance payment in the amount of PLN 3.0 million for the new land in Warsaw, comparing to the period during the nine months ended 30 September 2019 whereas the company did not purchase any new lands and a net cash outflow used in connection with acquisition of the Nova Królikarnia project amounted to PLN 20.6 million;
- decrease of share of result from joint ventures from PLN 9.0 million gain during the nine months ended 30 September 2019 to PLN 0.5 million loss during the six month ended 30 September 2020;

Cash flow from/(used in) investing activities

The Company's net cash outflow used in investing activities amounted to PLN 1.2 million during the nine months ended 30 September 2020 compared to a net cash outflow from investing activities amounted to PLN 3.2 million during the nine months ended 30 September 2019. The increase is primarily explained by:

- no significant net cash outflow related to the investment in joint ventures during the nine months ended 30 September 2020 compared to a net cash outflow used in the investment in joint ventures amounting to PLN 2.3 million during the nine months ended 30 September 2019.

Management Board Report

Overview of cash flow results

Cash flow from/(used in) financing activities

The Company's net cash outflow used in financing activities amounted to PLN 62.3 million during the nine months ended 30 September 2020 compared to a net cash outflow from financing activities amounted to PLN 63.2 million during the nine months ended 30 September 2019. The increase is primarily explained by:

- net repayment of secured bank loans amounting to PLN 13.1 million during the nine months ended 30 September 2020 compared to a net repayment of secured bank loans amounting to PLN 32.2 million during the nine months ended 30 September 2019 ;
- net repayment of perpetual usufruct rights amounting to PLN 1.3 million during the nine months ended 30 September 2020 compared to PLN 2.2 million during the nine months ended 30 September 2019 ;
- repayment of loans from others amounting to PLN 2.5 million during the nine months ended 30 September 2020 compared to no loan repayment to others during the nine months ended 30 September 2019.

which are being partially offset by:

- repayment of bond loans amounting to PLN 35.0 million during the nine months ended 30 September 2020 compared to net repayment of bond loans amounting to PLN 18.4 million during the nine months ended 30 September 2019 ;

Management Board Report

Selected financial data

Source: National Bank of Poland ("NBP") PLN/EUR	Exchange rate of Polish Zloty versus Euro			
	Average exchange rate	Minimum exchange rate	Maximum exchange rate	Period end exchange rate
2020 (9 months)	4.424	4.228	4.604	4.527
2019 (9 months)	4.302	4.241	4.389	4.374
2019 (12 months)	4.299	4.241	4.389	4.259

Selected financial data

	EUR		PLN	
	(thousands, except per share data)			
	For the period ended 30 September			
	2020	2019	2020	2019
Revenues	72,768	41,597	321,934	178,951
Gross profit	17,026	7,110	75,326	30,588
Profit/(loss) before taxation	10,962	3,920	48,499	16,862
Net profit/(loss) for the period attributable to the equity holders of the parent	8,477	3,066	37,504	13,190
Cash flows from/(used in) operating activities	4,491	11,415	19,870	49,109
Cash flows from/(used in) investing activities	(262)	(744)	(1,160)	(3,202)
Cash flows from/(used in) financing activities	(14,072)	(14,689)	(62,254)	(63,191)
Increase/(decrease) in cash and cash equivalents	(9,843)	(4,018)	(43,545)	(17,284)
Average number of equivalent shares (basic)	162,937,256	163,775,920	162,937,256	163,775,920
Net earnings/(loss) per share (basic and diluted)	0.052	0.019	0.230	0.081

Selected financial data

	EUR		PLN	
	(thousands)			
	Aa at			
	30 September 2020	31 December 2019	30 September 2020	31 December 2019
Inventory and Land designated for development	153,628	179,005	695,443	762,381
Total assets	185,336	221,456	838,981	943,183
Advances received	41,569	59,866	188,174	254,970
Long term liabilities	19,724	37,861	89,287	161,248
Short term liabilities (including advances received)	82,160	101,301	371,940	431,441
Equity attributable to the equity holders of the parent	83,445	82,295	377,754	350,494

Management Board Report

Outlook for the remaining period of 2020

A. Completed projects

The table below presents information on the total residential units in the completed projects/stages that the Group expects to sell and deliver during the remaining period of 2020:

Project name	Location	Number of residential units delivered ⁽¹⁾			Number of residential units expected to be delivered ⁽¹⁾			
		Until 31 December 2019	During the period ended 30 September 2020	Total units delivered	Units sold as at 30 September 2020	Units for sale as at 30 September 2020	Total units expected to be delivered	Total project
City Link III	Warsaw	66	286	352	6	10	16	368
Grunwald2	Poznań	-	220	220	18	30	48	268
Miasto Marina ⁽²⁾	Wrocław	21	119	140	5	6	11	151
Panoramika IV	Szczecin	9	97	106	3	2	5	111
Panoramika V	Szczecin	-	63	63	34	18	52	115
Nova Królikarnia 2b	Warsaw	23	3	26	2	-	2	28
Miasto Moje I	Warsaw	199	3	202	-	3	3	205
Nova Królikarnia 1b	Warsaw	12	1	13	-	-	-	13
Nova Królikarnia 1d	Warsaw	9	1	10	1	1	2	12
Nova Królikarnia 2c	Warsaw	-	-	-	12	6	18	18
Other (old) projects		-	4	4	1	24	25	29
Total excluding JV		339	797	1,136	82	100	182	1,318
City Link I & II ⁽³⁾	Warsaw	509	2	511	-	-	-	511
Total including JV		848	799	1,647	82	100	182	1,829

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

(2) The final permit for use is subject to additional minor fit-out works appropriate to the apart-hotel functionality..

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

For information on the completed projects see "Business highlights during the nine months ended 30 September 2020 - B. Results breakdown by project".

Management Board Report

Outlook for the remaining period of 2020

B. Current projects under construction and/or on sale

The table below presents information on projects for which completion is scheduled in the remaining period of 2020 and in 2021, 2022. The Company has obtained construction permits for all projects/stages and has commenced construction and /or sales.

Project name	Location	Units sold until 30 September 2020	Units for sale as at 30 September 2020	Total units	Total area of units (m ²)	Expected completion of construction
Miasto Moje III	Warsaw	172	24	196	10,176	2020
Vitalia III	Wrocław	61	20	81	6,790	2020
Ursus Centralny IIa	Warsaw	160	91	251	13,509	2021
Ursus Centralny Ia	Warsaw	136	2	138	7,542	2021
Miasto Moje IV	Warsaw	96	80	176	8,938	2021
Viva Jagodno I	Wrocław	47	74	121	6,241	2021
Nova Królikarnia 3a	Warsaw	20	11	31	3,188	2021
Nova Królikarnia 3b	Warsaw	18	5	23	2,270	2021
Nova Królikarnia 3c	Warsaw	15	8	23	2,298	2021
Nowe Warzymice I	Szczecin	18	36	54	3,234	2021
Panoramika VI	Szczecin	14	62	76	3,591	2021
Ursus Centralny Ib	Warsaw	17	80	97	5,740	2022
Miasto Moje V	Warsaw	4	166	170	8,559	2022
Subtotal excluding JV		778	659	1,437	82,076	
Wilanów Tulip	Warsaw	68	82	150	9,621	2021
Subtotal excluding JV		846	741	1,587	91,697	

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

Miasto Moje III

Description of project

The Miasto Moje III project is being developed on a land strip located in the Białołęka district in Warsaw at Marywilska Street, and is a continuation of the Miasto Moje I and II projects. The project will comprise 196 units with an aggregate floor space of 10,200 m².

Stage of development

The construction of the Miasto Moje III commenced in March 2019, while completion is expected in the fourth quarter of 2020.

Vitalia III

Description of project

The third (and last) 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 and II projects. The third stage of this project will comprise 81 apartments with an aggregate floor space of 6,800 m².

Stage of development

The construction of the Vitalia III project commenced in May 2019, while completion is expected in the fourth quarter of 2020.

Management Board Report

Outlook for the remaining period of 2020

B. Current projects under construction and/or on sale

Ursus Centralny IIa

Description of project

The Ursus Centralny IIa project is being developed on a land strip located in Warsaw, Ursus district, at Gierdziejewskiego street. The project omprises of 243 apartments and 8 commercial units with an aggregate floor space of 13,500 m².

Stage of development

The pre sale of the Ursus Centralny IIa project commenced in February 2020, while the construction of the project was commenced in May 2020. The completion is expected in the fourth quarter of 2021.

Ursus Centralny Ia

Description of project

The Ursus Centralny Ia project is being developed on a land strip located in Warsaw, Ursus district, at Gierdziejewskiego street. The project will comprise 129 apartments and 9 commercial units with an aggregate floor space of 7,600 m².

Stage of development

The construction of the Ursus Centralny Ia project commenced in June 2019, while completion is expected in the first quarter of 2021.

Miasto Moje IV

Description of project

The Miasto Moje IV project is being developed on a land strip located in the Białołęka district in Warsaw at Marywilska Street, and is a continuation of the Miasto Moje I, II and III projects. The project will comprise 176 apartments with an aggregate floor space of 8,900 m².

Stage of development

The pre-sale of this project commenced in December 2019 and the construction works in January 2020, while completion is expected in the third quarter of 2021.

Viva Jagodno I

Description of project

The Viva Jagodno I project is being developed on a land strip located in the Jagodno district in Wrocław at Buforowa Street. The project comprises of 121 apartments with an aggregate floor space of 6,200 m².

Stage of development

The construction of the Viva Jagodno I project commenced in September 2019, while completion is expected in the second quarter of 2021.

Management Board Report

Outlook for the remaining period of 2020

B. Current projects under construction and/or on sale

Nova Królikarnia 3a, b & c

Description of project

The Nova Królikarnia 3a, b and c projects are being developed on a land strip located in the Mokotów district in Warsaw near Jaśminowa Street and comprises of 77 apartments with an aggregate floor space of 7,800 m².

Stage of development

The construction of the Nova Królikarnia 3b project commenced in July 2019, while completion is expected in the first quarter of 2021. The construction of the Nova Królikarnia 3a project commenced in November 2019, while completion is expected in the first quarter of 2021. The construction of the Nova Królikarnia 3c project commenced in December 2019, while completion is expected in the second quarter of 2021.

The pre-sale of this project commenced in December 2019 and the construction works in January 2020, while completion is expected in the third quarter of 2021.

Nowe Warzymice I

Description of project

The Nowe Warzymice I project is being developed on a land strip located in Szczecin at Do Rajkowa Street. The project will comprise 54 apartments with an aggregate floor space of 3,200 m².

Stage of development

The construction of the project Nowe Warzymice I project commenced in December 2019, while completion is expected in the second quarter of 2021.

Ursus Centralny Ib

Description of project

The Ursus Centralny Ib project is being developed on a land strip located in Warsaw, Ursus district, at Gierdziejewskiego street. The project will comprise 90 apartments and 7 commercial units with an aggregate floor space of 5,700 m².

Stage of development

The construction of the Ursus Centralny Ib project commenced in October 2020, while completion is expected in the third quarter of 2022.

Panoramika VI

Project description

The Panoramika VI project is being developed on a land strip located in Szczecin at Dunska street , and is a continuation of Panoramika I-V projects. The sixth stage of this project will comprise 76 apartments with an aggregated floor space of 3,600 m².

Stage of development

The sales of the Panoramika VI project started on July 2020. Completion of the project is expected in the fourth quarter of 2021.

Management Board Report

Outlook for the remaining period of 2020

B. Current projects under construction and/or on sale

Miasto Moje V

Description of project

The Miasto Moje V project is being developed on a land strip located in the Białołęka district in Warsaw at Marywilska Street, and is a continuation of the Miasto Moje I-IV projects. The project will comprise 170 apartments with an aggregate floor space of 8,600 m².

Stage of development

The construction of the Miasto Moje V project commenced in October 2020, while completion is expected in the third quarter of 2022.

Wilanów Tulip

Description of project

The Wilanów Tulip project (the Company's share in the project is 50%) is being developed on a land strip located in Warsaw, Wilanów district, at Syta street. The project comprise 150 apartments with an aggregate floor space of 9,600 m².

Stage of development

The construction of the Wilanów Tulip project commenced in March 2019, while completion is expected in the second quarter of 2021.

Management Board Report

Outlook for the remaining period of 2020

C. Projects for which construction work is planned to commence during the remaining period of 2020

As the Company is aware of the increasing competition in the market, the Company is constantly analyzing the market situation in order to optimize the number of new projects and the makeup of such projects to target clients' demand. During the remaining period of 2020, the Company is considering the commencement of 2 stages for ongoing projects (comprising in total 140 units with a total area of 8,200 m²), which the management believes are well-suited to current customer requirements, including smaller apartments at more economical prices. Furthermore, in order to minimize market risk, the Company's management dividing new projects into relatively smaller stages. In the event of any market disruption or difficulties with securing bank financing for the considered projects, the management may decide to suspend or postpone the commencement of some of those plans. The above mentioned is the subject to the additional analysis in relation to the COVID pandemic, for more information please see note 19 and 23.

New stages of ongoing projects

The table below presents information on projects for which the commencement of construction works is scheduled in the remaining period of 2020.

Project name	Location	Total units	Total area of units (m²)
Nowe Warzymice II	Szczecin	64	4,000
Viva Jagodno IIa	Wrocław	76	4,200
Total		140	8,200

Management Board Report

Outlook for the remaining period of 2020

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

Project name	Location	Value of the preliminary sales agreements signed with clients	Completed / expected completion of construction
Verdis I-II	Warsaw	1,396	Completed
City Link III	Warsaw	4,601	Completed
Grunwald2	Poznań	7,804	Completed
Miasto Moje I	Warsaw	111	Completed
Miasto Marina	Wrocław	2,485	Completed
Panoramika IV	Szczecin	1,230	Completed
Panoramika V	Szczecin	10,810	Completed
Nova Królikarnia 2b	Warsaw	2,071	Completed
Nova Królikarnia 1d	Warsaw	876	Completed
Nova Królikarnia 2c	Warsaw	29,835	Completed
Other (old) projects		741	Completed
Subtotal completed projects		61,960	
Miasto Moje III	Warsaw	58,368	2020
Vitalia III	Wrocław	32,603	2020
Ursus Centralny IIa	Warsaw	65,087	2021
Ursus Centralny Ia	Warsaw	56,190	2021
Miasto Moje IV	Warsaw	29,808	2021
Viva Jagodno I	Wrocław	16,466	2021
Nova Królikarnia 3a	Warsaw	23,314	2021
Nova Królikarnia 3b	Warsaw	19,796	2021
Nowe Warzymice I	Szczecin	5,675	2021
Nova Królikarnia 3c	Warsaw	17,452	2021
Panoramika VI	Szczecin	4,040	2021
Ursus Centralny Ib	Warsaw	6,958	2022
Miasto Moje V	Warsaw	871	2022
Subtotal ongoing projects		336,629	
City Link I & II ⁽¹⁾⁽³⁾	Warsaw	3,878	Completed
Wilanów Tulip ⁽²⁾⁽³⁾	Warsaw	36,566	2021
Subtotal project held by joint venture		40,444	
Total		439,033	

(1) For information on the completed projects see "Business highlights during the nine months ended 30 September 2020 – 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 Interim Condensed Consolidated Financial Statements under Investment in joint ventures; the Company's share in this project is 50%.

Management Board Report

Additional information to the report

Major shareholders

To the best of the Company's knowledge, as at 9 November 2020, the following shareholders are entitled to exercise over 5% of the voting rights at the General Meeting of Shareholders in the Company:

	As of 9 November 2020	Change in number of shares	As of 30 September 2020	Change in number of shares	As of 31 December 2019
<i>Shares</i>	Number of shares / % of shares		Number of shares / % of shares		% of shares
Shares issued:	164,010,813	-	164,010,813		164,010,813
I.T.R. Dori B.V. (1)	108,349,187 66.06%	-	108,349,187 66.06%	-	108,349,187 66.06%
Nationale Nederlanden Otwarty Fundusz Emerytalny	23,738,456 14.47%	-	23,738,456 14.47%	(145,635) -0.09%	23,884,091 14.56%
Metlife Otworthy Fundusz Emerytalny	N/A Between 5%-10%	N/A	N/A Between 5%-10%	N/A	N/A Between 5%-10%
	As of 9 November 2020	Change in number of votes	As of 30 September 2020	Change in number of votes	As of 31 December 2019
<i>Votes</i>	Number of votes / % of votes		Number of votes / % of votes		% of votes
Number of votes⁽²⁾:	162,808,047	-	162,947,368	(388,545)	163,335,913
I.T.R. Dori B.V. (1)	108,349,187 66.55%	- 0.00%	108,349,187 66.49%	- 0.02%	108,349,187 66.34%
Nationale Nederlanden Otworthy Fundusz Emerytalny	23,738,456 14.58%	- 0.00%	23,738,456 14.57%	- -0.08%	23,884,091 14.62%
Metlife Otworthy Fundusz Emerytalny	N/A Between 5%-10%	N/A	N/A Between 5%-10%	N/A	N/A Between 5%-10%

(1) The subsidiaries of A. Luzon Group.

(2) The overall number of votes decreased by the amount of votes resulting from own shares held by the Company, as in accordance with art. 364 § 2 of the Code of Commercial Companies, it does not exercise voting rights from own shares.

The total number of own shares held by the Company as at 30 September 2020 was equal to 1,063,445 shares, which constitute 0.65% of the share capital of the Company and votes at the General Meeting. As at 9 November 2020, the Company held 1,202,766 own shares representing 0.73% of total shares issued by the Company.

Management Board Report

Additional information to the report

Changes in ownership of shares and rights to shares by Management and Supervisory Board members during the nine months ended 30 September 2020 and until the date of publication of this report

Mr Amos Luzon, member of the Supervisory Board, as at 31 December 2019, 30 September 2020 and at the day preceding the publication of this report held 64.19% 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 41.98% of shares in the Company. A. Luzon Group is indirectly the sole owner of I.T.R. Dori B.V.– the direct shareholders of the Company.

28 October 2020 the Company was notified A. Luzon Group that Mr. Luzon signed a contract for buying from third party additional share of A. Luzon Group. After the completion of the transaction he holds 83.71% of A. Luzon Group shares and voting rights and as a result, thus indirectly Mr. Luzon holds 55.14% interest in the Company.

During May 2018 the Company was notified by I.T.R. Dori B.V. and Luzon Group about issuing of a new serious of bonds amounting to NIS 42.6 Million nominal value and establishment of a pledge on all shares in the Company owned by those entities . During August and October 2020 those entities notify the company on increase of the aforementioned bonds in the amount of NIS12.2 Million nominal value, and NIS 25 Million nominal value, respectively, thus as of the day of signing the report the Nominal value of the aforementioned bonds is NIS 77,679,500.

On the 29th of October the Company was notified by I.T.R. Dori B.V and Luzon Group about issuing of new serial of secured Bonds fort he total amount of NIS 25.5 million nominal value. The bonds will be secured by the Company shares held by Luzon Group . the amount of security was not changes duet to this Bond issuing.

Taking into account own shares held by the Company as at 31 December 2019, 30 September 2020 and as at the day preceding the publication of this report, Mr. Amos Luzon indirectly controlled following percentage of votes at those dates: 42.15%, 42.25%, and 42.29%, respectively.

Mr Piotr Palenik, member of the Supervisory Board, as at 31 December 2019, 30 September 2020 and at the day preceding the publication of this report held 0.012% of the shares and voting rights in the Company (in total 20 thousand shares). Number of shares owned by the Company did not influence the percentage of votes held by Mr. Piotr Palenik after rounding.

Changes in the Management and Supervisory Board during the nine months ended 30 September 2020 and until the date of publication of this report

On 20 December 2019, Mr Rami Geris submitted his resignation as Finance Vice President and as member of the Management Board of the Company with effective date as of 31 January 2020.

On 16 January 2020, the Supervisory Board of the Company appointed Mr Yaron Shama to the position of member of the Management Board of the Company and Finance Vice President as of 1 February 2020 for a five-year joint term of office of the Management Board, which commenced on 1 April 2019.

Seasonality

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

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

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

Management Board Report

Additional information to the report

Related parties transactions

There were no transactions and balances with related parties during the nine months ended 30 September 2020 other than the remuneration of the Management Board, loans granted to related parties within the Group, the reimbursement of audit review costs and the consulting services agreement with A. Luzon Group, the major (indirect) shareholder, for a total monthly amount of PLN 70 thousand and covering travel and out of pocket expenses. All transactions with related parties were performed based on market conditions.

Quarterly reporting by the Company

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

The Company prepared this Interim Financial Report for the nine months ended 30 September 2020 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 Raanana, Israel, and is subject to certain disclosure obligations. Some of the documents published by A. Luzon Group in performance of such obligations, available here: <http://maya.tase.co.il> (some of which are only available in Hebrew), may contain certain information relating to the Company.

Material court cases

There is no proceeding pending before a court, a complement arbitration authority or a public administration authority concerning liabilities or claims of Ronson Development SE or its subsidiaries, the value of which equaled at least 10% of the Company's equity.

Guarantees provided by the Company

During the nine months ended 30 September 2020, the Company did not grant any guarantees.

Employees

The average number of personnel employed by the Group – on a fulltime equivalent basis – during the nine months ended 30 September 2020 was 76 compared to 75 during the nine months ended 30 September 2019. There were no personnel employed in the Company.

Management Board Report

Additional data for the Company

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

Below section presents main data on the Company activity that were not covered in other sections of this Management Board Report.

PLN/EUR	Exchange rate of Polish Zloty versus Euro			
	Average exchange rate	Minimum exchange rate	Maximum exchange rate	Period end exchange rate
2020 (9 months)	4.424	4.228	4.604	4.527
2019 (9 months)	4.302	4.241	4.389	4.374
2019 (12 months)	4.299	4.241	4.389	4.259

Source: National Bank of Poland ("NBP")

Selected financial data	EUR		PLN	
	(thousands, except per share data)			
	For the 9 months ended 30 September			
	2020	2019	2020	2019
Revenues from management services	1,272	1,188	5,653	5,112
Financial income (Wise majority from loans granted to subsidiaries)	1,181	1,345	5,248	5,785
Financial expences (Wise majority from Interest on bonds)	(1,624)	(2,012)	(7,213)	(8,654)
Profit including results from subsidiaries	9,092	3,066	40,222	13,190
Cash flows from/(used in) operating activities	(469)	(2,778)	(2,082)	(11,952)
Cash flows from/(used in) investing activities	6,458	9,135	28,690	39,297
Cash flows from/(used in) financing activities	(7,526)	(6,668)	(33,434)	(28,687)
Increase/(decrease) in cash and cash equivalents	(1,537)	(312)	(6,826)	(1,342)
Average number of equivalent shares (basic)	162,937,256	163,775,920	162,937,256	163,775,920
Net earnings/(loss) per share (basic and diluted)	0.052	0.019	0.230	0.081

Management Board Report

Additional data for the Company

Selected financial data	EUR		PLN	
	(thousands)			
	As at			
	30 September 2020	31 December 2019	30 September 2020	31 December 2019
Investment in subsidiaries	93,505	98,576	423,296	419,835
Loan granted to subsidiaries	27,138	26,727	122,849	113,829
Total assets	121,017	127,542	547,844	543,203
Long term liabilities	16,970	35,473	76,819	151,078
Short term liabilities	20,616	9,775	93,326	41,631
Equity	83,445	82,295	377,754	350,494

Management Board Report

Responsibility statement

The Management Board of Ronson Development SE hereby declares that:

- a) to the best of its knowledge, the Interim Condensed Consolidated Financial Statements and Interim Condensed Company Financial Statements 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 during the nine months period ended 30 September 2020 was prepared and approved by the Management Board of the Company on 9 November 2020.

The Management Board

Boaz Haim

President of the Management Board

Yaron Shama

Finance Vicepresident of the Management Board, CFO

Andrzej Gutowski

Vicepresident of the Management Board,
Sales and Marketing Director

Alon Haver

Member of the Management Board

Warsaw, 9 November 2020

Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2020

Interim Condensed Consolidated Statement of Financial Position

As at		As at 30 September 2020	As at 31 December 2019
<i>In thousands of Polish Zlotys (PLN)</i>	<i>Note</i>	<i>(Reviewed)</i>	<i>(Audited)</i>
Assets			
Property and equipment		9,169	8,552
Investment property		9,265	10,098
Investment in joint ventures	22	11,330	10,617
Deferred tax assets	16	5,790	6,935
Land designated for development	9	47,529	44,321
Total non-current assets		83,083	80,523
Inventory	9	647,914	718,060
Advance for land	23	2,700	-
Trade and other receivables and prepayments	10	23,302	24,745
Income tax receivable		222	130
Loans granted to joint ventures	22	2,037	1,977
Other current financial assets		27,676	22,157
Cash and cash equivalents		52,047	95,591
Total current assets		755,898	862,660
Total assets		838,981	943,183
Equity			
Share capital		12,503	12,503
Share premium		157,905	150,278
Treasury shares		(1,038)	(580)
Retained earnings		208,384	188,293
Total equity		377,754	350,494
Liabilities			
Bond loans	13	76,819	151,078
Deferred tax liability	16	11,887	9,618
Lease liabilities related to perpetual usufruct of investment properties	11	581	552
Total non-current liabilities		89,287	161,248
Trade and other payables and accrued expenses		73,172	97,715
Bond loans	13	76,571	36,891
Secured bank loans	14	-	12,875
Interest bearing deferred trade payables		7,112	2,338
Advances received	17	188,174	254,970
Income tax payable		7,031	1,087
Provisions		5,658	2,016
Lease liabilities related to perpetual usufruct of land	11	14,222	23,549
Total current liabilities		371,940	431,441
Total liabilities		461,227	592,689
Total equity and liabilities		838,981	943,183

The notes included on pages 37 to 73 are an integral part of these interim condensed consolidated financial statements

Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2020

Interim Condensed Consolidated Statement of Comprehensive Income

	Note	For the 9	For the 3	For the 9 months	For the 3 months
		months ended	months ended	ended 30	ended 30
		30 September	30 September	September	September
		2020	2020	2019	2019
PLN (thousands, except per share data and number of shares)		(Reviewed) / (unaudited)	(Reviewed) / (unaudited)	(Reviewed) / (unaudited)	(Reviewed) / (unaudited)
Revenue from residential projects	17	321,198	68,593	170,547	35,704
Revenue from the sale of land		-	-	6,500	-
Revenue from sale of services		736	242	1,904	290
Revenue		321,934	68,835	178,951	35,994
Cost of sales		(246,608)	(60,356)	(142,051)	(29,867)
Cost of sales of land		-	-	(6,312)	-
Gross profit		75,326	8,479	30,588	6,127
Changes in the value of investment property		-	-	-	-
Selling and marketing expenses		(5,017)	(2,072)	(4,003)	(1,419)
Administrative expenses		(16,671)	(4,033)	(14,008)	(4,541)
Share of profit/(loss) in joint ventures		(510)	35	8,962	2,481
Other expenses		(2,902)	(1,886)	(2,424)	(601)
Other income		1,597	573	936	349
Result from operating activities		51,823	1,096	20,051	2,396
Finance income		457	90	583	197
Finance expense		(3,781)	(1,216)	(3,772)	(1,192)
Net finance income/(expense)		(3,324)	(1,126)	(3,189)	(995)
Profit/(loss) before taxation		48,499	(30)	16,862	1,401
Income tax benefit/(expense)	15	(10,995)	(3,107)	(3,672)	(375)
Profit for the period		37,504	(3,137)	13,190	1,026
Other comprehensive income		-	-	-	-
Total comprehensive income/(expense) for the period, net of tax		37,504	(3,137)	13,190	1,026
Total profit/(loss) for the period attributable to:					
equity holders of the parent		37,504	(3,137)	13,190	1,026
Non-controlling interests		-	-	-	-
Total profit/(loss) for the period, net of tax		37,504	(3,137)	13,190	1,026
Total profit/(loss) for the period attributable to:					
equity holders of the parent		37,504	(3,137)	13,190	1,026
Non-controlling interests		-	-	-	-
Total comprehensive income/(expense) for the period, net of tax		37,504	(3,137)	13,190	1,026
Weighted average number of ordinary shares (basic and diluted)		162,937,256	163,006,990	163,775,920	163,584,415
<i>In Polish Zlotys (PLN)</i>					
Net earnings/(loss) per share attributable to the equity holders of the parent (basic and diluted)		0.230	(0.019)	0.081	0.006

The notes included on pages 37 to 73 are an integral part of these interim condensed consolidated financial statements

Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2020

Interim Condensed Consolidated Statement of Changes in Equity attributable to the Equity holders of the parent

	<u>Attributable to the Equity holders of parent</u>				<u>Total equity Attributable to the equity holders of parent</u>
	<u>Share capital</u>	<u>Share premium</u>	<u>Treasury shares</u>	<u>Retained earnings</u>	
<i>In thousands of Polish Zlotys (PLN)</i>					
Balance at 1 January 2020	12,503	150,278	(580)	188,345	350,546
Comprehensive income:					
Profit for the nine months ended 30 September 2020	-	-	-	37,504	37,504
Other comprehensive income	-	-	-	-	-
Total comprehensive income/(expense)	-	-	-	37,504	37,504
Own shares acquired	-	-	(458)	-	(458)
Dividend	-	-	-	(9,838)	(9,838)
Allocation of 2019 result - share premium increase	-	7,627	-	(7,627)	-
Balance at 30 September 2020 (Reviewed/ Unaudited)	12,503	157,905	(1,038)	208,384	377,754

	<u>Attributable to the Equity holders of parent</u>				<u>Total equity Attributable to the equity holders of parent</u>
	<u>Share capital</u>	<u>Share premium</u>	<u>Treasury shares</u>	<u>Retained earnings</u>	
<i>In thousands of Polish Zlotys (PLN)</i>					
Balance at 1 January 2019	12,503	150,278	-	180,699	343,480
Comprehensive income:					
Profit for the nine months ended 30 September 2019	-	-	-	13,190	13,190
Other comprehensive income	-	-	-	-	-
Total comprehensive income/(expense)	-	-	-	13,190	13,190
Repurchase of own shares	-	-	(427)	-	(427)
Payment of dividends	-	-	-	(9,820)	(9,820)
Balance at 30 September 2019 (Reviewed/ Unaudited)	12,503	150,278	(427)	184,069	346,423

The notes included on pages 37 to 73 are an integral part of these interim condensed consolidated financial statements

Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2020

Interim Condensed Consolidated Statement of Cash Flows

	2020	2019
For the period ended 30 September		
<i>In thousands of Polish Zlotys (PLN)</i>	<i>Note</i>	
Cash flows from/(used in) operating activities		
Profit/(loss) for the period	37,504	13,190
Adjustments to reconcile profit for the period to net cash used in operating activities		
Depreciation	735	738
Write-down of inventory	(250)	(1,439)
Finance expense	3,779	3,772
Finance income	(457)	(583)
Loss/(profit) on sale of property and equipment	(14)	(115)
Share of loss /(profit) from joint ventures	511	(8,962)
Income tax expense/(benefit)	10,995	3,672
Subtotal	52,800	10,273
Decrease/(increase) in inventory and land designated for development	9	60,609
Acquisition of Nova Królikarnia project	12	(36,924)
Decrease/(increase) in advances for land	23	(2,700)
Decrease/(increase) in trade and other receivables and prepayments		3,249
Decrease/(increase) in other current financial assets		(5,518)
Increase/(decrease) in trade and other payables and accrued expenses		25,506
Increase/(decrease) in provisions		3,642
Increase/(decrease) in advances received	17	(66,796)
Subtotal	33,868	59,964
Interest paid	(6,175)	(8,745)
Interest received	230	409
Income tax received/(paid)	(8,053)	(2,519)
Net cash from/(used in) operating activities	19,870	49,109
Cash flows from/(used in) investing activities		
Acquisition of property and equipment		-
Loans granted to joint ventures		(1,126)
Dividend received from joint ventures		-
Proceeds from sale of property and equipment		(34)
Net cash from/(used in) investing activities	(1,160)	(3,202)
Cash flows (used in)/from financing activities		
Proceeds from bank loans, net of bank charges	14	26,029
Repayment of bank loans	14	(39,217)
Proceeds from bond loans, net of issue costs	13	-
Repayment of bond loans	13	(35,000)
Repayment of loans from other		(2,500)
Payment of dividend		(9,840)
Payment of perpetual usufruct rights	11	(1,268)
Buy-back of shares		(458)
Net cash from/(used in) financing activities	(62,254)	(63,191)
Net change in cash and cash equivalents	(43,544)	(17,284)
Cash and cash equivalents at beginning of period	95,591	100,828
Cash and cash equivalents at end of period	52,047	83,544

* Including restricted cash that amounted to PLN 0 thousand and PLN 4,885 thousand as 30 September 2020 and as 30 September 2019, respectively.

The notes included on pages 37 to 73 are an integral part of these interim condensed consolidated financial statements

Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2020**Notes to the Interim Condensed Consolidated Financial Statements****Note 1 – General and principal activities**

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

The shares of the Company are traded on the Warsaw Stock Exchange since 5 November 2007. According to publicly available information, as at 30 September 2020, 66.06% of the shares are controlled by Amos Luzon Development and Energy Group Ltd. ('A. Luzon Group') and 0.65% of the shares are held by the Company. The remaining 33.29% of the outstanding shares are held by other investors including Nationale Nederlanden Otwarty Fundusz Emerytalny and Metlife Otwarty Fundusz Emerytalny. The number of shares held by the investors is equal to the number of votes, as there are no privileged shares issued by the Company. It shall be noted that as at 30 September 2020, the Company held 1,063,445 own shares (0.65%) and, in accordance with art. 364 § 2 of the Code of Commercial Companies, it does not exercise voting rights from own shares.

The Interim Condensed Consolidated Financial Statements of the Company have been prepared for the nine months ended 30 September 2020 and contain comparative data for the nine months ended 30 September 2019 and as at 31 December 2019. The Interim Condensed Consolidated Financial Statements of the Company for the nine months ended 30 September 2020 with all its comparative data have been reviewed by the Company's external auditors.

As at 30 September 2020, the Groups' market capitalization was below the value of net assets. The Company's Management took appropriate steps to review the accounts in respect if there is any additional impairment required and found no basis for it. The Management verified that the forecast margin potential in respect of the inventory is significantly positive.

The information about the companies from which the financial data are included in these Interim Condensed Consolidated Financial Statements and the extent of ownership and control are presented in Note 7.

The Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2020 were authorized for issuance by the Management Board on 9 November 2020 in both English and Polish languages, while the Polish version is binding.

Note 2 – Basis of preparation of Interim Condensed Consolidated Financial Statements

These Interim Condensed Consolidated Financial Statements have been prepared in accordance with IAS 34 "Interim financial reporting".

The Interim Condensed Consolidated Financial Statements do not include all the information and disclosures required in annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2019 prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union. At the date of authorization of these Interim Condensed Consolidated Financial Statements, in light of the nature of the Group's activities, the IFRSs applied by the Group are not different from the IFRSs endorsed by the European Union. IFRSs comprise standards and interpretations accepted by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC"). The Consolidated Financial Statements of the Group for the year ended 31 December 2019 are available upon request from the Company's registered office at Al. Komisji Edukacji Narodowej 57, Warsaw, Poland or at the Company's website: www.ronson.pl.

These Interim Condensed Consolidated Financial Statements have been prepared on the assumption that the Group is a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the normal course of its operations. Further explanation and analyzes on significant changes in financial position and performance of the Company during the nine months ended 30 September 2020 are included in the Management Board Report on pages 1 through 32.

Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2020

Notes to the Interim Condensed Consolidated Financial Statements**Note 3 – Summary of significant accounting policies**

Except as described below, the accounting policies applied by the Company in these Interim Condensed Consolidated Financial Statements are the same as those applied by the Company in its consolidated financial statements for the year ended 31 December 2019.

The following standards and amendments became effective as of 1 January 2020:

- Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020);

The above amendments and improvements to IFRSs do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

Note 4 – The use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reporting period. Actual results may differ from these estimates.

According to the IFRS 16 standard that was implemented by the Company the lease payments shall be discounted using the rate implicit in the lease contract, or if this rate cannot be readily determined, the Company's incremental borrowing rate. The Company decided to use incremental borrowing rate ('IBR') that was determined based on reference rate adjusted by margin. The IBR rate was built based on reference rate (30 years state bonds quotation) increased by margin which represents higher credit risk of the Company due to worse ratios, risk related to unusual length of potential financing and no possibility to establish security for such long-term financing.

In preparing these Interim Condensed Consolidated Financial Statements, the significant judgments made by the Management Board in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2019.

Note 5 – Functional and reporting currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in thousands of Polish Zloty ("PLN"), which is the Group's functional and presentation currency.

Transactions in currencies other than the functional currency are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in currencies other than the functional currency are recognized in the statement of comprehensive income.

Note 6 – Seasonality

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

Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2020

Notes to the Interim Condensed Consolidated Financial Statements

Note 7 – Composition of the Group

The details of the companies whose financial statements have been included in these Interim Condensed Consolidated Financial Statements, the year of incorporation and the percentage of ownership and voting rights directly held or indirectly by the Company, are presented below and on the following page.

Entity name	Year of incorporation	Share of ownership & voting rights at the end of	
		30 September 2020	31 December 2019
Share of ownership & voting rights at the end of			
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. ⁽²⁾	2000	-	100%
3 Ronson Development Warsaw Sp. z o.o.	2000	100%	100%
4 Ronson Development Investment Sp. z o.o.	2011	100%	100%
5 Ronson Development Metropol Sp. z o.o.	2011	100%	100%
6 Ronson Development Properties Sp. z o.o. ⁽²⁾	2002	-	100%
7 Apartments Projekt Sp. z o.o. ⁽²⁾	2003	-	100%
8 Ronson Development Enterprise Sp. z o.o. ⁽²⁾	2004	-	100%
9 Ronson Development Company Sp. z o.o. ⁽²⁾	2005	-	100%
10 Ronson Development Creations Sp. z o.o.	2005	100%	100%
11 Ronson Development Buildings Sp. z o.o. ⁽²⁾	2005	-	100%
12 Ronson Development Structure Sp. z o.o. ⁽²⁾	2005	-	100%
13 Ronson Development Poznań Sp. z o.o. ⁽²⁾	2005	-	100%
14 E.E.E. Development Sp. z o.o. ⁽²⁾	2005	-	100%
15 Ronson Development Innovation Sp. z o.o. ⁽²⁾	2006	-	100%
16 Ronson Development Wrocław Sp. z o.o. ⁽²⁾	2006	-	100%
17 Ronson Development Capital Sp. z o.o. ⁽²⁾	2006	-	100%
18 Ronson Development Sp. z o.o.	2006	100%	100%
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. ⁽²⁾	2007	-	100%
23 Ronson Development Architecture Sp. z o.o. ⁽²⁾	2007	-	100%
24 Ronson Development Skyline Sp. z o.o.	2007	100%	100%
25 Continental Development Sp. z o.o. ⁽²⁾	2007	-	100%
26 Ronson Development Universal Sp. z o.o. ⁽¹⁾	2007	100%	100%
27 Ronson Development Retreat Sp. z o.o. ⁽²⁾	2007	-	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.	2009	100%	100%
35 Ronson Development Skyline 2010 Sp. z o.o. w likwidacji ⁽²⁾	2010	-	100%
36 Ronson Development Partner 3 Sp. z o.o.	2012	100%	100%

Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2020

Notes to the Interim Condensed Consolidated Financial Statements

Note 7 – Composition of the Group

Entity name	Year of incorporation	Share of ownership & voting rights at the end of	
		30 September 2020	31 December 2019
Share of ownership & voting rights at the end of			
b. held indirectly by the Company :			
37 Nova Królikarnia B.V. (Company with the registered office in the Netherlands)	2016	100%	100%
38 AGRT Sp. z o.o.	2007	100%	100%
39 Ronson Development Partner 4 Sp. z o.o. – Panoramika Sp.k.	2007	100%	100%
40 Ronson Development Sp z o.o. - Estate Sp.k.	2007	100%	100%
41 Ronson Development Sp. z o.o. - Home Sp.k.	2007	100%	100%
42 Ronson Development Sp z o.o. - Horizon Sp.k.	2007	100%	100%
43 Ronson Development Partner 3 Sp. z o.o. - Sakura Sp.k.	2007	100%	100%
44 Destiny Sp. z o.o. ⁽⁶⁾	2007	-	100%
45 Ronson Development Millenium Sp. z o.o. ⁽⁶⁾	2007	-	100%
46 Ronson Development Partner 3 sp. z o.o. – Viva Jagodno sp. k.	2009	100%	100%
47 Ronson Development Sp. z o.o. - Apartments 2011 Sp.k.	2009	100%	100%
48 Ronson Development Sp. z o.o. - Idea Sp.k.	2009	100%	100%
49 Ronson Development Partner 2 Sp. z o.o. – Destiny 2011 Sp.k.	2009	100%	100%
50 Ronson Development Partner 2 Sp. z o.o. - Enterprise 2011 Sp.k.	2009	100%	100%
51 Ronson Development Partner 2 Sp. z o.o. - Retreat 2011 Sp.k.	2009	100%	100%
52 Ronson Development Partner 5 Sp. z o.o - Vitalia Sp.k.	2009	100%	100%
53 Ronson Development Sp. z o.o. - 2011 Sp.k.	2009	100%	100%
54 Ronson Development Sp. z o.o. - Gemini 2 Sp.k.	2009	100%	100%
55 Ronson Development Sp. z o.o. - Verdis Sp.k.	2009	100%	100%
56 Ronson Espresso Sp. z o.o.	2006	100%	100%
57 Ronson Development Apartments 2010 Sp. z o.o. ⁽⁶⁾	2010	-	100%
58 Ronson Development 2010 Sp. z o.o. ⁽⁶⁾	2010	-	100%
59 Retreat Sp. z o.o.	2010	100%	100%
60 Enterprise 2010 Sp. z o.o. ⁽⁶⁾	2010	-	100%
61 Wrocław 2010 Sp. z o.o. ⁽⁶⁾	2010	-	100%
62 E.E.E. Development 2010 Sp. z o.o. ⁽⁶⁾	2010	-	100%
63 Ronson Development Nautica 2010 Sp. z o.o.	2010	100%	100%
64 Gemini 2010 Sp. z o.o. ⁽⁶⁾	2010	-	100%
65 Ronson Development Sp. z o.o. - Naturalis Sp.k.	2011	100%	100%
66 Ronson Development Sp. z o.o. - Impressio Sp.k.	2011	100%	100%
67 Ronson Development Partner 3 Sp. z o.o.- Nowe Warzymice Sp. k	2011	100%	100%
68 Ronson Development Sp. z o.o. - Providence 2011 Sp.k.	2011	100%	100%
69 Ronson Development Partner 2 Sp. z o.o. - Capital 2011 Sp. k.	2011	100%	100%
70 Ronson Development Partner 5 Sp. z o.o. - Miasto Marina Sp.k.	2011	100%	100%
71 Ronson Development Partner 5 Sp. z o.o. - City 1 Sp.k.	2012	100%	100%
72 Ronson Development Partner 2 Sp. z o.o. - Miasto Moje Sp. k.	2012	100%	100%
73 Ronson Development sp. z o.o. – Ursus Centralny Sp. k.	2012	100%	100%
74 Ronson Development Sp. z o.o. - 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 Sp. z o.o. - Projekt 2 Sp.k. (The company changed the name as at 24 July 2020 for "Ronson Development Sp. z o.o. Grunwaldzka" Sp.k.)	2016	100%	100%
77 Ronson Development Sp. z o.o. - Projekt 3 Sp.k.	2016	100%	100%
78 Ronson Development Sp. z o.o. - Projekt 4 Sp.k.	2017	100%	100%
79 Ronson Development Sp. z o.o. - Projekt 5 Sp.k.	2017	100%	100%
80 Ronson Development Sp. z o.o. - Projekt 6 Sp.k.	2017	100%	100%
81 Ronson Development Sp. z o.o. - Projekt 7 Sp.k.	2017	100%	100%
82 Ronson Development Sp. z o.o. - Projekt 8 Sp.k.	2017	100%	100%
83 Ursus 2017 Sp. z o.o. ⁽⁴⁾	2017	-	100%
84 Projekt City Sp. z o.o. ⁽⁵⁾	2017	-	100%
85 Bolzanus Limited (Company with the registered office in Cyprus)	2013	100%	100%
86 Park Development Properties Sp. z o.o. - Town Sp.k.	2007	100%	100%
87 Tras Sp. z o.o. ⁽⁷⁾	2015	-	100%
88 Pod Skocznią Project Sp. z o.o. ⁽⁷⁾	2015	-	100%
89 District 20 Sp. z o.o. ⁽⁷⁾	2015	-	100%
90 Arkadia Development Sp. z o.o. ⁽⁷⁾	2015	-	100%
91 Królikarnia 2015 Sp. z o.o. ⁽⁷⁾	2015	-	100%
92 Tras 2016 Sp. z o.o.	2011	100%	100%
93 Pod Skocznia Projekt 2016 Sp. z o.o. ⁽³⁾	2011	-	100%

Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2020

Notes to the Interim Condensed Consolidated Financial Statements

Note 7 – Composition of the Group

Entity name	Year of incorporation	Share of ownership & voting rights at the end of	
		30 September 2020	31 December 2019
Share of ownership & voting rights at the end of			
b. held indirectly by the Company :			
94 District 20 – 2016 Sp. z o.o. ⁽³⁾	2011	-	100%
95 Arkadia Development 2016 Sp. z o.o. ⁽³⁾	2011	-	100%
96 Królikarnia 2016 Sp. z o.o. ⁽³⁾	2011	-	100%
97 Kroli Development Sp. z o.o. ⁽³⁾	2012	-	100%
98 Park Development Properties Sp. z o.o.	2011	100%	100%
99 Jasminova 2016 Sp. z o.o.	2016	100%	100%
100 Town 2016 Sp. z o.o.	2016	100%	100%
101 E.E.E. Development 2016 Sp. z o.o. ⁽⁷⁾	2016	-	100%
102 Enterprise 2016 Sp. z o.o.	2016	100%	100%
103 Wrocław 2016 Sp. z o.o.	2016	100%	100%
104 Darwen Sp. z o.o.	2017	100%	100%
105 Truro Sp. z o.o.	2017	100%	100%
106 Tregaron Sp. z o.o.	2017	100%	100%
107 Totton Sp. z o.o.	2017	100%	100%
108 Tring Sp. z o.o.	2017	100%	100%
109 Thame Sp. z o.o.	2017	100%	100%
110 Troon Sp. z o.o.	2017	100%	100%
c. other subject to consolidation:			
111 Coralchief sp. z o.o.	2018	50%	50%
112 Coralchief sp. z o.o. - Projekt 1 sp. k.	2016	n/a	n/a
113 Ronson IS sp. z o.o.	2009	50%	50%
114 Ronson IS sp. z o.o. sp. k.	2012	n/a	n/a

- (1) The Company has the power to govern the financial and operating policies of this entity and to obtain benefits from its activities, whereas Kancelaria Radcy Prawnego Jaroslaw Zubrzycki holds the legal title to the shares of this entity.
- (2) In connection with the merger, registered in the National Court Register on 4 May 2020, the company was taken over by the Ronson Development South sp. z o.o. and by law from 4 May 2020 Ronson Development South sp. z o.o. took over all the rights and obligations of the company
- (3) In connection with the merger, registered in the National Court Register on 7 May 2020, the company was taken over by the Tras 2016 sp. z o.o. and by law from 7 May 2020 Tras 2016 sp. z o.o. took over all the rights and obligations of the company.
- (4) In connection with the merger, registered in the National Court Register on 1 April 2020, the company was taken over by the Destiny sp. z o.o. and by law from 1 April 2020 Destiny sp. z o.o. took over all the rights and obligations of the company.
- (5) In connection with the merger, registered in the National Court Register on 1 April 2020, the company was taken over by the Ronson Development 2010 sp. z o.o. and by law from 1 April 2020 Ronson Development 2010 sp. z o.o. took over all the rights and obligations of the company.
- (6) In connection with the merger, registered in the National Court Register on 1 July 2020, the company was taken over by the Ronson Development South sp. z o.o. and by law from 1 July 2020 Ronson Development South sp. z o.o. took over all the rights and obligations of the company
- (7) In connection with the merger, registered in the National Court Register on 1 July 2020, the company was taken over by the Tras 2016 sp. z o.o. and by law from 1 July 2020 Tras 2016 sp. z o.o. took over all the rights and obligations of the company.

Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2020

Notes to the Interim Condensed Consolidated Financial Statements

Note 8 – Segment reporting

The Group's operating segments are defined as separate entities developing particular residential projects, which for reporting purposes were aggregated. The aggregation for reporting purpose is based on geographical locations (Warsaw, Poznań, Wrocław and Szczecin) and type of activity (development of apartments, development of houses). Moreover, for two particular assets the reporting was based on type of income: rental income from investment property. The segment reporting method requires also the Company to present separately joint venture within Warsaw segment. There has been no changes in the basis of segmentation or in the basis of measurement of segment profit or loss from the last annual financial statements.

According to the Management Board's assessment, the operating segments identified have similar economic characteristics. Aggregation based on the type of development within the geographical location has been applied since primarily the location and the type of development determine the average margin that can be realized on each project and the project's risk factors. Considering the fact that the construction process for apartments is different from that for houses and considering the fact that the characteristics of customers buying apartments slightly differ from those of customers interested in buying houses, aggregation by type of development within the geographical location has been used for segment reporting and disclosure purposes.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated indirectly based on reasonable criteria. Unallocated assets comprise mainly unallocated cash and cash equivalents and income tax assets. Unallocated liabilities comprise mainly income tax liabilities and Bond loans. The unallocated result (loss) comprises mainly head office expenses.

Data presented in the table below are aggregated by type of development within the geographical location:

<i>In thousands of Polish Zlotys (PLN)</i>												As at 30 September 2020	
	Warsaw				Poznań		Wrocław		Szczecin		Unallocated	IFRS adjustments	Total
	Apartments	Houses	Joint venture	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses			
Segment assets	480 043	111 049	51 267	9 265	50 362	-	77 833	-	75 998	-	-	(37 900)	817 917
Unallocated assets	-	-	-	-	-	-	-	-	-	-	21 064	-	21 064
Total assets	480 043	111 049	51 267	9 265	50 362	-	77 833	-	75 998	-	21 064	(37 900)	838 981
Segment liabilities	194 554	35 949	39 186	-	8 394	-	34 987	-	17 212	-	-	(39 186)	291 096
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	170 131	-	170 131
Total liabilities	194 554	35 949	39 186	-	8 394	-	34 987	-	17 212	-	170 131	(39 186)	461 227

<i>In thousands of Polish Zlotys (PLN)</i>												As at 31 December 2019	
	Warsaw				Poznań		Wrocław		Szczecin		Unallocated	IFRS adjustments	Total
	Apartments	Houses	Joint venture	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses			
Segment assets	478,448	108,162	34,104	10,098	90,333	-	88,723	-	100,179	-	-	(21,510)	888,537
Unallocated assets	-	-	-	-	-	-	-	-	-	-	54,646	-	54,646
Total assets	478,448	108,162	34,104	10,098	90,333	-	88,723	-	100,179	-	54,646	(21,510)	943,183
Segment liabilities	214,686	38,902	22,090	-	49,344	-	50,928	-	37,333	-	-	(22,090)	391,193
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	201,496	-	201,496
Total liabilities	214,686	38,902	22,090	-	49,344	-	50,928	-	37,333	-	201,496	(22,090)	592,689

Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2020

Notes to the Interim Condensed Consolidated Financial Statements

Note 8 - Segment reporting

In thousands of Polish Zlotys (PLN)

For the nine months ended 30 September 2020

	Warsaw				Poznań		Wrocław		Szczecin		Unallocated	IFRS adjustments	Total
	Apartments		Houses		Joint venture	Rental	Apartments		Houses				
	Apartments	Houses	Apartments	Houses			Apartments	Houses					
Revenue from external customers⁽¹⁾	153 523	4 074	2 009	619	75 031	-	43 711	-	44 976	-	-	(2 009)	321 934
Segment result	55 694	52	(620)	306	15 672	-	(2 596)	-	39	-	-	110	68 657
Unallocated result	-	-	-	-	-	-	-	-	-	-	(16 834)	-	(16 834)
Result from operating activities	55 694	52	(620)	306	15 672	-	(2 596)	-	39	-	(16 834)	110	51 823
Net finance income/ (expenses)	(389)	(13)	(296)	(9)	(25)	-	(963)	-	(114)	(1)	(1 810)	296	(3 324)
Profit/(loss) before tax	55 305	39	(916)	297	15 647	-	(3 559)	-	(75)	(1)	(18 644)	406	48 499
Income tax expenses	-	-	-	-	-	-	-	-	-	-	-	-	(10 995)
Profit/(loss) for the period													37 504
Capital expenditure													

In thousands of Polish Zlotys (PLN)

For the nine months ended 30 September 2019

	Warsaw				Poznań		Wrocław		Szczecin		Unallocated	IFRS adjustments	Total
	Apartments		Houses		Joint venture	Rental	Apartments		Houses				
	Apartments	Houses	Apartments	Houses			Apartments	Houses					
Revenue from external customers⁽¹⁾	118,323	15,118	82,209	552	8,230	-	35,814	-	914	-	-	(82,209)	178,951
Segment result	18,285	146	19,748	316	(1,838)	-	5,854	-	1,335	-	-	(10,786)	33,060
Unallocated result	-	-	-	-	-	-	-	-	-	-	(13,009)	-	(13,009)
Result from operating activities	18,285	146	19,748	316	(1,838)	-	5,854	-	1,335	-	(13,009)	(10,786)	20,051
Net finance income/ (expenses)	(55)	(12)	(156)	(28)	(21)	-	(14)	-	(14)	-	(3,045)	156	(3,189)
Profit/(loss) before tax	18,230	134	19,593	288	(1,859)	-	5,840	-	1,321	-	(16,054)	(10,631)	16,862
Income tax expenses	-	-	-	-	-	-	-	-	-	-	-	-	(3,672)
Profit/(loss) for the period													13,190
Capital expenditure	576										402		978

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

Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2020

Notes to the Interim Condensed Consolidated Financial Statements

Note 8 - Segment reporting

<i>In thousands of Polish Zlotys (PLN)</i>													For the three months ended 30 September 2020	
	Warsaw				Poznań		Wroclaw		Szczecin		Unallocated	IFRS adjustments	Total	
	Apartments	Houses	Joint venture	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses				
Revenue from external customers	2 047	2 674	112	201	36 893	-	7 073	-	19 947	-	-	(112)	68 835	
Segment result	354	(164)	(429)	110	6 590	-	(878)	-	410	-	-	464	6 457	
Unallocated result	-	-	-	-	-	-	-	-	-	-	(5 361)	-	(5 361)	
Result from operating activities	354	(164)	(429)	110	6 590	-	(878)	-	410	-	(5 361)	464	1 096	
Net finance income/ (expenses)	(103)	(2)	636	-	(10)	-	(597)	-	(105)	(1)	(308)	(636)	(1 126)	
Profit/(loss) before tax	251	(166)	207	110	6 580	-	(1 475)	-	305	(1)	(5 669)	(172)	(30)	
Income tax expenses													3 107	
Profit/(loss) for the period													3 137	
Capital expenditure	-	-	-	-	-	-	-	-	-	-	-	-	-	

<i>In thousands of Polish Zlotys (PLN)</i>													For the three months ended 30 September 2019	
	Warsaw				Poznań		Wroclaw		Szczecin		Unallocated	IFRS adjustments	Total	
	Apartments	Houses	Joint venture	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses				
Revenue from external customers	20,145	5,055	22,255	180	3,520	-	7,094	-	-	-	-	(22,255)	35,994	
Segment result	1,493	(879)	5,241	90	(1,056)	-	2,173	-	1,643	-	-	(2,760)	5,945	
Unallocated result	-	-	-	-	-	-	-	-	-	-	(3,549)	-	(3,549)	
Result from operating activities	1,493	(879)	5,241	90	(1,056)	-	2,173	-	1,643	-	(3,549)	(2,760)	2,396	
Net finance income/ (expenses)	(40)	(15)	(77)	(10)	(6)	-	(7)	-	(6)	-	(911)	77	(995)	
Profit/(loss) before tax	1,453	(894)	5,164	80	(1,062)	-	2,166	-	1,637	-	(4,460)	(2,683)	1,401	
Income tax expenses													(375)	
Profit/(loss) for the period													1,026	
Capital expenditure	60	-	-	-	-	-	-	-	-	-	-	-	60	

Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2020

Notes to the Interim Condensed Consolidated Financial Statements

Note 9 – Inventory and Residential landbank

Inventory

Movements in Inventory during the nine months ended 30 September 2020 were as follows:

<i>In thousands of Polish Zlotys (PLN)</i>	As at 31 December 2019	Call option I and II	Transferred to finished units	Additions	As at 30 September 2020
Land and related expense	293,592	-	(28,958)	10,802	275,436
Construction costs	131,467	-	(109,802)	157,831	179,496
Planning and permits	20,408	-	(2,638)	4,990	22,760
Borrowing costs ⁽¹⁾	32,291	-	(7,522)	5,782	30,551
Borrowing costs on lease and depreciation perpetual usefruct right	1,656	-	-	572	2,228
Other	4,426	-	(1,750)	2,724	5,399
Work in progress	483,840	-	(150,670)	182,701	515,870
<i>In thousands of Polish Zlotys (PLN)</i>	As at 31 December 2019		Transferred from work in progress	Recognized in the statement of comprehensive income	As at 30 September 2020
Finished goods	217,123		150,670	(248,002)	119,791
<i>In thousands of Polish Zlotys (PLN)</i>	As at 31 December 2019		Revaluation write-down recognized in statement of comprehensive income		As at 30 September 2020
			Increase	Utilization	
Write-down	(6,023)		-	3,757	(2,266)
<i>In thousands of Polish Zlotys (PLN)</i>	As at 31 December 2019	First adoption of IFRS 16	Depreciation	Transfer to Other receivables	As at 30 September 2020
Perpetual usefruct right	23,120	-	(172)	(8,429)	14,519
Inventory, valued at lower of - cost and net realisable value	718,060				647,914

(1) Borrowing costs are capitalized to the value of inventory with 5.09% average effective capitalization interest rate.

(2) For additional information see note 11.

Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2020

Notes to the Interim Condensed Consolidated Financial Statements

Note 9 – Inventory and Residential landbank

Inventory

Movements in Inventory during the nine months ended 30 September 2019 were as follows:

<i>In thousands of Polish Zlotys (PLN)</i>	As at 31 December 2018	Acquisition of Nova Królikarnia ⁽³⁾	Transferred to finished units	Additions	As at 30 September 2019
Land and related expense	294,484	34,495	(43,389)	1,486	287,076
Construction costs	172,340	-	(113,906)	128,385	186,819
Planning and permits	20,359	-	(2,758)	4,531	22,132
Borrowing costs ⁽¹⁾	36,205	-	(6,322)	6,941	36,824
Borrowing costs on lease and deprecation of the perpetual usefruct right ⁽²⁾	-	-	(52)	1,918	1,866
Other	4,772	-	(1,604)	2,080	5,248
Work in progress	528,160	34,495	(168,031)	145,341	539,965
<i>In thousands of Polish Zlotys (PLN)</i>	As at 31 December 2018		Transferred from work in progress	Recognized in the statement of comprehensive income	As at 30 September 2019
Finished goods	78,491		168,031	(142,446)	104,076
<i>In thousands of Polish Zlotys (PLN)</i>	As at 31 December 2018		Revaluation write-down recognized in statement of comprehensive income		As at 30 September 2019
Write-down	(9,724)		Reversal	Utilization	(5,994)
<i>In thousands of Polish Zlotys (PLN)</i>	As at 31 December 2018	First adoption /Recalculation adjustment of IFRS 16	Depreciation	Transfer to Other receivables	As at 30 September 2019
Perpetual usefruct rights ⁽²⁾	-	32,023	(332)	(1,126)	30,565
Inventory, valued at lower of - cost and net realisable value	596,927				668,612

(3) Borrowing costs are capitalized to the value of inventory with 5.81% average effective capitalization interest rate.

(4) For additional information see note 3.

(5) For additional information see note 11.

Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2020

Notes to the Interim Condensed Consolidated Financial Statements

Note 9 – Inventory and Residential landbank

Inventory

Movements in Inventory during the year ended 31 December 2019 were as follows:

<i>In thousands of Polish Zlotys (PLN)</i>	As at 31 December 2018	Acquisition of Nova Królikarnia ⁽¹⁾	Transferred to finished units	Additions	As at 31 December 2019
Land and related expense	294,484	70,108	(74,596)	3,596	293,592
Construction costs	172,340	-	(221,401)	180,528	131,467
Planning and permits	20,359	-	(6,661)	6,710	20,408
Borrowing costs ⁽²⁾	36,205	-	(12,973)	9,059	32,291
Borrowing costs on lease and deprecation of the perpetual usufruct right ⁽³⁾	-	-	(889)	2,545	1,656
Other	4,772	-	(3,543)	3,197	4,426
Work in progress	528,160	70,108	(320,063)	205,635	483,840

<i>In thousands of Polish Zlotys (PLN)</i>	As at 1 January 2019	Transferred from work in progress	Recognized in the statement of comprehensive income	As at 31 December 2019
Finished goods	78,491	320,063	(181,431)	217,123

<i>In thousands of Polish Zlotys (PLN)</i>	As at 1 January 2019	Revaluation write-down recognized in statement of comprehensive income		As at 31 December 2019
		Reversal	Utilization	
Write-down	(9,724)	2,524	1,177	(6,023)

<i>In thousands of Polish Zlotys (PLN)</i>	As at 1 January 2019	First adoption /Recalculation adjustment of IFRS 16	Depreciation	Transfer to Other receivables	As at 31 December 2019
Perpetual usufruct rights ⁽³⁾	-	25,872	(440)	(2,312)	23,120

Inventory, valued at lower of - cost and net realisable value	596,927				718,060
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(1) For additional information see Note 6 of Consolidated Financial Statements for the year ended 31 December 2019

(2) Borrowing costs are capitalized to the value of inventory with 5.78% average effective capitalization interest rate.

(3) For additional information see Note 2(f) of Consolidated Financial Statements for the year ended 31 December 2019.

Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2020

Notes to the Interim Condensed Consolidated Financial Statements

Note 9 – Inventory and Residential landbank

Residential landbank

Plots of land purchased for development purposes on which construction is not planned within a period of three years has been reclassified as Residential landbank presented within Non-current assets. The table below presents the movement in the Residential landbank:

<i>In thousands of Polish Zloty (PLN)</i>	For the 9 months ended 30 September 2020	For the year ended 31 December 2019
Opening balance	44,321	46,227
Reclassified from inventory	-	-
Addition	3,944	24
Write-down adjustment	(737)	(1,930)
Total closing balance	47,529	44,321
Closing balance includes:		
Book value	55,148	51,203
Write-down	(7,619)	(6,882)
Total Closing balance	47,529	44,321

Note 10 - Trade and other receivables and prepayments

<i>In thousands of Polish Zlotys (PLN)</i>	As at 30 September 2020	As at 31 December 2019
Value added tax (VAT) receivables	9,031	12,361
Trade and other receivables	4,748	3,696
Trade and other receivables - IFRS 16	2,232	1,753
Bid bond	1,437	1,437
Prepayments ⁽¹⁾	5,854	5,498
Total trade and other receivables and prepayments	23,302	24,745

(1) The capitalized costs relating to obtaining the contracts have been presented in this line and amounted to PLN 4.4 m for the 9 months ended 30 September 2020 year and PLN 3.7 m for the year ended 31 December 2019.

Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2020**Notes to the Interim Condensed Consolidated Financial Statements****Note 11 – IFRS 16**

The movement on the right of use assets and lease liabilities during the period ended 30 September 2020 is presented below:

<i>In thousands of Polish Zlotys (PLN)</i>	1 January 2020	New acquisitions	Depreciation charge	Fair value adjustment	Racalculation adjustment	Completion of projects	30 September 2020
Right of use assets related to inventory	23,120	-	(172)	-	-	(8,429)	14,519
Right of use assets related to investment property	553	-	(6)	-	-	n.a	547

<i>In thousands of Polish Zlotys (PLN)</i>	1 January 2020	New acquisitions	Finance expense	Payments	Racalculation adjustment	Completion of projects	30 September 2020
Lease liabilities related to inventory	23,549	-	716	(1,268)	-	(8,774)	14,223
Lease liabilities related to investment property	552	-	29	-	-	n.a	581

Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2020

Notes to the Interim Condensed Consolidated Financial Statements

Note 11 – IFRS 16

The movement on the right of use assets and lease liabilities during the period ended 30 September 2019 is presented below:

<i>In thousands of Polish Zlotys (PLN)</i>	1 January 2019	New acquisitions	Depreciation charge	Fair value adjustment	Recalculation adjustment	Completion of projects	30 September 2019
Right of use assets related to inventory	32,977	-	(332)	n.a.	(954)	(1,126)	30,565
Right of use assets related to investment property	553	-	n.a.	-	-	n.a.	553

<i>In thousands of Polish Zlotys (PLN)</i>	1 January 2019	New acquisitions	Finance expense	Payments	Recalculation adjustment	Completion of projects	30 September 2019
Lease liabilities related to inventory	32,977	-	1,586	(2,173)	(889)	(627)	30,874
Lease liabilities related to investment property	553	-	28	(37)	-	n.a.	544

The movement on the right of use assets and lease liabilities during the period ended 31 December 2019 is presented below:

<i>In thousands of Polish Zlotys (PLN)</i>	1 January 2019	Depreciation charge	Fair value adjustment	Recalculation adjustment⁽¹⁾	Revenue recognition	31 December 2019
Right of use assets related to inventory	32,977	(440)	-	(7,105)	(2,312)	23,120
Right of use assets related to investment property	553	n.a.	-	-	n.a.	553

<i>In thousands of Polish Zlotys (PLN)</i>	1 January 2019	Finance expense	Payments	Recalculation adjustment⁽¹⁾	Revenue recognition	31 December 2019
Lease liabilities related to inventory	32,977	2,105	(2,173)	(7,058)	(2,302)	23,549
Lease liabilities related to investment property	553	36	(37)	-	n.a.	552

(1) Related to change of perpetual usufruct charge of one of the plot from commercial to residential purposes (from 3% of the value per year to 1%)

Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2020**Notes to the Interim Condensed Consolidated Financial Statements****Note 12 – Acquisition of Nova Królikarnia**

During the year 2019, the Company (via its subsidiary) exercised first and second call option under the Call Option Agreements for the total price of PLN 33.9 million and PLN 35.1 million, respectively. For more information see Note 6 - Acquisition of the Nova Królikarnia project of the Consolidated Financial Statements for the year ended 31 December 2019.

As at 31 December 2019, the total payables related to acquisition of Nova Królikarnia project amount to PLN 37.0 million and was presented in the Consolidated Statement of Financial Position as a current liability under Trade and other payables and accrued expenses. The outstanding amount is determinate to be paid in three instalments: PLN 5.0 million was paid in February 2020, PLN 22.0 million was paid in April 2020 and PLN 10.0 million was paid in October 2020.

On 9 April 2020, the Company (via its subsidiary) exercised the last call option, based on call option agreements concluded on 10 April 2018 with Global City Holdings B.V., as a result of this transaction the Company acquired shares in company holding one substage of the Nova Królikarnia project with an aggregate floor space of 3,300 m² for a total value of PLN 9.9 million. The total price for the third call option was paid on the transaction date.

The table below presents analysis of cash flows on the acquisition of Nova Królikarnia project during the nine months ended 30 September 2020:

	<i>In thousands of Polish Zlotys (PLN)</i>
Payables related to acquisition of Nova Królikarnia as at 31 December 2019	37,022
Purchase consideration paid (Nova Królikarnia transaction)	(27,022)
Realization of (Call Option III)	9,900
Purchase consideration paid (Call Option III)	(9,900)
Payables related to acquisition of Nova Królikarnia as at 30 September 2020	10,000

Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2020**Notes to the Interim Condensed Consolidated Financial Statements****Note 13 – Bond loans**

The table below presents the movement in Bond loans during the nine months ended 30 September 2020, during the year ended 31 December 2019 and during the nine months ended 30 September 2019 as well as the Current and Non-currents balances as at the end of respective periods:

	For the period ended 30 September 2020	For the year ended 31 December 2019	For the period ended 30 September 2019
<i>In thousands of Polish Zloty (PLN)</i>	(Reviewed/ Unaudited)	(Audited)	(Reviewed/ Unaudited)
Opening balance	187,969	205,547	205,547
Repayment of bond loans	(35,000)	(50,000)	(50,000)
Proceeds from bond loans	-	32,317	32,317
Issue cost	-	(757)	(757)
Issue cost amortization	506	854	668
Accrued interest	6,090	10,351	7,938
Interest repayment	(6,175)	(10,343)	(7,187)
Total closing balance	153,390	187,969	188,526
Closing balance includes:			
Current liabilities	76,571	36,891	37,593
Non-current liabilities	76,819	151,078	150,933
Total Closing balance	153,390	187,969	188,526

New Bond loans issued during the nine months ended 30 September 2020:

During the nine months ended 30 September 2020, the Company did not issue any bonds loans.

Bond loans issued before 31 December 2019:

The maturity dates and the conditions of the Bonds loans series R, S, T and U have been presented in the annual consolidated financial statements for the year ended 31 December 2019.

The series S and T bonds are not secured. The series R bonds are secured with a joint mortgage established by the subsidiaries of the Company up to PLN 75,000 thousand. The series U bonds should be secured with a joint mortgage of up to PLN 48,476 thousand, while as at 31 December 2019 joint mortgage was established to the amount of PLN 53,019 thousand.

As at 30 September 2020 as at 31 December 2019 and as at 30 September 2019 the Company did not breach any bonds loan covenants, which will expose the Company for risk of obligatory and immediate repayment of any loan.

Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2020**Notes to the Interim Condensed Consolidated Financial Statements****Note 13 – Bond loans***Financial ratio covenants for series R and S:*

Based on the conditions of bonds R and S in each reporting period the Company shall test the ratio of Net debt to Equity (hereinafter “Net Indebtedness Ratio”). The Ratio shall not exceed 80% on the Check Date.

The Net Indebtedness Ratio is Non-GAAP Financial Measure and is calculated according to formulas provided below:

Net debt - shall mean the total consolidated balance sheet value of all interest-bearing liabilities (as well as payment guarantees) less the consolidated value of cash and cash equivalents and less cash paid by Company’s clients blocked temporarily on the escrow accounts servicing ongoing projects that are under construction (presented in the Company’s consolidated balance sheet under Other current financial assets; up to the limit is PLN 40 million).

Equity - shall mean the consolidated balance sheet value of the equity attributable to equity holders of the parent, less the value of the intangible assets (excluding any financial assets and receivables), including specifically (i) the intangible and legal assets, goodwill and (ii) the assets constituting deferred income tax decreased by the value of the provisions created on account of the deferred income tax, however, assuming that the balance of those two values is positive. If the balance of assets and provisions on account of deferred income tax is negative, the adjustment referred to in item (ii) above shall be zero.

Check date – last day of each calendar quarter.

The table presenting the Net Indebtedness Ratio as at the end of the Reporting period:

As at	As at 30 September 2020
<i>In thousands of Polish Zlotys (PLN)</i>	(Reviewed/ Unaudited)
Net Debt	80,779
Equity	377,754
Ratio	21.4%

In addition to the above, based on the conditions of bonds S, in each reporting period the Company shall test the Net debt to Inventory Ratio (hereinafter “Net Debt to Inventory Ratio”). The Ratio shall not exceed 60% on the Check Date.

The Net Debt to Inventory Ratio is Non-GAAP Financial Measure and is calculated according to formulas provided below:

Net debt - shall mean the total consolidated balance sheet value of all interest-bearing liabilities (as well as payment guarantees) less the consolidated value of cash and cash equivalents and cash paid by Company’s clients blocked temporarily on the escrow accounts servicing ongoing projects that are under construction (presented in the Company’s consolidated balance sheet under Other current financial assets; up to the limit is PLN 40 million).

Inventory - shall mean the consolidated balance sheet value of the inventory (including Residential landbank) of the Company less advances received from the customers.

Check date – last day of each calendar quarter.

The table presenting the Net Debt to Inventory Ratio as at the end of the Reporting period:

As at	As at 30 September 2020 (Reviewed/ Unaudited)
<i>In thousands of Polish Zlotys (PLN)</i>	
Net Debt	80,779
Inventory and Land designated for development	492,750
Ratio	16.4%

(1) See below “Impact of the implementation of IFRS 16 on financial ratios in bond covenants”

Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2020**Notes to the Interim Condensed Consolidated Financial Statements****Note 13 – Bond loans***Financial ratio covenants for series T and U:*

Based on the conditions of bonds T and U in each reporting period the Company shall test the ratio of Net debt to Equity (hereinafter “Net Indebtedness Ratio”). The Ratio shall not exceed 80% on the Check Date.

The Net Indebtedness Ratio is Non-GAAP Financial Measure and is calculated according to formulas provided below:

Net debt - shall mean the total consolidated balance sheet value of all interest-bearing liabilities (as well as payment guarantees) less the consolidated value of cash and cash equivalents and less cash paid by Company’s clients blocked temporarily on the escrow accounts servicing ongoing projects that are under construction (presented in the Company’s consolidated balance sheet under Other current financial assets).

Equity - shall mean the consolidated balance sheet value of the equity.

Check date – last day of each calendar quarter.

The table presenting the Net Indebtedness Ratio as at the end of the Reporting period:

As at	As at 30 September 2020
<i>In thousands of Polish Zlotys (PLN)</i>	(Reviewed/ Unaudited)
Net Debt	80,779
Equity	377,754
Ratio	21.4%

Other covenants (series R, S, T and U):

Based on the conditions of bonds R, S, T and U, transactions with related-parties (shareholders holding more than 25% of the shares in the Company “within the meaning of IAS 24” or with related parties “including with entities controlling the Company whether jointly or individually, whether directly or indirectly or with their subsidiaries which are not members of the Group) shall not exceed the aggregate amount of PLN 1.0 million during any given calendar year. During the 9 months ended 30 September 2020, the consulting fees related to A. Luzon Group amounted to PLN 420 thousand.

Impact of the implementation of IFRS 16 on financial ratios in bond covenants:

Terms and conditions of issuance of Bonds of the Company (“T&C’s”) provide that only certain, specified types of financial indebtedness should be taken into account when determining the level of financial indebtedness for the purpose of calculating financial ratios in accordance with T&C’s. In particular, certain T&C’s require that financial indebtedness resulting from finance lease agreements (in Polish: umowy leasingu finansowego) should be included in calculation of the financial indebtedness. Those T&C’s do not provide that the indebtedness resulting from finance lease agreements shall also include other financial indebtedness which is recognized as lease liability in accordance with IFRS 16.

Given the above, and taking into the account the type of activities carried out by the Group, despite changes in the IFRS in this respect, the Company concluded that inclusion of other type of financial indebtedness, in particular liabilities from annual fees for perpetual usufruct, for the purposes of calculations of financial ratios would not be in line with T&C’s and therefore the Company does not include such finance lease alike items in such calculations (including, in order to ensure consistency of those calculations, for the purpose of calculation of Inventory for the purpose of Net Debt to Inventory Ratio under T&C of bonds S).

For additional information about IFRS 16 see Note 11.

Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2020

Notes to the Interim Condensed Consolidated Financial Statements

Note 14 – Secured bank loans

The table below presents the movement in Secured bank loans during the nine months ended 30 September 2020, during the year ended 31 December 2019 and during the nine months ended 30 September 2019 as well as the Current and Non-currents balances as at the end of respective periods:

	For the 9 months ended 30 September 2020	For the year ended 31 December 2019	For the 9 months ended 30 September 2019
	(Reviewed/ Unaudited)	(Audited)	(Reviewed/ Unaudited)
<i>In thousands of Polish Zloty (PLN)</i>			
Opening balance	12,875	37,687	37,687
New bank loan drawdown	26,096	71,940	50,692
Bank loans repayments	(39,217)	(96,754)	(82,246)
Bank charges	(67)	(740)	(740)
Bank charges amortization	323	786	563
Accrued interest/(interest repayment) on bank loans, net	(10)	(44)	(41)
Total closing balance	-	12,875	5,915
Closing balance includes:			
Current liabilities	-	12,875	5,916
Non-current liabilities	-	-	-
Total closing balance	-	12,875	5,916

The maturity dates of the loans have been presented in the consolidated financial statements for the year ended 31 December 2019. For more details, see Note 23 Events during the period (Bank Loans). According to Group cash flow projection, liabilities from secured bank loans as at 30 September 2020 will be repaid during the following 12 months. Liabilities from bank loans are presented as Current liabilities.

As at 30 September 2020, as at 31 December 2019 and as at 30 September 2019, the Company has not breached any bank loan covenant, which would expose the Company for risk of obligatory and immediate repayment of any loan.

Note 15 – Income tax

	For the 9 months ended 30 September 2020	For the 3 months ended 30 September 2020	For the 9 months ended 30 September 2019	For the 3 months ended 30 September 2019
	(Unaudited) / (unreviewed)	(Unaudited) / (unreviewed)	(Unaudited) / (unreviewed)	(Unaudited) / (unreviewed)
<i>In thousands of Polish Zlotys (PLN)</i>				
Current tax expense/(benefit)	7,581	6,764	1,958	971
Deferred tax expense/(benefit)				
Origination and reversal of temporary differences	4,805	(3,583)	2,972	(2,124)
Expense/(benefit) of tax losses recognized	(1,391)	(74)	(1,258)	1,528
Total deferred tax expense/(benefit)	3,414	(3,657)	1,714	(596)
Total income tax expense/(benefit)	10,995	3,107	3,672	375

Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2020

Notes to the Interim Condensed Consolidated Financial Statements

Note 16 – Deferred tax assets and liabilities

Movements in Deferred tax assets and liabilities during the nine months ended 30 September 2020 were as follows:

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 1 January 2020	Recognized in the statement of comprehensive income	Closing balance 30 September 2020
Deferred tax assets			
Tax loss carry forward	2,124	1,391	3,515
Accrued interest	3,704	(1,368)	2,336
Accrued expense	657	74	731
Write-down on work in progress	2,452	(574)	1,878
Other*	4,106	(540)	3,566
Total deferred tax assets	13,043	(1,017)	12,026
Deferred tax liabilities			
Difference between tax base and carrying value of inventory	13,732	1,957	15,689
Accrued interest	437	385	822
Fair value gain on investment property	1,042	-	1,042
Other	515	55	570
Total deferred tax liabilities	15,726	2,397	18,123
Deferred tax assets	13,043		12,026
Deferred tax liabilities	15,726		18,123
Offset of deferred tax assets and liabilities for individual companies	(6,108)		(6,236)
Deferred tax assets reported in the statement of financial position	6,935	(1,145)	5,790
Deferred tax liabilities reported in the statement of financial position	9,618	2,269	11,887

* Including deferred tax asset from contributions.

Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2020**Notes to the Interim Condensed Consolidated Financial Statements****Note 16 – Deferred tax assets and liabilities**

Movements in Deferred tax assets and liabilities during the nine months ended 30 September 2019 were as follows:

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 1 January 2019	Recognized in the statement of comprehensive income	Closing balance 30 September 2019
Deferred tax assets			
Tax loss carry forward	2,058	1,258	3,316
Accrued interest	2,348	352	2,700
Accrued expense	777	(99)	678
Write-down of work in progress and residential landbank	2,788	(342)	2,446
Other	1,437	(190)	1,247
Total deferred tax assets	9,408	979	10,387
Deferred tax liabilities			
Difference between tax base and carrying value of inventory	9,521	2,238	11,759
Accrued interest	-	269	269
Fair value gain on investment property	890	-	890
Other	814	186	1,000
Total deferred tax liabilities	11,225	2,693	13,918
Deferred tax assets	9,408		10,387
Deferred tax liabilities	11,225		13,918
Offset of deferred tax assets and liabilities for individual companies	(3,877)		(5,435)
Deferred tax assets reported in the Consolidated Statement of Financial Position	5,531		4,952
Deferred tax liabilities reported in the Consolidated Statement of Financial Position	7,348		8,483

Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2020**Notes to the Interim Condensed Consolidated Financial Statements****Note 16 – Deferred tax assets and liabilities**

Movements in Deferred tax assets and liabilities during the year ended 31 December 2019 were as follows:

<i>In thousands of Polish Zlotys (PLN)</i>	As at 1 January 2019	Recognized in the statement of comprehensive income	As at 31 December 2019
Deferred tax assets			
Tax loss carry forward	2,058	66	2,124
Accrued interest	2,348	1,356	3,704
Accrued expense	777	(120)	657
Write-down of inventory and residential landbank	2,788	(336)	2,452
Other*	1,437	2,669	4,106
Total deferred tax assets	9,408	3,635	13,043
Deferred tax liabilities			
Difference between tax base and carrying value of inventory	9,521	4,211	13,732
Accrued interest	-	437	437
Fair value gain on investment property	890	152	1,042
Other	814	(299)	515
Total deferred tax liabilities	11,225	4,501	15,726
Deferred tax assets	9,408		13,043
Deferred tax liabilities	11,225		15,726
Offset of deferred tax assets and liabilities for individual companies	(3,877)		(6,108)
Deferred tax assets reported in the Consolidated Statement of Financial Position	5,531		6,935
Deferred tax liabilities reported in the Consolidated Statement of Financial Position	7,348		9,618

* Including deferred tax asset from contributions.

Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2020**Notes to the Interim Condensed Consolidated Financial Statements****Note 17 – Advances received**

Advances received during the nine months ended 30 September 2020 consist of customer advances for construction work in progress (deferred revenue) and comprise customer advances for the following projects:

	As at 31 December 2019	Revenue recognized during the 9 months ended 30 September 2020	Advances received during the 9 months ended 30 September 2020	As at 30 September 2020
<i>In thousands of Polish Zlotys (PLN)</i>				
City Link III	120,796	(147,855)	30,101	3,042
Nova Królikarnia 1a-1e	333	(3,332)	3,319	320
Nova Królikarnia 2a & 2b	1,620	(4,075)	3,798	1,343
Nova Królikarnia 2c	8,440	-	6,274	14,714
Nova Królikarnia 3b	3,236	-	8,803	12,039
Nova Królikarnia 3a	-	-	9,447	9,447
Nova Królikarnia 3c	-	-	4,190	4,190
Vitalia III	4,878	-	15,299	20,177
Miasto Moje I & II	256	(1,407)	1,158	7
Miasto Moje III	14,271	-	31,988	46,259
Miasto Moje IV	639	-	8,509	9,148
Miasto Marina	36,498	(43,610)	8,107	995
Panoramika IV	20,412	(27,647)	7,319	84
Panoramika V	4,165	(17,313)	20,596	7,448
Panoramika VI	-	-	394	394
Grunwald2	32,235	(73,543)	45,570	4,262
Ursus Centralny Ia	6,338	-	25,743	32,081
Ursus Centralny IIa	-	-	16,147	16,147
Ursus Centralny Ib	-	-	131	131
Viva Jagodno I	167	-	4,069	4,236
Nowe Warzymice I	-	-	962	962
Other	686	(2,416)	2,478	748
Total	254,970	(321,198)	254,402	188,174

Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2020**Notes to the Interim Condensed Consolidated Financial Statements****Note 17 – Advances received**

Advances received during the nine months ended 30 September 2019 consist of customer advances for construction work in progress (deferred revenue) and comprise customer advances for the following projects:

<i>In thousands of Polish Zlotys (PLN)</i>	As at 31 December 2018	Revenue recognized during the 9 months ended 30 September 2019	Advances received during the 9 months ended 30 September 2019	As at 30 September 2019
City Link III	48,216	-	65,388	113,604
Nova Królikarnia 1a-1e	12,932	(25,476)	15,240	2,696
Nova Królikarnia 2a & 2b	28,408	(45,477)	20,856	3,787
Nova Królikarnia 2c	-	-	4,892	4,892
Nova Królikarnia 3b	-	-	143	143
Vitalia I & II	11,875	(29,303)	17,469	41
Vitalia III	-	-	2,344	2,344
Miasto Moje I & II	28,841	(50,893)	22,518	466
Miasto Moje III	-	-	5,894	5,894
Miasto Marina	10,243	-	26,153	36,396
Panoramika II & III	79	(915)	865	29
Panoramika IV	4,034	-	12,758	16,792
Panoramika V	-	-	1,780	1,780
Grunwald ²	5,387	-	16,109	21,496
Moko	1,248	(7,472)	6,298	74
Młody Grunwald	209	(2,754)	2,569	24
Espresso	146	(1,231)	1,114	29
Chilli IV	30	(4,963)	5,488	555
Ursus Centralny I	-	-	574	574
Other	804	(2,063)	1,775	516
Total	152,452	(170,547)	230,227	212,132

Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2020**Notes to the Interim Condensed Consolidated Financial Statements****Note 18 – Commitments and contingencies***(i) Investment commitments:*

The amounts in the table below present uncharged investment commitments of the Group in respect of construction services to be rendered by the general contractors:

As at	As at 30 September 2020 (Reviewed/ Unaudited)	As at 31 December 2019 (Audited)
<i>In thousands of Polish Zlotys (PLN)</i>		
Ursus Centralny Ia	16,330	25,589
Ursus Centralny IIa	40,236	-
Viva Jagodno I	14,109	26,590
Panoramika V	992	8,472
Panoramika VI	14,974	-
Vitalia III	5,559	20,598
Miasto Moje III	2,269	22,477
Nove Warzymice I	3,704	12,157
Miasto Moje IV	26,608	37,243
Nova Królikarnia 3a	4,151	15,639
Nova Królikarnia 3b	2,372	6,887
Nova Królikarnia 3c	4,132	11,419
Nova Królikarnia 2c	513	7,048
Grunwald2	257	12,379
Miasto Moje V	31,203	
Total	167,409	206,498

(ii) Unutilized construction loans:

The table below presents the list of the construction loan facilities, which the Group arranged for in conjunction with entering into loan agreements with the banks in order to secure financing of the construction and other outstanding costs of the ongoing projects. The amounts presented in the table below include the unutilized part of the construction loans available to the Group:

	As at 30 September 2020 (Reviewed/ Unaudited)	As at 31 December 2019 (Audited)
<i>In thousands of Polish Zlotys (PLN)</i>		
Grunwald2	-	24,119
Panoramika V	-	19,070
Nova Królikarnia 2c (Wrocław 2016)	20,725	-
Total excluding JV	20,725	43,189
Wilanów Tulip	44,736	-
Total including JV	65,461	43,189

Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2020

Notes to the Interim Condensed Consolidated Financial Statements**Note 18 – Commitments and contingencies***(iii) Other commitments and contingencies:*

As part of the Nova Królikarnia acquisition (see Note 6 to the Company's Consolidated Financial Statements for the year ended 31 December 2019), the Company and GCH have concluded 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 was executed in April 2020. The exercise of the three call options will allow the Company to develop 161 units with an aggregate floor space of approximately 21,500 m².

During 2019, the Company exercised the first and second call option under the Call Option Agreements for the total price of PLN 69 million as a result of which the Company (via its subsidiary) acquired shares in companies holding seven substages of Nova Królikarnia project. The price was determined to be paid in installments: PLN 32.0 million was paid during 2019, PLN 5.0 million was paid in February 2020, PLN 22.0 million was be paid in April 2020 and PLN 10.0 million was paid in October 2020.

On 9 April 2020, the Company (via its subsidiary) exercised the last call option under Call Option Agreements for a total value of PLN 9.9 million as a result of which the Company (via its subsidiary) acquired shares in company holding one stage of Nova Królikarnia project. The total price for the third call option was paid on the transaction date.

Certain fees in the maximum amount of PLN 11.9 million were to be due by the Company if the Company does not exercise all three call options within certain deadlines. However, the fees were reduced proportionally to the extent options have been exercised. As at the 30 September 2020, as the result of all call options having been exercised, the amount of the fee contingency decreased to nil.

Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2020**Notes to the Interim Condensed Consolidated Financial Statements****Note 18 – Commitments and contingencies***(iv) Contracted proceeds not yet received:*

The table below presents amounts to be received from the customers having bought apartments from the Group and which are based on the value of the sale and purchase agreements signed with the clients until 30 September 2020 after deduction of payments received at the reporting date (such payments being presented in the Interim Consolidated Statement of Financial Position as Advances received):

As at	As at 30 September 2020	As at 31 December
<i>In thousands of Polish Zlotys (PLN)</i>	(Reviewed/ Unaudited)	2019 (Audited)
Panoramika IV	1,139	2,065
Panoramika V	3,341	9,276
Panoramika VI	3,646	-
Vitalia III	12,432	11,961
Grunwald2	4,024	30,751
Miasto Moje I & II	24	117
Miasto Moje III	12,195	23,488
Miasto Moje IV	20,551	8,565
Miasto Moje V	871	-
Ursus Centralny Ia	24,767	31,583
Ursus Centralny IIa	49,032	-
Ursus Centralny Ib	6,836	-
Miasto Marina	1,489	1,068
City Link III	1,665	22,257
Nowe Warzymice I	4,719	-
Nova Królikarnia 1a - 1e	789	2,998
Nova Królikarnia 2a & 2b	1,658	5,033
Nova Królikarnia 2c	15,121	4,181
Nova Królikarnia 3b	7,878	11,001
Nova Królikarnia 3a	13,969	-
Nova Królikarnia 3c	13,280	-
Viva Jagodno I	12,103	1,530
Other (old) projects	1,440	2,233
Total	212,969	168,107

Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2020

Notes to the Interim Condensed Consolidated Financial Statements

Note 19 – Risk management

During the first half of 2020 The Company was facing a challenging period in terms of operation and potential risk. The Company prepared and responded to the upcoming Coronavirus events, and its effect on daily operations, ensuring the safety of its employees, and continuing its day-to-day operations all in order to minimize, as far as possible, the impact of these events on the Company.

Based the Company analysis, the Management Board according to its current knowledge and assessment, has identified the following areas, where influence can be significant for the Group in the long term perspective should the virus continue to be spreading:

- a. Potential decrease in sales volume due to lower demand as an effect of potential tightening of the mortgage loan eligibility criteria by banks;
- b. the risk of delay in finishing projects on time and / or on budget due to possible delays in construction works, caused by potential shortages of the construction personnel and/or interruptions in supplies of material and components and/or prolongation of permitting and other administrative procedures;
- c. Low availability and/or unreasonable terms of new financing in case of banks, bonds and other lenders are materially affected by the extended economic downturn.

The current liquidity position and financial standing of the Company and the Group are stable and unaffected.

During the nine months ended 30 September 2020 and up to the date of publishing the company financial reports, the construction on sites is continuing in full format, and sale offices on all signed are opened for potential clients.

Following a very good sale results in the first 3 month of the year, the company witnessed decrease in the number of newly concluded sales contracts in the first month of the second quarter as a result of COVID-19 outbreak, compared to the preceding months of this year and compared to the same month in last year.

Apart from above decrease, the company did not noticed such slow down in sales during the following 6 month which resulted in very good sales for the third quarter of 2020.

During the third quarter of 2020 the Sale results of the company improved significantly and the company recorded one of its best sales quarter amounting to 235 units comparing to 160 units in the third quarter of 2019.

Although the good results presented by the company in this quarter and in the view of the general uncertainty which is still prevailing in Poland due to the Covid-19 pandemic the Company is un able to anticipate the duration of the current situation, as well as the Company does not have the ability to quantify the effects of the above on the Company's activities and its financial results in the near future. The company will continue to monitor the situation on an ongoing basis as it evolves in the coming months, and will undertake all the necessary actions in order to mitigate the negative effects.

(i) Financial risk factors

The Group's activities expose it to a variety of financial risks such as credit risk and liquidity risk. The Interim Condensed Consolidated Financial Statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's Annual Consolidated Financial Statements for the year ended 31 December 2019 (Note 37). There have been no changes in the risk management department since year end or in any risk management policies.

Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2020

Notes to the Interim Condensed Consolidated Financial Statements**Note 19 – Risk management***(ii) Liquidity risk*

Compared to year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities, except for the assumption of new loans and redemption of existing loans during the nine months ended 30 September 2020 as described in Notes 13 and 14.

(iii) Fair value estimation

The Investment property is valued at fair value determined by an independent appraiser.

During the nine months ended 30 September 2020 there were no significant changes in the business or economic circumstances that affect the fair value of the group's financial assets, investment property and financial liabilities.

(iv) Interest rate risk

Except for bonds series P amounting to PLN 10.0 million and Interest bearing deferred trade payables, the Group did not enter into any fixed-rate borrowings transaction. The Group's variable-rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short-term receivables and payables are not exposed to interest rate risk.

Note 20 – Related party transactions

There were no transactions and balances with related parties during the nine months ended 30 September 2020 other than described below, remuneration of Management Board, loans granted to related parties, the reimbursement of audit review costs and an consulting agreement with major (indirect) shareholder, A. Luzon Group, for total monthly amount of PLN 70 thousand and covering travels and out of pocket expenses incurred in connection with rendering services.

All these transactions were already disclosed in the Group's Consolidated Financial Statements for the year ended 31 December 2019.

During the nine months ended 30 September 2020, the Group sold 3 Apartments to Mr Andrzej Gutowski for a total net amount (excluding VAT) of PLN 743 thousand. This transaction was executed at arm's length and was in adherence to the Group's policy in respect of related-party transactions.

Note 21 – Impairment losses and provisions

During the nine months ended 30 September 2020, as a result of Net Realizable Value (NRV) analyses and reviews, a write-down adjustment for some of the Company's inventory was reversed in the amount of 3,757 thousand, while for some other Company's residential landbank the impairment was made in the amount of PLN 737 thousand. During nine months ended 30 September 2019, a write-down adjustment for some of the Company's inventory was reversed in the amount of 3,369 thousand, while for some other Company's residential landbank the impairment was made in the amount of PLN 1,930 thousand. During the year ended 31 December 2019 the Group reversed a write-down adjustment made during previous periods of PLN 3,369 thousand, whereas a write-down adjustment of PLN 2,775 thousand was made (net positive impact of PLN 594 thousand).

Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2020**Notes to the Interim Condensed Consolidated Financial Statements****Note 22 – Investment in joint ventures***Share of profit/(loss) of joint venture*

<i>In thousands of Polish Zlotys (PLN)</i>	As at 30 September 2020	As at 31 December 2019
Loans granted	13,893	12,311
Share in net equity value of joint ventures	(526)	283
The Company's carrying amount of the investment	13,367	12,594
Presented as Loans granted to joint ventures (current assets)	(2,037)	(1,977)
Investment in joint ventures	11,330	10,617

Share of profit/(loss) from joint ventures comprise the Company's shares in four entities where the Group is holding 50% shares and voting rights in each of those entities: Ronson IS Sp. z o.o. and Ronson IS Sp. z o.o. Sp.k. which are running the first two stages of the City Link, as well as Coralchief Sp. z o.o. and Coralchief Sp. z o.o. – Projekt 1 Sp.k. which are running the Wilanów Tulip project.

Loans granted to joint venture

<i>In thousands of Polish Zlotys (PLN)</i>	As at 30 September 2020	As at 31 December 2019
Opening balance	13,166	-
Loans granted	1,126	16,190
Loans repaid	-	(3,450)
Accrued interest	456	514
Interest paid	-	(88)
Total closing balance	14,748	13,166
Offset of the negative result from joint venture during the period	(855)	(855)
Total closing balance	13,893	12,311

As at 30 September 2020, from the total amount of loans granted to joint ventures (amounting in total to PLN 14,748 thousand) loans in the aggregate amount of PLN 2,005 thousand are maturing no later than 30 September 2021. The short term loans granted to joint ventures cannot be regarded as a part of the investment in joint ventures and are presented in the Interim Condensed Consolidated Statement of the Financial Statement under current assets as Loans granted to joint ventures. The loans granted to joint venture were bear a variable rate of WIBOR 3M plus 4% margin.

Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2020**Notes to the Interim Condensed Consolidated Financial Statements****Note 23 – Events during the period***Bond loans*

On 25 February 2020, the Company repaid all outstanding 10,000 series M bonds with total nominal value of PLN 10,000 thousand. After this repayment, the total number of outstanding bonds series M amounted to nil.

On 29 July 2020, the Company repaid all outstanding 15,000 series Q bonds with total nominal value of PLN 15,000 thousand. After this repayment, the total number of outstanding bonds series Q amounted to nil.

On 18 August 2020, the Company repaid all outstanding 10,000 series P bonds with total nominal value of PLN 10,000 thousand. After this repayment, the total number of outstanding bonds series P amounted to nil.

Bank loans

In March 2020, the Company executed a loan agreement with Alior Bank S.A. related to the Nova Królikarnia 2c project in Warsaw. Under this loan agreement Alior Bank S.A. is to provide financing and re-financing to cover the costs of construction up to a total amount of PLN 20.7 mln. Under the loan agreement, the final repayment date is December 2021.

In May 2020, the Company executed a loan agreement with Alior Bank S.A. related to Joint Venture project – Wilanów Tulip in Warsaw. Under the loan agreement Alior Bank is to provide financing and re-financing to cover the costs of construction up to total amount of PLN 51.3 mln. Under the loan agreement, the final repayment date is December 2021.

In May 2020 the Company fully repaid the loan in Grunwald2 project.

In August 2020 the Company fully repaid the loan in Panoramika V project.

Commencements of new projects

In January 2020, the Company commenced the sales of the Ursus Centralny IIa project comprising of 243 apartments and 8 commercial units with an aggregate floor space of 13,500 m².

In July 2020, the Company commenced the sales of Panoramika VI project comprising of 76 apartments with an aggregate floor space of 3,600 m².

In September 2020, the Company commenced the sales of Miasto Moje V project comprising of 170 apartments with an aggregate floor space of 8,500 m².

In September 2020, the Company commenced the sales of the Ursus Centralny Ib project comprising of 90 apartments and 7 commercial units with an aggregate floor space of 5,700 m².

Completions of projects

In April 2020, the Company completed the construction of Grunwald2 project comprising 267 apartments and 1 commercial unit with an aggregated floor space of 14,500 m².

In August 2020, the Company completed the construction of Panoramika V project comprising 115 apartments with an aggregated floor space of 6,000 m².

In September 2020, the Company completed the construction of Nova Królikarnia 2C project comprising 18 houses with an aggregate floor space of 3,600 m².

Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2020

Notes to the Interim Condensed Consolidated Financial Statements**Note 23 – Events during the period***Purchase of land*

On 28 April 2020 Company (via its subsidiary) executed a final agreement, based on which it purchased the ownership right of an undeveloped property located in Poznań, Grunwald district. According to the valid zoning conditions, the plot is designated for development of residential multifamily project. The purchase price was agreed at PLN 3.0 million and paid. The project will comprise 80 units with an aggregate floor space of 3,400 m².

On 14 August 2020 Company (via its subsidiary) entered into a conditional preliminary agreement concerning the purchase of the perpetual usufruct right of a plot of land located in Warsaw, Wola district, with an area of c.a. 1.6 thousand m². The final price of the Property will depend on the usable area of units to be built on the Property and will be calculated based on the valid building permit obtained by the selling entity. The final price for the Property shall be not higher than PLN 22 million. On 14 August 2020 the Company paid an advance for the transaction in an amount of PLN 3.0 million.

Dividend payment

During The Ordinary General Meeting held on 30th of June 2020 the shareholder of the Company approved to allocate for the dividend payment the amount of PLN 0.06 (six groszy) per share. The dividend record date (“dzień dywidendy”) was set for 5 August 2020 and the date of dividend payment was set for 24 August 2020.

The number of shares covered by the dividend payment amounted to 163.116.206. The dividend did not cover 894.607 own shares held by the Company.

The total amount of the dividend payment amounted to PLN 9.787 thousand.

Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2020**Notes to the Interim Condensed Consolidated Financial Statements****Note 23 – Events during the period***Share buyback program*

In connection with the expiration of the authorization to purchase own shares by the Company granted by the Extraordinary General Meeting of Shareholders held on 24 January 2019 (“Buyback Program of 2019”) and Company’s willingness to continue such purchase, during the Annual General Meeting of Shareholders held on 30 September 2020, the shareholders of the Company resolved to approve a share buyback program. The scope of the new authorization to purchase own shares, is identical to the authorization granted under the Buyback Program of 2019, reduced by the Shares acquired under that authorization and the amount for that acquisition used and extended for a period of 3 years. The Management Board of the Company is authorized to purchase ordinary bearer shares in the Company subject to certain terms and conditions which among others include the following:

1. the Company may purchase own shares with an aggregate nominal value representing no more than 1,07% of the share capital of the Company, i.e. up to 1,765,478 shares;
2. the purchase price for one share cannot be:
 - a) lower than the nominal value of one share in the Company, i.e. EUR 0.02 per share, and
 - b) higher than the book value of the Company per one share (calculated on a basis of audited financial statement for year 2017), i.e. PLN 2.10 per share;
3. the maximum amount allocated for the purchase of own shares shall not be higher than PLN 1,369.8 thousand;
4. the authorization granted to the Management Board for the purchase of own shares shall cover a period lasting until 30 September 2023, however not longer than expiration of the amount allocated for the purchase of own shares.

The Program will be financed from the reserve capital created on the basis of Buyback Program of 2019. The reserve capital then created in the amount of PLN 2.0 mln was used in the amount of PLN 630.2 thousand, therefore PLN 1,369.8 thousand remained to be used for the purposes of the new buyback program.

From 1 January 2020 until 24 January 2020, the Company acquired 59,622 own shares for a total price of PLN 50.2 thousand. As at 30 September 2020, the Company held 1,063,445 own shares representing 0.65% of total shares issued by the Company.

Changes in the Management Board

On 16 January 2020, the Supervisory Board of the Company appointed Mr Yaron Shama to the position of member of the Management Board of the Company and Finance Vice President as of 1 February 2020 for a five-year joint term of office of the Management Board, which commenced on 1 April 2019.

Conclusion of a material agreement for General contractors - Ursus

On 4 May 2020 the Company (via its subsidiary) signed an agreement for construction works in relation to Ursus Centralny with Karmar S.A. (the General Contractor). The fee to be paid for the execution of the Agreement amounts to PLN 60.25 million. The parties also agreed a deferred payment mechanism upon which a portion of payments due to the Contractor up to a total amount of PLN 12 million may be deferred (in exchange for interest) until 7 working days after obtaining a valid occupancy permit but not later than until end of October 2021.

Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2020

Notes to the Interim Condensed Consolidated Financial Statements**Note 23 – Events during the period***Conclusion of a material agreement for General contractors - Panoramika*

On 22 May 2020 the Company (via its subsidiary) signed an annex to the agreement for construction works in relation to Panoramika with Mostostal Warszawa S.A.. (the General Contractor). The fee to be paid for the execution of the Agreement amounts to PLN 16.7 million. The Annex extended the scope of work with the execution of additional stage in Panoramika investment in Szczecin stage VI (76 units with total usable area of 3,540 m²), which consist of multifamily residential buildings together with ground parking places, land development and technical infrastructure.

Conclusion of a material agreement for General contractors – Miasto Moje

On the 11 September 2020 the Company (via its subsidiary) executed an option to mandate Danya Cebus Poland Sp. z o.o (the General contractor) with the execution of stage V of Miasto Moje investment, construction works will commence no later than 28 September 2020 and will be completed within twenty two months. Miasto Moje Stage V consist of multifamily residential buildings (170 units) with underground parking , land development and Technical infrastructure. The fee for the General contractor under this agreement will amount to PLN 34.8 million .

Remuneration Policy

On 30 June 2020, the Annual General Meeting of the Company, acting based on Article 90d paragraph 1 of the Act of 29 July 2005 on public offerings and conditions governing the introduction of financial instruments to organized trading, and on public companies, adopted the Remuneration Policy for the members of the Management Board and Supervisory Board of Ronson Development SE (the "Policy"). The purpose of introducing the Policy is to support the business strategy of the Company, its long-term interests and stability. The Policy also provides for measures to be taken to avoid or manage conflicts of interest with regard to remunerating. The Policy has been established taking into account the relevance of the Company, its economic status, market standards for comparable companies in particular in the construction sector and the scope of responsibilities of the members of the Management Board and Supervisory Board.

Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2020

Notes to the Interim Condensed Consolidated Financial Statements**Note 23 – Events during the period***COVID - 19*

During the first half of 2020 the company was facing a challenging period in terms of operation and potential risk. the company prepared and responded to the upcoming coronavirus events, and its effect on daily operations, ensuring the safety of its employees, and continuing its day-to-day operations all in order to minimize, as far as possible, the impact of these events on the company.

Following a very good sale results in the first 3 month of the year, the company witnessed decrease in the number of newly concluded sales contracts in the first month of the second quarter as a result of COVID-19 outbreak, compared to the preceding months of this year and compared to the same month in last year.

Apart from above decrease, the company did not noticed such slowdown in sales during the following 6 month which resulted in very good sales for the second quarter and third quarter of 2020.

During the third quarter of 2020 the Sale results of the company improved significantly and the company recorded one of its best sales quarter amounting to 235 units comparing to 160 units in the third quarter of 2019.

During this period, in order to be accessible to our clients and potential clients The Company initiated alternative marketing procedures in which its sale personal was available and accesible by online and internet channels to show its ongoing projects. This innovative marketing tool allow the company to build its costumers base and maintain good contact with them as well as secure number of sales contracts.

The Management has been monitoring the progress on the construction sites on an ongoing basis. As of the date of publication of this report, all projects are being executed according to schedule.

The Group has also been preparing for the launch of new investments, with the final dates of commencement for construction and sales of new stages being adjusted to current market conditions. The Management does not predict any delays in the process of delivering units to customers in already completed projects and in projects that are planned to be completed this year.

Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2020**Notes to the Interim Condensed Consolidated Financial Statements****Note 24 – Subsequent events***Share buyback program*

In connection with the implementation of the treasury shares repurchase programme that was approved under resolution No. 21 of the Ordinary General Meeting dated 30 June 2020 regarding the approval of a buy-back programme (the “Authorisation Resolution”), the Management Board of the Company on 1 July 2020 resolved to determine the detailed terms of the repurchase of the shares in the Company (“Buy-back”), which were also approved by the Supervisory Board of the Company. The treasury shares will be acquired under the Buy-back until three years starting from the adoption of the Authorisation Resolution, by way of transactions concluded on the regulated market and on terms similar to those provided in the Commission Delegated Regulation (EU) 2016/1052 of 8 March 2016 supplementing Regulation (EU) No. 596/2014 of the European Parliament and of the Council with regards to regulatory technical standards for the conditions applicable to buy-back programmes and stabilisation measures, in particular in terms of determining the price and the number of the shares, which may be acquired pursuant to the Buy-back. The maximum amount allocated for the purchase of all of the shares pursuant to the Buy-back shall not be higher than PLN 1,369,761.99 (one million, three hundred and sixty-nine thousand, seven hundred and sixty-one zloty and 99/100).

From 8 July 2020 until 9 November 2020, the Company acquired 468,244 own shares for a total price of PLN 600.0 thousand.

As at 9 November 2020, the Company held 1,202,766 own shares representing 0.73% of total shares issued by the Company.

Bonds

On 2 October 2020 the Company issued 100,000 series V non-secured bonds with a nominal value and issue price of PLN 1.0 thousand per Bond and an aggregate nominal value and issue price of PLN 100 million.

Together with issuance of series V bonds the Company purchased for redemption series R bonds with a value of PLN 2,141,000 from the bondholder who purchased the Bonds for the same amount. These transactions were settled without cash (by set-off), except for accrued interest on series R bonds, which were paid by the Company,

On 5 October 2020, the Company signed the final agreement for the purchase for early redemption of all series S bonds of the Company issued on 14 June 2017, i.e. 20,000 bonds, each with a nominal value of PLN 1,000, and with a total nominal value of PLN 20 million.

Above mentioned bonds have been acquired by the Company at the price lower than nominal value i.e. PLN 990 for each bond (in total for PLN 19,8 million). Moreover, the company has paid the interest at the date of early repayment amounting to PLN 10,92 per bond.

Nova Królikarnia – Final payment

On 5 October 2020 the third and final instalment of PLN 10 million in relation to purchase consideration paid (Nova Królikarnia transaction) has been made.

During the year 2019, the Company (via its subsidiary) exercised first and second call option under the Call Option Agreements for the total price of PLN 33.9 million and PLN 35.1 million, respectively. For more information see Note 10 – Commitments and contingencies Nova Królikarnia – Call Option and Note 6 - Acquisition of the Nova Królikarnia project of the Consolidated Financial Statements for the year ended 31 December 2019.

Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2020**Notes to the Interim Condensed Consolidated Financial Statements****Note 24 – Subsequent events***Purchase of land*

On 27 October 2020 the Company (via its subsidiary) executed an agreement concerning the purchase of plots of land located in Warsaw, at Gąsocińska street. The purchase price was agreed at PLN 13.9 million, but it may be reduced in the event of failure to obtain specific permits for demolition of buildings and road investments related to the Property within the prescribed period. Part of the price in the amount of PLN 13.0 thousand was paid. The project will comprise 80 units with an aggregate floor space of 4,800 m².

On 4 November 2020 the Company (via its subsidiary) entered into a conditional preliminary agreement concerning the purchase of the perpetual usufruct right of a plot of land located in Poznań, at Swierzawskiego street, with an area of c.a. 2.9 thousand m². The final price for the Property shall be not higher than PLN 5 million.

Conclusion of a material agreement for General contractors – Ursus Ib

On the 16 October 2020 the Company (via its subsidiary) executed an option to mandate Danya Cebus Poland Sp. z o.o (the General contractor) with the execution of stage Ib of Ursus Centralny investment, construction works will commence no later than 1 October 2020 and will be completed within twenty two months. Ursus Centralny Ib consist of multifamily residential buildings (90 units) with underground parking, 7 commercial units and technical infrastructure. The fee for the General contractor under this agreement will amount to PLN 23.85 million.

Miasto Moje III – Occupany Permit

On 5 November 2020, the Company has obtained a legally valid occupany permit for stage III of the Miasto Moje property development in Warsaw.

COVID – 19

Due to exceeding the threshold of 25 thousand new cases of COVID-19 daily, a new restrictions which apply in Poland from Saturday, 7 November 2020 has been announced on 4 November 2020.

The regulations in force from Saturday, November 7, 2020 include:

- Extension of distance learning for grades 4-8 of primary schools and in secondary schools. Introducing distance learning also for grades 1-3.
- Temporary closure of cultural establishments such as theaters, museums, cinemas, art galleries, community centers and music centers, which is expected to reduce social mobility, as it is the only effective way to limit the spread of the epidemic.
- Limiting the number of people in churches to 1 person per 15 square meters.
- Trade restrictions - facilities with an area of less than 100 square meters will be able to accommodate 1 person per 10 square meters, and in larger facilities - up to 15 people per square meter.
- Closing of shops in shopping malls, with some exceptions like for example grocery stores, pharmacies, drugstores, press .
- Hotel facilities will be available only to guests on business trips.

The new restrictions are valid at least until 29 November 2020. Should the restrictions be considered insufficient by the government, the national quarantine, i.e. a complete lockdown may be announced in the coming future. This entails the closure of shops, service premises and parts of plants and restrictions on movement and will result in huge economic losses in the whole country.

For the management response to this risk please refer to Note 19 – Risk management.

Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2020

Notes to the Interim Condensed Consolidated Financial Statements

Note 24 – Subsequent events

28 October 2020 the Company was notified A. Luzon Group that Mr. Luzon signed a contract for buying from third party additional share of A. Luzon Group. After the completion of the transaction he holds 83.71% of A. Luzon Group shares and voting rights and as a result, thus indirectly Mr. Luzon holds 55.14% interest in the Company.

The Management Board

Boaz Haim

President of the Management Board

Yaron Shama

Vicepresident of the Management Board, CFO

Andrzej Gutowski

Vicepresident of the Management Board,
Sales and Marketing Director

Alon Haver

Member of the Management Board

Adriana Pawulska

Person responsible for the accounting records

Warsaw, 9 November 2020

Independent Auditors' Report

Interim Condensed Company Statement of Financial Positions

<i>In thousands of Polish Zlotys (PLN)</i>	<i>Note</i>	30 September 2020	31 December 2019
Assets			
Investment in subsidiaries	6	423,296	419,835
Loan granted to subsidiaries	7	113,608	89,606
Deferred tax assets		260	1,015
Total non-current assets		537,164	510,456
Trade and other receivables and prepayments		64	107
Income tax receivables		-	-
Receivable from subsidiaries		1,028	1,244
Loan granted to subsidiaries	7	9,241	24,223
Cash and cash equivalents		347	7,173
Total current assets		10,680	32,747
Total assets		547,844	543,203
Equity			
Shareholders' equity	12		
Share capital		12,503	12,503
Share premium reserve		157,905	150,278
Treasury shares		(1,038)	(580)
Retained earnings		208,384	188,293
Total shareholders' equity		377,754	350,494
Liabilities			
Long-term liabilities			
Bond loans	8	76,819	151,078
Total long-term liabilities		76,819	151,078
Current liabilities			
Bond loans	8	76,571	36,891
Loans from subsidiaries		15,766	3,309
Trade and other payables and accrued expenses		934	1,431
Tax payable		-	-
Dividend payable		-	-
Total current liabilities		93,271	41,631
Total liabilities		170,090	192,709
Total shareholders' equity and liabilities		547,844	543,203

The notes included on pages 79 to 85 are an integral part of these interim condensed company financial statements

Independent Auditors' Report

Interim Condensed Company Statement of Comprehensive Income

	Note	For the 9 months	For the 3 months	For the 9 months	For the 3 months
		ended 30 September 2020	ended 30 September 2020	ended 30 September 2019	ended 30 September 2019
<i>In thousands of Polish Zlotys (PLN)</i>		(Reviewed) / (unaudited)	(Reviewed) / (unaudited)	(Reviewed) / (unaudited)	(Reviewed) / (unaudited)
Revenues from consulting services		5,653	3,777	5,112	2,506
General and administrative expense		(3,623)	(2,459)	(2,759)	(975)
Other expenses		(5)	(5)	159	167
Operating profit		2,025	1,313	2,512	1,698
Result from subsidiaries after taxation	6	38,197	8,619	13,359	291
Operating profit after result from subsidiaries		40,222	9,932	15,871	1,989
Finance income		5,248	3,623	5,785	1,694
Finance expense		(7,213)	(4,593)	(8,654)	(2,751)
Net finance income/(expense)		(1,965)	(970)	(2,869)	(1,057)
Profit/(loss) before taxation		38,257	8,962	13,002	932
Income tax benefit/(expense)	9	(753)	(846)	188	94
Profit for the period		37,504	8,116	13,190	1,026
Other comprehensive income		-	-	-	-
Total comprehensive income/(expense) for the period, net of tax		37,504	8,116	13,190	1,026
Weighted average number of ordinary shares (basic and diluted)		162,937,256	163,006,990	163,775,920	163,584,415

The notes included on pages 79 to 85 are an integral part of these interim condensed company financial statements

Independent Auditors' Report

Interim Condensed Company Statement of Changes in Equity allocated to

<i>In thousands of Polish Zlotys (PLN)</i>	<u>Share capital</u>	<u>Share premium</u>	<u>Treasury shares</u>	<u>Retained earnings</u>	<u>Total equity</u>
Balance at 1 January 2020	12,503	150,278	(580)	188,293	350,494
Net profit for the period ended 30 September 2020	-	-	-	37,504	37,504
Allocated to share premium	-	7,627	-	(7,627)	-
Repurchase of own shares	-	-	(458)	-	(458)
Payment of dividends	-	-	-	(9,786)	(9,786)
Balance at 30 September 2020	12,503	157,905	(1,038)	208,329	377,754

(1) In order to fund the purchase of own shares under the buyback program, a capital reserve (within retained earnings) was established for an amount of PLN 2,000 thousand. The capital reserve was subsequently reduced by the amount of the consideration paid for the shares bought back. The amount of capital reserve as at 24 January 2020 (lasting date of authorization granted to the Management Board for the purchase of own shares) amounted to PLN 1,573 thousand and was presented as a part of the retained earnings. As at 25 January 2020 the capital reserve was liquidated.

<i>In thousands of Polish Zlotys (PLN)</i>	<u>Share capital</u>	<u>Share premium</u>	<u>Treasury shares</u>	<u>Retained earnings ⁽¹⁾</u>	<u>Total equity</u>
Balance at 1 January 2019	12,503	150,278	-	180,699	343,480
Net profit for the period ended 30 September 2019	-	-	-	13,190	13,190
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	13,190	13,190
Repurchase of own shares	-	-	(427)	-	(427)
Dividends paid	-	-	-	(9,820)	(9,820)
Balance at 30 September 2019 (Reviewed/ Unaudited)	12,503	150,278	(427)	184,069	346,423

(1) In order to fund the purchase of own shares under the buyback program, a capital reserve (within retained earnings) is established for an amount of PLN 2,000 thousand. The capital reserve is subsequently reduced by the amount of the consideration paid for the shares bought back. The amount of the capital reserve as at 30 September 2019 amounted to PLN 1,573 thousand and was presented as a part of the retained earnings.

The notes included on pages 79 to 85 are an integral part of these interim condensed company financial statements

Independent Auditors' Report

Interim Condensed Company Statement of Cash Flows

For the 9 months period ended 30 September	2020	2019
<i>In thousands of Polish Zlotys (PLN)</i>	<i>Note</i>	
Cash flows from operating activities		
Profit for the year	37,504	13,190
<i>Adjustments to reconcile profit for the period to net cash (used in)/from operating activities:</i>		
Finance income	(5,248)	(5,785)
Finance expense	7,213	8,654
Income tax expense	9 755	(188)
Net results subsidiaries during the year	6 (38,197)	(13,359)
Subtotal	2,027	2,512
Decrease/(increase) in trade and other receivables and prepayments	43	(72)
Decrease/(increase) in receivable from subsidiaries	216	(2,443)
Increase/(decrease) in payable to subsidiaries	-	-
Increase/(decrease) in trade and other payable and accrued expense	(442)	(12,679)
Subtotal	1,844	(12,682)
Income tax paid	-	-
Interest paid	7,8 (6,200)	(7,227)
Interest received	2,273	7,957
Net cash used in operating activities	(2,082)	(11,952)
Cash flows from investing activities		
Loans granted to subsidiaries, net of issue cost	7 (34,000)	(32,000)
Repayment of loans granted to subsidiaries	7 27,955	71,297
Dividend from subsidiary	6 34,735	-
Investment in subsidiaries	6 -	-
Net cash used in investing activities	28,690	39,297
Cash flows from financing activities		
Treasury shares	(458)	(427)
Dividends paid	(9,840)	31,560
Repayment of loans from subsidiaries/Loans received from subsidiaries	11,864	(9,820)
Proceeds from bond loans, net of issue costs	8 -	(50,000)
Repayment of bond loans	8 (35,000)	-
Net cash from financing activities	(33,434)	(28,687)
Net change in cash and cash equivalents	(6,826)	(1,342)
Cash and cash equivalents at 1 January	7,173	2,147
Cash and cash equivalents at 31 December	347	805

The notes included on pages 79 to 85 are an integral part of these interim condensed company financial statements

Independent Auditors' Report

Notes to the Interim Condensed Company Financial Statements**Note 1 – General**

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

The Company (together with its subsidiaries, 'the Group') is active in the development and sale of residential units, primarily apartments, in multi-family residential real-estate projects to individual customers in Poland. For information about companies in the Group which financial data are included in the Interim Condensed Consolidated Financial Statements reference is made to Note 7 in the Interim Condensed Consolidated Financial Statements.

The shares of the Company are traded on the Warsaw Stock Exchange since 5 November 2007. According to publicly available information, as at 30 September 2020, 66.06% of the shares are controlled by Amos Luzon Development and Energy Group Ltd. ('A. Luzon Group') and 0.65% of the shares are held by the Company. The remaining 33.29% of the outstanding shares are held by other investors including Nationale Nederlanden Otworthy Fundusz Emerytalny and Metlife Otworthy Fundusz Emerytalny. The number of shares held by the investors is equal to the number of votes, as there are no privileged shares issued by the Company. It shall be noted that as at 30 September 2020, the Company held 1,063,445 own shares (0.65%) and, in accordance with art. 364 § 2 of the Code of Commercial Companies, it does not exercise voting rights from own shares.

Note 2 – Basis of preparation of Interim Condensed Company Statements

These Interim Condensed Company Financial Statements of Ronson Development SE have been prepared in accordance with IAS 34 (concerning the preparation of interim financial statements). The Interim Condensed Company Financial Statements do not include all the information and disclosures required in annual financial statements prepared in accordance with the IFRS and should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2019, which have been prepared in conformity with IFRS. At the date of authorization of these Interim Condensed Company Financial Statements, the IFRSs applied by the Company are not different from the IFRSs endorsed by the European Union. IFRSs comprise standards and interpretations accepted by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

The Interim Condensed Company Financial Statements of Ronson Development SE have been prepared on the going concern assumption, i.e. the continuation of the Company's business activity in the foreseeable future. As at the day of the approval of these financial statements, there were no circumstances identified implying any threats to the continuation of the Company's activity.

These Interim Condensed Company Financial Statements of Ronson Development SE were approved by the Management Board for publication on 9 November 2020 in both English and Polish languages, while the Polish version is binding.

For additional information about significant accounting policy and the influence of the new accounting standard, see note 3 of the Interim Condensed Consolidated Financial Statements.

Independent Auditors' Report

Notes to the Interim Condensed Company Financial Statements

Note 3 – The use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reporting period. Actual results may differ from these estimates.

In preparing these Interim Condensed Company Financial Statements, the significant judgments made by the Management Board in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the Consolidated Financial Statements for the year ended 31 December 2019.

Note 4 – Functional and reporting currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The Company Financial Statements are presented in thousands of Polish Zloty ("PLN"), which is the Company's functional and presentation currency.

Transactions in currencies other than the functional currency are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in currencies other than the functional currency are recognized in the statement of comprehensive income.

Note 5 – Seasonality

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

Note 6 – Investment in subsidiaries

The subsidiaries of the Company are valued with equity methods.

The table below presents the movement in investment in subsidiaries during the nine months ended 30 September 2020, during the year ended 31 December 2019 and during the nine months ended 30 September 2019:

The movements in subsidiaries are as follows: For the period ended	For the 9 months ended 30 September 2020	For the 12 months ended 31 December 2019	For the 9 months ended 30 September 2019
<i>In thousands of Polish Zlotys (PLN)</i>			
Balance at beginning of the period	419,835	407,309	407,309
Investments in subsidiaries	-	-	-
Net result subsidiaries during the period	38,196	18,944	13,359
Dividend from subsidiary	(34,735)	(6,418)	-
Movement in Non controlling interests	-	-	-
Balance at end of the period	423,296	419,835	420,668

The Company holds and owns (directly and indirectly) 77 companies. These companies are active in the development and sale of units, primarily apartments, in multi-family residential real-estate projects to individual customers in Poland. For additional information see Note 7 to the Interim Condensed Consolidated Financial Statements.

Independent Auditors' Report

Notes to the Interim Condensed Company Financial Statements

Note 7 – Loans granted to subsidiaries

The table below presents movements in loans granted to subsidiaries held directly and indirectly by the Company during the nine months ended 30 September 2020, during the year ended 31 December 2019 and during the nine months ended 30 September 2019:

<i>In thousands of Polish Zloty (PLN)</i>	For the 9 months ended 30 September 2020	For the 12 months ended 31 December 2019	For the 9 months ended 30 September 2019
	(Reviewed/ Unaudited)	(Audited)	(Reviewed/ Unaudited)
Opening balance	113,829	155,836	155,836
Loans granted	34,000	46,916	32,000
Loans repayment during the year	(27,955)	(88,254)	(71,297)
Charges and fees	-	-	-
Amortization of charges and fees	87	215	180
Accrued interest	5,154	7,059	(2,360)
Repayment of interest	(2,265)	(7,943)	-
Total closing balance	122,849	113,829	114,359
Closing balance includes:			
Current assets	9,241	24,223	32,869
Non-current assets	113,608	89,606	81,490
Total closing balance	122,849	113,829	114,359

The loans are not secured.

All new loans granted are at the similar conditions to those presented in the Company Financial Statements for the year ended 31 December 2019. For more information see Note 11 of the Company Financial Statements for the year ended 31 December 2019.

Independent Auditors' Report

Notes to the Interim Condensed Company Financial Statements

Note 8 – Bonds loans

The table below presents the movement in Bond loans during the nine months ended 30 September 2020, during the year ended 31 December 2019 and during the nine months ended 30 September 2019:\

	For the period ended 30 September 2020	For the year ended 31 December 2019	For the period ended 30 September 2019
<i>In thousands of Polish Zloty (PLN)</i>	(Reviewed/ Unaudited)	(Audited)	(Reviewed/ Unaudited)
Opening balance	187,969	205,547	205,547
Repayment of bond loans	(35,000)	(50,000)	(50,000)
Proceeds from bond loans	-	32,317	32,317
Issue cost	-	(757)	(757)
Issue cost amortization	506	854	668
Accrued interest	6,090	10,351	7,938
Interest repayment	(6,175)	(10,343)	(7,187)
Total closing balance	153,390	187,969	188,526
Closing balance includes:			
Current liabilities	76,571	36,891	37,593
Non-current liabilities	76,819	151,078	150,933
Total Closing balance	153,390	187,969	188,526

For information about bond covenants, reference is made to Note 13 to the Interim Condensed Consolidated Financial Statements.

Independent Auditors' Report

Notes to the Interim Condensed Company Financial Statements

Note 9 – Income tax

For the 9 months ended	2020	2019
<i>In thousands of Polish Zlotys (PLN)</i>	(Reviewed/ Unaudited)	(Reviewed / Unaudited)
Current tax expense	-	16
Deferred tax expense		
Origination and reversal of temporary differences	1,050	(58)
Tax losses utilized/(recognized)	(297)	(146)
Total deferred tax expense/(benefit)	753	(204)
Total income tax expense/(benefit)	753	(188)

Note 10 – Commitments and contingencies

Nova Królikarnia – Call Option

As part of the Nova Królikarnia acquisition (see Note 6 to the Company's Consolidated Financial Statements for the year ended 31 December 2019), the Company and GCH have concluded 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 was executed in April 2020. The exercise of the three call options will allow the Company to develop 161 units with an aggregate floor space of approximately 21,500 m².

On 9 April 2020, the Company (via its subsidiary) exercised the last call option, based on call option agreements concluded on 10 April 2018 with Global City Holdings B.V., as a result of this transaction the Company acquired shares in company holding one substage of the Nova Królikarnia project with an aggregate floor space of 3,300 m² for a total value of PLN 9.9 million. The total price for the third call option was paid on the transaction data.

Certain fees in the maximum amount of PLN 11.9 million were to be due by the Company if the Company does not exercise all three call options within certain deadlines. However, the fees were reduced proportionally to the extent options have been exercised. As at the 30 September 2020, as the result of all call options having been exercised, the amount of the fee contingency decreased to nil.

Note 11 – Related parties transactions

There were no transactions and balances with related parties during the nine months ended 30 September 2020 other than the described below, the remuneration of the Management Board, loans granted to related parties, the reimbursement of audit review costs and the consulting agreement with A. Luzon Group, the major (indirect) shareholder, for a total monthly amount of PLN 70 thousand and covering travel and out of pocket expenses. All transactions with related parties were performed based on market conditions.

During the nine months ended 30 September 2020, the Group sold 3 Apartments to Mr Andrzej Gutowski for a total net amount (excluding VAT) of PLN 743 thousand. This transaction was executed at arm's length and was in adherence to the Group's policy in respect of related-party transactions.

Independent Auditors' Report

Notes to the Interim Condensed Company Financial Statements**Note 12 – Equity***Repurchase of own shares*

During the Extraordinary General Meeting of Shareholders held on 24 January 2019, the shareholders of the Company resolved to approve a share buyback program and the establishment of a capital reserve for the purpose of such program, whereby the Management Board of the Company is authorized to purchase ordinary bearer shares in the Company. In order to fund the purchase of own shares under the buyback program a capital reserve (within retained earnings) is established for an amount of PLN 2.0 million. The capital reserve is subsequently reduced by the amount of the consideration paid for the shares bought back.

From 1 January 2020 until 24 January 2020, the Company acquired 59,622 own shares for a total price of PLN 50.2 thousand. The amount of capital reserve as at 24 January 2020 amounted to PLN 1,573 thousand and was presented as a part of the retained earnings. As at 25 January 2020 the capital reserve was liquidated.

As at 30 September 2020, the Company held 1,063,445 own shares representing 0.65% of total shares issued by the Company.

Note 13 – Events during the period

For events during the period, reference is made to Note 23 to the Interim Condensed Consolidated Financial Statements.

On 2 April 2020, the Annual Shareholders Meeting of Ronson Development Construction Sp. z o.o. decided that the profit for the financial year 2019 in the net amount of PLN 12.7 million shall be allocated to dividend payment. The Company had an obligation against Ronson Development Construction Sp. z o.o. for intercompany loan in amount of PLN 14.9 million. The parties agreed that the Company repay PLN 12.7 million of intercompany loan received. The parties made a deduction of mentioned amounts and as a result of which these obligations were cancelled mutually. As a result the Company still has loan in the amount of PLN 2.2 million left to repay.

On 7 April 2020, the Management Board of Ronson Development Construction Sp. z o. o. decided to pay to the Company the advance towards the expected dividend from the profit for 2020 in the amount of PLN 22.0 million. The advance was already paid on 7 April 2020.

During The Ordinary General Meeting held on 30th of June 2020 the shareholder of the Company approved to allocate for the dividend payment the amount of PLN 0.06 (six groszy) per share. The dividend record date (“dzień dywidendy”) was set for 5 August 2020 and the date of dividend payment was set for 24 August 2020.

The number of shares covered by the dividend payment amounted to 163.116.206. The dividend did not cover 894.607 own shares held by the Company.

The total amount of the dividend payment amounted to PLN 9.787 thousand.

Independent Auditors' Report

Notes to the Interim Condensed Company Financial Statements

Note 14 – Subsequent events

For further subsequent events, reference is made to Note 24 to the Interim Condensed Consolidated Financial Statements.

The Management Board

Boaz Haim

President of the Management Board

Yaron Shama

Vicepresident of the Management Board, CFO

Andrzej Gutowski

Vicepresident of the Management Board,
Sales and Marketing Director

Alon Haver

Member of the Management Board

Adriana Pawulska

Person responsible for the accounting records

Warsaw, 9 November 2020