

Ronson Europe N.V.

Interim Financial Report
for the three months
ended
31 March 2014

Interim Financial Report for the three months ended 31 March 2014

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Directors' report

Directors' Report

General

Introduction

Ronson Europe N.V. (hereinafter "the Company"), a Dutch public company with its registered office located in Rotterdam, the Netherlands, was incorporated on 18 June 2007. The Company through its subsidiaries (hereinafter "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.

The shares of the Company are traded on the Warsaw Stock Exchange since 5 November 2007. As at 31 March 2014, 39.78% of the outstanding shares are controlled by I.T.R. 2012 B.V., which is a subsidiary of Global City Holdings N.V. ('ITR 2012') (32.11% through a jointly controlled partnership formed under Dutch law between ITR 2012 and ITR Dori B.V. and 7.67% through a jointly controlled company formed under Dutch law between ITR 2012 and U. Dori Group) and 39.78% of the outstanding shares are controlled by U. Dori Group Ltd ('U Dori Group') (32.11% through a jointly controlled partnership formed under Dutch law between ITR 2012 and ITR Dori B.V. (of which it holds 50% of the shares) and 7.67% through a jointly controlled company formed under Dutch law between ITR 2012 and U. Dori Group). The remaining 20.44% of the outstanding shares are held by other investors including Amplico Otwarty Fundusz Emerytalny and ING Otwarty Fundusz Emerytalny each holding between 5% and 10% of the outstanding shares. For major shareholders of the Company reference is made to page 19. On 7 May 2014, the market price was PLN 1.53 per share giving the Company a market capitalization of PLN 416.7 million.

Company overview

The Company is an experienced, fast-growing and dynamic residential real estate developer expanding its geographic reach to major metropolitan areas across Poland. Leveraging upon its large portfolio of secured sites, the Company believes it is well positioned to maintain its position as a leading residential development company throughout Poland.

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

As at 31 March 2014, the Group has 856 units available for sale in eleven locations, of which seven are ongoing projects, comprising a total of 1,087 units, with a total area of 62,100 m². The construction of 186 units, with a total area of 10,800 m², is expected to be completed during the remainder of 2014. In addition, the Group has a pipeline of 19 projects in different stages of preparation, representing approximately 4,600 residential units with a total area of approximately 306,400 m² for future development in Warsaw, Poznań, Wrocław and Szczecin. The Group is considering commencement of another four stages of the currently running projects comprising 389 units with a total area of 21,400 m², and four new projects comprising 558 units with a total area of 34,500 m² (in total 947 units with a total area of 55,900 m²), during the remainder of 2014.

During the three months ended 31 March 2014, the Company realized sales of 206 units with the total value PLN 84.8 million which compares favorably to sales of 132 units with a total value of PLN 50.6 million during the three months ended 31 March 2013. These results would appear to reflect an improving market position of the Company and the residential market as a whole.

Directors' report

Market overview

The Polish economy has proven to be relatively strong even in the recent turbulent times throughout Europe, which in combination with the general paucity of dwellings in Poland (in comparison to all other European countries) creates, what management believes to be, solid long term prospects for further development of the residential real estate market in spite of the volatility that has characterized the market for the past six years. Management believes the Company is well positioned to adapt to changing market conditions. The Company's sales results during 2010 through 2014 seem to confirm that the Company has adapted positively to the volatile market environment.

The trend observed in 2010 and in 2011, when increasing activities of developers resulted in an increased offer of apartments available for sale on the market, slowed down in 2012, as many developers faced difficulties in finding customers for their products. In 2012, the construction of 142 thousand new apartments was commenced in Poland (a decrease of 12% compared to 2011) and during 2013 this number decreased by a further 10%.

Even as construction continued to decrease through 2013, the overall market appeared to turn around during the year. Notably, demand in 2013 increased in comparison to 2012. However, a number of factors tempered rapid growth in the market. First, due to new regulations and banking restrictions that came into effect in 2012 only the most reputable developers (such as the Company) were able to secure financing for new investments and were able to increase their offer substantially. Second, competition among real estate developers increased, which, in turn, led to increased customer demands and expectations relating to quality, a more advanced stage of construction and higher expectations for lower priced apartments. Third, an increasing number of customers have indicated interest in more "economical-sized" apartments, i.e. the same number of rooms in a smaller area.

Meanwhile, a number of external factors contributed to market growth. First, a governmental program that subsidized young couples purchasing their first apartments, called "Rodzina na Swoim" ("Family on its own") expired at the end of 2012 was replaced with a new governmental program that came into effect in the beginning of 2014. Second, in the last few quarters, the National Bank of Poland has kept interest rates at record low levels (only 2.5% since July 2013). These historically low interest rates in 2013 positively impacted the residential market for two reasons. First, mortgage loans became more affordable to the potential clients and second, more customers are purchasing apartments for cash, as they consider real estate investment as an attractive alternative to the very low interest earned on banking deposits. To that end (according to the estimates of real estate brokers), the number of clients purchasing apartments for cash doubled in comparison to the trends observed during similar periods in 2012.

Taking into consideration all these circumstances, the demand increase noticed in 2013 caught up with supply and more recently, it appears demand has even begun to exceed supply, suggesting the possibility of potential increases in apartment prices, which would benefit the Company. The number of total new apartments sold in Warsaw during 2013 amounted to 14,600 which was 19% higher than in 2012. The number of new apartments sold in eight major Polish metropolitan areas (other than Warsaw) increased in the same period by 13%. Continuing positive trends were also observed during the first quarter of 2014, which allowed the largest residential developers to continue to improve their sales results and increase their market share. Overall sales results during the first quarter of 2014 reported by eight largest residential developers listed on the Warsaw Stock Exchange were by 63% higher than in the same period during 2013.

Management believes that all the above factors, and especially taking into account the significantly improving sales results reported during the last few quarters both for the Company and for the Polish market as a whole, suggest that there is on-going strength in the Polish residential market for at least the following several quarters.

Meanwhile, on the construction side, arranging for the financing of construction sites continues to be challenging for developers due to implementation of a new law that entered into force in Poland in April 2012, which requires construction processes to be financed from debt as well as equity or, alternatively, to be secured by additional bank guarantees increasing security of customers' deposits, if such deposits are being used for financing the construction. Management believes that the Company is in a relatively strong financial position and should not face difficulties in arranging debt financing for its projects. Accordingly, when planning its newest projects, the Company has prepared itself for more demanding debt facility structures that are being imposed by the lending banks especially anticipating the requirements under the new developers' law.

Directors' report

Business highlights during the three months ended 31 March 2014

A. Projects completed

During the three months ended 31 March 2014, the Group completed the construction of Espresso I project comprising 210 units with an aggregate floor space of 9,500 m². For additional information see section 'B. Results breakdown by projects' below.

B. Results breakdown by project

Revenue from the sale of residential units is recognized upon the transfer to the buyer of significant risks and rewards of the ownership of the residential unit, i.e. upon signing of the protocol of technical acceptance and the transfer of the key to the buyer of the residential unit. Total revenue of the Group recognized during the three months ended 31 March 2014 amounted to PLN 65.9 million, whereas cost of sales amounted to PLN 52.5 million, which resulted in a gross profit amounting to PLN 13.4 million with a gross margin of 20.3%.

The following table specifies revenue, cost of sales, gross profit and gross margin during the three months ended 31 March 2014 on a project by project basis:

Project name	Information on the delivered units		Revenue ^(*)		Cost of sales ^(**)		Gross profit	Gross margin
	Number of units	Area of units (m ²)	PLN		PLN		PLN	%
			(thousand)	%	(thousand)	%	(thousand)	%
Espresso I	111	4,589	31,247	47.4%	24,262	46.2%	6,985	22.4%
Verdis I & II	50	3,115	20,513	31.1%	15,596	29.7%	4,917	24.0%
Sakura I & II	7	592	4,180	6.3%	3,596	6.8%	584	14.0%
Impressio I	2	112	650	1.0%	671	1.3%	(21)	-3.2%
Constans	1	257	1,175	1.8%	1,241	2.4%	(66)	-5.6%
Naturalis I, II & III	10	594	3,128	4.7%	2,768	5.3%	360	11.5%
Panoramika I	14	803	3,466	5.3%	3,285	6.3%	181	5.2%
Chilli I & II	1	86	338	0.5%	324	0.6%	14	4.1%
Gemini II	1	81	645	1.0%	413	0.8%	232	36.0%
Other	N.A.	N.A.	573	0.9%	358	0.7%	215	37.5%
Total / Average	197	10,229	65,915	100%	52,514	100%	13,401	20.3%

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

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

Espresso I

The construction of the Espresso I project was completed in February 2014. The Espresso I project was developed on a part of a land strip of 4,200 m² located in Wola district in Warsaw at Jana Kazimierza Street. The Espresso I project comprises 2 seven-eight-nine-and-ten-storey, multi-family residential buildings with a total of 202 apartments and 8 commercial units and an aggregate floor space of 9,500 m².

Verdis I & II

The construction of the Verdis I and Verdis II projects was completed in December 2012 and December 2013, respectively. The Verdis I and Verdis II projects were developed on a part of a land strip of 16,300 m² located in the Wola district in Warsaw at Sowińskiego Street. The Verdis I and Verdis II projects comprise 3 seven, eight and ten-storey, multi-family residential buildings with a total of 128 apartments and 11 commercial units and an aggregate floor space of 9,400 m² and 2 seven-storey, multi-family residential buildings with a total of 72 apartments and 6 commercial units and an aggregate floor space of 4,900 m², respectively.

Directors' report

Business highlights during the three months ended 31 March 2014 (cont'd)

B. Results breakdown by project (cont'd)

Sakura I & II

The construction of the Sakura I and Sakura II projects was completed in May 2012 and May 2013, respectively. The Sakura I and Sakura II projects were developed on a part of a land strip of 21,000 m² in Warsaw at Kłobucka Street. The Sakura I and Sakura II projects comprise 1 eleven-storey, multi-family residential building with a total of 99 apartments and 21 commercial units and an aggregate floor space of 8,100 m² and 1 seven and eleven-storey, multi-family residential building with a total of 136 apartments and an aggregate floor space of 8,300 m², respectively.

Impressio I

The construction of the Impressio I project was completed in June 2012. The Impressio I project was developed on a part of a land strip of 14,500 m² located in the Grabiszyn district in Wrocław. The Impressio I project comprises 3 four-storey, multi-family residential buildings with a total of 70 apartments and an aggregate floor space of 4,500 m².

Constans

The first, second and the third phases of the Constans housing project were completed in July 2010, November 2010 and June 2011, respectively. This project was developed on part of a land strip of 36,377 m² located in Konstancin near Warsaw. The first, second and the third phases of the Constans housing project comprise 8 semi-detached units (total 16 units) with an aggregate floor space of 4,471 m², 5 semi-detached units (total 10 units) with an aggregate floor space of 2,758 m² and 4 semi-detached units (total 8 units) with an aggregate floor space of 2,176 m², respectively.

Naturalis I, II & III

The construction of the Naturalis I, II and III projects was completed in December 2012, August 2012 and August 2013, respectively. The Naturalis I, II and III projects were developed on a part of a land strip of 31,800 m² located in Łomianki near Warsaw. The Naturalis I, II and III projects comprise 1 four-storey, multi-family residential building with a total of 52 apartments and an aggregate floor space of 2,900 m² and 2 four-storey, multi-family residential buildings, each with a total of 60 apartments and an aggregate floor space of 3,400 m².

Panoramika I

The construction of the Panoramika I project was completed in October 2012. The Panoramika I project was developed on a part of a land strip of 30,300 m² located in Szczecin at Duńska Street. The Panoramika I project comprises 2 four and five-storey, multi-family residential buildings with a total of 90 apartments and an aggregate floor space of 5,300 m².

Chilli I & II

The construction of the Chilli I and II projects was completed in July 2012 and July 2013, respectively. The Chilli I and II projects were developed on a part of a land strip of 39,604 m² located in Tulce near Poznań. The Chilli I and II projects comprises 30 units with an aggregate floor space of 2,100 m² and 20 units with an aggregate floor space of 1,600 m², respectively.

Gemini II

The construction of the Gemini II project was completed in December 2012. The Gemini II project was developed on a land strip of 4,703 m² located in the Ursynów district in Warsaw (KEN Avenue) situated next to the subway station Imielin. The Gemini II project comprises 2 eight and eleven-storey, multi-family residential buildings with a total of 167 apartments and 15 commercial units and an aggregate floor space of 13,900 m².

Other

Other revenues are mainly associated with sales of the parking places and storages in other projects that were completed in previous years, as well as rental revenues.

Directors' report**Business highlights during the three months ended 31 March 2014 (cont'd)****C. Units sold during the year**

The table below presents information on the total units sold (i.e. total number of units for which the Company signed the preliminary sale agreements with the clients), during the three months ended 31 March 2014:

Project name	Location	Units sold until 31 December 2013	Units sold during the three months ended 31 March 2014	Units for sale as at 31 March 2014	Total
Constans ^(*)	Warsaw	32	-	2	34
Gemini II ^(*)	Warsaw	180	-	2	182
Verdis I & II ^(*)	Warsaw	203	5	9	217
Verdis III ^(**)	Warsaw	21	25	100	146
Sakura I & II ^(*)	Warsaw	245	-	11	256
Sakura III ^(**)	Warsaw	29	34	82	145
Sakura IV ^(**)	Warsaw	-	-	114	114
Naturalis I, II & III ^(*)	Warsaw	106	10	56	172
Impressio I ^(*)	Wrocław	67	2	1	70
Impressio II ^(*)	Wrocław	1	5	136	142
Chilli I & II ^(*)	Poznań	47	1	2	50
Chilli III ^(**)	Poznań	2	5	31	38
Panoramika I ^(*)	Szczecin	80	5	5	90
Espresso I ^(*)	Warsaw	187	16	7	210
Espresso II ^(**)	Warsaw	29	37	86	152
Młody Grunwald I ^(**)	Poznań	69	41	38	148
Młody Grunwald II ^(**)	Poznań	-	-	137	137
Tamka ^(**)	Warsaw	10	18	37	65
Old projects	Warsaw	-	2	-	2
Total		1,308	206	856	2,370

(*) For information on the completed projects see "Business highlights during the three months ended 31 March 2014 – B. Results breakdown by project" (pages 3 and 4).

(**) For information on current projects under construction and/or on sale, see "Outlook for the remainder of 2014 – B. Current projects under construction and/or on sale" (pages 13-15).

D. Commencements of new projects

The table below presents information on the projects for which the construction and/or sales process commenced during the three months ended 31 March 2014:

Project name	Location	Number of units	Area of units (m²)
Sakura IV ^(*)	Warsaw	114	6,600
Młody Grunwald II ^(*)	Poznań	137	8,200
Total		251	14,800

(*) For information on current projects under construction and/or on sale, see "Outlook for the remainder of 2014 – B. Current projects under construction and/or on sale" (pages 13-15).

Directors' report

Financial information

The Interim Condensed Consolidated Financial Statements as included in this Interim Financial Report on pages 21 through 43 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 2013 which have been prepared in accordance with IFRS. At the date of authorization of these Interim Condensed Consolidated Financial Statements, in light of the current process of IFRS endorsement in the European Union and the nature of the Group's activities, there is no difference between the full IFRSs and 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.

Overview of results

The net profit attributable to the equity holders of the parent company for the three months ended 31 March 2014 was PLN 4,166 thousand and can be summarized as follows:

	For the three months ended	
	31 March	
	2014	2013
	PLN	
	(thousands, except per share data)	
		(restated*)
Revenue	65,915	54,147
Cost of sales	(52,514)	(39,137)
Gross profit	13,401	15,010
Selling and marketing expenses	(1,908)	(1,497)
Administrative expenses	(5,148)	(4,098)
Other expense	(801)	(627)
Other income	65	91
Result from operating activities	5,609	8,879
Finance income	665	606
Finance expense	(933)	(480)
Net finance income/(expense)	(268)	126
Share of profit/(loss) from joint ventures	(270)	(318)
Profit/(loss) before taxation	5,071	8,687
Income tax benefit/(expenses)	(273)	213
Net profit/(loss) for the period before non-controlling interests	4,798	8,900
Non-controlling interests	(632)	90
Net profit/(loss) for the period attributable to the equity holders of the parent	4,166	8,990
Earnings per share attributable to the equity holders of the parent (basic and diluted)	0.015	0.033

* Certain amounts shown do not correspond to the interim condensed consolidated financial statements as at 31 March 2013 and reflect adjustments made as detailed in Note 3 on pages 27 and 28.

Directors' report

Overview of results (cont'd)

Revenue

Total revenue increased by PLN 11.8 million (21.7%) from PLN 54.1 million during the three months ended 31 March 2013 to PLN 65.9 million during the three months ended 31 March 2014, which is primarily explained by an increase in apartments delivered to the customers in terms of area size (in m²). The increase is offset in part by a slight decrease in the average selling price per m².

Cost of sales

Cost of sales increased by PLN 13.4 million (34.2%) from PLN 39.1 million during the three months ended 31 March 2013 to PLN 52.5 million during the three months ended 31 March 2014, which is primarily explained by an increase in apartments delivered to the customers in terms of area size (in m²).

Gross margin

The gross margin during the three months ended 31 March 2014 was 20.3% which compares to a gross margin during the three months ended 31 March 2013 of 27.7%. The decrease in gross margin is primarily explained by a slight decrease in the average selling price per m². Moreover majority of revenues and costs of sales (and therefore also gross profit margin) recognized during the three months ended 31 March 2014 were related to Espresso I and Verdis II projects, which were less profitable than the projects delivered to the customers during three months ended 31 March 2013 (mainly Gemini II and Verdis I).

Selling and marketing expenses

Selling and marketing expenses increased by PLN 0.4 million (27.5%) from PLN 1.5 million for the three months ended 31 March 2013 to PLN 1.9 million for the three months ended 31 March 2014. The increase of expenses reflects the changing market dynamics, which demand that developers undertake a more proactive sales and marketing effort in a more competitive environment. Simultaneously, the number of units sold by the Company in the period increased by 56.1% (from 132 units during the three months ended 31 March 2013 to 206 units during the three months ended 31 March 2014).

Administrative expenses

Administrative expenses increased by PLN 1.0 million (25.6%) from PLN 4.1 million for the three months ended 31 March 2013 to PLN 5.1 million for the three months ended 31 March 2014. The increase is primarily explained by the impact of new incentive plan adopted during February 2014 (for additional information see note 12), as well as increase in the sales department bonus due to the increase in sales.

Result from operating activities

As a result of the factors described above, the Company's operating result decreased by PLN 3.3 million, from an operating profit of PLN 8.9 million for three months ended 31 March 2013 to an operating profit of PLN 5.6 million for three months ended 31 March 2014.

Directors' report**Overview of results (cont'd)***Net finance income/(expense)*

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

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

	For the three months ended 31 March 2014		
	PLN (thousands)		
	<u>Total amount</u>	<u>Amount capitalized</u>	<u>Recognized as profit or loss</u>
Finance income	669	(4)	665
Finance expense	(3,554)	2,621	(933)
Net finance income/(expense)	<u>(2,885)</u>	<u>2,617</u>	<u>(268)</u>
	For the three months ended 31 March 2013 (restated)*		
	PLN (thousands)		
	<u>Total amount</u>	<u>Amount capitalized</u>	<u>Recognized as profit or loss</u>
Finance income	663	(57)	606
Finance expense	(4,441)	3,961	(480)
Net finance income/(expense)	<u>(3,778)</u>	<u>3,904</u>	<u>126</u>

* Certain amounts shown do not correspond to the interim condensed consolidated financial statements as at 31 March 2013 and reflect adjustments made as detailed in Note 3 on pages 27 and 28.

Net finance expenses before capitalization decreased by PLN 0.9 million (23.6%) from PLN 3.8 million during the three months ended 31 March 2013 to PLN 2.9 million during the three months ended 31 March 2014, which was a result of an decrease in the average net debt position during the period from PLN 158.9 million during the three months ended 31 March 2013 to PLN 100.0 million during the three months ended 31 March 2014, as well as by a decrease in the reference rates (WIBOR).

Income tax benefit/(expenses)

During the three months ended 31 March 2014 the income tax expenses amounted to PLN 0.3 million, in comparison to a tax benefit of PLN 0.2 million for the three months ended 31 March 2013. The low effective tax rate during the three months ended 31 March 2014 and tax benefit during the three months ended 31 March 2013 is explained by the recognition of tax assets. The recognition of the tax assets took place after an organizational restructuring of the Group, which allowed the Company to utilize certain tax losses that in prior periods were deemed not to be usable.

Non-controlling interests

Non-controlling interests comprise the share of minority shareholders in profit and losses from subsidiaries that are not 100% owned by the Company and amounted to PLN 632 thousand (negative) for the three months ended 31 March 2014, as compared to PLN 90 thousand (positive) for the three months ended 31 March 2013. The change in the non-controlling interest is explained revenue recognition from Espresso I project that was completed in February 2014.

Directors' report**Overview of selected details from the Interim Consolidated Statement of Financial Position**

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

	As at 31 March 2014	As at 31 December 2013 (restated*)
	PLN (thousands)	
Inventory	586,401	604,790
Advances received	61,000	70,565
Loans and borrowings	162,218	164,001

* Certain amounts shown do not correspond to the annual consolidated financial statements as at 31 December 2013 and reflect adjustments made as detailed in Note 3 (see pages 27 and 28).

Inventory

The balance of inventory is PLN 586.4 million as of 31 March 2014 compared to PLN 604.8 million as of 31 December 2013. The decrease in inventory is primarily explained by cost of sales recognized for a total amount of PLN 52.3 million. The decrease is offset in part by the Group's investments associated with direct construction costs for a total amount of PLN 29.2 million and a net finance expense capitalized for a total amount of PLN 2.6 million.

Advances received

The balance of advances received is PLN 61.0 million as of 31 March 2014 compared to PLN 70.6 million as of 31 December 2013. The decrease is a result of revenues recognized from the sale of residential units for a total amount of PLN 65.9 million and is offset in part by advances received from clients regarding sales of residential units for a total amount PLN 56.3 million.

Loans and borrowings

The total of short-term and long-term loans and borrowings is PLN 162.2 million as of 31 March 2014 compared to PLN 164.0 million as of 31 December 2013. The decrease in loans and borrowings is primarily explained by repayment of bank loans for the total amount PLN 10.2 million. The decrease is offset in part by the effect of proceeds from bank loans net of bank charges for a total amount of PLN 6.1 million. Of the mentioned PLN 162.2 million, an amount of PLN 39.7 million comprises facilities maturing no later than 31 March 2015.

The maturity structure of the loans and borrowings reflects the Company's recent activities related to bonds issued in April 2011, June 2013 and in July 2013. Simultaneously, the banking loans that were obtained by the Company in the past 6 to 7 years to partially refinance some of its land acquisitions with short-term and medium-term banking facilities are gradually converted into construction loans (when the Company commences construction in a particular project) and repaid by the Company after construction is completed and the apartments are sold to the customers. In addition, for the majority of projects where construction works have already commenced, the Company also entered into new loan agreements regarding the financing of construction costs. The Company intends to repay its loans and borrowings, both received for land purchases as well as for construction works from the proceeds expected from customers buying apartments in the projects co-financed with the particular loans as well as with the bonds.

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

Loans and borrowings (cont'd)

The balance of loans and borrowings may be split into four categories: 1) floating rate bond loans, 2) banking loans related to residential projects which are completed or under construction, 3) banking loans granted for the financing of land purchases related to projects where the Company has not entered into loan facilities regarding the financing of construction works and 4) loans from third parties.

Floating rate bond loans as at 31 March 2014 amounted to PLN 121.3 million comprising a loan principal amount of PLN 121.3 million plus accrued interest of PLN 2.3 million minus one-time costs directly attributed to the bond issuances which are amortized based on the effective interest method (PLN 2.3 million). For additional information see Note 10 of the Interim Condensed Consolidated Financial Statements.

The bank loans supporting completed projects or projects under construction are tailored to the pace of construction works and of sales. As at 31 March 2014, loans in this category amounted to PLN 13.6 million.

The bank loans granted to finance the land purchases as at 31 March 2014 amounted to PLN 24.6 million in total.

Loans from third parties as at 31 March 2014 amounted to PLN 2.7 million.

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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 three months ended	
	31 March	
	2014	2013
		<i>(restated*)</i>
	PLN (thousands)	
Cash flow from/(used in) operating activities	<u>21,783</u>	<u>3,596</u>
Cash flow from/(used in) investing activities	<u>(44)</u>	<u>40</u>
Cash flow from/(used in) financing activities	<u>(4,032)</u>	<u>(10,120)</u>

* Certain amounts shown do not correspond to the interim condensed consolidated financial statements as at 31 March 2013 and reflect adjustments made as detailed in Note 3 on pages 27 and 28.

Cash flow from/(used in) operating activities

The Company's net cash inflow from operating activities for the three months ended 31 March 2014 amounted to PLN 21.8 million which compares to a net cash inflow from operating activities during the three months ended 31 March 2013 amounting to PLN 3.6 million. The increase is principally explained by:

- a net cash inflow from trade and other payables and accrued expenses amounting to PLN 8.5 million during the three months ended 31 March 2014 as compared to a net cash outflow used in trade and other payables and accrued expenses amounting to PLN 8.3 million during the three months ended 31 March 2013.

Cash flow from/(used in) financing activities

The Company's net cash outflow used in financing activities amounted to PLN 4.0 million during the three months ended 31 March 2014 compared to a net cash outflow totaling PLN 10.1 million in the three months ended 31 March 2013. The decrease is primarily due to:

- a repayment of secured bank loans amounting to PLN 10.2 million during the three months ended 31 March 2014 compared to a repayment of secured bank loans amounting to PLN 14.6 million during the three months ended 31 March 2013;
- the effects of the proceeds from bank loans net of bank charges amounting to PLN 6.1 million during the three months ended 31 March 2014 compared to PLN 4.5 million during the three months ended 31 March 2013.

Quarterly reporting by the Company

As a result of requirements (indirectly) pertaining to I.T.R. Dori B.V., one of the Company's larger shareholders, 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 the Netherlands and listed on the Warsaw stock exchange, only the semi-annual report is subject to a review. The Company has agreed with the ultimate parent company of I.T.R. Dori B.V. that the costs for the first and third quarter review will be fully reimbursed to the Company. The Company considers having its first and third quarter report provided with a review report a benefit to all of its shareholders.

Directors' report

Selected financial data

PLN/EUR	Exchange rate of Euro versus the Polish Zloty			
	Average exchange rate	Minimum exchange rate	Maximum exchange rate	Period end exchange rate
2014 (3 months)	4.186	4.145	4.238	4.171
2013 (3 months)	4.155	4.067	4.203	4.177

Source: National Bank of Poland ("NBP")

Selected financial data	EUR*		PLN	
	(thousands, except per share data and number of shares)			
	For the three months ended 31 March or as at 31 March			
	2014	2013**	2014	2013**
Revenues	15,747	13,032	65,915	54,147
Gross profit	3,201	3,613	13,401	15,010
Profit/(loss) before taxation	1,211	2,091	5,071	8,687
Net profit/(loss) for the period attributable to the equity holders of the parent	995	2,164	4,166	8,990
Cash flows from/(used in) operating activities	5,204	865	21,783	3,596
Cash flows from/(used in) investing activities	(11)	10	(44)	40
Cash flows from/(used in) financing activities	(963)	(2,436)	(4,032)	(10,120)
Increase/(decrease) in cash and cash equivalents	4,230	(1,561)	17,707	(6,484)
Inventory	140,590	152,288	586,401	636,106
Total assets	179,292	181,202	747,827	756,879
Advances received	14,625	12,751	61,000	53,261
Long term liabilities	32,119	34,837	133,969	145,516
Short term liabilities (including advances received)	34,165	34,194	142,504	142,830
Equity attributable to the equity holders of the parent	112,404	111,255	468,839	464,713
Share capital	5,054	5,054	20,762	20,762
Average number of equivalent shares (basic)	272,360,000	272,360,000	272,360,000	272,360,000
Net earnings per share (basic and diluted)	0.004	0.008	0.015	0.033

* Information is presented in EUR solely for presentation purposes. Due to changes in the Polish Zloty against the Euro exchange rate over the past period, the Statement of Financial Position data may not accurately reflect the actual comparative financial position of the Company. The reader should consider changes in the PLN / EUR exchange rate from 1 January 2013 to 31 March 2014, when reviewing this data.

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

(i) Statement of financial position data were translated using the period end exchange rate published by the National Bank of Poland for the last day of the period.

(ii) Statement of comprehensive income and cash flows data were translated using the arithmetical average of average exchange rates published by the National Bank of Poland.

** Certain amounts shown do not correspond to the interim condensed consolidated financial statements as at 31 March 2013 and reflect adjustments made as detailed in Note 3 (see pages 27 and 28).

Directors' report

Outlook for the remainder of 2014

A. Completed projects

The table below presents information on the total residential units in the completed projects/stages that the Company expects to sell and deliver during the remainder of 2014:

Project name	Location	Number of residential units delivered (*)			Number of residential units expected to be delivered (*)			Total project
		Until 31 December 2013	During the period ended 31 March 2014	Total units delivered	Sold until 31 December 2013	Not sold as at 31 March 2014	Total units expected to be delivered	
Constans ^(*)	Warsaw	29	1	30	2	2	4	34
Gemini II ^(**)	Warsaw	179	1	180	-	2	2	182
Verdis I & II ^(**)	Warsaw	149	50	199	9	9	18	217
Naturalis I,II & III ^(**)	Warsaw	95	10	105	11	56	67	172
Sakura I & II ^(**)	Warsaw	234	7	241	4	11	15	256
Impressio I ^(**)	Wrocław	66	2	68	1	1	2	70
Chilli I & II ^(**)	Poznań	44	1	45	3	2	5	50
Panoramika I ^(**)	Szczecin	69	14	83	2	5	7	90
Espresso I ^(**)	Warsaw	-	111	111	92	7	99	210
Total		865	197	1,062	124	95	219	1,281

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

^(**) For information on the completed projects see "Business highlights during the three months ended 31 March 2014 – B. Results breakdown by project" (pages 3 to 4).

B. Current projects under construction and/or on sale

The table below presents information on projects for which completion is scheduled in the remainder of 2014 and 2015.

Project name	Location	Total area of units (m ²)	Total units	Units sold until 31 March 2014	Expected completion of construction
Młody Grunwald I	Poznań	8,500	148	110	2014
Chilli III	Poznań	2,300	38	7	2014
Sakura III	Warsaw	7,300	145	63	2015
Sakura IV	Warsaw	6,600	114	-	2015
Verdis III	Warsaw	7,700	146	46	2015
Espresso II	Warsaw	7,600	152	66	2015
Impressio II	Wrocław	8,400	142	6	2015
Młody Grunwald II	Poznań	8,200	137	-	2015
Tamka	Warsaw	5,500	65	28	2015
Total		62,100	1,087	326	

Directors' report

Outlook for the remainder of 2014 (cont'd)

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

Młody Grunwald I and II

Description of project

The first and the second phase of the Młody Grunwald project are being developed on a part of a land strip of 15,449 m² located in Grunwald district in Poznań at Jeleniogórska Street. The first and the second phase of this project will comprise 3 six-storey, multi-family residential buildings with a total of 136 apartments and 12 commercial units and an aggregate floor space of 8,500 m² and 3 six-storey, multi-family residential buildings with a total of 132 apartments and 5 commercial units and an aggregate floor space of 8,200 m², respectively.

Stage of development

The construction of the Młody Grunwald I project commenced in September 2012, while completion is expected in the second quarter of 2014. The sales of the Młody Grunwald II project commenced in March 2014 and the construction commenced in April 2014, while completion is expected in the fourth quarter of 2015.

Chilli III

Description of project

The third phase of the Chilli project is being developed on a part of a land strip of 39,604 m² located in Tulce near Poznań, and is a continuation of Chilli I and Chilli II, which were completed during 2012 and 2013. The third phase of this project will comprise 38 units with an aggregate floor space of 2,300 m².

Stage of development

The construction of the Chilli III project commenced in September 2013, while completion is expected in the fourth quarter of 2014.

Sakura III and IV

Description of project

The third and the fourth phase of the Sakura project are being developed on a part of a land strip of 21,000 m² located in Warsaw at Kłobucka Street and are a continuation of Sakura I and Sakura II, which were completed during 2012 and 2013. The third and the fourth phase of this project will comprise 1 six-and-seven-storey, multi-family residential building with a total of 145 apartments and an aggregate floor space of 7,300 m² and 1 seven-storey, multi-family residential building with a total of 108 apartments and 6 commercial units and an aggregate floor space of 6,600 m², respectively.

Stage of development

The construction of the Sakura III project commenced in October 2013, while completion is expected in the first quarter of 2015. The construction of the Sakura IV project commenced in March 2014, while completion is expected in the fourth quarter of 2015.

Directors' report

Outlook for the remainder of 2014 (cont'd)

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

Verdis III

Description of project

The third phase of the Verdis project is being developed on a part of a land strip of 16,300 m² located in the Wola district in Warsaw at Sowińskiego Street and is a continuation of Verdis I and Verdis II, which were completed during 2012 and 2013. The third phase of this project will comprise 2 seven-and-eleven-storey, multi-family residential buildings with a total of 140 apartments and 6 commercial units and an aggregate floor space of 7,700 m².

Stage of development

The construction of the Verdis III project commenced in October 2013, while completion is expected in the second quarter of 2015.

Espresso II

Description of project

The second phase of the Espresso project is being developed on a land strip of 4,800 m² located in Wola district in Warsaw at Jana Kazimierza Street, and is a continuation of Espresso I project which was completed in February 2014. The second phase of this project will comprise 2 seven-and-eight-storey, multi-family residential buildings with a total of 142 apartments and 10 commercial units and an aggregate floor space of 7,600 m².

Stage of development

The construction of the Espresso II project commenced in August 2013, while completion is expected in the second quarter of 2015.

Impressio II

Description of project

The second and the last phase of the Impressio project is being developed on a part of a land strip of 14,500 m² located in the Grabiszyn district in Wrocław at Rymarska Street, and is a continuation of Impressio I, which was completed during 2012. The last phase of this project will comprise 5 four-storey, multi-family residential buildings with a total of 142 units with an aggregate floor space of 8,400 m².

Stage of development

The construction of the Impressio II project commenced in November 2013, while completion is expected in the second quarter of 2015.

Tamka

Description of project

The Tamka project is being developed on a land strip of 2,515 m² located in the Śródmieście district in Warsaw at Tamka Street (Warsaw city center). The Tamka project will comprise 1 eight-storey, multi-family residential building with a total of 60 apartments and 5 commercial units with an aggregate floor space of 5,500 m².

Stage of development

The construction of the Tamka project commenced in November 2013, while completion is expected in the third quarter of 2015.

Directors' report

Outlook for the remainder of 2014 (cont'd)***C. Projects for which construction work is planned to commence during the remainder of 2014***

As the Company is aware of increasing competition in the market, the Company has been careful to manage the number of new projects and the makeup of such projects in order to best satisfy consumer demand. During the remainder of 2014, the Company is considering the commencement of development on another four stages of currently run projects and four new projects, which 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 breaks down the new projects into relatively smaller stages. In the event of any market deterioration or difficulties with securing financing by the banks for the considered projects, management may further delay some of those plans.

a) New Projects***Moko***

The Moko project will be developed on a land strip of 12,150 m² located in the Mokotów district in Warsaw at Magazynowa Street. The project will comprise 344 units with an aggregate floor space of 23,800 m² and will be divided into 2 phases. The first stage is to comprise 175 units with an aggregate floor space of 11,200 m². The Company is considering commencing construction of the first phase of this project during the remainder of 2014.

Copernicus

The Copernicus project will be developed on a land strip of 5,605 m² located in the Jeżyce district in Poznań at Kościelna Street. The project will comprise 307 units with an aggregate floor space of 15,200 m². The first stage is to comprise 149 units with an aggregate floor space of 7,800 m². The Company is considering commencing construction of the first phase of this project during the remainder of 2014.

Jasminowa

The Jasminowa project will be developed on a land strip of 118,437 m² located in the Mokotów district in Warsaw at Jasminowa Street. The project will comprise 656 units with an aggregate floor space of 49,200 m². The first stage is to comprise 101 units with an aggregate floor space of 9,400 m². The Company is considering commencing construction of the first phase of this project during the remainder of 2014.

Skierniewicka

The Skierniewicka project will be developed on a land strip of 8,893 m² located in the Wola district in Warsaw at Skierniewicka Street. The project will comprise 458 units with an aggregate floor space of 23,900 m². The first stage is to comprise 133 units with an aggregate floor space of 6,100 m². The Company is considering commencing construction of the first phase of this project during the remainder of 2014.

Directors' report

Outlook for the remainder of 2014 (cont'd)

C. Projects for which construction work is planned to commence during the remainder of 2014 (cont'd)

b) New stages of running projects

Panoramika II

The Panoramika II project is a continuation of Panoramika I. The project will comprise 107 units with an aggregate floor space of 6,000 m². The Company is considering commencing construction of this project during the remainder of 2014.

Verdis IV

The Verdis IV project is the last stage of the Verdis project and is a continuation of Verdis I, II and III projects. The project will comprise 78 units with an aggregate floor space of 4,000 m². The Company is considering commencing construction of this project during the remainder of 2014.

Espresso III

The Espresso III project is continuation of Espresso I and II projects. The project will comprise 166 units with an aggregate floor space of 9,100 m². The Company is considering commencing construction of this project during the remainder of 2014.

Chilli IV

The Chilli IV project is a continuation of Chilli I, II and III projects. The project will comprise 38 units with an aggregate floor space of 2,300 m². The Company is considering commencing construction of this project during the remainder of 2014.

Directors' report**Outlook for the remainder of 2014 (cont'd)*****D. Value of the preliminary sales agreements signed with clients for which revenue has not been recognized in the Condensed Consolidated Statement of Comprehensive Income***

The current volume and value of the preliminary sales agreements signed with the clients do not impact the Condensed Consolidated Statement of Comprehensive Income account immediately but only after final settlement of the contracts with the customers (for more details see under "A – Completed projects" above on page 13). The table below presents the value of the preliminary sales agreements executed with the Company's clients in particular for units that have not been recognized in the Condensed Consolidated Statement of Comprehensive Income:

Project name	Location	Value of the preliminary sales agreements signed with clients in thousands of PLN	Completed / expected completion of construction
Gemini II ^(*)	Warsaw	148	Completed
Verdis I & II ^(*)	Warsaw	3,640	Completed
Sakura I & II ^(*)	Warsaw	2,665	Completed
Naturalis I, III & III ^(*)	Warsaw	3,326	Completed
Panoramika I ^(*)	Szczecin	613	Completed
Constans ^(*)	Warsaw	1,932	Completed
Espresso I ^(*)	Warsaw	30,410	Completed
Impressio I ^(*)	Wrocław	447	Completed
Chilli I & II ^(*)	Poznań	971	Completed
<i>Subtotal completed projects</i>		44,152	
Młody Grunwald I ^(**)	Poznań	30,409	2014
Chilli III ^(**)	Poznań	1,626	2014
Sakura III ^(**)	Warsaw	19,982	2015
Espresso II ^(**)	Warsaw	19,469	2015
Verdis III ^(**)	Warsaw	16,532	2015
Impressio II ^(**)	Wrocław	2,488	2015
Tamka ^(**)	Warsaw	32,480	2015
<i>Subtotal projects under construction</i>		122,986	
Total		167,138	

^(*) For information on the completed projects see "Business highlights during the three months ended 31 March 2014 – B. Results breakdown by project" (pages 3 to 4).

^(**) For information on current projects under construction and/or on sale, see under "B" above (pages 13-15).

E. Main risks and uncertainties during the remainder of 2014

While the improving market in 2013, that appeared to accelerate in the second half of the year, potentially bodes well for the Company in 2014 and in 2015, the overall economic and geopolitical situation in Europe and in Poland and the ongoing uncertainties in the housing market make it very difficult to predict results for the remainder of 2014 precisely. The level of development of the Polish economy, the performance of the banking industry and consumers' interest in new housing projects, as well as increasing competition in the market are considered to be the most significant uncertainties for the financial year ending 31 December 2014.

Directors' report**Additional information to the report**

To the best of the Company's knowledge, as of the date of preparation of this short report for the three months ended 31 March 2014 (7 May 2014), the following shareholders are entitled to exercise over 5% of the voting rights at the General Meeting of Shareholders in the Company:

Shares

	As of 7 May 2014 Number of shares / % of shares	Change in number of shares	As of 31 March 2014 Number of shares / % of shares	Change in number of shares	As of 31 December 2013 Number of shares / % of shares
<i>Shares issued</i>	272,360,000	-	272,360,000	-	272,360,000
<i>Major shareholders:</i>					
I.T.R. 2012 B.V. ^(*)	87,449,187 32.1%	-	87,449,187 32.1%	-	87,449,187 32.1%
I.T.R. Dori B.V. ^(*)	87,449,187 32.1%	-	87,449,187 32.1%	-	87,449,187 32.1%
GE Real Estate CE Residential B.V. ^(**)	41,800,000 15.3%	-	41,800,000 15.3%	-	41,800,000 15.3%
Amplico Otworthy Fundusz Emerytalny	N/A Between 5%-10%.	N/A	N/A Between 5%-10%.	N/A	N/A Between 5%-10%.
ING Otworthy Fundusz Emerytalny	N/A Between 5%-10%.	N/A	N/A Between 5%-10%.	N/A	N/A Between 5%-10%.

(*) In December 2012, I.T.R. 2012 B.V. and I.T.R. Dori B.V. entered into a partnership formed under Dutch law, which holds the voting rights attached to 174,898,374 shares in the Company representing 64.2% of the total number of shares in the Company, which were previously held by I.T.R. Dori B.V.

I.T.R. 2012 B.V. is an indirect subsidiary of Israel Theaters Ltd. and I.T.R. Dori B.V. is a subsidiary of U. Dori Group Ltd.

(**) On 14 November 2013, the shares in GE Real Estate CE Residential B.V. were (indirectly, through the acquisition of the shares of RN Development Holding B.V.) acquired by I.T.R. 2012 B.V. and U. Dori Group Ltd., which due to this transaction increased indirect shareholding in Ronson by 7.67% each. As a result of this transaction Israel Theaters Ltd. indirectly controls 39.78% of the Company's shares and U. Dori Group Ltd. indirectly controls 39.78% of the Company's shares.

Changes in ownership of shares and rights to shares by Management Board members in the three months ended 31 March 2014 and until the date of publication of this report*Shares*

The following members of the Management Board own shares in the Company:

- Mr Ronen Ashkenazi as at 31 March 2014 and as at the day of publishing this report, indirectly held a 5.9% interest in the Company.
- Mr Israel Greidinger, as at 31 March 2014 and as at the day of publishing this report, indirectly held 8.84% of the shares and 9.48% of the voting rights in the Company.

Changes in ownership of shares and rights to shares by Supervisory Board members in the three months ended 31 March 2014 and until the date of publication of the report

None

Directors' report

Additional information to the report (cont'd)

Other

As of 31 March 2014, the Company has issued guarantees for bank loans granted to subsidiaries amounting to a total of PLN 32,747 thousand.

As of 31 March 2014, the Group had no litigations for claims or liabilities that in total would exceed 10% of the Group's equity.

The following net movements in the Group's main provisions took place during the three months ended 31 March 2014:

- an increase in the provision for deferred tax liabilities of PLN 150 thousand (an increase of PLN 470 thousand during the three months ended 31 March 2013).

Responsibility statement

The Management Board confirms that, to the best of its knowledge, these Interim Condensed Consolidated Financial Statements have been prepared in accordance with IAS 34 "Interim financial reporting". At the date of authorization of these Interim Condensed Consolidated Financial Statements, in light of the current process of IFRS endorsement in the European Union and the nature of the Group's activities, there is no difference between the IFRSs applied by the Group and 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 Consolidated Financial Statements give a true and fair view of the state of affairs of the Group at 31 March 2014 and of the net result for the period then ended.

The Directors' report in this Interim Financial Report gives a true and fair view of the situation on the balance sheet date and of developments during the three months period together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year. The three months management board report gives a true and fair view of the important events of the past three-month period and their impact on the interim financial statements, as well as the principal risks and uncertainties for the period to come, and the most important related party transactions.

The Management Board

Shraga Weisman
 Chief Executive Officer

Tomasz Łapiński
 Chief Financial Officer

Andrzej Gutowski
 Sales and Marketing Director

Israel Greidinger

Ronen Ashkenazi

Rotterdam, 7 May 2014

Interim Condensed Consolidated Financial Statement for the three months ended 31 March 2014**Interim Condensed Consolidated Statement of Financial Position**

As at		31 March 2014 (Reviewed/ Unaudited)	31 December 2013 (Audited) Restated*
<i>In thousands of Polish Zlotys (PLN)</i>	<i>Note</i>		
Assets			
Property and equipment		9,223	9,270
Investment property		9,840	9,840
Loans granted to third parties		651	629
Investment in joint ventures	3	15,542	15,295
Deferred tax assets		11,760	11,845
Total non-current assets		47,016	46,879
Inventory	9	586,401	604,790
Trade and other receivables and prepayments		37,673	38,064
Income tax receivable		533	524
Short-term bank deposits - collateralized		1,000	1,268
Loans granted to third parties		860	843
Other current financial assets		4,484	515
Cash and cash equivalents		69,860	52,153
Total current assets		700,811	698,157
Total assets		747,827	745,036
Equity			
Share capital		20,762	20,762
Share premium		282,873	282,873
Retained earnings		165,204	161,038
Equity attributable to equity holders of the parent		468,839	464,673
Non-controlling interests		2,515	1,883
Total equity		471,354	466,556
Liabilities			
Floating rate bond loans	10	113,958	113,759
Secured bank loans	11	5,888	27,528
Loans from third parties		2,691	2,657
Other payables		-	394
Share based payment liabilities	12	660	-
Deferred tax liability		10,772	10,622
Total non-current liabilities		133,969	154,960
Trade and other payables and accrued expenses		41,618	32,688
Floating rate bond loans	10	7,335	5,607
Secured bank loans	11	32,346	14,450
Advances received		61,000	70,565
Income tax payable		4	9
Provisions		201	201
Total current liabilities		142,504	123,520
Total liabilities		276,473	278,480
Total equity and liabilities		747,827	745,036

* Certain amounts shown do not correspond to the annual consolidated financial statements as at 31 December 2013 and reflect adjustments made as detailed in Note 3.

The notes included on pages 26 to 43 are an integral part of these interim condensed consolidated financial statements

Interim Condensed Consolidated Financial Statement for the three months ended 31 March 2014**Interim Condensed Consolidated Statement of Comprehensive Income**

<i>PLN (thousands, except per share data and number of shares)</i>	<i>Note</i>	For the 3 months ended 31 March 2014 (Reviewed/ Unaudited)	For the 3 months ended 31 March 2013 (Reviewed/ Unaudited) Restated *
Revenue		65,915	54,147
Cost of sales		(52,514)	(39,137)
Gross profit		13,401	15,010
Selling and marketing expenses		(1,908)	(1,497)
Administrative expenses		(5,148)	(4,098)
Other expenses		(801)	(627)
Other income		65	91
Result from operating activities		5,609	8,879
Finance income		665	606
Finance expense		(933)	(480)
Net finance income/(expense)		(268)	126
Share of profit/(loss) from joint ventures	<i>3</i>	(270)	(318)
Profit/(loss) before taxation		5,071	8,687
Income tax benefit/(expense)	<i>13</i>	(273)	213
Profit/(loss) for the period		4,798	8,900
Other comprehensive income		-	-
Total comprehensive income for the period, net of tax		4,798	8,900
Total comprehensive income attributable to:			
Equity holders of the parent		4,166	8,990
Non-controlling interests		632	(90)
Total comprehensive income for the period, net of tax		4,798	8,900
Weighted average number of ordinary shares (basic and diluted)		272,360,000	272,360,000
<i>In Polish Zlotys (PLN)</i>			
Earnings per share attributable to the equity holders of the parent (basic and diluted)		0.015	0.033

* Certain amounts shown do not correspond to the interim condensed consolidated financial statements as at 31 March 2013 and reflect adjustments made (reference is made to Note 3).

The notes included on pages 26 to 43 are an integral part of these interim condensed consolidated financial statements

Interim Condensed Consolidated Financial Statement for the three months ended 31 March 2014**Interim Condensed Consolidated Statement of Changes in Equity**

<i>In thousands of Polish Zlotys (PLN)</i>	<u>Attributable to the Equity holders of parent</u>				Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Total		
Balance at 1 January 2014 <i>Restated *</i>	20,762	282,873	161,038	464,673	1,883	466,556
Comprehensive income: Profit for the three months ended 31 March 2014	-	-	4,166	4,166	632	4,798
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	4,166	4,166	632	4,798
Balance at 31 March 2014 (Reviewed/ Unaudited)	20,762	282,873	165,204	468,839	2,515	471,354

<i>Restated *</i> <i>In thousands of Polish Zlotys (PLN)</i>	<u>Attributable to the Equity holders of parent</u>				Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Total		
Balance at 1 January 2013	20,762	282,873	152,088	455,723	3,910	459,633
Comprehensive income: Profit for the three months ended 31 March 2013	-	-	8,990	8,990	(90)	8,900
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	8,990	8,990	(90)	8,900
Balance at 31 March 2013 (Reviewed/ Unaudited)	20,762	282,873	161,078	464,713	3,820	468,533

* Certain amounts shown do not correspond to the annual consolidated financial statements as at 31 December 2013 and the interim condensed consolidated financial statements as at 31 March 2013 and reflect adjustments made as detailed in Note 3.

The notes included on pages 26 to 43 are an integral part of these interim condensed consolidated financial statements

Interim Condensed Consolidated Financial Statement for the three months ended 31 March 2014**Interim Condensed Consolidated Statement of Cash Flows**

	For the 3 months ended 31 March 2014	For the 3 months ended 31 March 2013
	(Reviewed) / (unaudited)	(Reviewed/ Unaudited)
<i>In thousands of Polish Zlotys (PLN)</i>		Restated*
Cash flows from/(used in) operating activities		
Profit for the period	4,798	8,900
Adjustments to reconcile profit for the period to net cash used in operating activities		
Depreciation	152	158
Finance expense	933	480
Finance income	(665)	(606)
Profit on sale of property and equipment	(38)	(10)
Share of loss /(profit) from joint ventures	270	318
Share-based payment	12 660	-
Income tax benefit/(expense)	273	(213)
Subtotal	6,383	9,027
Decrease/(increase) in inventory	21,006	21,216
Decrease/(increase) in trade and other receivables and prepayments	390	(1,533)
Decrease/(increase) in other current financial assets	(3,969)	-
Increase/(decrease) in trade and other payables and accrued expenses	8,536	(8,296)
Increase/(decrease) in provisions	-	(12)
Increase/(decrease) in advances received	(9,565)	(15,231)
Subtotal	22,781	5,171
Interest paid	(1,305)	(1,857)
Interest received	359	316
Income tax paid	(52)	(34)
Net cash from/(used in) operating activities	21,783	3,596

* Certain amounts shown do not correspond to the interim condensed consolidated financial statements as at 31 March 2013 and reflect adjustments made (reference is made to Note 3).

The notes included on pages 26 to 43 are an integral part of these interim condensed consolidated financial statements

Interim Condensed Consolidated Financial Statement for the three months ended 31 March 2014**Interim Condensed Consolidated Statement of Cash Flows (cont'd)**

	For the 3 months ended 31 March 2014	For the 3 months ended 31 March 2013
	(Reviewed) / (unaudited)	(Reviewed/ Unaudited)
<i>In thousands of Polish Zlotys (PLN)</i>		
		Restated*
Cash flows from/(used in) investing activities		
Acquisition of property and equipment	(105)	-
Investment in joint ventures	(245)	-
Short-term bank deposits – collateralized	268	30
Proceeds from sale of property and equipment	38	10
Net cash from/(used in) investing activities	(44)	40
Cash flows from/(used in) financing activities		
Proceeds from bank loans, net of bank charges	6,125	4,465
Repayment of bank loans	(10,157)	(14,585)
Net cash from/(used in) financing activities	(4,032)	(10,120)
Net change in cash and cash equivalents	17,707	(6,484)
Cash and cash equivalents at beginning of period	52,153	44,550
Cash and cash equivalents at end of period	69,860	38,066

* Certain amounts shown do not correspond to the interim condensed consolidated financial statements as at 31 March 2013 and reflect adjustments made (reference is made to Note 3).

The notes included on pages 26 to 43 are an integral part of these interim condensed consolidated financial statements

Interim Condensed Consolidated Financial Statement for the three months ended 31 March 2014

Notes to the Interim Condensed Consolidated Financial Statements**Note 1 – General and principal activities**

Ronson Europe N.V. (hereinafter “the Company”), a Dutch public company with its registered office located in Rotterdam, the Netherlands, was incorporated on 18 June 2007. The Company (together with its Polish 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. Moreover, the Group leases real estate to third parties.

The shares of the Company are traded on the Warsaw Stock Exchange since 5 November 2007. As at 31 March 2014, 39.78% of the outstanding shares are controlled by I.T.R. 2012 B.V., which is an indirect subsidiary of Israel Theaters Ltd. (‘ITR 2012’) (32.11% through a jointly controlled partnership formed under Dutch law between ITR 2012 and ITR Dori B.V. and 7.67% through a jointly controlled company formed under Dutch law between ITR 2012 and U. Dori Group) and 39.78% of the outstanding shares are controlled by U. Dori Group Ltd (‘U Dori Group’) (32.11% through a jointly controlled partnership formed under Dutch law between ITR 2012 and ITR Dori B.V. (of which it holds 50% of the shares) and 7.67% through a jointly controlled company formed under Dutch law between ITR 2012 and U. Dori Group). The remaining 20.44% of the outstanding shares are held by other investors including Amplico Otworthy Fundusz Emerytalny and ING Otworthy Fundusz Emerytalny each holding between 5% and 10% of the outstanding shares. 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. 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.

The Interim Condensed Consolidated Financial Statements of the Group have been prepared for the three months ended 31 March 2014 and contain comparative data for the three months ended 31 March 2013 and as at 31 December 2013. The Interim Condensed Consolidated Financial Statements of the Company for the three months ended 31 March 2014 with all its comparative data have been reviewed by the Company’s external auditors.

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 three months ended 31 March 2014 were authorized for issuance by the Management Board on 7 May 2014.

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 2013 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 current process of IFRS endorsement in the European Union and the nature of the Group’s activities, there is no difference between the full IFRSs and 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 2013 are available upon request from the Company’s registered office at Weena 210-212, 3012 NJ Rotterdam, the Netherlands 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.

Interim Condensed Consolidated Financial Statement for the three months ended 31 March 2014**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 2013.

The following standards and amendments became effective as of 1 January 2014:

- IFRS 10 *Consolidated Financial Statements*
- IFRS 11 *Joint arrangements*
- IFRS 12 *Disclosure of Interests in Other Entities*
- IAS 27 *Separate Financial Statements - Amendments to IAS 27*
- IAS 28 *Investments in Associates and Joint Ventures - Amendments to IAS 28*
- IAS 32 *Financial Instruments: presentation - Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32*
- IAS 39 *Financial Instruments: recognition and measurement - Novation of Derivatives and Continuation of Hedge Accounting - Amendments to IAS 39*
- IAS 36 *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets - Amendments to IAS 36*

Except for IFRS 11 *Joint Arrangements*, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

As required by IAS 34, the nature and the effect of IFRS 11 application are disclosed below. In addition, the application of IFRS 12 *Disclosure of Interest in Other Entities* would result in additional disclosures in the annual consolidated financial statements.

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities — Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method. The effect of IFRS 11 is described below, which includes quantification of the effect on the financial statements. The application of IFRS 11 has impacted the financial position of the Group by eliminating the proportionate consolidation of the joint ventures in Ronson IS sp. z o.o. and in Ronson IS Sp. z o.o. Sp.k.. With the application of the new standard, these investments are accounted for using the equity method of accounting. The change was applied retrospectively as required by IFRS 11 and the comparative information for the preceding period is restated. This restatement has an impact on the comparative results and on equity, which represents the effect of the fact that it is not allowed to capitalize borrowing costs on an equity-accounted investment in a joint venture, since there is no qualifying asset as defined in IAS 23. Previously, applying the proportionate consolidations method, the assets of the joint ventures (comprising real estate units with associated land under construction) met the definition of a qualifying asset in accordance with IAS 23 and borrowing costs were capitalized to Ronson's share of qualifying assets.

The effect of applying IFRS 11 on the Company's consolidated financial statements is as follows:

Impact on statement of comprehensive income (increase/(decrease) in profit):

	For the three months ended 31 March 2013
	(Reviewed/ Unaudited)
<i>In thousands of Polish Zlotys (PLN)</i>	
Revenue	-
Cost of sales	-
Gross profit	-
Administrative expenses	(1)
Net financial income/(expense)	254
Share of profit/(loss) from joint ventures	(318)
Profit before taxation	(65)
Income tax benefit/(expense)	(48)
Net impact on profit for the period	(113)

Interim Condensed Consolidated Financial Statement for the three months ended 31 March 2014**Notes to the Interim Condensed Consolidated Financial Statements****Note 3 – Summary of significant accounting policies (cont'd)****Impact on the statement of financial position:**

<i>In thousands of Polish Zlotys (PLN)</i>	As at 31 December 2013 (Reviewed/ Unaudited)
Increase in net investment in joint ventures (non-current)	15,295
Decrease in loans granted to related parties (non-current)	(8,536)
Decrease in deferred tax assets (non-current)	(625)
Decrease in inventory (current)	(15,540)
Increase in trade and other receivables and prepayments (current)	37
Decrease in cash and cash equivalents (current)	(51)
Decrease in loans from third parties (non-current)	8,535
Decrease in deferred tax liability (non-current)	332
Decrease in trade and other payables and accrued expenses (current)	40
Net impact on equity attributable to equity holders of the parent	(513)

There is no material impact on the interim condensed consolidated statement of cash flows or the basic and diluted EPS.

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.

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 2013.

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 Statement for the three months ended 31 March 2014

Notes to the Interim Condensed Consolidated Financial Statements

Note 7 – Composition of the Group

The details of the Polish companies whose financial statements have been included in these Consolidated Financial Statements, the year of incorporation and the percentage of ownership and voting rights directly held or indirectly by the Company as at 31 March 2014, are presented below and on the following page.

Entity name	Year of incorporation	Share of ownership & voting rights at the end of	
		31 March 2014	31 December 2013
a. held directly by the Company :			
1. Ronson Development Management Sp. z o.o.	1999	100.0%	100.0%
2. Ronson Development 2000 Sp. z o.o.	2000	100.0%	100.0%
3. Ronson Development Warsaw Sp. z o.o.	2000	100.0%	100.0%
4. Ronson Development Investment Sp. z o.o.	2002	100.0%	100.0%
5. Ronson Development Metropol Sp. z o.o.	2002	100.0%	100.0%
6. Ronson Development Properties Sp. z o.o.	2002	100.0%	100.0%
7. Ronson Development Apartments Sp. z o.o.	2003	100.0%	100.0%
8. Ronson Development Enterprise Sp. z o.o.	2004	100.0%	100.0%
9. Ronson Development Company Sp. z o.o.	2005	100.0%	100.0%
10. Ronson Development Creations Sp. z o.o.	2005	100.0%	100.0%
11. Ronson Development Buildings Sp. z o.o.	2005	100.0%	100.0%
12. Ronson Development Structure Sp. z o.o.	2005	100.0%	100.0%
13. Ronson Development Poznań Sp. z o.o.	2005	100.0%	100.0%
14. E.E.E. Development Sp. z o.o.	2005	100.0%	100.0%
15. Ronson Development Innovation Sp. z o.o.	2006	100.0%	100.0%
16. Ronson Development Wrocław Sp. z o.o.	2006	100.0%	100.0%
17. Ronson Development Capital Sp. z o.o.	2006	100.0%	100.0%
18. Ronson Development Sp. z o.o.	2006	100.0%	100.0%
19. Ronson Development Construction Sp. z o.o.	2006	100.0%	100.0%
20. Ronson Development City Sp. z o.o.	2006	100.0%	100.0%
21. Ronson Development Village Sp. z o.o. ⁽¹⁾	2007	100.0%	100.0%
22. Ronson Development Conception Sp. z o.o.	2007	100.0%	100.0%
23. Ronson Development Architecture Sp. z o.o.	2007	100.0%	100.0%
24. Ronson Development Skyline Sp. z o.o.	2007	100.0%	100.0%
25. Ronson Development Continental Sp. z o.o.	2007	100.0%	100.0%
26. Ronson Development Universal Sp. z o.o. ⁽¹⁾	2007	100.0%	100.0%
27. Ronson Development Retreat Sp. z o.o.	2007	100.0%	100.0%
28. Ronson Development South Sp. z o.o.	2007	100.0%	100.0%
29. Ronson Development West Sp. z o.o. ⁽¹⁾	2007	100.0%	100.0%
30. Ronson Development East Sp. z o.o.	2007	100.0%	100.0%
31. Ronson Development North Sp. z o.o.	2007	100.0%	100.0%
32. Ronson Development Providence Sp. z o.o.	2007	100.0%	100.0%
33. Ronson Development Finco Sp. z o.o.	2009	100.0%	100.0%
34. Ronson Development Partner 2 sp. z o.o.	2010	100.0%	100.0%
35. Ronson Development Skyline 2010 Sp. z o.o.	2010	100.0%	100.0%
36. Ronson Development Partner 3 Sp. z o.o.	2012	100.0%	100.0%
b. held indirectly by the Company:			
37. AGRT Sp. z o.o.	2007	100.0%	100.0%
38. Ronson Development Partner 2 Sp. z o.o.- Panoramika Sp.k.	2007	100.0%	100.0%
39. Ronson Development Sp z o.o. - Estate Sp.k.	2007	100.0%	100.0%
40. Ronson Development Sp. z o.o. - Home Sp.k.	2007	100.0%	100.0%
41. Ronson Development Sp z o.o - Horizon Sp.k.	2007	100.0%	100.0%
42. Ronson Development Partner 3 Sp. z o.o- Sakura Sp.k.	2007	100.0%	100.0%
43. Ronson Development Sp z o.o -Town Sp.k.	2007	100.0%	100.0%
44. Ronson Development Destiny Sp. z o.o.	2007	100.0%	100.0%
45. Ronson Development Millenium Sp. z o.o.	2007	100.0%	100.0%
46. Ronson Development Sp. z o.o. - EEE 2011 Sp.k.	2009	100.0%	100.0%
47. Ronson Development Sp. z o.o. - Apartments 2011 Sp.k.	2009	100.0%	100.0%

(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.

Interim Condensed Consolidated Financial Statement for the three months ended 31 March 2014**Notes to the Interim Condensed Consolidated Financial Statements****Note 7 – Composition of the Group (cont'd)**

Entity name	Year of incorporation	Share of ownership & voting rights at the end of	
		31 March 2014	31 December 2013
b. held indirectly by the Company (cont'd):			
48. Ronson Development Sp. z o.o. - Idea Sp.k.	2009	100.0%	100.0%
49. Ronson Development Sp. z o.o. - Destiny 2011 Sp.k.	2009	100.0%	100.0%
50. Ronson Development Partner 2 Sp. z o.o. - Enterprise 2011 Sp.k.	2009	100.0%	100.0%
51. Ronson Development Partner 2 Sp. z o.o. - Retreat 2011 Sp.k.	2009	100.0%	100.0%
52. Ronson Development Sp. z o.o. - Wrocław 2011 Sp.k.	2009	100.0%	100.0%
53. Ronson Development Sp. z o.o. - 2011 Sp.k.	2009	100.0%	100.0%
54. Ronson Development Sp. z o.o. - Gemini 2 Sp.k.	2009	100.0%	100.0%
55. Ronson Development Sp. z o.o. - Verdis Sp.k.	2009	100.0%	100.0%
56. Ronson Espresso Sp. z o.o.	2006	82%	82%
57. Ronson Development Apartments 2010 Sp. z o.o.	2010	100.0%	100.0%
58. Ronson Development 2010 Sp. z o.o.	2010	100.0%	100.0%
59. Ronson Development Retreat 2010 Sp. z o.o.	2010	100.0%	100.0%
60. Ronson Development Enterprise 2010 Sp. z o.o.	2010	100.0%	100.0%
61. Ronson Development Wrocław 2010 Sp. z o.o.	2010	100.0%	100.0%
62. E.E.E. Development 2010 Sp. z o.o.	2010	100.0%	100.0%
63. Ronson Development Nautica 2010 Sp. z o.o.	2010	100.0%	100.0%
64. Ronson Development Gemini 2010 Sp. z o.o.	2010	100.0%	100.0%
65. Ronson Development Sp. z o.o. - Naturalis Sp.k.	2011	100.0%	100.0%
66. Ronson Development Sp. z o.o. - Impressio Sp.k.	2011	100.0%	100.0%
67. Ronson Development Sp. z o.o. - Continental 2011 Sp.k.	2011	100.0%	100.0%
68. Ronson Development Sp. z o.o. - Providence 2011 Sp.k.	2011	100.0%	100.0%
69. Ronson Development Partner 2 Sp. z o.o. - Capital 2011 Sp. k.	2011	100.0%	100.0%
70. Ronson Development Sp. z o.o. - Architecture 2011 Sp.k.	2011	100.0%	100.0%
71. Ronson Development Sp. z o.o. - City 1 Sp.k.	2012	100.0%	100.0%
72. Ronson Development Sp. z o.o. - City 2 Sp.k.	2012	100.0%	100.0%
73. Ronson Development Sp. z o.o. - City 3 Sp.k.	2012	100.0%	100.0%

Interim Condensed Consolidated Financial Statement for the three months ended 31 March 2014**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.

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 production 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. The unallocated result (loss) comprises mainly head office expenses. Unallocated assets comprise mainly unallocated cash and cash equivalents and income tax assets. Unallocated liabilities comprise mainly income tax liabilities and floating rate bond loans.

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

In thousands of Polish Zlotys (PLN)

	As at 31 March 2014 (Reviewed)/(unaudited)										
	Warsaw			Poznań		Wrocław		Szczecin		Unallocated	Total
	Apartments	Houses	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses		
Segment assets	374,101	38,246	9,840	130,639	-	82,842	2,587	57,273	7,695	-	703,223
Unallocated assets	-	-	-	-	-	-	-	-	-	44,604	44,604
Total assets	374,101	38,246	9,840	130,639	-	82,842	2,587	57,273	7,695	44,604	747,827
Segment liabilities	106,615	8,546	-	16,594	-	7,890	-	475	-	-	140,120
Unallocated liabilities	-	-	-	-	-	-	-	-	-	136,353	136,353
Total liabilities	106,615	8,546	-	16,594	-	7,890	-	475	-	136,353	276,473

In thousands of Polish Zlotys (PLN)

	As at 31 December 2013 (Audited) - restated*										
	Warsaw			Poznań		Wrocław		Szczecin		Unallocated	Total
	Apartments	Houses	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses		
Segment assets	375,542	40,161	9,840	133,607	-	75,327	2,585	60,301	7,688	-	705,051
Unallocated assets	-	-	-	-	-	-	-	-	-	39,985	39,985
Total assets	375,542	40,161	9,840	133,607	-	75,327	2,585	60,301	7,688	39,985	745,036
Segment liabilities	108,466	9,774	-	24,737	-	588	-	1,279	-	-	144,844
Unallocated liabilities	-	-	-	-	-	-	-	-	-	133,636	133,636
Total liabilities	108,466	9,774	-	24,737	-	588	-	1,279	-	133,636	278,480

* Certain amounts shown do not correspond to the consolidated financial statements as at 31 December 2013 and reflect adjustments made (reference is made to Note 3).

Interim Condensed Consolidated Financial Statement for the three months ended 31 March 2014

Notes to the Interim Condensed Consolidated Financial Statements

Note 8 - Segment reporting (cont'd)

	In thousands of Polish Zlotys (PLN)										
	For the three months ended 31 March 2014 (Reviewed)/(unaudited)										
	Warsaw			Poznań		Wrocław		Szczecin		Unallocated	Total
	Apartments	Houses	Rental	Apartments	Houses	Apartments	Houses	apartments	Houses		
Revenue	59,736	1,175	215	673	-	650	-	3,466	-	-	65,915
Segment result	11,240	(105)	126	(287)	-	(174)	(1)	115	(1)	-	10,913
Unallocated result	-	-	-	-	-	-	-	-	-	(5,304)	(5,304)
Result from operating activities	11,240	(105)	126	(287)	-	(174)	(1)	115	(1)	(5,304)	5,609
Net finance income/(expense)	53	(132)	-	(87)	-	4	-	-	-	(106)	(268)
Profit/(loss) before taxation	11,293	(237)	126	(374)	-	(170)	(1)	115	(1)	(5,410)	5,341
Share of profit/(loss) from joint ventures											(270)
Income tax benefit											(273)
Profit for the period											4,798
Capital expenditure	-	-	-	-	-	-	-	-	-	105	105

	In thousands of Polish Zlotys (PLN)										
	For the three months ended 31 March 2013 (Reviewed)/(unaudited) – restated*										
	Warsaw			Poznań		Wrocław		Szczecin		Unallocated	Total
	Apartments	Houses	Rental	Apartments	Houses	Apartments	Houses	apartments	Houses		
Revenue	44,533	2,034	104	1,657	-	2,705	-	3,114	-	-	54,147
Segment result	13,541	(169)	(43)	(185)	-	(99)	(1)	119	(1)	-	13,162
Unallocated result	-	-	-	-	-	-	-	-	-	(4,283)	(4,283)
Result from operating activities	13,541	(169)	(43)	(185)	-	(99)	(1)	119	(1)	(4,283)	8,879
Net finance income/(expense)	45	(6)	-	8	-	17	-	13	-	49	126
Profit/(loss) before taxation	13,586	(175)	(43)	(177)	-	(82)	(1)	132	(1)	(4,234)	9,005
Share of profit/(loss) from joint ventures											(318)
Income tax benefit											213
Profit for the period											8,900
Capital expenditure	-	-	-	-	-	-	-	-	-	-	-

* Certain amounts shown do not correspond to the interim condensed consolidated financial statements as at 31 March 2013 and reflect adjustments made (reference is made to Note 3).

Interim Condensed Consolidated Financial Statement for the three months ended 31 March 2014

Notes to the Interim Condensed Consolidated Financial Statements

Note 9 – Inventory

Movements in Inventory during the three months ended 31 March 2014 were as follows:

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 01 January 2014*	Transferred to finished goods	Additions	Closing balance 31 March 2014
Land and related expense	336,695	(8,832)	485	328,348
Construction costs	86,733	(39,628)	29,177	76,282
Planning and permits	24,174	(1,551)	1,368	23,991
Borrowing costs ⁽¹⁾	77,502	(1,701)	2,617	78,418
Other	3,772	(442)	316	3,646
Work in progress	528,876	(52,154)	33,963	510,685

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 01 January 2014	Transferred from work in progress	Recognized in the statement of comprehensive income	Closing balance 31 March 2014
Finished goods	76,439	52,154	(52,475)	76,118

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 01 January 2014	Revaluation write down recognized in statement of comprehensive income		Closing balance 31 March 2014
		Increase	Utilization	
Write-down	(525)	-	123	(402)
Total inventories at the lower of cost or net realizable value	604,790			586,401

* Certain amounts shown do not correspond to the consolidated financial statements as at 31 December 2013 and reflect adjustments made (reference is made to Note 3).

(1) Borrowing costs are capitalized to the value of inventory with 7.84% average effective capitalization interest rate.

Interim Condensed Consolidated Financial Statement for the three months ended 31 March 2014

Notes to the Interim Condensed Consolidated Financial Statements

Note 9 – Inventory (cont'd)

Movements in Inventory during the year ended 31 December 2013 were as follows:

<i>Restated</i> *	Opening balance 01 January 2013	Transferred to finished goods	Additions	Closing balance 31 December 2013
<i>In thousands of Polish Zlotys (PLN)</i>				
Land and related expense	354,976	(21,377)	3,096	336,695
Construction costs	64,590	(67,883)	90,026	86,733
Planning and permits	20,200	(3,095)	7,069	24,174
Borrowing costs ⁽¹⁾	69,727	(5,835)	13,610	77,502
Other	2,938	(1,406)	2,240	3,772
Work in progress	512,431	(99,596)	116,041	528,876

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 01 January 2013	Transferred to property and equipment	Transferred to investment property	Transferred from work in progress	Recognized in the statement of comprehensive income	Closing balance 31 December 2013
Finished goods	142,557	(1,030)	(787)	99,596	(163,897)	76,439

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 01 January 2013	Revaluation write down recognized in statement of comprehensive income		Closing balance 31 December 2013
		Increase	Utilization	
Write-down	(1,569)	-	1,044	(525)
Total inventories at the lower of cost or net realizable value	653,419			604,790

* Certain amounts shown do not correspond to the consolidated financial statements as at 31 December 2013 and reflect adjustments made (reference is made to Note 3).

(1) Borrowing costs are capitalized to the value of inventory with 8.6% average effective capitalization interest rate.

Interim Condensed Consolidated Financial Statement for the three months ended 31 March 2014

Notes to the Interim Condensed Consolidated Financial Statements

Note 9 – Inventory (cont'd)

Movements in Inventory during the three months ended 31 March 2013 were as follows:

<i>Restated</i> *	Opening balance 01 January 2013	Transferred to finished goods	Additions	Closing balance 31 March 2013
<i>In thousands of Polish Zlotys (PLN)</i>				
Land and related expense	354,976	-	567	355,543
Construction costs	64,590	-	15,959	80,549
Planning and permits	20,200	-	619	20,819
Borrowing costs ⁽¹⁾	69,727	-	3,904	73,631
Other	2,938	-	247	3,185
Work in progress	512,431	-	21,296	533,727
	Opening balance 01 January 2013	Transferred from work in progress	Recognized in the statement of comprehensive income	Closing balance 31 March 2013
<i>In thousands of Polish Zlotys (PLN)</i>				
Finished goods	142,557	-	(38,829)	103,728
	Opening balance 01 January 2013	Revaluation write down recognized in statement of comprehensive income		Closing balance 31 March 2013
<i>In thousands of Polish Zlotys (PLN)</i>		Increase	Utilization	
Write-down	(1,569)	-	220	(1,349)
Total inventories at the lower of cost or net realizable value	653,419			636,106

* Certain amounts shown do not correspond to the interim condensed financial statements as at 31 March 2013 and reflect adjustments made (reference is made to Note 3).

(1) Borrowing costs are capitalized to the value of inventory with 8.9% average effective capitalization interest rate.

Interim Condensed Consolidated Financial Statement for the three months ended 31 March 2014**Notes to the Interim Condensed Consolidated Financial Statements****Note 10 – Floating rate bond loans**

The table below presents the movement in Floating rate bond loans during the three months ended 31 March 2014, during the year ended 31 December 2013 and during the three months ended 31 March 2013:

<i>In thousands of Polish Zlotys (PLN)</i>	For the three months ended 31 March 2014 (Reviewed/ Unaudited)	For the year ended 31 December 2013 (Audited)	For the three months ended 31 March 2013 (Reviewed/ Unaudited)
Opening balance	119,366	88,413	88,413
Repayment of bond loans (series A and B)	-	(82,500)	-
Proceeds from bond loans (series C, D and E)	-	116,300	-
Issue cost	-	(2,978)	-
Issue cost amortization	264	1,116	141
Accrued interest	2,001	8,352	2,015
Interest repayment	(338)	(9,337)	-
Total closing balance	121,293	119,366	90,569
Closing balance includes:			
Current liabilities	7,335	5,607	3,672
Non-current liabilities	113,958	113,759	86,897
Total closing balance	121,293	119,366	90,569

The maturity dates and the conditions of the floating rate bonds loans have been presented in the annual consolidated financial statements for the year ended 31 December 2013.

The series D and E bonds are not secured, whereas the series C bonds are secured by joint mortgage up to PLN 100,200 thousand established by the Company's Polish subsidiaries. Moreover, the ratio between the value of the pledged properties and the total nominal value of the Bonds issued shall not decrease below 90%.

Financial ratio covenants for series C, D and E:

Based on the bonds conditions, in each reporting period the Company shall test the ratio between Net debt to Equity (hereinafter "Ratio" or "Net Indebtedness Ratio"). The Ratio shall not exceed 60% however if during the Reporting Period the Company paid dividend or performed any buy-out of its treasury shares then the Ratio shall not exceed 50%.

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 loans and borrowings less the consolidated value of cash and cash equivalents and short-term bank deposits - collateralized.

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.

Reporting period - starting from the second quarter of 2013 – means the quarterly reporting period with respect to which the Group Net Indebtedness Ratio will be tested, while a "Reporting period" shall mean a single reporting period, i.e. each calendar quarter.

Interim Condensed Consolidated Financial Statement for the three months ended 31 March 2014**Notes to the Interim Condensed Consolidated Financial Statements****Note 10 – Floating rate bond loans (cont'd)**

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

As at	31 March 2014
<i>In thousands of Polish Zlotys (PLN)</i>	(Reviewed/ Unaudited)
Net debt	91,358
Equity	467,570
Net Indebtedness Ratio	19.5%

Note 11 – Secured bank loans

The following non-current and current Secured bank loans were issued and repaid during the three months ended 31 March 2014, during the three months ended 31 March 2013 and during the year ended 31 December 2013:

<i>In thousands of Polish Zlotys (PLN)</i>	For the three months ended 31 March 2014 (Reviewed/ Unaudited)	For the year ended 31 December 2013 (Audited)	For the three months ended 31 March 2013 (Reviewed/ Unaudited)
Opening balance	41,978	105,212	105,212
New bank loan drawdown	6,914	27,428	4,542
Bank loans repayments	(10,157)	(90,589)	(14,585)
Bank charges	(789)	(990)	(77)
Bank charges amortization	288	1,054	292
Accrued interest/(interest repayment) on bank loans, net	-	(137)	23
Total closing balance	38,234	41,978	95,407
Closing balance includes:			
Current liabilities	32,346	14,450	55,520
Non-current liabilities	5,888	27,528	39,887
Total closing balance	38,234	41,978	95,407

The maturity dates of the loans have been presented in the annual consolidated financial statements for the year ended 31 December 2013. The majority of loans maturing in 2014 shall be extended until 2015, while management plans to repay part of the loans. For more details please see Note 18 Events during the period (Bank Loans) and Note 19 Subsequent events (Bank Loans).

Interim Condensed Consolidated Financial Statement for the three months ended 31 March 2014

Notes to the Interim Condensed Consolidated Financial Statements**Note 12 – Share based payments under the Company’s employee incentive plan**

In February 2014 the Company implemented a long-term incentive plan (the ‘Plan’), addressed to selected key employees, which is based on the price performance of the Company’s shares (the “Phantom Stock Plan”). The Phantom Stock Plan, which does not assume any new issue of shares and which will not result in any new shares supply is based on the following key assumptions and includes the settlement mechanism as described below:

- i. the exercise price of one option under the Phantom Stock Plan is PLN 1.6;
- ii. the total number of options is 2,705,000 (which is the equivalent of approximately 1% of the Company’s total number of shares), and the allocation of options to particular employees shall be made by way of a separate decision of the remuneration committee of the Remuneration Committee;
- iii. benefits will be aggregated among the selected employees (of the Company or of its subsidiaries) who join the Phantom Stock Plan through the end of 2015, of which (a) 50% is awarded as of the date of the decision of the Remuneration Committee approving the Phantom Stock Plan, (b) 25% as of the end of 2014, and (c) 25% by the end of 2015;
- iv. employees participating in the Phantom Stock Plan maintain the right to exercise their options until the end of 2017 (or a maximum of two years from the date they are no longer employed by the Ronson Group);
- v. upon the exercise of the options, the Company will pay the option holder the amount in cash equal to the difference between PLN 1.6 and the current market price of the shares in the Company (“Current Market Price”) allocated to a particular employee (option holder);
- vi. the Current Market Price will be calculated as the average trading price of the shares during the preceding calendar month, whereby the average trading price shall be determined by calculating the total turnover value in PLN of all of the shares in the Company traded during that period divided by the total number of shares traded during such period (however, if the total value of the overall turnover in any particular month is lower than PLN 100 thousand, then the Current Market Price shall be calculated on the basis of the most recent two-month market average);
- vii. in the event that the free float is less than 10% of all the outstanding shares in the Company, the Current Market Price will be established by a reputable valuation company based on a comparable valuation of Ronson’s peer companies listed on the Warsaw Stock Exchange (based on P/E and P/BV multiples);
- viii. an option holder shall be entitled to submit a payment request during the first five working days of each calendar month, provided that all employees must observe any trading restrictions related to the sale/purchase of the Company’s shares by Management and Supervisory Board members and key management under applicable regulations, especially with respect to the observance of closed periods.

Based on the Remuneration Committee decision, out of the total 2,705,000 options, 950,000 options were allocated to Tomasz Łapiński, and 675,000 options were allocated to Andrzej Gutowski while the remaining 1,080,000 options were allocated to other key employees of the Company. Of the total 2,705,000 options 50%, i.e. 1,352,500 options, were granted and vested on 3 February 2014.

As 31 March 2014, the total number of options granted is 2,705,000, the weighted average fair value of these options using the Black-Scholes valuation model is approximately PLN 0.48 per option. The significant inputs into the model were a weighted average share price of PLN 1.66, the exercise price mentioned above, volatility of 47%, dividend yield of 3%, an option life of 2 years and an annual risk free rate of 7%.

The fair value of these options, as at 31 March 2014, amounting to PLN 660 thousand, has been included in the Company’s consolidated balance sheet under Share based payment liabilities. The change in fair value for the 3 months period ended 31 March 2014, also amounting to PLN 660 thousand, is recognized in employee benefits expense.

Interim Condensed Consolidated Financial Statement for the three months ended 31 March 2014**Notes to the Interim Condensed Consolidated Financial Statements****Note 13 – Income tax**

	For the 3 months ended 31 March 2014 (Reviewed/ Unaudited)	For the 3 months ended 31 March 2013 (Reviewed/ Unaudited) restated *
<i>In thousands of Polish Zlotys (PLN)</i>		
Current tax expense/(benefit)	38	-
Deferred tax expense/(benefit)		
Origination and reversal of temporary differences	2,044	421
Expense/(benefit) of tax losses recognized	(1,809)	(634)
Total deferred tax expense/(benefit)	235	(213)
Total income tax expense/(benefit)	273	(213)

* Certain amounts shown do not correspond to the interim condensed consolidated financial statements as at 31 March 2013 and reflect adjustments made (reference is made to Note 3).

The low effective tax rate during the three months ended 31 March 2014 and tax benefit during the three months ended 31 March 2013 is explained by the recognition of tax assets. The recognition of the tax assets took place after an organizational restructuring of the Group, which allowed the Company to utilize certain tax losses that in prior periods were deemed not to be usable.

Note 14 – Investment commitments, Contracted proceeds not yet received 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 31 March 2014 (Reviewed/ Unaudited)	As at 31 December 2013 (Audited)
<i>In thousands of Polish Zlotys (PLN)</i>		
Espresso II	20,358	25,047
Sakura III	15,393	19,515
Sakura IV	22,587	-
Tamka	23,557	26,837
Impressio II	23,977	-
Verdis III	19,558	23,219
Młody Grunwald I	788	1,811
Chilli III	3,243	4,471
Espresso I	-	1,941
Total	129,461	102,841

Interim Condensed Consolidated Financial Statement for the three months ended 31 March 2014**Notes to the Interim Condensed Consolidated Financial Statements****Note 14 – Investment commitments, Contracted proceeds not yet received and Contingencies (cont'd)****(ii) 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 31 March 2014 after deduction of payments received at the reporting date (such payments being presented in the Interim Consolidated Statement of Financial Position as Advances received):

<i>In thousands of Polish Zlotys (PLN)</i>	As at 31 March 2014 (Reviewed/ Unaudited)	As at 31 December 2013 (Audited)
Chilli I & II	897	568
Chilli III	1,488	413
Constans	969	969
Espresso I	6,890	13,316
Espresso II	15,685	6,937
Gemini II	98	640
Impressio I	322	335
Impressio II	1,927	358
Młody Grunwald I	16,606	10,629
Naturalis I, II & III	2,518	2,378
Panoramika I	594	2,058
Sakura I & II	1,791	4,902
Sakura III	14,569	7,546
Tamka	27,764	9,672
Verdis I & II	1,653	10,844
Verdis III	12,569	6,155
Total	106,340	77,720

(iii) Investment commitments -land purchase:

In June 2012, the Group entered into preliminary purchase agreements with private individuals for plots of land with an area of 118,400 m² located in Warsaw, district Mokotów at Jaśminowa Street. Conclusion of the final purchase agreements and transferring of the ownership of the properties is expected to be finalized during the second quarter of 2014. The final payment will not exceed PLN 62 million.

Interim Condensed Consolidated Financial Statement for the three months ended 31 March 2014**Notes to the Interim Condensed Consolidated Financial Statements****Note 14 – Investment commitments, Contracted proceeds not yet received and Contingencies (cont'd)****(iv) Unutilized construction loans:**

The table below presents the list of the construction loan facilities, which the Company 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 Company:

<i>In thousands of Polish Zlotys (PLN)</i>	As at 31 March 2014 (Reviewed/ Unaudited)	As at 31 December 2013 (Audited)
Espresso I	-	4,491
Espresso II	28,086	35,000
Sakura III	32,353	33,103
Sakura IV	28,775	28,025
Tamka	33,186	33,186
Impressio II	34,750	34,750
Moko	57,450	57,450
Total	214,600	226,005

(iv) Contingencies:

None.

Note 15 – Financial risk management**(i) Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk (including real estate market risk and fair value interest rate risk), 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 financial statements as at 31 December 2013 (Note 39). There have been no changes in the risk management department since year end or in any risk management policies.

(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 three months period ended 31 March 2014 as described in Note 11.

(iii) Market (price) risk

The Group's exposure to marketable and non-marketable securities price risk did not exist because the Group had not invested in securities during the three months period ended 31 March 2014.

(iv) Fair value estimation

The Investment property is valued at fair value determined by the Management.

During the three months ended 31 March 2014 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.

(v) Interest rate risk

All the loans and borrowings of the Group are bearing variable interest rate, which creates an exposure to a risk of changes in cash flows due to changes in interest rates.

Interim Condensed Consolidated Financial Statement for the three months ended 31 March 2014

Notes to the Interim Condensed Consolidated Financial Statements**Note 16 – Related party transactions**

There were no transactions and balances with related parties during three months ended 31 March 2014 other than those already disclosed in the 2013 annual accounts.

Note 17 – Impairment losses and provisions

The following net movements in the Group's main provisions took place during the three months ended 31 March 2014 and during the three months ended 31 March 2013:

- *Provision for deferred tax liabilities:* during the three months ended 31 March 2014 an increase of PLN 150 thousand (during the three months ended 31 March 2013 an increase of PLN 470 thousand).

Note 18 – Events during the period**Bank loans**

During the three months ended 31 March 2014, the Group did not enter into any new loan facility agreement nor into any annex to the loan facility agreement with any bank.

Commencements of new projects

In March 2014, the Company commenced the construction work of the Sakura IV project, which will comprise 114 units with an aggregate floor space of 6,600 m².

In March 2014, the Company commenced the sales of units of the Młody Grunwald II project, with the construction work commenced in April 2014. The Młody Grunwald II project will comprise 137 units with an aggregate floor space of 8,200 m².

Completions of projects

In February 2014, the Group completed the construction of the Espresso I project comprising 210 units with a total area of 9,500 m².

Note 19 – Subsequent events**Bond**

At maturity date, i.e. on 18 April 2014, the Company repaid 5,000 series A bonds (with a total nominal value of PLN 5 million) comprising all of the remaining outstanding series A bonds issued in April 2011. The majority of the series A bonds and all of the series B bonds issued in April 2011 were repurchased by the Company before their maturity.

On 30 April, the Company issued 120,000 series G bonds. The nominal value of one bond amounts to PLN 100 and is equal to its issue price. The series G bonds shall be redeemed on 30 January 2018. The bonds carry an interest rate composed of a base rate equal to 6 months Wibor plus a margin. Interest is payable semi-annually in April and in October and the last payment of interest, i.e. in the last interest period is paid in the redemption date which is 30 January 2018. The terms and conditions of the issuance of the bonds include provisions regarding early redemption at the request of a bondholder to be made prior to 30 January 2018, in case of the occurrence of certain events covering a number of obligations and restrictions applicable to the Company, including the obligation to maintain its financial ratios at certain levels and restrictions on related party transactions. The series G bonds are not secured.

Interim Condensed Consolidated Financial Statement for the three months ended 31 March 2014

Notes to the Interim Condensed Consolidated Financial Statements

Note 19 – Subsequent events (cont'd)

Bank loans

In April 2014 the Company decided to discontinue cooperation with the bank BZWBK S.A. with respect to the financing of the construction costs of the project at Tamka street in Warsaw. Moreover, as 30 April 2014, the Company repaid a loan in a total amount of PLN 8 million which granted previously by BZWBK S.A. for refinancing of the costs related to land purchase in this project.

Commencements of new projects

In April 2014, the Company commenced the construction work and the sales of the Panoramika II project, which will comprise 107 units with an aggregate floor space of 6,000 m².

Completions of projects

Since 31 March 2014, the Group did not complete the construction of any project.

The Management Board

Shraga Weisman
Chief Executive Officer

Tomasz Łapiński
Chief Financial Officer

Andrzej Gutowski
Sales and Marketing Director

Israel Greidinger

Ronen Ashkenazi

Rotterdam, 7 May 2014

Independent Auditors' Report on Review of Interim Condensed Consolidated Financial Statements

Review report

To: the board of directors, the supervisory board and shareholders of Ronson Europe N.V.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Ronson Europe N.V., Rotterdam (the "Company") as at 31 March 2014, which comprise the interim consolidated statement of financial position as at 31 March 2014 and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the three month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting as adopted by the European Union ("IAS 34"). Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Opinion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Amsterdam, 7 May 2014

Ernst & Young Accountants LLP

J.H. de Prie