

Ronson Europe N.V.

Interim Financial Report
for the six months
ended
30 June 2014

Interim Financial Report for the six months ended 30 June 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 30 June 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 as of the date of this report. For major shareholders of the Company reference is made to page 20. On 4 August 2014, the market price was PLN 1.42 per share giving the Company a market capitalization of PLN 386.8 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 and even growing, 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 30 June 2014, the Group has 1,010 units available for sale in twelve locations, of which 898 units are available for sale in nine projects that are ongoing as at 30 June 2014 and the remaining 112 units are in completed projects. The nine ongoing projects comprise a total of 1,303 units, with a total area of 74,700 m². The construction of 38 units in one of the ongoing projects, with a total area of 2,300 m², is expected to be completed during the remainder of 2014, while six ongoing projects are expected to be completed in 2015 and two more in 2016. In addition, the Group has a pipeline of 19 projects in different stages of preparation, representing approximately 4,540 residential units with a total area of approximately 322,600 m² for future development in Warsaw, Poznań, Wrocław and Szczecin. The Group is considering commencement of another two stages of the currently running projects comprising 204 units with a total area of 11,400 m², and three new projects comprising 399 units with a total area of 24,500 m² (in total 603 units with a total area of 35,900 m²), during the remainder of 2014.

During the six months ended 30 June 2014, the Company realized sales of 416 units with the total value PLN 161.6 million, which compares favorably to sales of 295 units with a total value of PLN 114.2 million during the six months ended 30 June 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 the first half of 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. As a result, the number of new construction sites increased during the first six months of 2014 by 22%. It is important to note that the number of new projects built by developers increased in this period by 51%, while the activity of individual investors increased only by 5%. The market data suggest that leading residential developers (such as the Company) were able to overcome many factors that otherwise tempered rapid growth in the market during 2013, with the main impediment to growth related to new regulations and banking restrictions that came into effect in 2012 that limited the developers' ability to secure financing for new investments.

Meanwhile, a number of external factors have contributed to recent 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 and in 2014 positively impacted the residential market for two reasons. First, mortgage loans became more affordable to the potential residential purchasers 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.

Taking into consideration all these factors, the increase in demand for residential units noted in 2013 and in 2014 has 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. This trend continued during first six months of 2014, when the number of new apartments sold in Warsaw amounted to nearly 8,300 which was by 37% higher than in corresponding period in 2013. The number of new apartments sold in five major Polish metropolitan areas (other than Warsaw) increased in 2013 by 16% while during first half of 2014 this increase amounted to 39%. Continuing positive trends observed during the first half of 2014, allowed the most established residential developers in particular to continue to improve their sales results and increase their market share. Overall sales results during the first six months of 2014 reported by the eight largest residential developers listed on the Warsaw Stock Exchange were by 45% higher than in the same period during 2013.

Management believes that all the above factors, 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 and particularly anticipating the requirements under the new developers' law.

Directors' report

Business highlights during the six months ended 30 June 2014

A. Projects completed

The table below presents information on the projects that were completed (i.e. completing all construction works and receiving occupancy permit) during six months ended 30 June 2014:

Project name	Location	Number of units	Area of units (m ²)
Espresso I ^(*)	Warsaw	210	9,500
Młody Grunwald I ^(*)	Poznań	148	8,500
Total		358	18,000

(*) 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 six months ended 30 June 2014 amounted to PLN 113.0 million, whereas cost of sales amounted to PLN 91.9 million, which resulted in a gross profit amounting to PLN 21.1 million with a gross margin of 18.7%.

The following table specifies revenue, cost of sales, gross profit and gross margin during the six months ended 30 June 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 (thousand)	%	PLN (thousand)	%	PLN (thousand)	%
Espresso I	199	8,643	59,655	52.8%	46,765	50.9%	12,890	21.6%
Verdis I & II	56	3,580	23,596	20.9%	17,944	19.5%	5,652	24.0%
Młody Grunwald I	32	1,560	8,422	7.5%	7,835	8.5%	587	7.0%
Sakura I & II	9	772	5,513	4.9%	4,808	5.2%	705	12.8%
Impressio I	3	162	1,065	0.9%	1,104	1.2%	(39)	-3.7%
Constans	3	805	3,070	2.7%	3,112	3.4%	(42)	-1.4%
Naturalis I, II & III	16	947	4,898	4.3%	4,353	4.8%	545	11.1%
Panoramika I	17	992	4,271	3.8%	4,038	4.4%	233	5.5%
Chilli I & II	3	259	1,022	0.9%	977	1.1%	45	4.4%
Gemini II	1	81	702	0.6%	492	0.5%	210	29.9%
Other	N.A	N.A	780	0.7%	431	0.5%	349	44.7%
Total / Average	339	17,801	112,994	100%	91,859	100%	21,135	18.7%

(*) 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 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.

Directors' report

Business highlights during the six months ended 30 June 2014 (cont'd)

B. Results breakdown by project (cont'd)

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.

Młody Grunwald I

The construction of the Młody Grunwald I project was completed in May 2014. The Młody Grunwald I project was developed on a land strip of 5,583 m² located in Grunwald district in Poznań at Jeleniogórska Street. The Młody Grunwald I project 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.

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 land strip of 4,248 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.

Directors' report**Business highlights during the six months ended 30 June 2014 (cont'd)****B. Results breakdown by project (cont'd)***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.

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 six months ended 30 June 2014:

Project name	Location	Units sold until 31 December 2013	Units sold during the six months ended 30 June 2014	Units for sale as at 30 June 2014	Total
Constans ^(*)	Warsaw	32	1	1	34
Gemini II ^(*)	Warsaw	180	-	2	182
Verdis I & II ^(*)	Warsaw	203	5	9	217
Verdis III ^(**)	Warsaw	21	62	63	146
Verdis IV ^(**)	Warsaw	-	14	64	78
Sakura I & II ^(*)	Warsaw	245	-	11	256
Sakura III ^(**)	Warsaw	29	48	68	145
Sakura IV ^(**)	Warsaw	-	18	96	114
Naturalis I, II & III ^(*)	Warsaw	106	14	52	172
Impressio I ^(*)	Wrocław	67	2	1	70
Impressio II ^(*)	Wrocław	1	13	128	142
Chilli I & II ^(*)	Poznań	47	1	2	50
Chilli III ^(**)	Poznań	2	12	24	38
Panoramika I ^(*)	Szczecin	80	7	3	90
Panoramika II ^(**)	Szczecin	-	6	101	107
Espresso I ^(*)	Warsaw	187	16	7	210
Espresso II ^(**)	Warsaw	29	63	60	152
Młody Grunwald I ^(*)	Poznań	69	55	24	148
Młody Grunwald II ^(**)	Poznań	-	10	127	137
Tamka ^(**)	Warsaw	10	19	36	65
Moko ^{(**)(***)}	Warsaw	-	48	131	179
Old projects	Warsaw	-	2	-	2
Total		1,308	416	1,010	2,734

(*) For information on the completed projects see "Business highlights during the six months ended 30 June 2014 – B. Results breakdown by project" (pages 3-5).

(**) 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 14-17).

(***) Sales results in Moko include reservation agreements executed before the Company received the building permit for the project. Reservation agreements will be transformed into preliminary sale agreements as soon as the building permit is validated.

Directors' report**Business highlights during the six months ended 30 June 2014 (cont'd)****D. Commencements of new projects**

The table below presents information on the projects for which the construction and/or sales process commenced during the six months ended 30 June 2014:

Project name	Location	Number of units	Area of units (m²)
Sakura IV ^(*)	Warsaw	114	6,600
Młody Grunwald II ^(*)	Poznań	137	8,200
Verdis IV ^(*)	Warsaw	78	4,000
Panoramika II ^(*)	Szczecin	107	5,900
Moko ^(*)	Warsaw	179	11,200
Total		615	35,900

(*) 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 14-17).

E. Land purchase

In May 2014, the Group signed with private individuals (the "Sellers") a sale-purchase agreement concerning undeveloped land situated in Warsaw, district Mokotów at Jaśminowa Street with a total area of 82 thousand m².

Pursuant to a preliminary purchase agreement entered into with the Sellers in June 2012, the Company had the right to purchase properties with a total area up to 118.4 thousand m² ("Real Properties"), provided that the Sellers fulfil a number of conditions precedent, which included concluding a court dispute between the Sellers and third parties concerning some of the properties covered by the preliminary purchase agreement (the "Disputed Real Properties"). Due to the fact that the above mentioned court dispute has not been concluded, the agreements signed with the Sellers in May 2014 did not include the Disputed Real Properties. Depending on the final outcome of the dispute concerning the Disputed Real Properties and on the date of its conclusion, the Company, however, may purchase the Disputed Real Properties in the future, subject to terms and conditions agreed with the Sellers.

The total purchase price for the (undisputed) Real Properties was PLN 65.57 million, out of which PLN 20.75 million was paid in advance by the Company in June 2012 and the outstanding balance of the price amounting to PLN 44.82 million was paid in May 2014.

Financial information

The Interim Condensed Consolidated Financial Statements as included in this Interim Financial Report on pages 22 through 47 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.

Directors' report

Business highlights during the six months ended 30 June 2014 (cont'd)

Overview of results

The net profit attributable to the equity holders of the parent company for the six months ended 30 June 2014 was PLN 4,213 thousand and can be summarized as follows:

	For the six months ended	
	30 June	
	2014	2013
	PLN	
	(thousands, except per share data)	
		(restated*)
Revenue	112,994	110,681
Cost of sales	(91,859)	(84,517)
Gross profit	21,135	26,164
Selling and marketing expenses	(3,664)	(3,116)
Administrative expenses	(9,138)	(8,061)
Other expense	(1,538)	(1,472)
Other income	167	353
Result from operating activities	6,962	13,868
Finance income	1,318	1,190
Finance expense	(2,024)	(1,872)
Net finance income/(expense)	(706)	(682)
Share of profit/(loss) from joint ventures	(551)	(646)
Profit before taxation	5,705	12,540
Income tax expenses	(158)	216
Net profit for the period before non-controlling interests	5,547	12,756
Non-controlling interests	(1,334)	223
Net profit for the period attributable to the equity holders of the parent	4,213	12,979
Earnings per share attributable to the equity holders of the parent (basic and diluted)	0.015	0.048

* Certain amounts shown do not correspond to the interim condensed consolidated financial statements as at 30 June 2013 and reflect adjustments made as detailed in Note 3 on pages 28 and 29.

Directors' report

Overview of results (cont'd)

Revenue

Total revenue increased by PLN 2.3 million (2.1%) from PLN 110.7 million during the six months ended 30 June 2013 to PLN 113.0 million during the six months ended 30 June 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 7.4 million (8.7%) from PLN 84.5 million during the six months ended 30 June 2013 to PLN 91.9 million during the six months ended 30 June 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 six months ended 30 June 2014 was 18.7% which compares to a gross margin during the six months ended 30 June 2013 of 23.6%. The decrease in gross margin is primarily explained by two factors: first, a slight decrease in the average selling price per m². Second, the main part of revenues and costs of sales (and therefore also gross profit margin) recognized during the six months ended 30 June 2014 was related to the Espresso I, Młody Grunwald I and Verdis II projects, all of which were less profitable than the projects delivered to the customers during the six months ended 30 June 2013 (mainly Gemini II and Verdis I).

Selling and marketing expenses

Selling and marketing expenses increased by PLN 0.6 million (17.6%) from PLN 3.1 million for the six months ended 30 June 2013 to PLN 3.7 million for the six months ended 30 June 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 41% (from 295 units during the six months ended 30 June 2013 to 416 units during the six months ended 30 June 2014).

Administrative expenses

Administrative expenses increased by PLN 1.0 million (13.4%) from PLN 8.1 million for the six months ended 30 June 2013 to PLN 9.1 million for the six months ended 30 June 2014. The increase is primarily explained by the impact of the new employee incentive plan adopted during February 2014 (for additional information see Note 12), as well as the increase of the sales department bonus due to the increase in realized sales.

Result from operating activities

As a result of the factors described above, the Company's operating result decreased by PLN 6.9 million, from an operating profit of PLN 13.9 million for six months ended 30 June 2013 to an operating profit of PLN 7.0 million for six months ended 30 June 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 six months ended 30 June 2014		
	PLN (thousands)		
	<u>Total amount</u>	<u>Amount capitalized</u>	<u>Recognized as profit or loss</u>
Finance income	1,324	(6)	1,318
Finance expense	(7,331)	5,307	(2,024)
Net finance income/(expense)	(6,007)	5,301	(706)

	For the six months ended 30 June 2013		
	(restated)*		
	PLN (thousands)		
	<u>Total amount</u>	<u>Amount capitalized</u>	<u>Recognized as profit or loss</u>
Finance income	1,283	(93)	1,190
Finance expense	(9,574)	7,702	(1,872)
Net finance income/(expense)	(8,291)	7,609	(682)

* Certain amounts shown do not correspond to the interim condensed consolidated financial statements as at 30 June 2013 and reflect adjustments made as detailed in Note 3 on pages 28 and 29.

Net finance expenses before capitalization decreased by PLN 2.3 million (27.5%) from PLN 8.3 million during the six months ended 30 June 2013 to PLN 6.0 million during the six months ended 30 June 2014, which was a result of decrease in the average net debt position during the period from PLN 154.7 million during the six months ended 30 June 2013 to PLN 114 million during the six months ended 30 June 2014, as well as by a decrease in the reference rates (WIBOR).

Income tax benefit/(expenses)

During the six months ended 30 June 2014, the income tax expenses amounted to PLN 158 thousands, in comparison to a tax benefit of PLN 216 thousands for the six months ended 30 June 2013. The low effective tax rate during the six months ended 30 June 2014 and tax benefit during the six months ended 30 June 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 subsidiary that is not 100% owned by the Company and amounted to PLN 1,334 thousand (negative) for the six months ended 30 June 2014, as compared to PLN 223 thousand (positive) for the six months ended 30 June 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 30 June 2014	As at 31 December 2013 (restated*)
	PLN (thousands)	
Inventory	<u>660,586</u>	<u>604,790</u>
Advances received	<u>60,541</u>	<u>70,565</u>
Loans and borrowings	<u>199,818</u>	<u>164,001</u>

* 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 28 and 29).

Inventory

The balance of inventory is PLN 660.6 million as of 30 June 2014 compared to PLN 604.8 million as of 31 December 2013. Inventory increased primarily as a result of the Group's investments associated with direct construction costs for a total amount of PLN 63.1 million, an increase in land and related expense for a total amount of PLN 73.7 million (mainly Jasminowa project) and a net finance expense capitalized for a total amount of PLN 5.3 million. The increase was offset by cost of sales recognized for a total amount of PLN 91.4 million.

Advances received

The balance of advances received is PLN 60.5 million as of 30 June 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 113.0 million and is offset in part by advances received from clients regarding sales of residential units for a total amount PLN 102.9 million.

Loans and borrowings

The total of short-term and long-term loans and borrowings is PLN 199.8 million as of 30 June 2014 compared to PLN 164.0 million as of 31 December 2013. The increase in loans and borrowings is primarily explained by the effect of issuance of new bond loans (Series F, G and H) for a total amount of PLN 44.1 million (net of issue costs) in April and May 2014, as well as the effect of proceeds from bank loans, net of bank charges, for a total amount of PLN 18.3 million. The increase is offset in part by repayment of bank loans for a total amount of PLN 23.1 million. Of the mentioned PLN 199.8 million, an amount of PLN 25.6 million comprises facilities maturing no later than 30 June 2015.

The maturity structure of the loans and borrowings reflects the Company's recent activities related to bonds issued in June and July 2013 and in April and May 2014. Simultaneously, the bank loans that were obtained by the Company in the past 7 to 8 years to partially refinance some of its land acquisitions with short-term and medium-term bank 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.

Directors' report**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) bank loans related to residential projects which are completed or under construction, 3) bank 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 30 June 2014 amounted to PLN 159.3 million comprising a loan principal amount of PLN 161.3 million plus accrued interest of PLN 1.0 million minus one-time costs directly attributed to the bond issuances which are amortized based on the effective interest method (PLN 3.0 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 30 June 2014, loans in this category amounted to PLN 13.2 million.

The bank loans granted to finance the land purchases as at 30 June 2014 amounted to PLN 24.6 million in total.

Loans from third parties as at 30 June 2014 amounted to PLN 2.7 million.

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 six months ended 30 June	
	2014	2013
		<i>(restated*)</i>
	PLN (thousands)	
Cash flow from/(used in) operating activities	<u>(26,673)</u>	<u>23,788</u>
Cash flow from/(used in) investing activities	<u>(299)</u>	<u>306</u>
Cash flow from/(used in) financing activities	<u>34,249</u>	<u>11,283</u>

* Certain amounts shown do not correspond to the interim condensed consolidated financial statements as at 30 June 2013 and reflect adjustments made as detailed in Note 3 on pages 28 and 29.

Directors' report

Overview of cash flow results (cont'd)

Cash flow from/(used in) operating activities

The Company's net cash outflow used in operating activities for the six months ended 30 June 2014 amounted to PLN 26.7 million which compares to a net cash inflow from operating activities during the six months ended 30 June 2013 amounting to PLN 23.8 million. The decrease is principally explained by:

- a net cash outflow used in inventory amounting to PLN 21.5 million during the six months ended 30 June 2014 as compared to a net cash inflow from inventory amounting to PLN 43.9 million during the six months ended 30 June 2013. The main reason for increasing cash outflow used in inventory was increasing expenses for purchase of new lands (Jasminowa project; while during 2013 the Company has not purchased any new land) as well as increasing the number and the volume of projects under construction.

Cash flow from/(used in) financing activities

The Company's net cash inflow from financing activities amounted to PLN 34.2 million during the six months ended 30 June 2014 compared to a net cash inflow totaling PLN 11.3 million in the six months ended 30 June 2013. The increase is primarily due to:

- a repayment of bond loans amounting to PLN 5.0 million during the six months ended 30 June 2014 compared to a repayment of bond loans amounting to PLN 66.8 million during the six months ended 30 June 2013;
- a repayment of secured bank loans amounting to PLN 23.2 million during the six months ended 30 June 2014 compared to a repayment of secured bank loans amounting to PLN 36.2 million during the six months ended 30 June 2013;
- the effects of the proceeds from bank loans net of bank charges amounting to PLN 18.3 million during the six months ended 30 June 2014 compared to PLN 10.2 million during the six months ended 30 June 2013.

The above mentioned effects were offset in part by:

- the proceeds from issuance of new bond loans for a total amount PLN 44.1 million (net of issue costs) during the six months ended 30 June 2014 compared to PLN 104.2 million (net of issue costs) during the six months ended 30 June 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 (6 months)	4.177	4.100	4.238	4.161
2013 (6 months)	4.177	4.067	4.343	4.329

Source: National Bank of Poland ("NBP")

Selected financial data	EUR*		PLN	
	(thousands, except per share data and number of shares)			
	For the six months ended 30 June or as at 30 June			
	2014	2013**	2014	2013**
Revenues	27,051	26,498	112,994	110,681
Gross profit	5,060	6,264	21,135	26,164
Profit before taxation	1,366	3,002	5,705	12,540
Net profit for the period attributable to the equity holders of the parent	1,009	3,107	4,213	12,979
Cash flows from/(used in) operating activities	(6,386)	5,695	(26,673)	23,788
Cash flows from/(used in) investing activities	(72)	73	(299)	306
Cash flows from/(used in) financing activities	8,199	2,701	34,249	11,283
Increase/(decrease) in cash and cash equivalents	1,742	8,469	7,277	35,377
Inventory	158,757	142,555	660,586	617,119
Total assets	188,246	178,925	783,292	774,567
Advances received	14,550	12,642	60,541	54,726
Long term liabilities	44,518	31,381	185,240	135,850
Short term liabilities (including advances received)	30,269	40,309	125,949	174,499
Equity attributable to the equity holders of the parent	112,686	106,383	468,886	460,531
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	0.012	0.015	0.048

* 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 30 June 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 30 June 2013 and reflect adjustments made as detailed in Note 3 (see pages 28 and 29).

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 and 2015:

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 30 June 2014	Total units delivered	Sold until 30 June 2014	Units for sale at 30 June 2014	Total units expected to be delivered	
Młody Grunwald I (**)	Poznań	-	32	32	92	24	116	148
Espresso I (**)	Warsaw	-	199	199	4	7	11	210
Naturalis I,II & III (**)	Warsaw	95	16	111	9	52	61	172
Sakura I & II (**)	Warsaw	234	9	243	2	11	13	256
Verdis I & II (**)	Warsaw	149	56	205	3	9	12	217
Constans (**)	Warsaw	29	3	32	1	1	2	34
Gemini II (**)	Warsaw	179	1	180	-	2	2	182
Impressio I (**)	Wrocław	66	3	69	-	1	1	70
Chilli I & II (**)	Poznań	44	3	47	1	2	3	50
Panoramika I (**)	Szczecin	69	17	86	1	3	4	90
Total		865	339	1,204	113	112	225	1,429

(*) 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 six months ended 30 June 2014 – B. Results breakdown by project" (pages 3 to 5).

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, 2015 and 2016.

Project name	Location	Units sold until 30 June 2014	Units for sale as at 30 June 2014	Total units	Total area of units (m ²)	Expected completion of construction
Chilli III	Poznań	14	24	38	2,300	2014
Sakura III	Warsaw	77	68	145	7,300	2015
Sakura IV	Warsaw	18	96	114	6,600	2015
Verdis III	Warsaw	83	63	146	7,700	2015
Verdis IV	Warsaw	14	64	78	4,000	2015
Espresso II	Warsaw	92	60	152	7,600	2015
Impressio II	Wrocław	14	128	142	8,400	2015
Młody Grunwald II	Poznań	10	127	137	8,200	2015
Tamka	Warsaw	29	36	65	5,500	2015
Panoramika II	Szczecin	6	101	107	5,900	2016
Moko	Warsaw	48	131	179	11,200	2016
Total		405	898	1,303	74,700	

Directors' report

Outlook for the remainder of 2014 (cont'd)

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

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 third quarter of 2015.

Verdis III and IV

Description of project

The third and fourth phase of the Verdis project are being developed on a part of a land strip of 16,300 m² located in the Wola district in Warsaw at Sowińskiego Street and are a continuation of Verdis I and Verdis II, which were completed during 2012 and 2013. The third and the fourth 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 and 1 seven-storey, multi-family residential building with a total of 78 apartments with an aggregate floor space of 4,000 m², respectively.

Stage of development

The construction of the Verdis III project commenced in October 2013, while completion is expected in the second quarter of 2015. The construction of the Verdis IV project commenced in June 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)******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 third quarter of 2015. Despite the Company commenced construction of the second phase of Espresso project based on the final and validated building permit, this permit has been cancelled in May 2014. The Company expects to receive a new validated building permit soon and believes that insignificant delay in completion date will not have any adverse impact on the Company.

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.

Młody Grunwald II*Description of project*

The second phase of the Młody Grunwald project is being developed on a land strip of 5,012 m² located in Grunwald district in Poznań at Jeleniogórska Street, and is a continuation of Młody Grunwald I which was completed in May 2014. The second phase of this project will comprise 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.

Stage of development

The construction of the Młody Grunwald II project commenced in April 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)

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.

Panoramika II

Description of project

The second phase of the Panoramika project is being developed on a land strip of 22,517 m² located in Szczecin at Duńska Street, and is a continuation of Panoramika I, which was completed during 2012. The second phase of this project will comprise 1 nine-storey, multi-family residential buildings with a total of 107 apartments and an aggregate floor space of 5,900 m².

Stage of development

The sale of units in the Panoramika II project commenced in June 2014, while the construction work is expected to commence in the third quarter of 2014.

Moko I

Description of project

The first phase of the Moko project is being developed on a land strip of 12,150 m² located in Mokotów district in Warsaw at Magazynowa Street. The first phase of this project will comprise 2 seven-and-eight-storey, multi-family residential buildings with a total of 164 apartments and 15 commercial units and an aggregate floor space of 11,200 m².

Stage of development

The Company is planning to commence construction of the first phase of this project as soon as the building permit is validated. The Company already has started signing reservation agreements with the customers as many potential clients have already confirmed interest in purchasing apartments in this location. The reservation agreements signed with the customers will be transformed into preliminary sale agreements as soon as the building permit is validated.

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 two stages of currently run projects and three 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***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 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 82,971 m² located in the Mokotów district in Warsaw at Jasminowa Street. The first stage is to comprise 116 units with an aggregate floor space of 10,600 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 first stage is to comprise 134 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.

b) New stages of running projects***Espresso III***

The Espresso III project is continuation of the 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 the 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 14). 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	107	Completed
Verdis I & II ^(*)	Warsaw	701	Completed
Sakura I & II ^(*)	Warsaw	1,390	Completed
Naturalis I, III & III ^(*)	Warsaw	2,766	Completed
Panoramika I ^(*)	Szczecin	201	Completed
Constans ^(*)	Warsaw	1,008	Completed
Espresso I ^(*)	Warsaw	2,207	Completed
Impressio I ^(*)	Wrocław	97	Completed
Młody Grunwald I ^(*)	Poznań	26,788	Completed
Chilli I & II ^(*)	Poznań	287	Completed
<i>Subtotal completed projects</i>		35,552	
Chilli III ^(**)	Poznań	3,312	2014
Młody Grunwald II ^(**)	Poznań	2,305	2015
Sakura III ^(**)	Warsaw	24,701	2015
Sakura IV ^(**)	Warsaw	7,133	2015
Espresso II ^(**)	Warsaw	28,169	2015
Verdis III ^(**)	Warsaw	29,216	2015
Verdis IV ^(**)	Warsaw	5,216	2015
Impressio II ^(**)	Wrocław	4,989	2015
Tamka ^(**)	Warsaw	33,154	2015
Panoramika II ^(*)	Szczecin	1,419	2016
Moko ^(**)	Warsaw	21,678	2016
<i>Subtotal ongoing projects</i>		161,292	
Total		196,844	

^(*) For information on the completed projects see "Business highlights during the six months ended 30 June 2014 – B. Results breakdown by project" (pages 3 to 5).

^(**) For information on ongoing projects (under construction and/or on sale), see under "B" above (pages 14-17).

E. Main risks and uncertainties during the remainder of 2014

While the improving market in second half of 2013 and first half of 2014 potentially bodes well for the Company in the remainder of 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 six months ended 30 June 2014 (5 August 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 5 August 2014 Number of shares / % of shares	Change in number of shares	As of 30 June 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 the Management Board in the six months ended 30 June 2014 and until the date of publication of the report

The Annual General Meeting of Shareholders held on 30 June 2014 adopted the following resolutions:

- Appointing Mr Peter Dudolenski as member of the Management Board and managing director B for a term of four years, Mr Dudolenski is the sole executive board member of Global City Holdings and therefore has a related party consideration with one of the major shareholders. His appointment came into force as of the day of the adoption of the resolution. Mr Dudolenski replaced Mr Israel Greidinger, who stepped down as managing director B effective on the day of the adoption of the resolution.

Changes in ownership of shares and rights to shares by Management Board members in the six months ended 30 June 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 30 June 2014 and as at the day of publishing this report, indirectly held a 5.1% interest in the Company.

Directors' report

Additional information to the report (cont'd)

Changes in ownership of shares and rights to shares by Supervisory Board members in the six months ended 30 June 2014 and until the date of publication of the report

None

Other

As of 30 June 2014, the Company has issued guarantees for bank loans granted to subsidiaries amounting to a total of PLN 24,753 thousand.

As of 30 June 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 six months ended 30 June 2014:

- an increase in the provision for future payments related to change of perpetual use of plots where the Company develops its projects Moko and Espresso of PLN 6,643 thousand (nil during the six months ended 30 June 2013); the amounts were established based on initial request of representatives of Warsaw City and the final amounts will result from the valuations of the plots prepared by professional property surveyor; the Management Board is not able to project potential timing of the valuations of the plots and the timing of the final settlement with the City; the Management Board believes however that the provision made is sufficient to cover all future payments;
- a decrease in the provision for deferred tax liabilities of PLN 191 thousand (a decrease of PLN 4,840 thousand during the six months ended 30 June 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 30 June 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 six 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 six months management board report gives a true and fair view of the important events of the past six-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

Peter Dudolenski

Ronen Ashkenazi

Rotterdam, 5 August 2014

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2014**Interim Condensed Consolidated Statement of Financial Position**

As at		30 June 2014 (Reviewed/ Unaudited)	31 December 2013 (Audited) Restated*
<i>In thousands of Polish Zlotys (PLN)</i>	<i>Note</i>		
Assets			
Property and equipment		9,398	9,270
Investment property		9,840	9,840
Loans granted to third parties		668	629
Investment in joint ventures	3	15,572	15,295
Deferred tax assets		11,564	11,845
Total non-current assets		47,042	46,879
Inventory	9	660,586	604,790
Trade and other receivables and prepayments		11,470	38,064
Income tax receivable		469	524
Short-term bank deposits - collateralized		907	1,268
Loans granted to third parties		876	843
Other current financial assets		2,512	515
Cash and cash equivalents		59,430	52,153
Total current assets		736,250	698,157
Total assets		783,292	745,036
Equity			
Share capital		20,762	20,762
Share premium		282,873	282,873
Retained earnings		165,251	161,038
Equity attributable to equity holders of the parent		468,886	464,673
Non-controlling interests		3,217	1,883
Total equity		472,103	466,556
Liabilities			
Floating rate bond loans	10	158,305	113,759
Secured bank loans	11	13,188	27,528
Loans from third parties		2,726	2,657
Other payables		-	394
Share based payment liabilities	12	590	-
Deferred tax liability		10,431	10,622
Total non-current liabilities		185,240	154,960
Trade and other payables and accrued expenses		32,951	32,688
Floating rate bond loans	10	951	5,607
Secured bank loans	11	24,648	14,450
Advances received		60,541	70,565
Income tax payable		14	9
Provisions	17	6,844	201
Total current liabilities		125,949	123,520
Total liabilities		311,189	278,480
Total equity and liabilities		783,292	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 27 to 47 are an integral part of these interim condensed consolidated financial statements

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2014

Interim Condensed Consolidated Statement of Comprehensive Income

		For the 6 months ended 30 June 2014 (Reviewed/ Unaudited)	For the 3 months ended 30 June 2014 (Reviewed/ Unaudited)	For the 6 months ended 30 June 2013 (Reviewed/ Unaudited) Restated *	For the 3 months ended 30 June 2013 (Reviewed/ Unaudited) Restated *
<i>PLN (thousands, except per share data and number of shares)</i>	<i>Note</i>				
Revenue		112,994	47,079	110,681	56,534
Cost of sales		(91,859)	(39,345)	(84,517)	(45,380)
Gross profit		21,135	7,734	26,164	11,154
Selling and marketing expenses		(3,664)	(1,756)	(3,116)	(1,619)
Administrative expenses		(9,138)	(3,990)	(8,061)	(3,963)
Other expenses		(1,538)	(737)	(1,472)	(845)
Other income		167	102	353	262
Result from operating activities		6,962	1,353	13,868	4,989
Finance income		1,318	653	1,190	584
Finance expense		(2,024)	(1,091)	(1,872)	(1,392)
Net finance income/(expense)		(706)	(438)	(682)	(808)
Share of profit/(loss) from joint ventures	3	(551)	(281)	(646)	(328)
Profit before taxation		5,705	634	12,540	3,853
Income tax benefit/(expense)	13	(158)	115	216	3
Profit for the period		5,547	749	12,756	3,856
Other comprehensive income		-	-	-	-
Total comprehensive income for the period, net of tax		5,547	749	12,756	3,856
Total comprehensive income attributable to:					
Equity holders of the parent		4,213	47	12,979	3,989
Non-controlling interests		1,334	702	(223)	(133)
Total comprehensive income for the period, net of tax		5,547	749	12,756	3,856
Weighted average number of ordinary shares (basic and diluted)		272,360,000	272,360,000	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	-	0.048	0.015

* Certain amounts shown do not correspond to the interim condensed consolidated financial statements as at 30 June 2013 and reflect adjustments made (reference is made to Note 3).

The notes included on pages 27 to 47 are an integral part of these interim condensed consolidated financial statements

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 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 six months ended 30 June 2014	-	-	4,213	4,213	1,334	5,547
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	4,213	4,213	1,334	5,547
Balance at 30 June 2014 (Reviewed/Unaudited)	20,762	282,873	165,251	468,886	3,217	472,103

<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
Dividend declared for FY 2012	-	-	(8,171)	(8,171)	-	(8,171)
Comprehensive income: Profit for the six months ended 30 June 2013	-	-	12,979	12,979	(223)	12,756
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	12,979	12,979	(223)	12,756
Balance at 30 June 2013 (Reviewed/Unaudited)	20,762	282,873	156,896	460,531	3,687	464,218

* 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 30 June 2013 and reflect adjustments made as detailed in Note 3.

The notes included on pages 27 to 47 are an integral part of these interim condensed consolidated financial statements

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2014**Interim Condensed Consolidated Statement of Cash Flows**

	For the 6 months ended 30 June 2014	For the 6 months ended 30 June 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	5,547	12,756
Adjustments to reconcile profit for the period to net cash used in operating activities		
Depreciation	301	351
Finance expense	2,024	1,872
Finance income	(1,318)	(1,190)
Profit on sale of property and equipment	(44)	(110)
Share of loss /(profit) from joint ventures	551	646
Share-based payment	12 590	-
Income tax benefit/(expense)	158	(216)
Subtotal	7,809	14,109
Decrease/(increase) in inventory	(21,526)	43,909
Decrease/(increase) in trade and other receivables and prepayments	(2,376)	(2,034)
Decrease/(increase) in other current financial assets	(1,997)	-
Increase/(decrease) in trade and other payables and accrued expenses	(131)	(9,965)
Increase/(decrease) in provisions	17 6,643	(12)
Increase/(decrease) in advances received	(10,024)	(13,766)
Subtotal	(21,602)	32,241
Interest paid	(5,763)	(8,978)
Interest received	700	577
Income tax paid	(8)	(52)
Net cash from/(used in) operating activities	(26,673)	23,788

* Certain amounts shown do not correspond to the interim condensed consolidated financial statements as at 30 June 2013 and reflect adjustments made (reference is made to Note 3).

The notes included on pages 27 to 47 are an integral part of these interim condensed consolidated financial statements

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2014**Interim Condensed Consolidated Statement of Cash Flows (cont'd)**

	For the 6 months ended 30 June 2014	For the 6 months ended 30 June 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	(429)	(260)
Investment in joint ventures	(275)	(500)
Short-term bank deposits – collateralized	361	451
Proceeds from sale of property and equipment	44	615
Net cash from/(used in) investing activities	(299)	306
Cash flows from/(used in) financing activities		
Proceeds from bank loans, net of bank charges	18,283	10,175
Repayment of bank loans	(23,152)	(36,196)
Proceeds from bond loans, net of issue costs	44,118	104,164
Repayment of bond loans	(5,000)	(66,840)
Loans received from third parties	-	180
Repayment of loans from third parties	-	(200)
Net cash from/(used in) financing activities	34,249	11,283
Net change in cash and cash equivalents	7,277	35,377
Cash and cash equivalents at beginning of period	52,153	44,550
Cash and cash equivalents at end of period	59,430	79,927

* Certain amounts shown do not correspond to the interim condensed consolidated financial statements as at 30 June 2013 and reflect adjustments made (reference is made to Note 3).

The notes included on pages 27 to 47 are an integral part of these interim condensed consolidated financial statements

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 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 30 June 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. 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 six months ended 30 June 2014 and contain comparative data for the six months ended 30 June 2013 and as at 31 December 2013. The Interim Condensed Consolidated Financial Statements of the Company for the six months ended 30 June 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 six months ended 30 June 2014 were authorized for issuance by the Management Board on 5 August 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 six months ended 30 June 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*
- IFRIC 29 *Levies*

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 six months ended 30 June 2013 (Reviewed/ Unaudited)	For the three months ended 30 June 2013 (Reviewed/ Unaudited)
<i>In thousands of Polish Zlotys (PLN)</i>		
Revenue	-	-
Cost of sales	-	-
Gross profit	-	-
Administrative expenses	(1)	-
Other expenses	-	-
Net financial income/(expense)	513	259
Share of profit/(loss) from joint ventures	(646)	(328)
Profit before taxation	(134)	(69)
Income tax benefit/(expense)	(97)	(49)
Net impact on profit for the period	(231)	(118)

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 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 six months ended 30 June 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 30 June 2014, are presented below and on the following page.

Entity name	Year of incorporation	Share of ownership & voting rights at the end of	
		30 June 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 six months ended 30 June 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	
		30 June 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 six months ended 30 June 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 30 June 2014 (Reviewed)/(unaudited)										
	Warsaw			Poznań		Wrocław		Szczecin		Unallocated	Total
	Apartments	Houses	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses		
Segment assets	418,452	36,240	9,840	131,589	-	88,735	2,600	56,724	7,708	-	751,888
Unallocated assets	-	-	-	-	-	-	-	-	-	31,404	31,404
Total assets	418,452	36,240	9,840	131,589	-	88,735	2,600	56,724	7,708	31,404	783,292
Segment liabilities	97,466	7,852	-	27,302	-	5,474	-	584	-	-	138,678
Unallocated liabilities	-	-	-	-	-	-	-	-	-	172,511	172,511
Total liabilities	97,466	7,852	-	27,302	-	5,474	-	584	-	172,511	311,189

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 six months ended 30 June 2014

Notes to the Interim Condensed Consolidated Financial Statements

Note 8 - Segment reporting (cont'd)

	For the six months ended 30 June 2014 (Reviewed)/(unaudited)										
	Warsaw			Poznań		Wrocław		Szczecin		Unallocated	Total
	Apartments	Houses	Rental	Apartments	Houses	Apartments	Houses	apartments	Houses		
Revenue	94,388	3,070	421	9,779	-	1,065	-	4,271	-	-	112,994
Segment result	16,630	(130)	254	(162)	-	(378)	(2)	70	(2)	-	16,280
Unallocated result	-	-	-	-	-	-	-	-	-	(9,318)	(9,318)
Result from operating activities	16,630	(130)	254	(162)	-	(378)	(2)	70	(2)	(9,318)	6,962
Net finance income/(expense)	220	(245)	-	(74)	-	10	-	(2)	-	(615)	(706)
Share of profit/(loss) from joint ventures	(551)	-	-	-	-	-	-	-	-	-	(551)
Profit/(loss) before taxation	16,299	(375)	254	(236)	-	(368)	(2)	68	(2)	(9,933)	5,705
Income tax expense											(158)
Profit for the period											5,547
Capital expenditure	-	-	-	-	-	-	-	-	-	429	429

	For the six months ended 30 June 2013 (Reviewed)/(unaudited) – restated*										
	Warsaw			Poznań		Wrocław		Szczecin		Unallocated	Total
	Apartments	Houses	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses		
Revenue	89,220	6,220	251	2,645	-	4,914	-	7,431	-	-	110,681
Segment result	22,348	(422)	90	(1,488)	-	1,119	(2)	326	(2)	-	21,969
Unallocated result	-	-	-	-	-	-	-	-	-	(8,101)	(8,101)
Result from operating activities	22,348	(422)	90	(1,488)	-	1,119	(2)	326	(2)	(8,101)	13,868
Net finance income/(expense)	(47)	(10)	-	15	-	23	-	12	-	(675)	(682)
Share of profit/(loss) from joint ventures	(646)	-	-	-	-	-	-	-	-	-	(646)
Profit/(loss) before taxation	21,655	(432)	90	(1,473)	-	1,142	(2)	338	(2)	(8,776)	12,540
Income tax benefit											216
Profit for the period											12,756
Capital expenditure	-	-	-	-	-	-	-	-	-	260	260

* Certain amounts shown do not correspond to the interim condensed consolidated financial statements as at 30 June 2013 and reflect adjustments made (reference is made to Note 3).

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 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 30 June 2014 (Reviewed)/(unaudited)		
	Warsaw			Poznań		Wrocław		Szczecin		Unallocated	Total		
	Apartments	Houses	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses				
Revenue	34,652	1,895	206	9,106	-	415	-	805	-	-	-	47,079	
Segment result	5,390	(25)	128	125	-	(204)	(1)	(45)	(1)	-	-	5,367	
Unallocated result	-	-	-	-	-	-	-	-	-	(4,014)	-	(4,014)	
Result from operating activities	5,390	(25)	128	125	-	(204)	(1)	(45)	(1)	(4,014)	-	1,353	
Net finance income/(expense)	167	(113)	-	13	-	6	-	(2)	-	(509)	-	(438)	
Share of profit/(loss) from joint ventures	(281)	-	-	-	-	-	-	-	-	-	-	(281)	
Profit/(loss) before taxation	5,276	(138)	128	138	-	(198)	(1)	(47)	(1)	(4,523)	-	634	
Income tax benefit	-	-	-	-	-	-	-	-	-	-	-	115	
Profit for the period												749	
Capital expenditure	-	-	-	-	-	-	-	-	-	324	-	324	

	In thousands of Polish Zlotys (PLN)										For the three months ended 30 June 2013 (Reviewed)/(unaudited) - *restated		
	Warsaw			Poznań		Wrocław		Szczecin		Unallocated	Total		
	Apartments	Houses	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses				
Revenue	44,687	4,186	147	988	-	2,209	-	4,317	-	-	-	56,534	
Segment result	8,807	(253)	133	(1,303)	-	1,218	(1)	207	(1)	-	-	8,807	
Unallocated result	-	-	-	-	-	-	-	-	-	(3,818)	-	(3,818)	
Result from operating activities	8,807	(253)	133	(1,303)	-	1,218	(1)	207	(1)	(3,818)	-	4,989	
Net finance income/(expense)	(92)	(4)	-	7	-	6	-	(1)	-	(724)	-	(808)	
Share of profit/(loss) from joint ventures	(328)	-	-	-	-	-	-	-	-	-	-	(328)	
Profit/(loss) before taxation	8,387	(257)	133	(1,296)	-	1,224	(1)	206	(1)	(4,542)	-	3,853	
Income tax benefit	-	-	-	-	-	-	-	-	-	-	-	3	
Profit for the period												3,856	
Capital expenditure	-	-	-	-	-	-	-	-	-	260	-	260	

* Certain amounts shown do not correspond to the interim condensed consolidated financial statements as at 30 June 2013 and reflect adjustments made (reference is made to Note 3).

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2014

Notes to the Interim Condensed Consolidated Financial Statements

Note 9 – Inventory

Movements in Inventory during the six months ended 30 June 2014 were as follows:

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 01 January 2014*	Transferred to finished goods	Additions	Closing balance 30 June 2014
Land and related expense	336,695	(21,734)	73,740	388,701
Construction costs	86,733	(67,252)	63,123	82,604
Planning and permits	24,174	(2,884)	3,753	25,043
Borrowing costs ⁽¹⁾	77,502	(4,921)	5,301	77,882
Other	3,772	(998)	1,300	4,074
Work in progress	528,876	(97,789)	147,217	578,304

<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 30 June 2014
Finished goods	76,439	97,789	(91,740)	82,488

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 01 January 2014	Revaluation write down recognized in statement of comprehensive income		Closing balance 30 June 2014
		Increase	Utilization	
Write-down	(525)	-	319	(206)
Total inventories at the lower of cost or net realizable value	604,790			660,586

* 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 7.66% average effective capitalization interest rate.

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 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 six months ended 30 June 2014

Notes to the Interim Condensed Consolidated Financial Statements

Note 9 – Inventory (cont'd)

Movements in Inventory during the six months ended 30 June 2013 were as follows:

<i>Restated</i> *	Opening balance 01 January 2013	Transferred to finished goods	Additions	Closing balance 30 June 2013
<i>In thousands of Polish Zlotys (PLN)</i>				
Land and related expense	354,976	(13,593)	1,067	342,450
Construction costs	64,590	(31,082)	35,458	68,966
Planning and permits	20,200	(1,204)	2,155	21,151
Borrowing costs ⁽¹⁾	69,727	(4,043)	7,609	73,293
Other	2,938	(719)	1,004	3,223
Work in progress	512,431	(50,641)	47,293	509,083
	Opening balance 01 January 2013	Transferred from work in progress	Recognized in the statement of comprehensive income	Closing balance 30 June 2013
<i>In thousands of Polish Zlotys (PLN)</i>				
Finished goods	142,557	50,641	(84,236)	108,962
	Opening balance 01 January 2013	Revaluation write down recognized in statement of comprehensive income		Closing balance 30 June 2013
<i>In thousands of Polish Zlotys (PLN)</i>		Increase	Utilization	
Write-down	(1,569)	-	643	(926)
Total inventories at the lower of cost or net realizable value	653,419			617,119

* Certain amounts shown do not correspond to the interim condensed financial statements as at 30 June 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 six months ended 30 June 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 six months ended 30 June 2014, during the year ended 31 December 2013 and during the six months ended 30 June 2013:

	For the six months ended 30 June 2014 (Reviewed/ Unaudited)	For the year ended 31 December 2013 (Audited)	For the six months ended 30 June 2013 (Reviewed/ Unaudited)
<i>In thousands of Polish Zloty (PLN)</i>			
Opening balance	119,366	88,413	88,413
Repayment of bond loans	(5,000)	(82,500)	(66,840)
Proceeds from bond loans	45,000	116,300	107,050
Issue cost	(882)	(2,978)	(2,886)
Issue cost amortization	493	1,116	670
Accrued interest	4,327	8,352	3,894
Interest repayment	(4,048)	(9,337)	(4,905)
Total closing balance	159,256	119,366	125,396
Closing balance includes:			
Current liabilities	951	5,607	21,198
Non-current liabilities	158,305	113,759	104,198
Total Closing balance	159,256	119,366	125,396

General information:*Series A*

On 18 April 2014, the Company repaid all remaining outstanding 500 series A bonds.

Series C, D and E

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%.

Series F

On 20 May 2014, the Company issued 280,000 series F bonds with a total nominal value of PLN 28,000 thousand. The nominal value of one bond amounts to PLN 100 and is equal to its issue price. The series F bonds shall be redeemed on 20 May 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 May and November until redemption date.

The terms and conditions of the issuance of the bonds include provisions regarding early redemption at a bondholder's request to be made prior to 20 May 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 F bonds are secured by a mortgage up to PLN 42,000 thousand established by the one of Company's Polish subsidiaries on the plots situated in Warsaw at Jaśminowa Street.

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2014

Notes to the Interim Condensed Consolidated Financial Statements

Note 10 – Floating rate bond loans (cont'd)

Series G

On 30 April 2014, the Company issued 120,000 series G bonds with a total nominal value of PLN 12,000 thousand. 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 October until redemption date.

The terms and conditions of the issuance of the bonds include provisions regarding early redemption at a bondholder's request 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.

Series H

On 23 May 2014, the Company issued 50,000 series H bonds with a total nominal value of PLN 5,000 thousand. The nominal value of one bond amounts to PLN 100 and is equal to its issue price. The series H bonds shall be redeemed on 23 February 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 May and November until redemption date.

The terms and conditions of the issuance of the bonds include provisions regarding early redemption at a bondholder's request to be made prior to 23 February 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.

Financial ratio covenants:

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 six months ended 30 June 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	30 June 2014
<i>In thousands of Polish Zlotys (PLN)</i>	(Reviewed/ Unaudited)
Net debt	139,481
Equity	467,753
Net Indebtedness Ratio	29.8%

Series F, G and H:

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

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

Net debt - shall mean the total consolidated balance sheet value of all interest bearing liabilities less the consolidated value of cash and cash equivalents.

Equity - shall mean the consolidated balance sheet value of the equity attributable to equity holders of the parent.

Check date – last day of each calendar quarter starting from the second quarter of 2014.

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

As at	30 June 2014
<i>In thousands of Polish Zlotys (PLN)</i>	(Reviewed/ Unaudited)
Net debt	140,388
Equity	468,886
Net Indebtedness Ratio	29.9%

In addition to the above, based on the conditions of bonds G, in each reporting period the Company shall test the Net debt to Inventory Ratio (hereinafter “Net Debt to Inventory Ratio”). The Ratio shall not exceed 50% on the Check Date.

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

Net debt - shall mean the total consolidated balance sheet value of all interest bearing liabilities less the consolidated value of cash and cash equivalents.

Inventory - shall mean the consolidated balance sheet value of the inventory of the Company less advances received from the customers.

Check date – last day of each calendar quarter starting from the second quarter of 2014.

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2014**Notes to the Interim Condensed Consolidated Financial Statements****Note 10 – Floating rate bond loans (cont'd)**

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

As at	30 June 2014 (Reviewed/ Unaudited)
<i>In thousands of Polish Zlotys (PLN)</i>	
Net debt	140,388
Inventory	600,045
Net Debt to Inventory Ratio	23.4%

Note 11 – Secured bank loans

The following non-current and current Secured bank loans were issued and repaid during the six months ended 30 June 2014, during the six months ended 30 June 2013 and during the year ended 31 December 2013:

<i>In thousands of Polish Zloty (PLN)</i>	For the six months ended 30 June 2014 (Reviewed/ Unaudited)	For the year ended 31 December 2013 (Audited)	For the six months ended 30 June 2013 (Reviewed/ Unaudited)
Opening balance	41,978	105,212	105,212
New bank loan drawdown	19,072	27,428	10,252
Bank loans repayments	(23,152)	(90,589)	(36,196)
Bank charges	(789)	(990)	(77)
Bank charges amortization	727	1,054	722
Accrued interest/(interest repayment) on bank loans, net	-	(137)	2
Total closing balance	37,836	41,978	79,915
Closing balance includes:			
Current liabilities	24,648	14,450	61,614
Non-current liabilities	13,188	27,528	18,301
Total Closing balance	37,836	41,978	79,915

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).

As at 30 June 2014, 31 December 2013 and 30 June 2013, the Company has not breached any loan covenant, which would expose the Company for risk of obligatory and immediate repayment of any loan and has been able to extend all expiring loan facilities.

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 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 30 June 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 0.36 per option. The significant inputs into the model were a weighted average share price of PLN 1.5, the exercise price mentioned above, volatility of 48%, 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 30 June 2014, amounting to PLN 590 thousand, has been included in the Company’s consolidated balance sheet under Share based payment liabilities. The change in fair value for the 6 months period ended 30 June 2014, also amounting to PLN 590 thousand, is recognized in employee benefits expense.

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2014**Notes to the Interim Condensed Consolidated Financial Statements****Note 13 – Income tax**

	For the 6 months ended 30 June 2014 (Reviewed/ Unaudited)	For the 3 months ended 30 June 2014 (Reviewed/ Unaudited/ restated *	For the 6 months ended 30 June 2013 (Reviewed/ Unaudited)	For the 3 months ended 30 June 2013 (Reviewed/ Unaudited/ restated *
<i>In thousands of Polish Zlotys (PLN)</i>				
Current tax expense/(benefit)	68	30	40	40
Deferred tax expense/(benefit)				
Origination and reversal of temporary differences	1,846	(198)	(533)	(954)
Expense/(benefit) of tax losses recognized	(1,756)	53	277	911
Total deferred tax expense/(benefit)	90	(145)	(256)	(43)
Total income tax expense/(benefit)	158	(115)	(216)	(3)

* Certain amounts shown do not correspond to the interim condensed consolidated financial statements as at 30 June 2013 and reflect adjustments made (reference is made to Note 3).

The low effective tax rate during the six months ended 30 June 2014 and tax benefit during the six months ended 30 June 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 30 June 2014 (Reviewed/ Unaudited)	As at 31 December 2013 (Audited)
<i>In thousands of Polish Zlotys (PLN)</i>		
Młody Grunwald II	23,454	-
Panoramika II	21,000	-
Tamka	20,933	26,837
Impressio II	20,613	30,708
Espresso II	18,807	25,047
Sakura IV	18,477	-
Verdis III	15,875	23,219
Verdis IV	15,326	-
Sakura III	9,484	19,515
Chilli III	1,313	4,471
Młody Grunwald I	-	1,811
Espresso I	-	1,941
Total	165,282	133,549

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 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 30 June 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 30 June 2014 (Reviewed/ Unaudited)	As at 31 December 2013 (Audited)
Tamka	26,287	9,672
Espresso II	22,024	6,937
Moko I	21,253	-
Verdis III	21,050	6,155
Sakura III	13,873	7,546
Sakura IV	6,114	-
Młody Grunwald I	6,065	10,629
Verdis IV	4,980	-
Impressio II	3,336	358
Chilli III	2,595	413
Naturalis I, II & III	2,295	2,378
Panoramika II	1,413	-
Sakura I & II	1,162	4,902
Constans	777	969
Espresso I	642	13,316
Chilli I & II	230	568
Verdis I & II	338	10,844
Gemini II	55	640
Impressio I	39	335
Panoramika I	28	2,058
Total	134,556	77,720

(iii) 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 30 June 2014 (Reviewed/ Unaudited)	As at 31 December 2013 (Audited)
Espresso I	-	4,491
Espresso II	22,590	35,000
Sakura III	25,691	33,103
Sakura IV	28,775	28,025
Tamka	-	33,186
Impressio II	34,750	34,750
Moko	57,450	57,450
Total	169,256	226,005

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2014

Notes to the Interim Condensed Consolidated Financial Statements**Note 14 – Investment commitments, Contracted proceeds not yet received and Contingencies (cont'd)****(iv) 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 fourth quarter of 2014. The final payment will not exceed PLN 17.4 million.

(v) 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 borrowings and redemption of existing loans during the six months period ended 30 June 2014 as described in Notes 10 and 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 six months period ended 30 June 2014.

(iv) Fair value estimation

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

During the six months ended 30 June 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.

Note 16 – Related party transactions

Except of the two transactions presented below, there were no transactions and balances with related parties during six months ended 30 June 2014 other than those already disclosed in the 2013 annual accounts.

In February 2014 the Company implemented a long-term incentive plan, addressed to selected key employees, which is based on the price performance of the Company's shares (for additional information see note 12).

In May 2014, the Group signed one reservation agreement for selling residential unit including two parking place and one storage to Mr Andrzej Gutowski for a total net amount (excluding VAT) of PLN 872 thousand. This transaction was executed at arm's length and was in adherence to the Group's policy in respect of related-party transactions.

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2014

Notes to the Interim Condensed Consolidated Financial Statements**Note 17 – Impairment losses and provisions**

The following net movements in the Group's main provisions took place during the six months ended 30 June 2014 and during the six months ended 30 June 2013:

- an increase in the provision for future payments related to change of perpetual use of plots where the Company develops its projects Moko and Espresso of PLN 6,643 thousand (nil during the six months ended 30 June 2013); the amounts were established based on initial request of representatives of Warsaw City and the final amounts will result from the valuations of the plots prepared by professional property surveyor; the Management Board is not able to project potential timing of the valuations of the plots and the timing of the final settlement with the City; the Management Board believes however that the provision made is sufficient to cover all future payments;
- a decrease in the provision for deferred tax liabilities of PLN 191 thousand (a decrease of PLN 4,840 thousand during the six months ended 30 June 2013).

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

During the six months ended 30 June 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 works commenced in April 2014. The Młody Grunwald II project will comprise 137 units with an aggregate floor space of 8,200 m².

In June 2014, the Company commenced the construction work of the Verdis IV project, which will comprise 78 units with an aggregate floor space of 4,000 m².

In June 2014, the Company commenced the sales of units of the Panoramika II project, while the construction work is expected to be commenced in August 2014. The Panoramika II project will comprise 107 units with an aggregate floor space of 5,900 m².

In May 2014, the Company started signing reservation agreements in Moko I project. The Company is planning to commence construction of the first phase of this project as soon as the building permit is validated. Moreover the reservation agreements signed with the customers will be transformed into preliminary sale agreements as soon as the building permit is validated. The Moko I project will comprise 179 units with an aggregate floor space of 11,200 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.

In May 2014, the Group completed the construction of the Młody Grunwald I project comprising 148 units with a total area of 8,500 m².

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2014

Notes to the Interim Condensed Consolidated Financial Statements

Note 18 – Events during the period (cont'd)

Bonds

On 20 May 2014, the Company issued 280,000 series F bonds with a total nominal value of PLN 28,000 thousand. The nominal value of one bond amounts to PLN 100 and is equal to its issue price. The series F bonds shall be redeemed on 20 May 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 May and November until redemption date (for additional information see Note 12).

On 30 April 2014, the Company issued 120,000 series G bonds with a total nominal value of PLN 12,000 thousand. 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 October until redemption date (for additional information see Note 12).

On 23 May 2014, the Company issued 50,000 series H bonds with a total nominal value of PLN 5,000 thousand. The nominal value of one bond amounts to PLN 100 and is equal to its issue price. The series H bonds shall be redeemed on 23 February 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 May and November until redemption date (for additional information see Note 12).

Note 19 – Subsequent events

Bank loans

None.

Commencements of new projects

None.

Completions of projects

None.

The Management Board

Shraga Weisman
 Chief Executive Officer

Tomasz Łapiński
 Chief Financial Officer

Andrzej Gutowski
 Sales and Marketing Director

Peter Dudolenski

Ronen Ashkenazi

Rotterdam, 5 August 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 30 June 2014, which comprise the interim consolidated statement of financial position as at 30 June 2014 and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the six 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 IAS 34, 'Interim Financial Reporting' as adopted by the European Union. 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 Dutch law and 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, 'Interim Financial Reporting', as adopted by the European Union.

Amsterdam, 5 August 2014

Ernst & Young Accountants LLP

J.H. de Prie