Ronson Europe N.V.

Interim Financial Report
for the nine months
ended
30 September 2012

CONTENTS

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 and single family or semi-detached housing to individual customers in Poland.

The shares of the Company are traded on the Warsaw Stock Exchange since 5 November 2007. As at 30 September 2012, 64.2% of the outstanding shares are held by I.T.R. Dori B.V. (hereinafter “ITR Dori”), 15.3% of the outstanding shares are held by GE Real Estate CE Residential B.V. (hereinafter “GE Real Estate”) with the remaining 20.5% of the outstanding shares being held by other investors, including Amplico Otwarty Fundusz Emerytalny and ING Otwarty Fundusz Emerytalny with each party holding an interest of between 5% and 10% of the outstanding shares. For major shareholders of the Company reference is made to page 19. On 6 November 2012, the market price was PLN 0.77 per share giving the Company a market capitalization of PLN 209.7 million.

Company overview

The Company is an experienced 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 through selective geographical expansion in Poland and by creating a portfolio of real estate development properties. Management believes the Company has positioned itself strongly to navigate the volatile economic environment in which the Company has found itself over the past several years. On the one hand, the Polish economy appears to remain stable, which potentially bodes well for the Company’s prospects. On the other hand, the debt and euro crises, which continue to play out in much of Europe may continue to have a negative impact on the Polish economy and the Company’s overall prospects. As a result, the Company continues to adhere to a development strategy that allows it to adjust quickly to these uncertain conditions by spreading risk through (i) closely monitoring its projects, (ii) potentially modifying the number of projects and their quality and sizes, and (iii) maintaining its conservative financial policy compared to other regional residential developers.

As at 30 September 2012, the Group is in the midst of developing nine projects comprising a total of 1,139 units, with a total area of 69,400 m^2. The construction of 463 units, with a total area of 31,500 m^2, is expected to be completed during the remainder of 2012. Moreover the Group operates five completed projects, in which as of 30 September 2012, 130 units with a total usable area of 12,300 m^2 were still available for sale.

In addition, the Group has a pipeline of 22 projects in different stages of preparation, representing approximately 5,300 residential units with a total area of approximately 359,300 m^2 for future development in Warsaw, Poznań, Wrocław and Szczecin. The Group is considering commencing development of one new project comprising 64 units with a total area of 5,600 m^2 before the end of the year.

During the nine months ended 30 September 2012 the Company signed one preliminary agreement and one final purchase agreement for purchasing two plots of land in Warsaw, which will allow the Group to develop two new projects that will comprise approximately 1,200 units with the total area of 74,500 m^2. For additional information, see “Business highlights during the nine months ended 30 September 2012 - E. Land purchase” (page 6).

During the nine months ended 30 September 2012 net sales amounted to 261 units with the total value PLN 105.6 million compared to net sales of 300 units with a total value of PLN 168.5 million for the same period last year, which reflects deteriorating market conditions and increasing competition during 2012.

Directors' report

Market overview

The Polish economy has proven to be relatively strong even in the recent turbulent times, 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 four years. Management believes the Company is well positioned to adapt to changing market conditions and is preparing new projects for development, which will be distinguished in the market by their location, quality and attractive pricing.

In 2010, the construction of over 158,000 new apartments was commenced, which was only 10% lower than in the peak year of 2008. The 2010 growth trend continued in 2011 when the construction of approximately 162,000 new apartments was commenced. During the first half of 2012, growth slowed significantly when construction of 80,700 new apartments was commenced (higher than during the same period in 2011by only 0.8%) and turned negative on a comparative basis during the third quarter of 2012. During the nine months ended 30 September 2012 construction of 117,000 apartments was commenced, which is lower by 9% compared to the same period during 2011.

Simultaneously, in the third quarter of 2012, the developers' offer finally started to decline (i.e. number of units that were added to the offer was lower than the number of units sold during this period). This is the first time the net available number of residential units decreased since 2009. . Moreover, the number of building permits issued during nine month period ended 30 September 2012 also decreased – by 10% – in comparison to the same period during 2011, which suggests that the developers will continue to limit their offerings for the foreseeable future.

Nevertheless, as a result of the development of many new projects during 2010 and 2011, developers completed a record high number of new units during the first 9-month period of 2012 (41% higher than in corresponding period in 2011). This excess supply has resulted in increased competition among real estate developers, which has, in turn, led to increased customer demands and expectations relating to quality, advanced stage of construction and expectations for lower priced apartments. Moreover, a growing number of customers have indicated interest in more "economical-sized" apartments, i.e. the same number of rooms in a smaller area. This trend appears to be driven by recent changes in borrowing regulations, which are limiting the size of mortgages offered to customers by the banking sector in Poland (so called "Recommendation T" implemented by the Polish Financial Supervision Authority, imposing, among others, new criteria of evaluating customers) as well as the decreased attractiveness of the governmental program supporting families buying their first apartment by subsidizing costs of the mortgage loans taken for purchase of economical apartments (RNS program). It is important to notice that the governmental RNS program is available, in any event, only until the end of 2012. As the vast majority of the Company's projects are categorized as rather mid-class and do not benefit from this program, management believes that expiration of RNS program may actually have relatively positive impact on the Company.

The Company's management believes that, despite many changes and new challenges and in spite of the recent contraction in the market, the Polish residential market is still very attractive. The Company's management is aware of shifting trends as well as increasing demands by the Company's customers and has implemented internal processes aimed at improving customer service and responding positively to new customer requirements. The Company has also prepared itself for the new requirements resulting from implementation of new legislation, which came into force in Poland in April 2012. The new legislation requires, amongst other matters, that more detailed information be provided to customers and that the contract for apartment purchase must be concluded before a notary. Moreover, construction processes (of new projects offered for sale after 29 April 2012) must be financed through debt and equity only or by additional bank guarantees or bank involvement in monitoring the construction process in order to increase the security of customers' money, if such money is used for financing the project. The Company's management is closely monitoring these new requirements and believes that potential difficulties that may occur should not decrease the Company's ability to arrange financing of its projects. In fact, management believes these new requirements may negatively impact the smaller and less experienced developers and thus increase the competitive advantage for more experienced market players like Ronson.

In addition, to further minimize current market risk, the Company is executing on its ongoing strategy of taking a very selective approach when initiating new projects. In the preparation phase of all projects, great emphasis is put on splitting the projects into smaller parts. Management is also cognizant of the tightened credit markets. Accordingly, when planning its newest projects, the Company has prepared for increased costs of debt financing as well as for more demanding debt facility structures that are being imposed by the lending banks especially anticipating the new developers' law.

Business highlights during the nine months ended 30 September 2012

A. Projects completed

The table below presents information on the projects that were completed (i.e. completing all construction works and receiving occupancy permit) during the nine months ended 30 September 2012:

Project name	Location	Number of units	Area of units (m^2)
Sakura I (*)	Warsaw	120	8,100
Impressio I (*)	Wrocław	70	4,400
Naturalis II (*)	Warsaw	60	3,400
Chilli I (*)	Poznań	30	2,100
Total		**280**	**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 nine months ended 30 September 2012 amounted to PLN 72.9 million, whereas cost of sales before write-down adjustment (related to Constans project) amounted to PLN 59.1 million and after write-down adjustment amounted to PLN 61.5 million, which resulted in a gross profit before write-down adjustment amounting to PLN 13.8 million with a gross margin of 19.0% and a gross profit after write-down adjustment amounting to PLN 11.4 million with a gross margin of 15.7%.

The following table specifies revenue, cost of sales, gross profit and gross margin during the nine months ended 30 September 2012 on a project by project basis:

	Information on the delivered units		Revenue (*)		Cost of sales (**)		Gross profit	Gross margin
Project name	**Number of units**	**Area of units (m^2)**	**PLN (thousand)**	**%**	**PLN (thousand)**	**%**	**PLN (thousand)**	**%**
Sakura I	74	4,635	35,555	48.9%	26,903	45.4%	8,652	24.3%
Impressio I	28	1,885	12,420	17.0%	11,402	19.3%	1,018	8.2%
Naturalis II	22	1,180	6,592	9.0%	5,643	9.5%	949	14.4%
Chilli I	12	811	3,726	5.1%	3,410	5.8%	316	8.5%
Imaginarium III	9	750	7,497	10.3%	5,502	9.3%	1,995	26.6%
Imaginarium II	1	73	749	1.0%	566	1.0%	183	24.4%
Galileo	2	139	896	1.2%	590	1.0%	306	34.2%
Constans	3	796	3,653	5.0%	3,653	6.2%	-	0.0%
Gardenia	1	172	683	0.9%	680	1.2%	3	0.4%
Nautica I	1	72	604	0.8%	505	0.9%	99	16.4%
Other	N.A	N.A	548	0.8%	249	0.4%	299	54.6%
Total / Average	**153**	**10,513**	**72,923**	**100.0%**	**59,103**	**100.0%**	**13,820**	**19.0%**
Write-down adjustment	N.A	N.A	N.A	N.A	2,395	N.A	(2,395)	N.A
Results after write-down adjustment	**153**	**10,513**	**72,923**	**100.0%**	**61,498**	**100.0%**	**11,425**	**15.7%**

(*) 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.

Business highlights during the nine months ended 30 September 2012 (cont'd)

B. Results breakdown by project (cont'd)

Sakura I

The construction of the Sakura I project was completed in May 2012. The Sakura I project was developed on a part of a land strip of 21,000 m^2 located in the Mokotów district in Warsaw (Kłobucka Street). The Sakura I project 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 m^2.

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 m^2 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 4,400 m^2.

Naturalis II

The construction of the Naturalis II project was completed in August 2012. The Naturalis II project was developed on a part of a land strip of 31,800 m^2 located in Łomianki near Warsaw. The Naturalis II project comprise 1 four-storey, multi-family residential building with a total of 60 apartments and an aggregate floor space of 3,400 m^2.

Chilli I

The construction of the Chilli I project was completed in July 2012.The Chilli I project was developed on a part of a land strip of 39,604 m^2 located in Tulce near Poznań. The Chilli I project comprises 30 units with an aggregate floor space of 2,100 m^2.

Imaginarium III

The construction of the Imaginarium III housing estate was completed in November 2011. The Imaginarium III project was developed on a land strip of 7,600 m^2 located in the Bielany district in Warsaw (Gwiaździsta Street) and is situated next to the Imaginarium I and Imaginarium II projects. The project is a continuation of the Imaginarium I and Imaginarium II concept in terms of quality and design. The Imaginarium III housing estate comprises 2 four-storey, multi-family buildings with total 45 apartments with an aggregate usable floor space of 3,800 m^2.

Imaginarium II

The construction of the Imaginarium II housing estate was completed in August 2009. This project was developed on part of a land strip of 7,042 m^2 located in the Bielany district in Warsaw. The Imaginarium II housing estate comprises 3 four-storey, multi-family buildings with total 65 apartments with an aggregate usable floor space of 4,700 m^2.

Galileo

The construction of the Galileo project was completed in March 2009. The Galileo project was developed on a land strip of 8,598 m^2 located in the city centre district of Poznań. The Galileo housing project comprises 5 six-storey, multi-family residential buildings with a total of 226 apartments and 6 commercial units with an aggregate floor space of 16,700 m^2.

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 m^2 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 m^2, 5 semi-detached units (total 10 units) with an aggregate floor space of 2,758 m^2 and 4 semi-detached units (total 8 units) with an aggregate floor space of 2,176 m^2, respectively.

Gardenia

The Gardenia project was completed in December 2010. The project was developed on a land strip of 7,129 m^2 located in Józefosław near Warsaw. The Gardenia project, a single family housing (houses in a row) project, comprise 22 units with an aggregate floor space of 3,683 m^2.

Business highlights during the nine months ended 30 September 2012 (cont'd)

B. Results breakdown by project (cont'd)

Nautica I

The construction of the Nautica I project was completed in June 2010. The Nautica I project was developed on a land strip of 9,698 m^2 located in the Ursynów district in Warsaw (Stryjeńskich Street). The project comprises 4 five-storey, multi-family residential buildings with a total of 148 apartments and 1 commercial unit and an aggregate floor space of 10,648 m^2.

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.

Write-down adjustment

During the nine months ended 30 September 2012, as a result of Net Realizable Value (NRV) analyses and reviews, a write-down adjustment for the Constans project was made in the amount of PLN 2,395 thousand.

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 nine months ended 30 September 2012:

Project name	Location	Units sold until 31 December 2011	Units sold during the nine months ended 30 September 2012	Units for sale as at 30 September 2012	Total
Imaginarium II (*)	Warsaw	64	1	-	65
Imaginarium III (*)	Warsaw	43	2	-	45
Constans (*)	Warsaw	13	4	17	34
Sakura I (*)	Warsaw	57	26	37	120
Impressio I (*)	Wrocław	22	19	29	70
Chilli I (*)	Poznań	11	4	15	30
Naturalis II (*)	Warsaw	16	12	32	60
Gemini II (**)	Warsaw	137	21	24	182
Naturalis I (**)	Warsaw	13	4	35	52
Naturalis III (**)	Warsaw	-	13	47	60
Sakura II (**)	Warsaw	-	37	99	136
Verdis I (**)	Warsaw	60	31	48	139
Panoramika I (**)	Szczecin	9	9	72	90
Chilli II (**)	Poznań	-	-	20	20
Espresso I (**)	Warsaw	21	59	130	210
Verdis II (**)	Warsaw	-	14	64	78
Młody Grunwald I (**)	Poznań	-	5	143	148
Total		**466**	**261**	**812**	**1,539**

(*) For information on the completed projects see "Business highlights during the nine months ended 30 September 2012 – B. Results breakdown by project" (pages 4 and 5).

(**) For information on current projects under construction, see "Outlook for the remainder of 2012 and for 2013 – B. Current projects under construction" (pages 14-16).

Business highlights during the nine months ended 30 September 2012 (cont'd)

D. Commencements of new projects

The table below presents information on the projects that for which construction and/or sales commenced during the nine months ended 30 September 2012:

Project name	Location	Number of units	Area of units (m^2)
Espresso I (*)	Warsaw	210	9,500
Chilli II (*)	Poznań	20	1,600
Młody Grunwald I (previously named Eclipse) (*)	Poznań	148	8,500
Verdis II (*)	Warsaw	78	4,900
Bełchatowska 28 I (previously named Newton) (**)	Poznań	24	1,700
Total		**480**	**26,200**

(*) For information on current projects under construction, see "Outlook for the remainder of 2012 and for 2013 – B. Current projects under construction" (pages 14-16).

(**) For additional information, see "Outlook for the remainder of 2012 and for 2013 – D. Projects for which the sales process commenced and the construction work is planned to commence in the near future" (page 17).

E. Land purchase

In March 2012, the Group acquired a parcel of land with an area of 2.6 thousand m^2 located in Wroclaw, Krzyki District, at Jutrzenki Street ("Land 2"). Land 2 is located nearby a plot of land with an area of 14.9 thousand m^2 which the Group had purchased in the past ("Land 1"). In combination, Land 1 and Land 2 shall allow the Group to build multifamily buildings that will comprise 300 units with an aggregate floor space of 16,100 m^2. The purchase price paid is presented in the Interim Condensed Consolidated Financial Statements under Inventory.

In June 2012, the Group entered into preliminary purchase agreements with private individuals for plots of land with an area of 118.4 thousand m^2 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 first half of 2014. It is assumed that the project planned in this plot shall comprise nearly 650 units with the total aggregate floor space of 50,000 m^2; for additional information see the current report no. 5/2012 (7 June 2012). The advance paid is presented in the Interim Condensed Consolidated Financial Statements under Trade and other receivables and prepayments.

In August 2012, the Group, through a joint venture entity (Ronson IS Sp. z o.o. sp.sk.), in which the Group holds a 50% interest ("JV"), signed the final purchase agreement for a plot of land with an area of 8.9 thousand m^2 located in Warsaw, district Wola at Skierniewicka and Wolska Streets. It is assumed that the project planned in this plot shall comprise nearly 550 units with the total aggregate floor space of 24,500 m^2. The purchase price paid is presented in the Interim Condensed Consolidated Financial Statements under Inventory.

Financial information

The Interim Condensed Consolidated Financial Statements as included in this Interim Financial Report on pages 21 through 40 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), in particular in accordance with IAS 34 and IFRSs endorsed by the European Union. At the date of authorisation 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 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 2011. For additional information see Note 3 of the Interim Condensed Consolidated Financial Statements.

Overview of results

The Company's net profit for the nine months ended 30 September 2012 was PLN 299 thousand and can be summarized as follows:

	For the nine months ended 30 September	
	2012	2011
	PLN (thousands, except per share data)	
Revenue	72,923	61,262
Cost of sales	(61,498)	(50,187)
Gross profit	**11,425**	**11,075**
Selling and marketing expenses	(4,442)	(3,650)
Administrative expenses	(10,667)	(10,561)
Other expenses	(932)	(1,367)
Other income	1,446	952
Result from operating activities	**(3,170)**	**(3,551)**
Finance income	2,839	3,863
Finance expense	(898)	(444)
Net finance income	**1,941**	**3,419**
Profit/(loss) before taxation	**(1,229)**	**(132)**
Income tax benefit	1,259	1,015
Net profit for the period before non-controlling interests	**30**	**883**
Non-controlling interests	269	32
Net profit for the period attributable to the equity holders of the parent	**299**	**915**
Net earnings per share (basic)	**0.001**	**0.003**

Revenue

Total revenue increased by PLN 11.7 million (19%) from PLN 61.3 million during the nine months ended 30 September 2011 to PLN 73 million during the nine months ended 30 September 2012, as the Company delivered more apartments to its customer, i.e. 153 units (total usable area of 10,513 m^2) during the nine months ended 30 September 2012, while in the same period of 2011 this number amounted to 77 units (total usable area of 9,986 m^2). The increase in revenues however is primarily explained by an increase in the average selling price per m^2, due to the decrease in the number single family houses delivered to the customers which had a significant lower selling price per m^2 compared to the average selling price in other projects.

Overview of results (cont'd)

Cost of sales

Cost of sales increased by PLN 11.3 million (22.5%) from PLN 50.2 million during the nine months ended 30 September 2011 to PLN 61.5 million during the nine months ended 30 September 2012, which is primarily explained by increase in average total cost of sales per m^2, due to the decrease in the number single family houses delivered to the customers which had lower total cost of sales per m^2 compared to the average total cost of sales in other projects. Cost of sales was furthermore impacted by the write-down adjustment on the Constans project, which was recognized during the nine months ended 30 September 2012.

Gross margin

The gross margin during the nine months ended 30 September 2012 was 15.7% which compares to a gross margin during the nine months ended 30 September 2011 of 18.1%. The decrease in gross margin is primarily explained by the impact of the write-down adjustment on the Constans project, which was recognized during the nine months ended 30 September 2012. The gross margin before this write-down adjustment during the nine months ended 30 September 2012 was 19.0%.

Selling and marketing expenses

Selling and marketing expenses increased by PLN 0.8 million (21.7%) from PLN 3.6 million for the nine months ended 30 September 2011 to PLN 4.4 million for the nine months ended 30 September 2012. 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. The Company increased its selling and marketing budget mainly during the three month period ending on 30 September 2012 (increase by 59% comparing to 2011), while during the six month period ending on 30 June 2012 selling and marketing expenses were higher by 5% compared to the same period in 2011.

Administrative expenses

Administrative expenses increased by PLN 0.1 million (1%) from PLN 10.6 million for the nine months ended 30 September 2011 to PLN 10.7 million for the nine months ended 30 September 2012.

Other expenses

Other expenses decreased by PLN 0.4 million from PLN 1.4 million for the nine months ended 30 September 2011 to PLN 1 million for the nine months ended 30 September 2012, which is primarily explained by a decrease in maintenance expense of unsold units.

Other income

Other income increased by PLN 0.5 million from PLN 1.0 million for the nine months ended 30 September 2011 to PLN 1.5 million for the nine months ended 30 September 2012, which is primarily explained by increase in the net profit on sale of property and equipment.

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 nine months ended 30 September 2012		
	PLN (thousands)		
	Total amount	Amount capitalized	Recognized as profit or loss
Finance income	2,899	(60)	2,839
Finance expense	(14,892)	13,994	(898)
Net finance (expense)/income	**(11,993)**	**13,934**	**1,941**

	For the nine months ended 30 September 2011		
	PLN (thousands)		
	Total amount	Amount capitalized	Recognized as profit or loss
Finance income	3,863	-	3,863
Finance expense	(12,632)	12,188	(444)
Net finance (expense)/income	**(8,769)**	**12,188**	**3,419**

Net finance expenses before capitalization increased by PLN 3.2 million (36.8%) from PLN 8.8 million during the nine months ended 30 September 2011 to PLN 12.0 million during the nine months ended 30 September 2012, which was a result of an increase in finance expense due to an increase in loans and borrowing that related mainly to the issuance of the bonds during April 2011, as well as a decrease in finance income due to a decrease in short-term deposits kept by the Company in bank accounts.

Income tax benefit

During the nine months ended 30 September 2012, the Group realized a tax benefit of PLN 1.3 million (102% of the net loss before tax) in comparison to a tax benefit of PLN 1.0 million (769% of the net loss before tax) for the nine months ended 30 September 2011. The high effective tax rate during the nine months ended 30 September 2012, which resulted in a tax benefit, is explained by the recognition of tax assets created during the nine months ended 30 September 2012. 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 losses from subsidiaries that are not 100% owned by the Company and amounted to PLN 269 thousand (positive) for the nine months ended 30 September 2012, as compared to PLN 32 thousand (positive) for the nine months ended 30 September 2011.

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 September 2012	As at 31 December 2011
	PLN (thousands)	
Inventory	714,803	631,317
Advances received	142,694	87,391
Loans and borrowings	215,996	211,284

Inventory

The balance of inventory is PLN 714.8 million as of 30 September 2012 as compared to PLN 631.3 million as of 31 December 2011.Inventory increased primarily as a result of the Group's investments associated with direct construction costs for a total amount of PLN 104.3 million, an increase in land and related expense for a total amount of PLN 19.7 million and a net finance expense capitalized for a total amount of PLN 13.9 million. The increase was offset by cost of sales recognized for a total amount of PLN 59.7 million.

Advances received

The balance of advances received is PLN 142.7 million as of 30 September 2012 as compared to PLN 87.4 million as of 31 December 2011. The increase was a result of advances received from clients regarding sales of residential units for a total amount PLN 128.2 million, which increase was offset by revenues recognized from the sale of residential units for a total amount of PLN 72.9 million.

Loans and borrowings

The total of short-term and long-term loans and borrowings is PLN 216.0 million as of 30 September 2012 compared to PLN 211.3 million as of 31 December 2011. The increase was primarily the effect of proceeds from bank loans net of bank charges for a total amount of PLN 22.9 million and proceeds from loans received from third parties (parties in the joint venture entity (Ronson IS Sp. z o.o. sp.sk.), in which the Group holds a 50% interest) for a total amount of PLN 5.2 million. The increase was offset in part by repayments of bank loans for the total amount PLN 26.7 million. Of the mentioned PLN 216.0 million, an amount of PLN 88.5 million comprises facilities maturing no later than 30 September 2013.

The maturity structure of the loans and borrowings reflects the Company's activities in the past 4 to 5 years to partially refinance some of its land acquisitions with short-term and medium-term banking facilities. In addition, for the majority of projects where construction works have already commenced, the Company also entered into 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.

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

Loans and borrowings (cont'd)

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

Floating rate bond loans as at 30 September 2012 amounted to PLN 90.4 million comprising a loan principal amount of PLN 87.5 million plus accrued interest of PLN 3.8 million minus one-time costs directly attributed to the bond issuances which are amortized based on the effective interest method (PLN 0.9 million). The bonds are not secured and mature in April 2014.

The bank loans supporting completed projects or projects under construction are tailored to the pace of construction works and of sales. As at 30 September 2012, loans in this category amounted to PLN 48.1 million.

The bank loans granted to finance the land purchases as at 30 September 2012 amounted to PLN 66.1 million in total.

Loans from third parties as at 30 September 2012 amounted to PLN 11.4 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 nine months ended 30 September	
	2012	**2011**
	PLN (thousands)	
Cash flow from/(used in) operating activities	(34,547)	13,894
Cash flow from/(used in) investing activities	(7,332)	(33,335)
Cash flow from/(used in) financing activities	1,454	24,198

Operating activities

The Company's net cash outflow used in operating activities for the nine months ended 30 September 2012 amounted to PLN 34.5 million which compares to a net cash inflow from operating activities during the nine months ended 30 September 2011 amounting to PLN 13.9 million. The decrease is principally explained by:

- a net cash outflow used in inventory amounting to PLN 72.1 million during the nine months ended 30 September 2012 as compared to a net cash outflow used in inventory amounting to PLN 37.6 million during the nine months ended 30 September 2011; the main reason for increasing cash outflow used in inventory was increasing the number and the volume of projects under construction as well as increasing expenses for purchase of new lands (including plots at Skierniewicka Street in Warsaw and at Jutrzenki Street in Wrocław), and
- a net cash outflow used in trade and other receivables and prepayments amounting to PLN 24.5 million during the nine months ended 30 September 2012 as compared to a net cash inflow from trade and other receivables and prepayments amounting to PLN 3.3 million during the nine months ended 30 September 2011; the main reason for the increase in the cash outflow is the increase advance for land purchase (plot at Jaśminowa Street in Warsaw).

Overview of cash flow results (cont'd)

Operating activities (cont'd)

This effect was offset in part by:
a net cash inflow from trade and other payables and accrued expenses amounting to PLN 16.4 million during the nine months ended 30 September 2012 as compared to a net cash inflow from trade and other payables and accrued expenses amounting to PLN 9.8 million during the nine months ended 30 September 2011;

- a net cash inflow from advances received from clients regarding sales of residential units from cash inflow PLN 108.8 million during the nine months ended 30 September 2011, which were offset by revenue recognized for a total amount of PLN 61.3 million, to advances received in the amount of PLN 128.2 million during the nine months ended 30 September 2012, which were offset by revenue recognized for a total amount of PLN 72.9 million.

Investing activities

The Company's net cash outflow used in investing activities amounting to PLN 7.3 million during the nine months ended 30 September 2012 compared to a net cash outflow used in investing activities totaling PLN 33.3 million during the nine months ended 30 September 2011. The increase is primarily explained by:

- the investment in securities in an open end investment fund amounting to PLN 20.8 million during the nine months ended 30 September 2011 compared to nil during the nine months ended 30 September 2012;
- a net cash outflow used in collateralized short-term bank deposits amounting to PLN 4.3 million during the nine months ended 30 September 2011 compared net cash outflow used in collateralized short-term bank deposits of PLN 2.6 million during the nine months ended 30 September 2012.

Financing activities

The Company's net cash inflow from financing activities totaled PLN 1.5 million during the nine months ended 30 September 2012 compared to a net cash inflow totaling PLN 24.2 million in the nine months ended 30 September 2011. The decrease is primarily due to:

- the proceeds from the issuance of bonds (net of costs) amounting to PLN 85.7 million during the nine months ended 30 September 2011 compared to nil during the nine months ended 30 September 2012,and
- the proceeds from loans received from third parties amounting to PLN nil during the nine months ended 30 September 2011 compared to PLN 5.2 million during the nine months ended 30 September 2012 ,and
- a repayment of secured bank loans amounting to PLN 6.3 million during the nine months ended 30 September 2011 compared to a repayment of secured bank loans amounting to PLN 26.7 million during the nine months ended 30 September 2012.

The decrease is partly offset by the effects of a repayment of related parties loans amounting to PLN 52.9 million during the nine months ended 30 September 2011 compared to nil during the nine months ended 30 September 2012, as well as effects of the proceeds from bank loans amounting to PLN 0.5 million during the nine months ended 30 September 2011 compared to PLN 24.1 million during the nine months ended 30 September 2012.

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
2012 (9 months)	**4.209**	**4.047**	**4.514**	**4.114**
2011 (9 months)	4.021	3.840	4.490	4.411

Source: National Bank of Poland ("NBP")

Selected financial data	EUR		PLN	
	(thousands, except per share data and number of shares)			
	For the nine months ended 30 September or as at 30 September			
	2012	**2011**	**2012**	**2011**
Revenues	**17,325**	15,236	**72,923**	61,262
Gross profit	**2,714**	2,754	**11,425**	11,075
Profit/(loss) before taxation	**(292)**	(33)	**(1,229)**	(132)
Profit for the period	**7**	228	**30**	915
Cash flows (used in)/from operating activities	**(8,208)**	3,455	**(34,547)**	13,894
Cash flows (used in) investment activities	**(1,742)**	(8,290)	**(7,332)**	(33,335)
Cash flows from financing activities	**345**	6,018	**1,454**	24,198
(Decrease)/Increase in cash and cash equivalents	**(9,604)**	1,183	**(40,425)**	4,757
Inventory	**173,749**	137,518	**714,803**	606,592
Total assets	**204,636**	173,815	**841,871**	766,699
Advances received	**34,685**	20,833	**142,694**	91,895
Long term liabilities	**32,579**	33,210	**134,032**	146,488
Short term liabilities (including advances received)	**67,903**	44,803	**279,352**	197,628
Equity attributable to owners of the parent company	**103,185**	94,829	**424,502**	418,292
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)	**0.0002**	0.001	**0.001**	0.003

** 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 2011 to 30 September 2012, 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.

Outlook for the remainder of 2012 and for 2013

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 2012 and 2013:

			Number of residential units sold (*)			Number of residential units delivered (*)			
Project name	**Location**	**Total units**	**Until 31 December 2011**	**During the 9 months ended 30 September 2012**	**Total**	**Until 31 December 2011**	**During the 9 months ended 30 September 2012**	**Total**	**Number of residential units expected to be delivered (*)**
Constans (**)	Warsaw	34	13	4	17	12	3	15	19
Sakura I (**)	Warsaw	120	57	26	83	-	74	74	46
Impressio I (**)	Wrocław	70	22	19	41	-	28	28	42
Chilli I (**)	Poznań	30	11	4	15	-	12	12	18
Naturalis II (**)	Warsaw	60	16	12	28	-	22	22	38
Nautica II (**)	Warsaw	3	3	-	3	2	-	2	1
Total		**317**	**122**	**65**	**187**	**14**	**139**	**153**	**164**

(*) *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 nine months ended 30 September 2012 – B. Results breakdown by project" (pages 3 to 5).*

B. Current projects under construction

The table below presents information on projects for which completion is scheduled in the remainder of 2012, 2013 and 2014. The Company has obtained construction permits for all projects/stages and has commenced construction.

Project name	**Location**	**Total area of units (m^2)**	**Total units**	**Units sold until 30 September 2012**	**Expected completion of construction**
Naturalis I	Warsaw	2,900	52	17	2013
Naturalis III	Warsaw	3,400	60	13	2013
Sakura II	Warsaw	8,300	136	37	2013
Verdis I	Warsaw	9,400	139	91	2012
Panoramika I	Szczecin	5,300	90	18	2012
Gemini II	Warsaw	13,900	182	158	2012
Chilli II	Poznań	1,600	20	-	2013
Verdis II	Warsaw	4,900	78	14	2013
Młody Grunwald I	Poznań	8,500	148	5	2014
Espresso I	Warsaw	9,500	210	80	2014
Total		**67,700**	**1,115**	**433**	

Outlook for the remainder of 2012 and for 2013 (cont'd)

B. Current projects under construction (cont'd)

Naturalis I and III

Description of project

The first and the third phases of the Naturalis project are being developed on a part of a land strip of 31,800 m^2 located in Łomianki near Warsaw. These two phases are a continuation of Naturalis II, which was completed in August 2012. The first and the third phase of this project will comprise 1 four-storey, multi-family residential building with a total of 52 apartments and an aggregate floor space of 2,900 m^2 and 1 four-storey, multi-family residential building with a total of 60 apartments and an aggregate floor space of 3,400 m^2, respectively. In total the Naturalis project shall comprise approximately 490 units with a total estimated flat usable area of 30,200 m^2.

Stage of development

The construction of the first and the third phases of the Naturalis project commenced in September 2010 and December 2011, respectively, while completion is expected in the first quarter of 2013 and the second quarter of 2013, respectively.

Sakura II

Description of project

The Sakura II project is being developed on a part of a land strip of 21,000 m^2 located in the Mokotów district in Warsaw (Kłobucka Street) the project is a continuation of Sakura I, which was completed in May 2012. The Sakura II project will comprise 1 seven and eleven-storey, multi-family residential building with a total of 136 apartments and an aggregate floor space of 8,300 m^2. In total, the Sakura project shall comprise around 500 units with a total estimated flat usable area of 30,800 m^2.

Stage of development

The construction of the Sakura II project commenced in October 2011 and is expected to be completed in the second quarter of 2013.

Verdis I and II

Description of project

The first and the second phases of the Verdis project are being developed on a part of a land strip of 16,300 m^2 located in the Wola district in Warsaw (Sowińskiego Street). The first phase and the second phase of this project will 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 m^2 and 2 seven-storey, multi-family residential buildings with a total of 78 apartments and an aggregate floor space of 4,900 m^2, respectively. In total, the Verdis project shall comprise around 380 units with a total estimated flat usable area of 26,100 m^2.

Stage of development

The construction of the first and the second phase of Verdis project commenced in November 2011 and August 2012, respectively, while completion is expected in the fourth quarter of 2012 and the fourth quarter of 2013, respectively.

Panoramika I

Description of project

The first phase of the Panoramika project is being developed on a part of a land strip of 30,300 m^2 located in Szczecin at Duńska Street. The first phase of this project will comprise 2 four and five-storey, multi-family residential buildings with a total of 90 apartments and an aggregate floor space of 5,300 m^2. In total, the Panoramika project shall comprise around 514 units with a total estimated flat usable area of 36,700 m^2.

Stage of development

The construction of the first phase of the project commenced in November 2010 and is expected to be completed in the fourth quarter of 2012.

Outlook for the remainder of 2012 and for 2013 (cont'd)

B. Current projects under construction (cont'd)

Gemini II

Description of project

The second phase of the Gemini project is being developed on a land strip of 4,703 m^2 located in the Ursynów district in Warsaw (KEN Avenue) situated next to the subway station Imielin. The project is a continuation of Gemini I, which was completed in 2010. The Gemini II project will comprise 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 m^2.

Stage of development

The construction of the second phase of the project commenced in March 2011 and is expected to be completed in the fourth quarter of 2012.

Chilli II

Description of project

The second phase of the Chilli project is being developed on a part of a land strip of 39,604 m^2 located in Tulce near Poznań, the project is a continuation of Chilli I, which was completed in July 2012. The Chilli II project will comprise 20 units with an aggregate floor space of 1,600 m^2. In total the Chilli project shall comprise around 274 units with a total estimated usable area of 17,800 m^2.

Stage of development

The construction of second phase of Chilli project commenced in May 2012, while completion is expected in the third quarter of 2013.

Espresso I

Description of project

The first phase of the Espresso project is being developed on a part of a land strip of 16,192 m^2 located in Warszawa at Jana Kazimierza Street. The first phase of this project will comprise 210 units with an aggregate floor space of 9,500 m^2. In total, the Espresso project shall comprise around 688 units with a total estimated usable area of 35,900 m^2.

Stage of development

The construction of the first phase of the project commenced in March 2012 and is expected to be completed in the first quarter of 2014.

Młody Grunwald I (previously named Eclipse)

Description of project

The first phase of the Młody Grunwald project is being developed on a part of a land strip of 15,449 m^2 located in Poznań at Jeleniogórska Street. The first phase of this project will comprise 3 six-storey, multi-family residential buildings with a total of 136 apartments and 12 commercial units and an aggregate floor space of 8,500 m^2. In total, the Młody Grunwald project shall comprise around 428 units with a total estimated usable area of 25,000 m^2.

Stage of development

The construction of the first phase of the project commenced in September 2012 and is expected to be completed in the second quarter of 2014.

Outlook for the remainder of 2012 and for 2013 (cont'd)

C. Projects for which construction work is planned to commence during the remainder of 2012

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 2012, the Company is considering the commencement of development of one new project.

Tamka

The Tamka project will be developed on a land strip of 2,515 m^2 located in Warsaw city centre at Tamka Street. The project will comprise around 64 units with an aggregate floor space of 5,600 m^2. The Company is considering commencing construction of the project before the end of 2012.

D. Projects for which the sales process commenced and the construction work is planned to commence in the near future

Bełchatowska 28 (previously named Newton)

The Bełchatowska 28 project will be developed on a land strip of 10,908 m^2 located in Poznań at Bełchatowska Street. The project will comprise 50 units with an aggregate floor space of 3,700 m^2. In April 2012, the Company started the sales process of the first phase of this project comprising 24 units with an aggregate floor space of 1,700 m^2. The construction work is planned to commence in the first quarter of 2013.

Outlook for the remainder of 2012 and for 2013 (cont'd)

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

The current volume and value of the preliminary sales agreements signed with the clients do not impact the 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 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
Nautica II (*)	Warsaw	1,444	Completed
Constans (*)	Warsaw	2,460	Completed
Gemini I (*)	Warsaw	117	Completed
Sakura I (*)	Warsaw	4,921	Completed
Impressio I (*)	Wrocław	4,720	Completed
Chilli I (*)	Poznań	754	Completed
Naturalis II (**)	Warsaw	1,620	Completed
Verdis I (**)	Warsaw	40,460	2012
Gemini II (**)	Warsaw	98,452	2012
Panoramika I (**)	Szczecin	5,444	2012
Naturalis I (**)	Warsaw	4,202	2013
Naturalis III (**)	Warsaw	3,381	2013
Sakura II (**)	Warsaw	14,024	2013
Verdis II (**)	Warsaw	5,474	2013
Espresso I (**)	Warsaw	21,644	2014
Młody Grunwald I (**)	Poznań	1,560	2014
Total		**210,677**	

(*) For information on the completed projects see "Business highlights during the nine months ended 30 September 2012 – B. Results breakdown by project" (pages 3 to 5).

(**) For information on current projects under construction, see under "B" above (pages 14-16).

During the fourth quarter of 2012, the Company plans to deliver to its customers all units which were sold and for which the construction process was completed as of the end of September 2012, as well as all sold units in the Panoramika project (the occupancy permit was received in October) as well as the majority of sold units in projects Gemini 2 and Verdis 1, which are expected to be completed by the end of November 2012. Successful implementation of this plan (especially delivery of units in the profitable projects Gemini and Verdis) is expected to translate into very positive financial results during the fourth quarter and in entire 2012.

F. Main risks and uncertainties during the remainder of 2012

The economic situation in Europe and in Poland and the ongoing uncertainties in the housing market make it very difficult to predict results for 2012 more 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 2012

Additional information to the report

To the best of the Company's knowledge, as of the date of publication of this short report for the nine months ended 30 September 2012 (6 November 2012), 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 6 November 2012 Number of shares / % of shares	**Increase in number of shares**	**As of 30 September 2012 Number of shares / % of shares**	**Increase in number of shares**	**As of 31 December 2011 Number of shares / % of shares**
Shares issued	***272,360,000***	-	***272,360,000***	-	***272,360,000***
Major shareholders:					
I.T.R. Dori B.V.	174,898,374	-	174,898,374	-	174,898,374
	64.2%		64.2%		64.2%
GE Real Estate CE Residential B.V.	41,800,000	-	41,800,000	-	41,800,000
	15.3%		15.3%		15.3%
Amplico Otwarty Fundusz Emerytalny	N/A	N/A	N/A	N/A	N/A
	Between 5%-10%.		Between 5%-10%.		Between 5%-10%.
ING Otwarty Fundusz Emerytalny	N/A	N/A	N/A	N/A	N/A
	Between 5%-10%.		Between 5%-10%.		Between 5%-10%.

Changes in ownership of shares and rights to shares by Management Board members in the nine months ended 30 September 2012 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 September 2012 and as at the day of publishing this report, indirectly held 18.5% of the shares and voting rights in a 50% shareholder of I.T.R Dori B.V. and, as a result, thus indirectly held a 5.9% interest in the Company.
- Mr Israel Greidinger, as at 30 September 2012 and as at the day of publishing this report, indirectly held 40.8% of the shares and 43.8% of the voting rights in Israel Theatres Ltd, a 50% shareholder of I.T.R Dori B.V. and, as a result, thus indirectly held 13.1% of the shares and 14.1% of the voting rights in the Company.

Changes in ownership of shares and rights to shares by Supervisory Board members in the nine months ended 30 September 2012 and until the date of publication of the report

The members of the Supervisory Board did not individually own any shares and/or rights to shares in the Company during the period from 1 January 2012 until 6 November 2012.

Changes in the Management Board in the nine months ended 30 September 2012 and until the date of publication of the report

Karol Pilniewicz stepped down as managing director B effective on the day of 31 October 2012. For more details please see the current report no. 12/2012 (dated 31 October 2012).

Additional information to the report (cont'd)

Other

As of 30 September 2012, the Company has issued guarantees for bank loans granted to subsidiaries amounting to a total of PLN 26,876 thousand.

As of 30 September 2012, 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 nine months ended 30 September 2012:

- a decrease in the provision for deferred tax liabilities of PLN 459 thousand (a decrease of PLN 423 thousand during the nine months ended 30 September 2011).

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 International Financial Reporting Standards ("IFRS"), in particular in accordance with IAS 34 and IFRSs endorsed by the European Union. At the date of authorisation 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 September 2012 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 nine 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 nine months management board report gives a true and fair view of the important events of the past nine-month period and their impact on the interim financial statements, as well as the principal risks and uncertainties for the three-month period to come, and the most important related party transactions.

The Management Board

Shraga Weisman
Chief Executive Officer

Tomasz Łapiński
Chief Financial Officer

Andrzej Gutowski
Sales and Marketing Director

Israel Greidinger

Ronen Ashkenazi

Rotterdam, 6 November 2012

Interim Consolidated Statement of Financial Position

As at *In thousands of Polish Zlotys (PLN)*	*Note*	**30 September 2012 (Reviewed/ Unaudited)**	**31 December 2011 (Audited)**
Assets			
Property and equipment		8,288	8,949
Investment property		9,249	9,249
Loans granted to third parties		1,014	928
Loans granted to related parties		5,298	-
Deferred tax assets		6,675	5,843
Total non-current assets		**30,524**	**24,969**
Inventory	*9*	714,803	631,317
Trade and other receivables and prepayments		36,860	12,354
Income tax receivable		351	187
Short-term bank deposits - collateralized		5,136	2,512
Cash and cash equivalents		54,197	94,622
Total current assets		**811,347**	**740,992**
Total assets		**841,871**	**765,961**
Equity and liabilities			
Share capital		20,762	20,762
Share premium		282,873	282,873
Retained earnings		120,867	120,568
Equity attributable to equity holders of the parent		**424,502**	**424,203**
Non-controlling interests		3,985	4,254
Total equity		**428,487**	**428,457**
Liabilities			
Floating rate bond loans	*10*	86,611	86,180
Secured bank loans	*11*	29,455	21,746
Loans from third parties		11,402	5,726
Other payables		714	384
Deferred tax liability		5,850	6,309
Total non-current liabilities		**134,032**	**120,345**
Trade and other payables and accrued expenses		47,870	31,832
Floating rate bond loans	*10*	3,759	1,667
Secured bank loans	*11*	84,769	95,965
Advances received		142,694	87,391
Income tax payable		26	43
Provisions		234	261
Total current liabilities		**279,352**	**217,159**
Total liabilities		**413,384**	**337,504**
Total equity and liabilities		**841,871**	**765,961**

The notes included on pages 25 to 40 are an integral part of these interim condensed consolidated financial statements

Interim Consolidated Statement of Comprehensive Income

PLN (thousands, except per share data and number of shares)	*Note*	For the 9 months ended 30 September 2012 (Reviewed/ Unaudited)	For the 3 months ended 30 September 2012 (Unreviewed/ Unaudited)	For the 9 months ended 30 September 2011 (Unreviewed/ Unaudited)	For the 3 months ended 30 September 2011 (Unreviewed/ Unaudited)
Revenue		72,923	31,054	61,262	21,328
Cost of sales		(61,498)	(28,613)	(50,187)	(17,701)
Gross profit		**11,425**	**2,441**	**11,075**	**3,627**
Selling and marketing expenses		(4,442)	(1,780)	(3,650)	(1,118)
Administrative expenses		(10,667)	(3,482)	(10,561)	(3,694)
Other expenses		(932)	(269)	(1,367)	(572)
Other income		1,446	754	952	430
Result from operating activities		**(3,170)**	**(2,336)**	**(3,551)**	**(1,327)**
Finance income		2,839	656	3,863	1,476
Finance expense		(898)	(452)	(444)	(69)
Net finance income		**1,941**	**204**	**3,419**	**1,407**
Profit/(loss) before taxation		**(1,229)**	**(2,132)**	**(132)**	**80**
Income tax benefit/(expense)	*12*	1,259	438	1,015	240
Profit/(loss) for the period		**30**	**(1,694)**	**883**	**320**
Other comprehensive income		-	-	-	-
Total comprehensive income for the period, net of tax		**30**	**(1,694)**	**883**	**320**
Total comprehensive income attributable to:					
Owners of the parent company		299	(1,610)	915	352
Non-controlling interests		(269)	(84)	(32)	(32)
		30	**(1,694)**	**883**	**320**
Weighted average number of equivalent shares - basic		**272,360,000**	**272,360,000**	**272,360,000**	**272,360,000**
Net earnings/(loss) per share - basic		**0.001**	**(0.006)**	**0.003**	**0.001**

The notes included on pages 25 to 40 are an integral part of these interim condensed consolidated financial statements

Interim Consolidated Statement of Changes in Equity

In thousands of Polish Zlotys (PLN)	Attributable to the Equity holders of parent					
	Share capital	Share premium	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2012	**20,762**	**282,873**	**120,568**	**424,203**	**4,254**	**428,457**
Comprehensive income:						
Profit/(loss) for the nine months ended 30 September 2012	-	-	299	299	(269)	30
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	299	299	(269)	30
Balance at 30 September 2012 **(Reviewed/ Unaudited)**	**20,762**	**282,873**	**120,867**	**424,502**	**3,985**	**428,487**

In thousands of Polish Zlotys (PLN)	Attributable to the Equity holders of parent					
	Share capital	Share premium	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2011	**20,762**	**282,873**	**113,742**	**417,377**	**-**	**417,377**
Non-controlling interest arising on a acquisition of subsidiary	-	-	-	-	4,323	4,323
Comprehensive income:						
Profit/(loss) for the nine months ended 30 September 2011	-	-	915	915	(32)	883
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	915	915	(32)	883
Balance at 30 September 2011 **(Unreviewed/ Unaudited)**	**20,762**	**282,873**	**114,657**	**418,292**	**4,291**	**422,583**

The notes included on pages 25 to 40 are an integral part of these interim condensed consolidated financial statements.

Interim Consolidated Statement of Cash Flows

In thousands of Polish Zlotys (PLN)	**For the 9 months ended 30 September 2012 (Reviewed/ Unaudited)**	**For the 9 months ended 30 September 2011 (Unreviewed/ Unaudited)**
Cash flows from/(used in) operating activities		
Profit for the period	30	883
Adjustments to reconcile profit for the period to net cash used in operating activities		
Depreciation	567	433
Finance expense	898	444
Finance income	(2,839)	(3,863)
Profit on sale of property and equipment	(239)	(11)
Write-down of inventory	2,395	-
Income tax benefit	(1,259)	(1,015)
Subtotal	***(447)***	***(3,129)***
Decrease/(increase) in inventory	(72,144)	(37,599)
Decrease/(increase) in trade and other receivables and prepayments	(24,506)	3,346
Increase/(decrease) in trade and other payables and accrued expenses	16,368	9,755
Increase/(decrease) in provisions	(27)	(1,392)
Increase/(decrease) in advances received	55,303	47,548
Subtotal	***(25,453)***	***18,529***
Interest paid	(11,634)	(8,456)
Interest received	2,753	3,306
Income tax paid	(213)	515
Net cash (used in)/from operating activities	**(34,547)**	**13,894**
Cash flows from/(used in) investing activities		
Acquisition of property and equipment	(230)	(769)
Acquisition of investment property	-	(509)
Investment in other current financial assets	-	(20,772)
Acquisition of newly consolidated subsidiary, net of cash acquired	-	(1,341)
Short-term bank deposit – collateralized	(2,624)	(4,320)
Loans granted to related parties	(5,238)	-
Loans granted to third parties	-	(5,635)
Proceeds from sales of property and equipment	760	11
Net cash from/(used in) investing activities	**(7,332)**	**(33,335)**
Cash flows from/(used in) financing activities		
Proceeds from bank loans	24,141	539
Bank charges	(1,270)	(563)
Proceeds from bond loans, net of charges	-	85,775
Repayment of loans received from third parties	-	(2,317)
Loans received from third parties	5,239	-
Repayment of loans received from related parties	-	(52,948)
Repayment of bank loans	(26,656)	(6,288)
Net cash from/(used in) financing activities	**1,454**	**24,198**
Net change in cash and cash equivalents	**(40,425)**	**4,757**
Cash and cash equivalents at beginning of period	94,622	94,888
Cash and cash equivalents at end of period	**54,197**	**99,645**

The notes included on pages 25 to 40 are an integral part of these interim condensed consolidated financial statements.

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 and single family or semi-detached housing 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 September 2012, 64.2% of the outstanding shares are held by ITR Dori, 15.3% of the outstanding shares are held by GE Real Estate with the remaining 20.5% of the outstanding shares being held by other investors, including Amplico OFE and ING OFE with each party holding an interest of between 5% and 10% of the outstanding shares.

The Interim Condensed Consolidated Financial Statements of the Group have been prepared for the nine months ended 30 September 2012 and contain comparative data for the nine months ended 30 September 2011 and as at 31 December 2011. The Interim Condensed Consolidated Financial Statements of the Company for the nine months ended 30 September 2012 have been reviewed by the Company's external auditors. The Interim Condensed Consolidated Statement of Comprehensive Income, Interim Consolidated Statement of Changes in Equity and the Interim Consolidated Statement of Cash Flows and respective notes for the nine months ended 30 September 2011 – these data were not subject to review or audit by an independent auditor. The Interim Condensed Consolidated Statement of Comprehensive Income and respective notes cover also the three months ended 30 September 2012 and contain comparative data for the three months ended 30 September 2011 – these data were not subject to review or audit by an independent auditor.

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

The Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2012 were authorised for issuance by the Management Board on 6 November 2012.

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

These Interim Condensed Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), in particular in accordance with IAS 34 and IFRSs endorsed by the European Union. At the date of authorisation of these Interim Condensed Consolidated Interim 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 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 2011.

The Consolidated Financial Statements of the Group for the year ended 31 December 2011 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 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.

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 2011.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2012.

- Amendment to IFRS 7 *Financial Instruments – Disclosures: Transfer of Financial Assets* – effective for financial years beginning on or after 1 July 2011,

Adoption of the above new standards and amendments to standards did not have impact on the financial position or performance of the Group.

Note 4 – The use of estimates and judgments

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

In preparing these Interim Condensed Consolidated Financial Statements, the significant judgements 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 2011.

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.

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 September 2012, are presented below and on the following page.

	Entity name	Year of incorporation	Share of ownership & voting rights at the end of	
			30 September 2012	31 December 2011
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.(previous name Ronson Development Nautica 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%	n.a.
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. (previous name Ronson Development sp. z o.o.- Community 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. (previous name Ronson Development Sp. z o.o.- Landscape 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. (previous name Ronson Development Sp. z o.o. - Eclipse Sp.k.)	2009	100.0%	100.0%
47.	Ronson Development Sp. z o.o. - Apartments 2011 Sp.k. (previous name Ronson Development Sp. z o.o. - Magellan 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.

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 September 2012	31 December 2011
b.	held indirectly by the Company :			
48.	Ronson Development Sp. z o.o. - Idea Sp.k. (previous name Ronson Development Sp. z o.o. - Monet Sp.k.)	2009	100.0%	100.0%
49.	Ronson Development Sp. z o.o. - Destiny 2011 Sp.k. (previous name Ronson Development Sp. z o.o. - Orion Sp.k.)	2009	100.0%	100.0%
50.	Ronson Development Partner 2 Sp. z o.o. - Enterprise 2011 Sp.k. (previous name Ronson Development Sp. z o.o. - Osiedle Hrabskie Sp.k.)	2009	100.0%	100.0%
51.	Ronson Development Partner 2 Sp. z o.o. - Retreat 2011 Sp.k. (previous name Ronson Development Sp. z o.o. - Plejada Sp.k. and Ronson Development Sp. z o.o. - Retreat 2011 Sp.k)	2009	100.0%	100.0%
52.	Ronson Development Sp. z o.o. - Wrocław 2011 Sp.k. (previous name Ronson Development Sp. z o.o. - Renoir	2009	100.0%	100.0%
53.	Ronson Development Sp. z o.o. - 2011 Sp.k. (previous name Ronson Development Sp. z o.o. - Renaissance Sp.k.)	2009	100.0%	100.0%
54.	Ronson Development Sp. z o.o. - Gemini 2 Sp.k. (previous name Ronson Development Sp. z o.o. - Tamka Sp.k.)	2009	100.0%	100.0%
55.	Ronson Development Sp. z o.o. - Verdis Sp.k. (previous name Ronson Development Sp. z o.o. - Copernicus Sp.k.)	2009	100.0%	100.0%
56.	Ronson Espresso Sp. z o.o. (previous name Landex Sp. z o.o.)	2006	68.4%	68.4%
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 IS sp. z o.o. (previous name Ronson Development Gemini Sp. z o.o. and Ronson Development Invest p. zo.o.	2010	50.0%	100.0%
66.	Ronson Development Sp. z o.o. - Naturalis Sp.k.	2011	100.0%	100.0%
67.	Ronson Development Sp. z o.o. - Impressio Sp.k.	2011	100.0%	100.0%
68.	Ronson Development Sp. z o.o. - Continental 2011 Sp.k.	2011	100.0%	100.0%
69.	Ronson Development Sp. z o.o. - Providence 2011 Sp.k.	2011	100.0%	100.0%
70.	Ronson Development Partner 2 Sp. z o.o. - Capital 2011 Sp. k.(previous name Ronson Development Sp. z o.o. - Capital 2011 Sp.k.)	2011	100.0%	100.0%
71.	Ronson Development Sp. z o.o. - Architecture 2011 Sp.k.	2011	100.0%	100.0%
72.	Ronson IS sp. z o.o. Sp.k.	2012	50.0%	n.a.

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 one particular entity 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. Unallocated items mainly comprise head office expenses and income tax assets and liabilities, unallocated cash and cash equivalents, other financial assets 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 September 2012 (Reviewed)/(unaudited)										
	Warsaw			Poznań		Wrocław		Szczecin		Unallocated	Total
	Apartments	Houses	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses		
Segment assets	455,656	58,379	9,249	97,364	-	85,816	2,508	74,032	7,624	-	790,628
Unallocated assets	-	-	-	-	-	-	-	-	-	51,243	51,243
Total assets	**455,656**	**58,379**	**9,249**	**97,364**	**-**	**85,816**	**2,508**	**74,032**	**7,624**	**51,243**	**841,871**
Segment liabilities	269,477	13,557	-	14,985	-	1,967	-	14,147	-	-	314,133
Unallocated liabilities	-	-	-	-	-	-	-	-	-	99,251	99,251
Total liabilities	**269,477**	**13,557**	**-**	**14,985**	**-**	**1,967**	**-**	**14,147**	**-**	**99,251**	**413,384**

In thousands of Polish Zlotys (PLN)

	As at 31 December 2011 (Audited)										
	Warsaw			Poznań		Wrocław		Szczecin		Unallocated	Total
	Apartments	Houses	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses		
Segment assets	347,600	63,405	9,195	94,050	-	90,068	3,606	63,582	7,373	-	678,879
Unallocated assets	-	-	-	-	-	-	-	-	-	87,082	87,082
Total assets	**347,600**	**63,405**	**9,195**	**94,050**	**-**	**90,068**	**3,606**	**63,582**	**7,373**	**87,082**	**765,961**
Segment liabilities	181,636	14,844	-	31,714	-	5,912	-	17,279	-	-	251,385
Unallocated liabilities	-	-	-	-	-	-	-	-	-	86,119	86,119
Total liabilities	**181,636**	**14,844**	**-**	**31,714**	**-**	**5,912**	**-**	**17,279**	**-**	**86,119**	**337,504**

Notes to the Interim Condensed Consolidated Financial Statements

Note 8 - Segment reporting (cont'd)

In thousands of Polish Zlotys (PLN) — For the nine months ended 30 September 2012 (Reviewed)/(unaudited)

	Warsaw			Poznań		Wrocław		Szczecin		Unallocated	Total
	Apartments	Houses	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses		
Revenue	51,073	4,336	472	4,622	-	12,420	-	-	-	-	72,923
Segment result	9,555	(2,850)	168	195	-	916	(3)	(158)	(2)	-	7,821
Unallocated result	-	-	-	-	-	-	-	-	-	(10,991)	(10,991)
Result from operating activities	**9,555**	**(2,850)**	**168**	**195**	**-**	**916**	**(3)**	**(158)**	**(2)**	**(10,991)**	**(3,170)**
Net finance income/(expense)	299	1	-	39	-	25	-	(2)	-	1,579	1,941
Profit/(loss) before taxation	**9,854**	**(2,849)**	**168**	**234**	**-**	**941**	**(3)**	**(160)**	**(2)**	**(9,412)**	**(1,229)**
Income tax benefit/(expense)											1,259
Profit/(loss) for the period											**30**
Capital expenditure	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**230**	**230**

In thousands of Polish Zlotys (PLN) — For the nine months ended 30 September 2011 (Unreviewed)/(unaudited)

	Warsaw			Poznań		Wrocław		Szczecin		Unallocated	Total
	Apartments	Houses	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses		
Revenue	17,281	28,344	472	15,165	-	-	-	-	-	-	61,262
Segment result	2,730	68	354	4,962	-	(106)	1	(144)	1	-	7,866
Unallocated result	-	-	-	-	-	-	-	-	-	(11,417)	(11,417)
Result from operating activities	**2,730**	**68**	**354**	**4,962**	**-**	**(106)**	**1**	**(144)**	**1**	**(11,417)**	**(3,551)**
Net finance income/(expense)	(50)	42	-	136	-	(8)	-	13	-	3,286	3,419
Profit/(loss) before taxation	**2,680**	**110**	**354**	**5,098**	**-**	**(114)**	**1**	**(131)**	**1**	**(8,131)**	**(132)**
Income tax benefit/(expense)											1,015
Profit/(loss) for the period											**883**
Capital expenditure	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**769**	**769**

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 September 2012 (Unreviewed)/(unaudited)**

	Warsaw			Poznań		Wrocław		Szczecin		Unallocated	Total
	Apartments	Houses	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses		
Revenue	21,832	2,357	140	3,726	-	2,999	-	-	-	-	31,054
Segment result	4,414	(2,595)	-	150	-	4	(1)	(41)	(1)	-	1,930
Unallocated result	-	-	-	-	-	-	-	-	-	(4,266)	(4,266)
Result from operating activities	**4,414**	**(2,595)**	**-**	**150**	**-**	**4**	**(1)**	**(41)**	**(1)**	**(4,266)**	**(2,336)**
Net finance income/(expense)	18	(7)	-	5	-	4	-	(2)	-	186	204
Profit/(loss) before taxation	**4,432**	**(2,602)**	**-**	**155**	**-**	**8**	**(1)**	**(43)**	**(1)**	**(4,080)**	**(2,132)**
Income tax benefit/(expense)											438
Profit/(loss) for the period											**(1,694)**
Capital expenditure	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**9**	**9**

In thousands of Polish Zlotys (PLN) — **For the three months ended 30 September 2011 (Unreviewed)/(unaudited)**

	Warsaw			Poznań		Wrocław		Szczecin		Unallocated	Total
	Apartments	Houses	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses		
Revenue	4,700	12,500	172	3,956	-	-	-	-	-	-	21,328
Segment result	1,494	410	172	1,086	-	58	4	51	4	-	3,279
Unallocated result	-	-	-	-	-	-	-	-	-	(4,606)	(4,606)
Result from operating activities	**1,494**	**410**	**172**	**1,086**	**-**	**58**	**4**	**51**	**4**	**(4,606)**	**(1,327)**
Net finance income/(expense)	(260)	(54)	-	9	-	-	-	4	-	1,708	1,407
Profit/(loss) before taxation	**1,234**	**356**	**172**	**1,095**	**-**	**58**	**4**	**55**	**4**	**(2,898)**	**80**
Income tax benefit/(expense)											240
Profit/(loss) for the period											**320**
Capital expenditure	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**454**	**454**

Notes to the Interim Condensed Consolidated Financial Statements

Note 9 – Inventory

Movements in Inventory during the nine months ended 30 September 2012 were as follows:

In thousands of Polish Zlotys (PLN)	Opening balance 01 January 2012	Transferred to property and equipment	Transferred to finished units	Additions	Closing balance 30 September 2012
Land and related expense	399,143	(55)	(25,434)	19,731	393,385
Construction costs	104,839	(122)	(64,459)	104,275	144,533
Planning and permits	21,872	(5)	(2,815)	4,119	23,171
Borrowing costs (1)	61,438	(13)	(4,466)	13,934	70,893
Other	3,627	(2)	(1,564)	2,196	4,257
Work in progress	**590,919**	**(197)**	**(98,738)**	**144,255**	**636,239**

In thousands of Polish Zlotys (PLN)	Opening balance 01 January 2012		Transferred from work in progress	Recognized in the statement of comprehensive income	Closing balance 30 September 2012
Finished goods	**40,497**		**98,738**	**(59,729)**	**79,506**

In thousands of Polish Zlotys (PLN)	Opening balance 01 January 2012		Revaluation write down recognized in statement of comprehensive income		Closing balance 30 September 2012
			Increase	Release	
Write-down (2)	**(99)**		**(2,395)**	**1,552**	**(942)**
Total inventories at the lower of cost or net realizable value	**631,317**				**714,803**

(1) *Borrowing costs are capitalized to the value of inventory with 9.15% average effective capitalization interest rate.*

(2) *During the nine months ended 30 September 2012, as a result of Net Realizable Value (NRV) analyses and reviews, a write-down adjustment for the Constans project was made in the amount of PLN 2,395 thousand.*

Notes to the Interim Condensed Consolidated Financial Statements

Note 9 – Inventory (cont'd)

Movements in Inventory during the year ended 31 December 2011 were as follows:

In thousands of Polish Zlotys (PLN)	Opening balance 1 January 2011	Share in work in progress of a joint venture	Transferred to finished goods	Additions	Closing balance 31 December 2011
Land and related expense	380,257	12,711	(11,033)	17,208	399,143
Construction costs	23,069	85	(25,570)	107,255	104,839
Planning and permits	17,845	230	(1,055)	4,852	21,872
Borrowing costs [(1)]	47,419	211	(2,874)	16,682	61,438
Other	2,216	38	(563)	1,936	3,627
Work in progress	**470,806**	**13,275**	**(41,095)**	**147,933**	**590,919**

In thousands of Polish Zlotys (PLN)	Opening balance 01 January 2011		Transferred from work in progress	Recognized in the statement of comprehensive income	Closing balance 31 December 2011
Finished goods	**74,610**		**41,095**	**(75,208)**	**40,497**

In thousands of Polish Zlotys (PLN)	Opening balance 01 January 2011		Revaluation write down recognized in statement of comprehensive income		Closing balance 31 December 2011
			Increase	Utilization	
Write-down	**(1,887)**		**-**	**1,788**	**(99)**
Total inventories at the lower of cost or net realizable value	**543,529**				**631,317**

(1) Borrowing costs are capitalized to the value of inventory with 8.1% average effective capitalization interest rate.

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 nine months ended 30 September 2012 and during the year ended 31 December 2011:

In thousands of Polish Zloty (PLN)	**For the nine months ended 30 September 2012 (Reviewed/ Unaudited)**	**For the year ended 31 December 2011 (Audited)**
Opening balance	**87,847**	**-**
Proceeds from bond loans	-	87,500
Issue cost	-	(1,724)
Issue cost amortization	431	404
Accrued interest	6,204	5,633
Interest repayment	(4,112)	(3,966)
Total closing balance	**90,370**	**87,847**
Closing balance includes:		
Current liabilities	3,759	1,667
Non-current liabilities	86,611	86,180
Total closing balance	**90,370**	**87,847**

Note 11 – Secured bank loans

The following non-current and current Secured bank loans were issued and repaid during the nine months ended 30 September 2012 and during the year ended 31 December 2011:

In thousands of Polish Zloty (PLN)	**For the nine months ended 30 September 2012 (Reviewed/ Unaudited)**	**For the year ended 31 December 2011 (Audited)**
Opening balance	**117,711**	**123,914**
New bank loan drawdown	24,141	1,946
Bank loans repayments	(26,656)	(8,150)
Bank charges	(1,270)	(631)
Bank charges amortization	339	487
Accrued interest/(interest repayment) on bank loans, net	(41)	145
Total closing balance	**114,224**	**117,711**
Closing balance includes:		
Current liabilities	84,769	95,965
Non-current liabilities	29,455	21,746
Total closing balance	**114,224**	**117,711**

The maturity dates of the loans have been presented in the annual consolidated financial statements for the year ended 31 December 2011. The majority of loans maturing in 2012 shall be extended until 2013, 2014 and 2015, while management plans to repay part of the loans. For more details please see Note 17 Events during the period (Bank Loans) and Note 18 Subsequent events (Bank Loans).

Notes to the Interim Condensed Consolidated Financial Statements

Note 12 – Income tax

In thousands of Polish Zlotys (PLN)	For the 9 months ended 30 September 2012 (Reviewed/ Unaudited)	For the 3 months ended 30 September 2012 (Unreviewed/ Unaudited)	For the 9 months ended 30 September 2011 (Unreviewed/ Unaudited)	For the 3 months ended 30 September 2011 (Unreviewed/ Unaudited)
Current tax expense/(benefit)	**32**	**33**	**30**	**(27)**
Deferred tax expense/(benefit)				
Origination and reversal of temporary differences	923	775	2,559	1,189
Expense/(benefit) of tax losses recognized	(2,214)	(1,246)	(3,604)	(1,402)
Total deferred tax expense/(benefit)	**(1,291)**	**(471)**	**(1,045)**	**(213)**
Total income tax expense/(benefit)	**(1,259)**	**(438)**	**(1,015)**	**(240)**

Note 13 – Investment commitments, Contracted proceeds not yet received and Contingencies

(i) Investment commitments:

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

In thousands of Polish Zlotys (PLN)	As at 30 September 2012 (Reviewed/ Unaudited)	As at 31 December 2011 (Audited)
Espresso I	30,796	-
Młody Grunwald I	26,480	-
Verdis II	15,354	-
Sakura II	8,984	26,188
Naturalis III	6,057	11,917
Verdis I	5,821	20,103
Gemini II	5,737	33,141
Chilli II	3,331	-
Panoramika I	1,553	9,973
Naturalis I	1,108	5,972
Naturalis II	618	2,779
Sakura I	294	5,303
Chilli I	180	3,673
Impressio I	-	622
Constans	-	184
Imaginarium III	-	178
Total	**106,313**	**120,033**

Notes to the Interim Condensed Consolidated Financial Statements

Note 13 – 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 September 2012 after deduction of payments received at the reporting date (such payments being presented in the Interim Consolidated Statement of Financial Position as Advances received):

In thousands of Polish Zlotys (PLN)	**As at 30 September 2012**	**As at 31 December 2011**
	(Reviewed/ Unaudited)	**(Audited)**
Gemini II	18,801	41,100
Verdis I	5,997	15,020
Sakura I	2,699	9,981
Espresso I	15,016	5,540
Sakura II	7,858	-
Impressio I	3,676	5,446
Chilli I	271	2,699
Naturalis II	666	2,145
Panoramika I	1,677	1,611
Naturalis III	2,499	-
Nautica II	1,167	1,528
Naturalis I	1,800	1,877
Verdis II	4,144	-
Imaginarium III	-	1,095
Nautica I	17	565
Gardenia	-	675
Gemini I	47	36
Constans	1,340	1,165
Młody Grunwald I	1,558	-
Galileo	-	946
Total	**69,233**	**91,429**

(iii) Contingencies:

None.

Notes to the Interim Condensed Consolidated Financial Statements

Note 14 – 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 2011. 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 out flows for financial liabilities, except for the assumption of new loans and redemption of existing loans during the nine months period ended 30 September 2012 as described in Note 11.

(iii) Market (price) risk

The Group's exposure to marketable and non-marketable securities price risk did not exist because the Group had not invested in securities during the nine months period ended 30 September 2012.

(iv) Fair value estimation

The investment in the marketable securities is measured at fair value based on daily quotations and is classified as Level 1.The Investment property is valued at fair value.
During the nine months ended 30 September 2012 there were no significant changes in the business or economic circumstances that affect the fair value of the group's financial assets 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 15 – Related party transactions

During the nine months ended 30 September 2012 the Group granted PLN 10.6 million loan to joint venture entity (Ronson IS Sp. z o.o. sp.sk.), in which the Group holds a 50% interest ("JV"), after eliminating intercompany transactions PLN 5.3 million remained in Interim Consolidated Statement of Financial Position under loans granted to related party. On the other hand the partner holding the remaining 50% interest in the JV granted as well the same amount of loans (PLN 10.6 million) to the JV, after eliminating intercompany transactions PLN 5.3 million remained in Interim Consolidated Statement of Financial Position under loans from third parties.

Note 16 – Impairment losses and provisions

During the nine months ended 30 September 2012, as a result of Net Realizable Value (NRV) analyses and reviews, a write-down adjustment for the Constans project was made in the amount of PLN 2,395 thousand (during the nine months ended 30 September 2011, no material impairment losses were incurred).

The following net movements in the Group's main provisions took place during the nine months ended 30 September 2012 and during the three months ended 30 September 2012:

- *Provision for deferred tax liabilities:* during the nine months ended 30 September 2012 a decrease of PLN 459 thousand (during the nine months ended 30 September 2011 a decrease of PLN 423 thousand) and during the three months ended 30 September 2012 a decrease of PLN 277 thousand (during the three months ended 30 September 2011 an increase of PLN 451 thousand).

Notes to the Interim Condensed Consolidated Financial Statements

Note 17 – Events during the period

Land purchase

In March 2012, the Group acquired a parcel of land with an area of 2.6 thousand m^2 located in Wroclaw, Krzyki District, at Jutrzenki Street (“Land 2”). Land 2 is located nearby a plot of land with an area of 14.9 thousand m^2 which the Group had purchased in the past (“Land 1”). In combination, Land 1 and Land 2 shall allow the Group to build multifamily buildings that will comprise 300 units with an aggregate floor space of 16,100 m^2. The purchase price paid is presented in the Interim Condensed Consolidated Financial Statements under Inventory.

In June 2012, the Group entered into preliminary purchase agreements with private individuals for plots of land with an area of 118.4 thousand m^2 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 first half of 2014. It is assumed that the project planned in this plot shall comprise nearly 650 units with the total aggregate floor space of 50,000 m^2; for additional information see the current report no. 5/2012 (dated 7 June 2012). The advance paid is presented in the Interim Condensed Consolidated Financial Statements under Trade and other receivables and prepayments.

In August 2012, the Group through a joint venture entity (Ronson IS Sp. z o.o. sp.sk.), in which the Group holds a 50% interest (“JV”), signed the final purchase agreement for a plot of land with an area of 8.9 thousand m^2 located in Warsaw, district Wola at Skierniewicka and Wolska Streets. It is assumed that the project planned in this plot shall comprise nearly 550 units with the total aggregate floor space of 24,500 m^2. The purchase price paid is presented in the Interim Condensed Consolidated Financial Statements under Inventory.

Bank loans

In January 2012, the Company entered into annexes to loan facilities with Millennium Bank for financing land acquisitions for a total amount of PLN 11.0 million. The repayment dates were extended to 30 July 2012. In July 2012, the Company entered into further annexes to loan facilities with Millennium Bank and the repayment dates have been extended to 29 July 2013, however the Company is obliged to repay PLN 2.2 million before final repayment date in monthly instalments of PLN 0.2 million.

In April 2012, the Company entered into a loan agreement with Alior Bank S.A. for financing the construction costs of the first stage of the Espresso project (Warsaw, Jana Kazimierza Street) for a total amount of PLN 41.0 million. The repayment date of this loan is 31 March 2015.

In May 2012, the Company entered into an annex to the loan agreement with Bank Pekao S.A. with respect to the financing of the Sakura project (Warsaw, Kłobucka Street). Based on the annex to the loan agreement, the bank extended its financing also to the second stage of Sakura project (up to a total amount of PLN 33.5 million). The repayment date of the tranche available for the second stage of this project is 30 September 2014. Based on the signed annex, the repayment date of 50% of the loan granted in the past for financing the land purchase in this project (PLN 10.0 million) was extended also to 30 September 2014.

In July 2012, the Company entered into annexes to loan facilities with Bank BZWBK with an aggregate value of PLN 55.4 million granted in the past with respect to financing land purchases. The annexes provided that the respective final repayment dates specified in the Loan Agreements were postponed from 1 July 2012 until 31 August 2012. In August the Company entered into further annexes to Loan Agreements with Bank BZWBK, based on which the respective final repayment dates were postponed until 30 September 2012. Finally, in September 2012, the Company and Bank BZWBK entered into the new construction facility agreement related to development of the first stage of project Młody Grunwald in Poznań, for total amount of PLN 24.6 million and final repayment date 2 January 2015. Moreover the Company and the Bank BZWBK entered into new annexes postponing final repayment dates specified in the abovementioned Loan Agreements from 31 August 2012 until 1 July 2013 (in the amount of PLN 40.9 million) and until 2 January 2015 (in the amount of PLN 12.3 million related to project Młody Grunwald). Moreover the Company repaid PLN 2.2 million which decreased the total balance of the loans granted to the Company by BZWBK for financing land acquisitions from PLN 55.4 million to PLN 53.2 million.

Notes to the Interim Condensed Consolidated Financial Statements

Note 17 – Events during the period (cont'd)

Completions of projects

In April 2012, the Group completed the construction of the Sakura I project comprising 120 units with a total area of 8,100 m^2.

In June 2012, the Group completed the construction of the Impressio I project comprising 70 units with a total area of 4,400 m^2.

In July 2012, the Group completed the construction of the Chilli I project comprising 30 units with a total area of 2,100 m^2.

In August 2012, the Group completed the construction of the Naturalis II project comprising 60 units with a total area of 3,400 m^2.

Commencements of new projects

In February and May 2012, the Company commenced sales of the Verdis II project. In total the Verdis II project will comprise 78 units with an aggregate floor space of 4,900 m^2.

In March 2012, the Group commenced the construction of the Espresso I project (the sales process commenced earlier) comprising 210 units with an aggregate floor space of 9,500 m^2.

In April 2012, the Company commenced sales of new projects Młody Grunwald and Bełchatowska 28 as well as the next stages of currently run projects Chilli.

In May 2012, the Group commenced the construction of the Chilli II project (the sales process commenced earlier) comprising 20 units with an aggregate floor space of 1,600 m^2.

In August 2012, the Group commenced the construction of the Verdis II project (the sales process commenced earlier) comprising 78 units with an aggregate floor space of 4,900 m^2.

In September 2012, the Group commenced the construction of the Młody Grunwald I project (the sales process commenced earlier) comprising 148 units with an aggregate floor space of 8,500 m^2.

Notes to the Interim Condensed Consolidated Financial Statements

Note 18 – Subsequent events

Bank loans

The Company has not entered into any new loan facility agreement nor into any annex to the loan facility agreement with any bank since 30 September 2012.

Completions of projects

In October 2012, the Group completed the construction of Panoramika I project comprising 90 units with an aggregate floor space of 5,300 m^2.

The Management Board

Shraga Weisman Chief Executive Officer	**Tomasz Łapiński** Chief Financial Officer	**Andrzej Gutowski** Sales and Marketing Director
Israel Greidinger	**Ronen Ashkenazi**	

Rotterdam, 6 November 2012

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

Ernst & Young Accountants LLP
Cross Towers, Antonio Vivaldistraat 150
1083 HP Amsterdam, The Netherlands
P.O. Box 7883
1008 AB Amsterdam, The Netherlands
Tel.: +31 (0) 88 - 407 1000
Fax: +31 (0) 88 - 407 1005
www.ey.nl

Review report

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

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of Ronson Europe N.V., Rotterdam (the "Company") as at 30 September 2012, and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the nine-month period then ended and notes to the interim condensed consolidated financial statements. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting as adopted by the European Union ("IAS 34"). Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope

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

Opinion

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

Amsterdam, 6 November 2012

Ernst & Young Accountants LLP

J.H. de Prie