



## RONSON EUROPE N.V.

(a limited liability company ('naamloze vennootschap') incorporated under the laws of the Netherlands, with its corporate seat in Rotterdam)

Public Offering of

up to 40,000,000 newly issued ordinary shares and with a nominal value of EUR0.02 per Share

and

up to 20,000,000 existing ordinary shares and with a nominal value of EUR0.02 per Share

Based on this document (the "Prospectus"), up to 60,000,000 ordinary shares in Ronson Europe N.V. ("Ronson", the "Company" or the "Issuer"), a limited liability company ('naamloze vennootschap') incorporated under the laws of the Netherlands, with its corporate seat in Rotterdam, are offered, of which up to 40,000,000 newly issued ordinary shares (the "New Shares") are offered for subscription by the Issuer and up to 20,000,000 existing ordinary shares (the "Sale Shares" and together with New Shares, the "Firm Shares") are offered for sale by ITR Dori B.V. (the "Selling Shareholder"). The Issuer will receive the net proceeds from the sale of the New Shares. The Selling Shareholder will receive the net proceeds from the sale of the Sale Shares. This offering (the "Offering") consists of a public offering to: (i) retail investors in the Republic of Poland (the "Retail Offering") and (ii) institutional investors in the Republic of Poland (the "Polish Institutional Offering" and, together with the "Retail Offering", the "Polish Public Offering") and a private placement to (iii) qualified institutional buyers ("QIBs") in the United States in reliance on Rule 144A under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") and (iv) institutional investors outside the United States (excluding the Republic of Poland) in reliance on Regulation S under the U.S. Securities Act (the "International Offering" and together with the Polish Institutional Offering, the "Institutional Offering").

The Firm Shares are being offered, as specified in this Prospectus, subject to cancellation or modification of such Offering and subject to certain other conditions.

The Prospectus constitutes a prospectus in the form of a single document within the meaning of Article 3 of the Directive 2003/71/EC of the European Parliament and of the Council of the European Union (the "Prospectus Directive") and has been prepared in accordance with Article 5.2 of the Dutch Act on Financial Supervision ('Wet op het financieel toezicht'). This Prospectus has been filed with, and was approved on 10 October 2007 by, the Netherlands Authority for the Financial Markets (the "AFM"), which is the Dutch competent authority for the purpose of the relevant implementing measures of the Prospectus Directive in the Netherlands. The Issuer will be authorized to carry out the Offering to the public in Poland once the Polish Financial Supervisory Commission (the "PFSC"), which is the Polish competent authority for the purposes of the relevant implementing measures of the Prospectus Directive in Poland, has informed the Issuer that the AFM provided the PFSC with a certificate of approval of this Prospectus, which is equivalent with authorizing the Offering to the public in Poland.

**Please see "Risk Factors" for a description of factors to be taken into account when considering whether to invest in the Offer Shares.**

Prior to the Offering there was no public market for the shares of the Issuer. Application will be made based on this Prospectus to admit and list all of the Issuer's shares ("Shares") authorized and issued as at the Settlement Date (as defined below), including the Firm Shares and the Overallotment Shares (as defined below), plus 4,000,000 Shares that have been authorized and that may be issued from time to time under the Company's employee stock incentive plan, to trading on the Warsaw Stock Exchange (the "WSE") (the "Admission"). The date on which trading of the Firm Shares on the WSE will commence is expected to be on or about 5 November 2007 (the "Listing Date"). Delivery of the Firm Shares to investors' securities accounts is expected to be made on or about 5 November 2007 (the "Settlement Date"). Prospective retail investors in Poland may subscribe for the Firm Shares during a period which is expected to commence on or about 18 October 2007 and is expected to end on or about 24 October 2007, whereas selected prospective institutional investors (other than "U.S. persons" as defined in Regulation S under the U.S. Securities Act) may subscribe for the Firm Shares during a period that is expected to commence on or about 25 October 2007 and is expected to end on or about 26 October 2007. The Indicative Price per Offer Share will be determined by the Issuer and the Selling Shareholder, with the agreement of the Lead Manager (as defined below) on or about 16 October 2007, based on (i) an assessment of the current and anticipated situation of the Polish and international capital markets, and (ii) an assessment of the growth prospects, risk factors and other information relating to the Company's activities. The offer price per Offer Share (the "Offer Price") will be determined jointly by the Issuer and the Selling Shareholder, with the agreement of Bank Austria Creditanstalt AG ("UniCredit Markets & Investment Banking", the "Global Coordinator", "Bookrunner" and "Lead Manager") and, together with ING Securities N.V., London Branch, the "Managers", on or about 24 October 2007 (the "Pricing Date") and will be announced in a press release soon thereafter and in the same manner as this Prospectus. The Offer Price will be determined based on the following criteria and rules: (i) size and price sensitivity of demand from the Institutional Investors as gauged during the book-building process, (ii) the current and anticipated situation on the Polish and international capital markets and (iii) assessment of the growth prospects, risk factors and other information relating to the Company's activities contained in this Prospectus. If the Offering is cancelled or postponed prior to final allotments of the Firm Shares to investors on or about 29 October 2007 (the "Allotment Date"), all subscriptions for the Firm Shares will be disregarded and any subscription payments made will be returned without interest or other compensation. All dealings in the Firm Shares prior to settlement and delivery are at the sole risk of the parties concerned.

In addition, ITR Dori B.V. has granted to the Managers an option exercisable for up to 30 days following the Allotment Date to purchase up to an additional 9,000,000 Shares (the "Overallotment Shares" and together with the Firm Shares, the "Offer Shares"), the maximum number of which is equal to 15% of the number of Firm Shares being offered in the Offering, solely to cover overallotments, if any, made in connection with the Offering and short positions resulting from stabilization transactions. Such stabilization shall be conducted in accordance with the rules set out in the European Commission Regulation (EC) No. 2273/2003 of 22 December 2003 implementing Directive 2003/6/EC of the European Parliament and of the Council of the European Union as regards exemptions for buy-back programmes and stabilization of financial instruments.

**The Shares have not been and will not be registered under the U.S. Securities Act and are being offered and sold in the United States only to QIBs in reliance on Rule 144A under the U.S. Securities Act and outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act. Prospective investors are hereby notified that any seller of the shares may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A.**

**The price of the Offer Shares shall be determined in PLN on 24 October 2007.**

**The Global Coordinator, Lead Manager and Sole Bookrunner**



**Co-Lead Manager**



**The date of this Prospectus is 10 October 2007.**

## IMPORTANT INFORMATION

*Capitalized terms used in this Prospectus and not otherwise defined herein have the meaning ascribed to such terms in Annex I “Definitions”.*

**Prospective investors are expressly advised that an investment in the Offer Shares entails financial risk and that they should therefore read this Prospectus entirely and, in particular “Risk Factors” when considering an investment in the Offer Shares. The contents of this Prospectus are not to be construed as legal, financial or tax advice. Each prospective investor should consult his, her or its own legal adviser, independent financial adviser or tax adviser for legal, financial or tax advice.**

No person is or has been authorized to give any information or to make any representation in connection with the Offering, other than as contained in this Prospectus, and, if given, or made, any other information or representation must not be relied upon as having been authorized by the Issuer, or by the Managers.

### **Responsibility**

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the Issuer's knowledge and belief, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import. The delivery of this Prospectus at any time after the date hereof will not, under any circumstances, create any implication that there has been no change in the Issuer's affairs since the date hereof. Neither the Managers nor the legal advisors to the Company accept responsibility whatsoever for the contents of this Prospectus, or for its translation, or for any other statement made or purported to be made by any of them or on their behalf in connection with the Issuer. The Managers and the legal advisors to the Company accordingly disclaim all and any liability whether arising in tort or contract which they might otherwise have in respect of this Prospectus or any such statement.

### **Notice to Prospective Investors**

The distribution of this Prospectus and the Offering of the Offer Shares in certain jurisdictions may be restricted by law. This Prospectus may not be used for, or in connection with, and does not constitute, any offer to sell, or an invitation to purchase, any of the Offer Shares offered hereby in any jurisdiction in which such offer or invitation would be unlawful. Persons in possession of this Prospectus are required to inform themselves about and to observe any such restrictions, including those set out under “*Selling Restrictions*”. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

As a condition to the purchase of any Offer Shares in the Offering, each purchaser will be deemed to have made, or in some cases be required to make, certain representations and warranties, which will be relied upon by the Issuer, the Managers and others. The Issuer and the Selling Shareholder reserve the right, in their sole and absolute discretion, to reject any purchase of Offer Shares that the Issuer, the Selling Shareholder, the Managers or any agents believe may give rise to a breach or a violation of any law, rule or regulation. Please see “*Selling Restrictions*”.

### **Notice To United States Investors**

The Shares offered in the Offering have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States for offer or sale as part of their distribution and, subject to certain exceptions, may not be offered or sold in the United States. The Shares offered hereby are being offered and sold in the United States only to QIBs in reliance on Rule 144A under the U.S. Securities Act and outside the United States in reliance on Regulation S under the U.S. Securities Act. Prospective investors are hereby notified that any seller of the Shares offered hereby may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. The Shares are not transferable except in accordance with the restrictions described herein. Please see “*Selling Restrictions – United States*”.

Neither the U.S. Securities and Exchange Commission (the “SEC”) nor any state securities commission nor any non-U.S. securities authority has approved or disapproved of the Shares offered in the Offering or determined that this Prospectus or the Polish Prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

#### Notice To New Hampshire Residents

**NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE UNIFORM U.S. SECURITIES ACT (“RSA 421-B”) WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.**

#### Notice To Canadian Investors

The Shares have not been nor will be qualified by prospectus for sale to the public in Canada under applicable Canadian securities laws and, accordingly, any offer or sale of the Shares in Canada will be made pursuant to an exemption from the applicable prospectus filing requirements, and otherwise in compliance with applicable Canadian laws. Investors in Canada should refer to the section entitled “*Selling Restrictions – Canada*” and Ontario purchasers in particular should refer to the subsection thereunder entitled “*Rights of Action for Damages or Rescission (Ontario)*”. **The Offer Price, financial statements and certain other financial information disclosed in this Prospectus are presented in Polish zloty. On 5 October 2007, being the latest practicable date prior to the publication of this Prospectus, Canadian dollar 1 = PLN 2,71 based on the Bank of Canada noon exchange rate.**

#### Notice To UK And EEA Investors

This Prospectus and the International Offering are only addressed to and directed at persons in member states of the European Economic Area (“EEA”), except for the Republic of Poland, who are “qualified investors” within the meaning of Article 2(1)(e) of the Prospectus Directive (Directive 2003/71/EC) (“Qualified Investors”). In addition, in the United Kingdom, this Prospectus is only being distributed to and is only directed at (1) Qualified Investors who are investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”) or high net worth entities falling within Article 49(2)(a)-(d) of the Order or (2) persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as “relevant persons”). The Shares offered hereby are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities will be engaged in only with, (1) in the United Kingdom, relevant persons and (2) in any member state of the EEA other than the United Kingdom, Qualified Investors. This Prospectus and its contents should not be acted upon or relied upon (1) in the United Kingdom, by persons who are not relevant persons or (2) in any member state of the EEA other than the United Kingdom, by persons who are not Qualified Investors.

This Prospectus has been prepared on the basis that all offers of the Shares other than the offers contemplated in the Prospectus or the Polish Public Offering, will be made pursuant to an exemption under the Prospectus Directive (Directive 2003/71/EC), as implemented in the member states of the EEA, from the requirement to produce a prospectus for offers of the Shares. Accordingly, any person making or intending to make any offer within the EEA of the Shares should only do so in circumstances in which no obligation arises for us, the Selling Shareholder or any of the Managers to produce a prospectus for such offer. None of us, the Selling Shareholder or the Managers has

authorized or do authorize the making of any offer of Shares through any financial intermediary, other than offers made by the Managers which constitute the final placement of Shares contemplated in this Prospectus.

This Prospectus is being furnished solely for use by international institutional investors outside of the Republic of Poland in connection with their consideration of a purchase of the Shares offered hereby in the International Offering. The offer of the Shares in the Polish Public Offering will be made by means of the Polish Prospectus, which will comply with the requirements of the Polish Act of Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies dated 29 July 2005.

The Company has agreed that for so long as any Shares offered hereby are “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act, it will, during any period in which it is neither subject to Section 13 or Section 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner upon the request of such holder, beneficial owner or prospective purchaser, the information required to be delivered to such persons pursuant to Rule 144A(d)(4) under the U.S. Securities Act.

**TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, INVESTORS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS PROSPECTUS IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY INVESTORS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON INVESTORS UNDER THE U.S. INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF U.S. TREASURY DEPARTMENT CIRCULAR 230) OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) INVESTORS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.**

#### **Enforceability of Judgments**

The Company is a limited liability company incorporated under the laws of the Netherlands. Substantially all of the members of the Company’s Management Board and Supervisory Board are resident outside the United States, and a substantial portion of the Company’s assets and the assets of such persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Company or such persons, or to enforce against them in the Netherlands or elsewhere judgments obtained in U.S. courts, including judgments predicated on the civil liability provisions of the securities laws of the United States or any state or territory within the United States.

#### **Stabilization**

In connection with the Offering, UniCredit CA IB Polska S.A. as stabilizing manager (or any person acting for the stabilizing manager) may effect transactions with a view to supporting the market price of the Shares on the Warsaw Stock Exchange at a level higher than that which might otherwise prevail for a limited period. However, there is no obligation on the stabilizing manager (or any agent of the stabilizing manager) to do this. Such stabilizing, if commenced, may be discontinued at any time and must be brought to an end at the latest 30 days after the date of commencement of trading of the shares on the Warsaw Stock Exchange. Such stabilizing shall be in compliance with all applicable laws, regulations and rules.

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## SUMMARY

*This summary provides an overview of selected information contained elsewhere in this Prospectus and should be read as an introduction to this Prospectus. Any decision to invest in the Offer Shares should be based on consideration of this Prospectus as a whole by you. You should carefully read the Prospectus in its entirety before investing in the Offer Shares, including the information discussed under "Risk Factors " beginning on page 14 and the IFRS Financial Statements and the notes thereto that appear elsewhere in this Prospectus. Unless otherwise stated, all the information in this Prospectus assumes that the Managers will not exercise the Overallotment Option.*

*Under laws in effect in the states within the European Economic Area, no civil liability will attach to the Company in respect of this Summary, including the Summary of the Offering and the Summary of Financial and Operating Data included herein, or any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus. Where a claim relating to information contained in this Prospectus is brought before a court in a state within the European Economic Area, the plaintiff investor may, under the national legislation of the state where the claim is brought, be required to bear the costs of translating this Prospectus before the legal proceedings are initiated.*

### **Summary of Business**

Ronson is an experienced, fast-growing and dynamic residential real estate developer rapidly expanding its geographic reach to major metropolitan areas across Poland. Leveraging upon its large portfolio of secured sites, Ronson is poised to become a leading residential development company throughout Poland.

The Group has completed five projects, delivering 771 residential units with a total area of 60,689m<sup>2</sup>. As of the date of this Prospectus, the Group is currently developing four new projects. The Group has 544 residential units under construction, with a total area of approximately 39,400m<sup>2</sup>, of which 319 are expected to be completed in 2007. In addition, the Group is currently preparing 19 projects with approximately 4,735 residential units for future development in Warsaw, Poznań, Wrocław and Szczecin. Moreover, the Group has entered into five preliminary purchase agreements regarding properties in Poznań, Wrocław and Szczecin.

### **Our Competitive Strengths**

The Company believes that it benefits from the following competitive strengths:

#### ***A highly profitable business model***

The Group has completed five projects, delivering 771 residential units with a total area of 60,689m<sup>2</sup> and in the last three years has generated a stable gross margin of at least 40%. In the year ended 31 December 2006, the Group delivered a total of 184 residential units and had a gross profit of approximately PLN 128,000 per unit. In 2005 and 2004 the Group delivered 284 and 110 units, respectively, and had a gross profit of approximately PLN116,000 and PLN163,000 per unit, respectively. In terms of overall profitability, the Group's total gross margin was 44% in 2004, 40% in 2005 and 42% in 2006. In the six month period ended 30 June 2007, the total gross margin stood at 30% as the Group recognized revenues from the sale of only 33 apartments that were completed already in 2006.

#### ***Strong market position***

The Company believes that it has a strong market position because it has earned a reputation as a high quality reliable residential real estate developer, which attracts new customers and provides it with a competitive advantage over other developers. Moreover, the Company's market position is further enhanced because it has an almost exclusive focus on building residential units catering to the growing middle class.

#### ***Actively engaged in expanding operations to secondary markets***

While initially the Company concentrated its activities on the Warsaw market, the Company is now actively engaged in developing projects and exploring opportunities in many other metropolitan areas

throughout Poland. The Company has already conducted studies of the markets in Poznań, Wrocław, Szczecin, Bydgoszcz, Łódź and the Tri-City (Gdańsk, Gdynia and Sopot) and has initially determined that these markets, together with other yet untapped metropolitan areas throughout Poland with populations of over 250 thousand, provide the Company with a high potential for residential unit sales. Due to the lack of quality residential housing in such locations, the Company believes that such metropolitan areas have high growth potential and that the residential housing market in such locations will continue to develop rapidly. To that end, the Company has already acquired real estate and has commenced a development project in Poznań and has also acquired real estate in Wrocław and Szczecin. Due to its existing portfolio of real estate properties and operational knowledge of the major metropolitan areas outside of Warsaw, the Company believes it is uniquely positioned to expand its operations to secondary markets in Poland, ahead of many of its competitors.

***Seasoned international management and effective decision-making procedures***

The Company believes that it benefits from the extensive real estate development experience of its management team. Moreover, the Company has a relatively simple operational corporate structure that allows it to make investment decisions in an expedited manner. The Company is able to make operational decisions, for example relating to the purchase of attractive sites, within a short period of time. The Company believes that, as a result, its management can evaluate investment opportunities and execute real estate transactions more rapidly and with more insight than new entrants into the Polish market.

***Benefit of internationally recognized shareholders with strong sector knowledge***

The Company is the only residential real estate entity in Poland in which GE Real Estate has invested. GE Real Estate CE Residential B.V., an undertaking associated with GE Real Estate, a business unit of GE Commercial Finance, itself a division of the General Electric Company, is one of the world's largest real estate investors with an approximately USD 59 billion portfolio. In addition, U. Dori Engineering Works Corp. Ltd., a company listed on the Tel Aviv Stock Exchange, has almost 50 years of experience in carrying out numerous housing and commercial projects. Israel Theatres Ltd. is active, directly and indirectly, in the entertainment and real estate sectors, both in Israel and in Central Europe and has experience in the construction sector in Poland.

U. Dori Engineering Works Corp. Ltd. and Israel Theatres Ltd. have cooperated on various real estate development projects in Israel and Poland for over 20 years. The presence of such leading internationally recognized shareholders augments the Company's credibility. Moreover, based on the in-depth sector knowledge of its shareholders, the Company has implemented effective internal systems and procedures that facilitate its operations and development. The Company believes that these systems and procedures help to enhance its ability to make optimal investments in land, control costs and efficiently manage the construction process.

***Focus on high quality apartments for the growing middle class***

The Company has concentrated its operations on high-quality residential projects for the growing Polish middle class. The Company places particular focus on the aesthetics and standard of finish of the apartment buildings. The Company believes that the segment of the residential market for the middle class has high growth potential and that it will be able to further solidify its market position.

***Our Strategy***

The Company aims to maximize value for its shareholders by pursuing the following strategies:

***Selective geographical expansion in Poland***

While the Company will continue to focus on Warsaw, it is also undertaking selective geographical expansion in other major metropolitan areas in Poland. The Company is currently developing a project in Poznań and has purchased plots in other major metropolitan areas, including Wrocław, Poznań and Szczecin. The Company has identified cities in Poland with expected strong economic and demographic growth, and an existing undersupply of high-quality residential properties. This strategy will allow the Company to further geographically diversify its operations in Poland.

### ***Creation of a portfolio of real estate properties***

Taking into consideration that real estate prices in Poland have been rapidly increasing, the Company has started to selectively develop a portfolio of real estate properties across Poland. The Company intends to purchase attractive plots of land that will allow for the future development of residential projects. As of the date of this Prospectus, the Company has purchased 19 sites that it is currently preparing for development and has entered into five preliminary purchase agreements concerning the acquisition of five sites in Wrocław, Poznań and Szczecin. The Company believes that the creation of a portfolio of real estate properties across Poland will facilitate long-term growth and development. During the first six months of 2007, the Company purchased 10 plots of land that may accommodate the development of approximately 3,500 units. Over the coming years, the Company plans to continue purchases of real estate with a view to allow it to continue to increase its potential residential unit capacity in a manner consistent with its aggressive growth development plans.

### ***Expansion into other Central and Eastern European Markets***

The Company aims to expand its operations into new markets in Central and Eastern Europe, leveraging the business model that it has developed and implemented in Poland. The Company will consider new opportunities across the region as they arise.

### ***Risks Associated with the Company's Business***

The Company's business is subject to numerous risks, such as risks related to its business and strategy, its employees and growth, regulatory approval and other government regulations, and its financial condition.

#### ***Risk factors which are specific to the Company***

- The Company may be unable to sell residential units at budgeted or projected prices
- The Company may be unable to acquire further land at competitive prices and to identify profitable development projects
- Access to financing of the Company's potential clients may be limited
- The Company faces significant competition from other developers
- The Company's profits are dependent on the condition of the Warsaw residential market
- The Company has failed to diversify outside the residential segment
- There may not be sufficient historical financial and operating information available for the investors to evaluate the business and financial prospects and such data may not fully reflect the current scope and structure of the Company
- The Company's may be unable to effectively manage its expansion and the consequences of its internal and external growth
- The Company may be unsuccessful in the geographical expansion of its business
- The Company is dependent on key management personnel
- The Company may be unable to attract and retain sufficiently qualified management personnel
- The Company's credit agreements contain restrictive covenants

#### ***Risk factors which are specific to the Company's industry***

- The Company may be unable to obtain the required administrative consents
- The Company may be unable to complete its development projects
- The Company is dependent on contractors
- There is a shortage of properly qualified labor workers in Poland
- The real estate residential development market is cyclical



- The Company may be required to make payments in connection with claims against contractors
- The Company's operating and other costs may increase
- The costs of the Company's projects may increase
- The Company may be unable to raise additional financing requirements
- The Company may be forced to sell some of its assets in order to meet its obligations
- The Company may have to incur costs in connection with environmental pollution
- Adverse site or ground conditions may result in delays of the Company's projects or increase costs thereof
- Lack of access to required infrastructure may result in delays of the Company's projects or increase costs thereof
- The use of improper construction technology may result in delays of the Company's projects or increase costs thereof
- The Company may incur material losses in excess of insurance pay-outs
- The Company may be liable in connection with post-construction obligations
- The Company's agreements contain clauses prohibited by law and the Company may be required to remove such provisions or pay fines; the enactment of the Act on Protecting Purchasers in Real Estate Development Transactions could expose the Company to increased development project costs
- The Company may be required to increase the prices of certain of its residential units and single family dwellings due to the increase of the VAT rate in Poland
- The Company may be unable to detect and prevent fraud or other misconduct committed by its employees or third parties

***Risks related to Poland***

- The Polish legal and regulatory framework is developing and the Company is exposed to unexpected changes in the law
- The Company may be negatively effected by the political and economic situation in Poland
- The shareholders of the Company may have difficulties in effecting service of legal process and enforcing judgments against the Company and its management
- The Polish land and mortgage registry system is inefficient
- The Company may be subject to restitution claims

***Risk factors relating to the Company's Structure***

- The interests of the Company's controlling shareholders may conflict with those of minority shareholders
- The Issuer is not in full compliance with the Dutch Corporate Governance Code and the WSE Corporate Governance Rules and does not expect to be in full compliance in the near future
- Exercise of certain shareholders' rights and tax treatment for non-Dutch investors in a Dutch company may be more complex and costly
- U.S. and other non-Polish holders may not be able to exercise pre-emption rights or participate in rights offerings
- U.S. and other non-Polish holders are subject to exchange rate risk

***Risk factors relating to the Shares***

- The Issuer may be unable to list its Shares on the WSE

- Trading in the Issuer's Shares on the WSE may be suspended
- The Issuer's Shares may be excluded from trading on the WSE
- The marketability of the Issuer's Shares may decline and the market price of the Issuer's Shares may fluctuate and decline below the Offer Price
- The Issuer will have a limited free float, which may have a negative effect on the liquidity marketability or value of its Shares
- There is no prior market for the Shares and therefore no assurance can be given regarding the future development of such market
- Future sales of Shares may adversely affect the prevailing market price

***Risk factor relating to Taxation***

- U.S. holders could suffer significant adverse tax consequences if we are classified as a passive foreign investment company

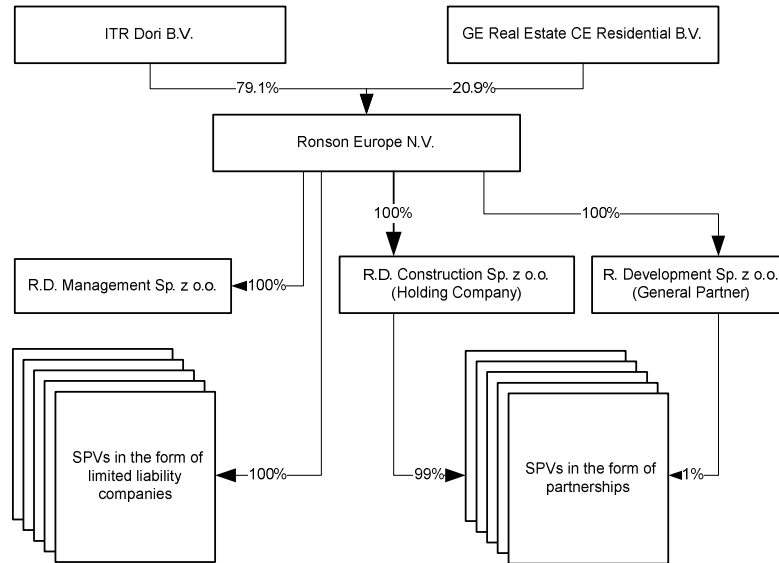
These risks are more fully described in the section entitled “*Risk Factors*” immediately following this Prospectus summary.

**Corporate Information**

The Company is a limited liability company incorporated under the laws of the Netherlands and is registered with the Trade Register of the Chamber of Commerce of Rotterdam under number 24416758 and has its corporate seat in Rotterdam, the Netherlands. The Company's business address is Weena 210-212, 3012NJ Rotterdam, the Netherlands and its website is [www.ronson.pl](http://www.ronson.pl).

## CORPORATE STRUCTURE

The following chart presents the Company's current corporate structure:



For a detailed description of the Group's and Company's history and a description of corporate restructurings, please see "*Operating and Financial Review – History and Corporate Restructurings*".

## SUMMARY OF THE OFFERING

<b><i>The Issuer</i></b> .....	Ronson Europe N.V.
<b><i>The Offering</i></b> .....	The Offering comprises the offer of up to 60,000,000 Firm Shares, including the subscription offer by the Issuer of up to 40,000,000 New Shares, and the sale offer by the Selling Shareholder of up to 20,000,000 Sale Shares, by way of a public offering to: (i) retail investors in the Republic of Poland (the Retail Offering) and (ii) institutional investors in the Republic of Poland (the “Polish Institutional Offering” and, together with the “Retail Offering”, the “Polish Public Offering”) and a private placement to (iii) qualified institutional buyers (“QIBs”) in the United States in reliance on Rule 144A under the U.S. Securities Act of 1933, as amended (the “U.S. Securities Act”) and (iv) institutional investors outside the United States (excluding the Republic of Poland) in reliance on Regulation S under the U.S. Securities Act (the “International Offering” and together with the Polish Institutional Offering, the “Institutional Offering”).
<b><i>The Selling Shareholder</i></b> .....	ITR Dori B.V. is the Selling Shareholder. Assuming all the Firm Shares are subscribed for and sold in the Offering and full exercise of the Overallotment Option, the Selling Shareholder will own 53.8% of the Issuer's share capital immediately after the Offering.
<b><i>Offer Shares</i></b> .....	up to 60,000,000 Firm Shares and up to 9,000,000 additional Overallotment Shares.
<b><i>Indicative Price</i></b> .....	The Indicative Price per Offer Share will be determined by the Issuer and the Selling Shareholder, with the agreement of the Global Coordinator, on or about 16 October 2007, and will constitute the price at which subscriptions will be accepted in the Retail Offering.
<b><i>Offer Price</i></b> .....	The Offer Price will be determined by the Issuer and the Selling Shareholder, with the agreement of the Global Coordinator, prior to the opening of the subscription period for Institutional Investors on or about 24 October 2007 (the “Pricing Date”) and will be announced in a press release and in the same manner as this Prospectus. The Offer Price will be determined based on the following criteria and rules: (i) size and price sensitivity of demand from the Institutional Investors as gauged during the book-building process, (ii) the current and anticipated situation on the Polish and international capital markets and (iii) assessment of the growth prospects, risk factors and other information relating to the Company's activities contained in this Prospectus. The Offer Price for Retail Investors will not exceed the Indicative Price. The Offer Price for Institutional Investors may exceed the Indicative Price.
<b><i>Allotment Date</i></b> .....	Allotment will occur following the subscription period for Institutional Investors, and is expected to take place on or about 29 October 2007, subject to acceleration or extension of the timetable for the Offering at the discretion of the Issuer and the Selling Shareholder, with the agreement of the Global

Coordinator.

<b>Overallotment Option .....</b>	The Selling Shareholder granted to the Managers an option (the "Overallotment Option"), exercisable for up to 30 days following the Allotment Date, to purchase up to an additional 9,000,000 Overallotment Shares, solely to cover overallotments, if any, made in connection with the Offering and short positions resulting from stabilization transactions. Please see " <i>The Offering</i> ".
<b>Listing and Trading .....</b>	Application will be made by the Issuer to list all of the Issuer's authorized and issued shares as at the Settlement Date on the WSE, including the Firm Shares and the Overallotment Shares, if any, and 4,000,000 Shares that have been authorized for issuance from time to time under the Company's Employee Stock Incentive Plan. Trading of the Shares on the WSE is expected to commence on or about 5 November 2007. Prior to the Offering, there was no public market for the Issuer's Shares.
<b>Dividends.....</b>	All Shares, including the Firm Shares and the Overallotment Shares, carry full dividend rights if and when declared from the date the holder acquires such shares.
<b>Delivery, Settlement and Payment.....</b>	Payment to the Offer Shares by investors in the Retail Offering shall be made at the time of placing of the subscription orders. Payment for the Offer Shares by investors in the Institutional Offering shall be made no later than on 26 October 2007. Delivery of the Shares is expected to be made on or about 5 November 2007 to Investors' securities accounts upon payment of the total Offer Price, through the book-entry facilities of the Polish National Depository of Securities (the "NDS") in accordance with their normal settlement procedures applicable to IPOs of equity securities.
<b>Voting Rights .....</b>	Each Share entitles its holder to one vote at the Issuer's General Meeting of Shareholders.
<b>Use of Proceeds.....</b>	<p>The Company intends to utilize the net proceeds from the New Shares to finance the development of its business throughout Poland and potentially other Central and Eastern European countries, including the building of a portfolio of real estate properties through the purchase of real estate for future projects and repay a portion of the existing bank financing in the amount of up to PLN 22,800,000 and of the existing shareholder loans in the amount of up to PLN 37,000,000 and, to the extent funds are not otherwise invested in this manner, for other general corporate purposes, including the redemption of debt.</p> <p>The costs and expenses of the Offer, including fees and commissions of the Managers, are estimated at approximately 7.5%. The exact amount of the net proceeds will be announced in a press release on the Pricing Date.</p> <p>The Selling Shareholder will receive the net proceeds from the sale of the Sale Shares.</p>
<b>Lock-up .....</b>	The Issuer and the Principal Shareholders have agreed that, without the prior written consent of the Global Coordinator, it will not, subject to certain exceptions, during the 180-day period

after the Allotment Date (the “Lock-up Period”) issue, offer, sell, contract to sell, pledge or otherwise transfer or dispose of, or announce the proposed sale of, any Shares or other equity securities or securities linked to the Issuer’s share capital, and the Issuer has agreed with the Managers to reasonably procure that any beneficiary of the Employee Stock Incentive Plan (as defined below) who receives any options, shares or other securities of the Issuer in connection with the Employee Stock Incentive Plan will not offer, sell, contract to sell, pledge or otherwise transfer or dispose of any such options, shares or other securities during the Lock-up Period, provided, however, that (i) the Issuer may, in connection with its Employee Stock Incentive Plan, issue options or other securities or contracts whose value is linked to the value of the Issuer’s shares; and (ii) members of the Company’s management may exercise any options granted to them under the Employee Stock Incentive Plan but any shares of the Issuer thus acquired may not be offered, sold, contracted to sell, pledged or otherwise transferred or disposed of during the Lock-up Period by such persons or on their behalf.

<b><i>Form of Shares</i></b> .....	The Issuer will apply for registration of all of the Issuer’s Shares, including the Offer Shares, with the NDS. It is expected that on or soon after the Settlement Date, all of the Issuer’s Shares, including the Firm Shares and any Overallotment Shares issued in connection with the full or partial exercise of the Overallotment Option on the Allotment Date, will exist in book-entry form.
<b><i>ISIN Code</i></b> .....	The ISIN Code will be disclosed in the form of a Current Report once it is granted.
<b><i>Polish Offeror</i></b> .....	UniCredit CA IB Polska S.A.
<b><i>Co-Lead Manager</i></b> .....	ING Securities N.V., London Branch
<b><i>Global Coordinator, Lead Manager and Sole Bookrunner</i></b> .....	Bank Austria Creditanstalt AG
<b><i>Managers</i></b> .....	Bank Austria Creditanstalt AG and ING Securities N.V., London Branch
<b><i>Selling Restrictions</i></b> .....	The Offer Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or any jurisdiction in the United States and subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in certain transactions exempt from the registration requirements of the U.S. Securities Act. Please see “ <i>Selling Restrictions</i> ”.

## SUMMARY FINANCIAL AND OPERATING DATA

The following tables set out selected combined financial and operating information for Ronson Europe N.V. as at and for the year ended 31 December 2006, and selected consolidated financial and operating information for the Company as at and for each of the six-month periods ended 30 June 2006 and 2007, respectively.

The selected financial information has been extracted from the Combined Financial Statements of the Company for the year ended 31 December 2006, without material adjustment, and should be read in conjunction with, and is qualified in its entirety by reference to, those financial statements and the notes thereto included elsewhere in this Prospectus. The selected interim financial information has been extracted from the Interim Consolidated Financial Statements of the Company as at and for each of the six-month periods ended 30 June 2007 and 2006 and should be read in conjunction with, and is qualified in its entirety by reference to, those financial statements and the notes thereto included elsewhere in this Prospectus, and the information in the section titled "Operating and Financial Review". The aforementioned financial statements have been prepared in accordance with IFRS adopted by the European Union and as applicable in the respective years. The Combined Financial Statements of the Company as at and for the year ended 31 December 2006 have been audited by KPMG Accountants N.V., the Netherlands, whose report thereon is included elsewhere in the prospectus. The review report on the unaudited consolidated financial statement as at and for each of the six months periods ended 30 June 2007 and 2006 is included elsewhere in this prospectus. Please see "Presentation of Financial and Other Data" and "Independent Auditors".

Due to change of control effective January 2006 and in accordance with accounting regulations it is not possible to present combined comparable financial statements for any period prior to the year ended 31 December 2006. Ronson Europe N.V. was established in June 2007, and the financial statements as of and for the year ended 31 December 2006 represent the combined financial statements of the Group. For the reasons mentioned herein financial statements of the Group for years ended 31 December 2005 and 2004 are not presented. Based on EU commission regulation EC 211/2007, Ronson concluded that it has a complex financial history and its entire business undertaking cannot be covered by historical information relating to Ronson. The combined financial information of the subsidiaries, which make up the business that was transferred to Ronson following its establishment, was used to provide the required historical information. Such subsidiaries were controlled by ITR Dori B.V. as of the beginning of 2006. Because such subsidiaries were not under common control prior to 2006, comparable combined financial statements for the years 2004 and 2005 cannot be prepared under IFRS. Moreover, fair value accounting has been applied for the identifiable assets and liabilities acquired by ITR Dori B.V. in a business combination at the beginning of 2006. The new basis of accounting of a significant part of the combination would make the 2006 financial statements incomparable to any combined financial statements of previous periods.

	<b>Year ended 31 December 2006</b>	<b>Six months ended 30 June 2006</b>	<b>2007</b>
	<i>(PLN'000, except per share data and number of shares)</i>		
<b>Income Statement Data:</b>			
Revenue.....	56,176	21,711	12,667
Cost of sales .....	<u>(32,609)</u>	<u>(11,856)</u>	<u>(8,817)</u>
<b>Gross profit</b> .....	<b>23,567</b>	<b>9,855</b>	<b>3,850</b>
Change in fair value of investment property .....	21,754	6,954	-
Administrative expenses .....	<u>(6,641)</u>	<u>(3,802)</u>	<u>(4,291)</u>
<b>Results from operating activities</b> .....	<b>38,680</b>	<b>13,007</b>	<b>(441)</b>
Finance income.....	1,424	790	728
Finance expense .....	<u>(1,284)</u>	<u>(888)</u>	<u>(730)</u>
<b>Net finance income</b> .....	<b>140</b>	<b>(98)</b>	<b>(2)</b>
<b>Profit/(loss) before taxation</b> .....	<b>38,820</b>	<b>12,909</b>	<b>(443)</b>
Income tax (expense)/benefit.....	<u>(6,902)</u>	<u>(2,523)</u>	<u>251</u>
<b>Profit/(loss) for the period</b> .....	<b><u>31,918</u></b>	<b><u>10,386</u></b>	<b><u>(192)</u></b>

	As at 31 December 2006	As at 30 June 2006	2007
<i>(PLN'000, except per share data and number of shares)</i>			
<b>Balance Sheet Data:</b>			
<b>Assets:</b>			
Property and equipment.....	315	199	722
Intangible assets .....	169	159	74
Investment property.....	44,300	29,500	44,300
Long-term finance lease receivable .....	729	783	667
Loans granted to related party .....	13,533	—	—
Deferred tax assets.....	2,750	1,922	3,657
<b>Total non-current assets.....</b>	<b>61,796</b>	<b>32,563</b>	<b>49,420</b>
Inventories of residential units.....	182,920	104,913	247,731
Trade and other receivables .....	21,695	14,259	40,126
Cash and cash equivalents .....	39,120	39,277	14,757
<b>Total current assets .....</b>	<b>243,735</b>	<b>158,449</b>	<b>302,614</b>
<b>Total assets.....</b>	<b>305,531</b>	<b>191,012</b>	<b>352,034</b>
<b>Invested equity:</b>			
<b>Owners' net investment.....</b>	<b>106,036</b>	<b>15,742</b>	—
Share capital .....	—	—	172
Other reserves .....	—	—	92,104
Profit/(loss) for the period attributable to equity holders .....	—	—	(226)
<b>Total equity attributable to equity holders of the Company .....</b>	—	—	92,050
<b>Minority interests .....</b>	<b>18,711</b>	—	<b>18,745</b>
<b>Total (invested) equity.....</b>	<b>124,747</b>	<b>15,742</b>	<b>110,795</b>
<b>Liabilities:</b>			
Loans and borrowings .....	94,057	111,383	106,665
Deferred tax liabilities .....	8,763	7,497	8,102
<b>Total non-current liabilities .....</b>	<b>102,820</b>	<b>118,880</b>	<b>114,767</b>
Loans and borrowings .....	10,085	998	10,085
Trade and other payables .....	13,392	9,966	22,003
Tax payable .....	2,832	619	922
Provisions.....	501	501	501
Deferred income .....	51,154	44,306	92,961
<b>Total current liabilities.....</b>	<b>77,964</b>	<b>56,390</b>	<b>126,472</b>
<b>Total liabilities .....</b>	<b>180,784</b>	<b>175,270</b>	<b>241,239</b>
<b>Total equity and liabilities.....</b>	<b>305,531</b>	<b>191,012</b>	<b>352,034</b>

	Year ended 31 December 2006	Six months ended 30 June 2006	2007
<i>(PLN'000, except per share data and number of shares)</i>			
<b>Cash Flow Data:</b>			
Net cash used in operating activities.....	(81,334)	(14,909)	(35,394)
Net cash used in investing activities .....	(296)	(111)	(141)
Net cash from financing activities .....	108,993	42,540	11,172
Net increase in cash and cash equivalents.....	27,363	27,520	(24,363)



## **PRESENTATION OF FINANCIAL AND OTHER DATA**

### **Presentation of Financial and Other Information**

In this Prospectus, the “Company”, “Ronson” or the “Issuer” refers to Ronson Europe N.V. and the “Group” refers to the group of companies comprising the business that was transferred to Ronson on 30 June 2007, unless the context requires otherwise.

The Company maintains its financial statements (the “IFRS Financial Statements”) in accordance with International Financial Reporting Standards, as adopted by the European Union and as applicable in the respective years (“IFRS”), as well as in accordance with article 362.9 of the Netherlands Civil Code. The IFRS Financial Statements comprise (i) the combined financial statements as at and for the year ended 31 December 2006 (the “Combined Financial Statements”) and (ii) the unaudited consolidated financial statements as at and for each of the six-month periods ended 30 June 2006 and 2007, respectively (the “Interim Financial Statements”), which are included elsewhere in this Prospectus.

Prior to 2006 the Group was not under common control and in order to present certain information for the years ended 31 December 2004 and 2005, the Company has prepared limited combined pro forma information, containing selected historical financial information of the Group, which has not been audited and does not present the Group’s actual combined financial condition or results of operations for such periods. The unaudited combined selected pro forma information for the years ended 31 December 2004 and 2005 is presented in the operating and financial review only for discussion purposes and to demonstrate certain trends in the Group’s operations. Investors should bear in mind, however, that such pro forma information is not comparable to the Combined Financial Statements of Ronson Europe N.V. for the year ended 31 December 2006.

Certain figures contained in this Prospectus, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances the sum of the numbers in a column or a row in tables contained in this Prospectus may not conform exactly to the total figure given for that column or row.

In this Prospectus, references to “Euros”, “EUR” or “€” are to the lawful currency of the European Economic and Monetary Union, of which the Netherlands is a member. References to “U.S. dollars”, “USDs”, “US\$”, “\$” or “U.S. Dollars” are to the lawful currency of the United States. References to “Zloty” or “PLN” are to the lawful currency of the Republic of Poland.

Certain industry terms and other terms used in this Prospectus are explained in Annex I “*Definitions*”.

### **Market, Economic and Industry Data**

All references to market, economic or industry data, statistics and forecasts in this Prospectus consist of estimates compiled by professionals, organizations, analysts, publicly available information, or the Issuer’s knowledge of its sales and markets.

Industry statistical data has been primarily derived from the reports on the Polish, Warsaw, Poznań, Wrocław, Łódź and the Tri-City (Gdańsk, Gdynia and Sopot) residential markets prepared by REAS Sp. z o.o., a leading Polish real estate consultant, in May 2007 as well as an analysis of the supply and demand on the residential property market in 2006 prepared by redNet Consulting Sp. z o.o., a leading Polish residential property consultant.

Industry publications generally state that their information is obtained from sources they believe to be reliable but that the accuracy and completeness of such information is not guaranteed and that the projections they contain are based on a number of significant assumptions. The Issuer has relied on the accuracy of such data and statements without carrying out an independent verification thereof and therefore cannot guarantee its accuracy and completeness.

The information obtained from the sources cited in this Prospectus has been accurately reproduced and, as far as the members of the Management Board of the Issuer are aware and have been able to ascertain from information published by the cited sources, no facts have been omitted which would render the information reproduced inaccurate or misleading. Where third-party information has been used in this Prospectus, the source of such information has been identified.

In this Prospectus, the Issuer makes certain statements regarding the Company's competitive position and market leadership. The Issuer believes these statements to be true, based on market data and industry statistics regarding the competitive position of certain of the Company's competitors.

### **Documents Incorporated by Reference**

No documents or content of any website are incorporated by reference into this Prospectus.

### **Forward-Looking Statements**

Some of the statements in some of the sections in this Prospectus include forward-looking statements which reflect the Issuer's current views with respect to future events and financial performance. Statements which include the words “intend”, “plan”, “project”, “expect”, “anticipate”, “will” and similar statements of a future or forward-looking nature identify forward-looking statements.

All forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause the Issuer's actual results to differ materially from those indicated in these statements. These factors include, but are not limited to, those set out under “*Risk Factors*”, which should be read in conjunction with the other cautionary statements that are included elsewhere in this Prospectus. If one or more of these or other risks or uncertainties materialize, or if the Issuer's underlying assumptions prove to be incorrect, actual results may vary materially from those projected in this Prospectus. Apart from any continuing obligations under the Dutch Act on Financial Supervision, the Polish Act on Public Offers, or WSE Corporate Governance Rules to which the Issuer is subject to, the Issuer undertakes no obligation to publicly update or review any forward-looking statement contained in this Prospectus, whether as a result of new information, future developments or otherwise.

### **Exchange Rate Information**

The reporting currency of the Company is the Polish zloty. The exchange rates below are provided solely for information and convenience. No representation is made that the Polish zloty could have been, or could be, converted into Euro at the rate presented below.

The table below shows the low, high, average and period-end exchange rates expressed in Polish Zloty per Euro for the periods stated. The average is computed using the exchange rate quoted by Bloomberg at the close of each business day of each period indicated.

<u><b>Year ended 31 December</b></u>	<u><b>Low</b></u>	<u><b>High</b></u>	<u><b>Average</b></u>	<u><b>Period End</b></u>
2004 .....	4.05	4.91	4.53	4.09
2005 .....	3.82	4.28	4.03	3.86
2006 .....	3.76	4.11	3.90	3.83

*Source: Bloomberg*

As on 30 July 2007, the exchange rate between the Polish Zloty and the EUR was PLN 3.79 = EUR1.

## **RISK FACTORS**

*Prospective investors should carefully review and consider the following risk factors and the other information contained in this Prospectus prior to making any investment decision with respect to the Offer Shares. The occurrence of one or more of these risks alone or in combination with other circumstances may have a material adverse effect on the Company's business, cash flows, financial condition, results of operations or prospects.*

*Even though the following risk factors cover all risks the Company currently believes to be material, the risks discussed below may, in retrospect, turn out not to be complete or prove not to be exhaustive and therefore may not be the only risks the Company is exposed to. The order in which the risks are presented below does not reflect the likelihood of their occurrence or the magnitude or significance of the individual risks. Additional risks and uncertainties of which the Company is not currently aware or which it does not consider significant at present could likewise have a material adverse effect on the Company's business, cash flows, financial condition, results of operations or prospects.*

*The market price of the Company's Shares could fall if any of these risks were to materialize, in which case investors could lose all or part of their investment. Investors should only purchase Shares for inclusion in a broadly diversified portfolio. Those investors who have any reservations regarding the content of this Prospectus should contact their stockbroker, bank, lawyer, tax advisor or financial advisor. The information in this Prospectus is not equivalent to the professional advice from the persons mentioned above.*

### **Risk factors which are specific to the Company**

#### ***The Company may be unable to sell residential units at budgeted or projected prices***

The Company may be unable to sell the residential units that it builds at attractive prices. The value of a residential property depends to a large extent on its location, architectural design and standard of construction. If the Company misjudges the desirability of a property's location or its design, it may not be able to sell the property at the budgeted price or at all. If the Company is required to reduce the sales price to attract purchasers, the market value of the property could be significantly reduced and the Company's margins could decrease below profitable levels. The failure to sell the residential units at attractive prices may have a material adverse effect on the Company's business, cash flows, financial condition, results of operations or prospects of the Company.

#### ***The Company may be unable to acquire further land at competitive prices and to identify profitable development projects***

The successful growth and profitability of the Company is dependent, in particular, on acquiring good development sites at competitive prices and their appropriate development. The acquisition of sites for development may be difficult for reasons such as competition in the real estate market, the slow process of obtaining permits, the absence of local zoning plans and the limited availability of land with the appropriate infrastructure. Furthermore, there is no certainty that the preliminary purchase agreements that have been signed will culminate in the purchase of those sites if the conditions precedent have not been satisfied. These factors could have a material adverse effect on the business, cash flows, financial condition, results of operations or prospects of the Company.

#### ***Access to financing of the Company's potential clients may be limited***

The high demand and increase in prices of flats and houses in Poland over the last several years is in large measure the effect of low interest rates and an increase in the availability of credits and loans earmarked for financing the purchase of flats and houses. An increase in interest rates, deterioration in the economic situation of Polish households, or administrative restrictions on the ability of banks to grant credits and loans may cause a fall in the demand for flats and houses, and as such interest in the Company's projects may decline. Moreover, it is possible that the recent volatility in the US housing market may have an effect on the global economy, including Poland, with banks restricting the granting of new mortgage loans or increasing interest rates.

The considerable popularity of foreign currency loans means that a fall in the value of the Polish zloty in relation to foreign currencies, specifically the Swiss franc, U.S. dollar or euro, may result in potential purchasers of new flats not to be in a position to obtain financing, and clients who had already

purchased flats or houses may experience difficulty with repayment. This may also cause a fall in demand for new flats and houses.

The above circumstances and events may have a material negative impact on the business, cash flows, financial condition, results of operations or prospects of the Company.

***The Company faces significant competition from other developers***

The Company faces significant competition from other developers. Competition may lead, among other things, either to an over-supply of residential properties through over-development or to an increase in land prices. Such competition may have a material adverse effect on the business, cash flows, financial condition, results of operations or prospects of the Company.

***The Company's profits are dependent on the condition of the Warsaw residential market***

The majority of the Company's current development projects are located in Warsaw. The Company is expanding its operations into other major Polish metropolitan areas and is engaged in a development project in Poznań and has purchased plots in Wrocław, Poznań and Szczecin. Moreover, the Company is currently analyzing the markets in other Polish metropolitan areas, especially in Szczecin, Bydgoszcz, Łódź and the TriCity (Gdańsk, Gdynia and Sopot). However, due to its current focus on the Warsaw market, at least in the short-term, the majority of profits generated by the Company will be dependent on the condition of the Warsaw residential market. Any downturn in such market could have a material adverse effect on the business, cash flows, financial condition, results of operations or prospects of the Company.

***The Company has failed to diversify outside the residential segment***

The Company has focused its operations on residential development projects and, unlike some of its competitors, does not develop other types of properties such as commercial or hotel properties. Therefore, its operations are not diversified and any downturn in the residential property business cannot be compensated by revenues from other activities. The lack of diversification of the Company's activities could have a material adverse effect on the business, cash flows, financial condition, results of operations or prospects of the Company.

***There may not be sufficient historical financial and operating information available for the investors to evaluate the business and financial prospects and such data may not fully reflect the current scope and structure of the Company***

The Company is a holding company and is the parent of several subsidiaries that have had some history of operations and financial history, however, they have not been managed in the past as a consolidated entity and their individual financial histories may not be representative of how they would have performed as a consolidated entity. Due to the short operating history of the Company, there may not be sufficient historical financial and operating information available for the investors to evaluate the business and financial prospects or the available historical data may not fully reflect the current scope and structure of the Company. The limited historical financial and operating data may not be indicative of the Company's performance for any future period.

***The Company's may be unable to effectively manage its expansion and the consequences of its internal and external growth***

The Company plans to invest the proceeds from the Offering mostly for the development of current and future projects, including the acquisition of parcels of land in various major Polish metropolitan areas for future development. Please see "Use of Proceeds". There can be no assurance that the Company's internal systems and monitoring measures will be adequate to support the expansion of its business. Any inability of the Company to manage effectively its internal and external growth, or to obtain the necessary resources required to administer and support such growth, could have a material adverse effect on the business, cash flows, financial condition, results of operations or prospects of the Company.

***The Company may be unsuccessful in the geographical expansion of its business***

The Company's strategy contemplates the selective geographical expansion of its business across other cities in Poland. The Company may not be successful in the identification and development of future projects in these locations. Furthermore, the Company may face more uncertainties with respect to the operational and financial needs of projects in locations other than Warsaw. Moreover, the Company

will consider investments in other countries of Central and Eastern Europe, if appropriate opportunities arise. The Company's failure to successfully execute its strategy of selective geographical expansion could have a material adverse effect on its business, cash flows, financial condition, results of operations or prospects.

***The Company is dependent on key management personnel***

The Company is dependent on senior members of the management, especially the members of the Management Board. The departure of any member of the Management Board could have an adverse effect on the ability of the Company to conduct its activities and, as a result, could have a material adverse effect on the business, cash flows, financial condition, results of operations or prospects of the Company.

***The Company may be unable to attract and retain sufficiently qualified management personnel***

The future success of the Company depends on its ability to hire senior personnel with extensive experience with regard to the identification, acquisition, financing, construction, marketing and management of development projects. If the Company is unable to recruit and retain appropriate personnel, the rate at which it expands its operations could be adversely affected and, as a result, could have a material adverse effect on the business, cash flows, financial condition, results of operations or prospects of the Company.

***The Company's credit agreements contain restrictive covenants***

The Company is party to several credit agreements that contain covenants that, among other things, impose certain operating and financial restrictions, including prohibitions on incurring and granting loans, credits or other debt financings, and prohibitions on establishing encumbrances on their assets, acquisitions of shares in other entities or changes in the scope of current business activities. Events beyond its control could result in the Company not being able to comply with such covenants and, as a result, constitute an event of default under the credit agreements. If an event of default under a credit agreement were to occur, the Company may be forced to repay the outstanding amount of the loan earlier than planned. Such earlier repayment could have a material adverse effect on the business, cash flows, financial condition, results of operations or prospects of the Company.

**Risk factors which are specific to the Company's industry**

***The Company may be unable to obtain the required administrative consents***

The Company cannot guarantee that any permits, consents or permissions required from various government entities in connection with existing or new development projects will be obtained by the Company in a timely manner or, what is less likely, will be obtained at all, or that any current or future permits, consents or permissions will not be withdrawn. For example, the Company, like other Polish residential developers, occasionally purchases land that is not zoned as residential. Any residential development on such properties requires either a new local spatial development plan ('miejscowy plan zagospodarowania przestrzennego') ("LSDP") or a decision on outline planning and spatial development ('decyzja o warunkach zabudowy'). The adoption of a revised LSDP or the issuance of a favorable decision on outline planning and spatial development is uncertain and the Company has encountered difficulties in effecting changes to the LSDP and in obtaining such decisions. In addition, civic and environmental groups as well as local residents may try to frustrate obtaining the necessary permits, consents or permissions. A failure to obtain the required consents, or their withdrawal, may have an adverse effect on the ability of the Company to purchase new land and to carry out or complete current or new development projects, which could have a material adverse effect on the business, cash flows, financial condition, results of operations or prospects of the Company.

***The Company may be unable to complete its development projects***

The projects developed by the Company require substantial capital expenditure at the preparation stage and during the construction stage. Due to extensive funding requirements, such ventures by their very nature are accompanied by many significant risks. These risks include, in particular, the delay or failure to receive permits required for the sites to be used in accordance with the Company's plans, delays in the completion of construction, costs that exceed those budgeted because of unfavorable weather conditions, the insolvency of contractors or subcontractors, labor disputes at the contractor or subcontractor level, increases of prices and shortages of construction materials or equipment, accidents

or unforeseen technical difficulties, the inability to obtain permits needed to bring the building or buildings into use or other required permits, or changes in the regulations relating to land use. If any of these risks materializes, it may cause delays in the completion of a development project, an increase in costs or a loss of revenues, the tying-up of finance invested in the purchase of land for development, and in certain cases the inability to complete a development project, any of which may in turn have a material adverse effect on the business, cash flows, financial condition, results of operations or prospects of the Company.

***The Company is dependent on contractors***

The Company uses specialist construction companies for most of the construction work on its various projects. The Company cannot guarantee the correct and timely performance of the contracted works by the contractors. This may cause delays in the completion of individual projects and consequently increase the costs of their completion. Moreover, contractors may develop liquidity problems which may affect the quality and timely completion of the works commissioned by the Company. In extreme cases this may lead to the contractor stopping work altogether and the necessity to replace the contractor. Consequently, all the delays and costs associated with a change of contractor may adversely affect the profitability of a given project. Any such event may have a material adverse effect on the business, cash flows, financial condition, results of operations or prospects of the Company.

***There is a shortage of properly qualified labor workers in Poland***

Since Poland joined the EU on 1 May 2004, approximately 1.1 million adults left Poland to work abroad (mostly in the UK, Germany and Ireland) (*source: Polish Center for Social Studies, 'Centrum Badania Opinii Społecznej'*). As a result, there is currently a shortage in Poland of properly qualified labor workers and the general contractors hired by the Company face problems in finding qualified workers. The Company believes that this shortage will be further exacerbated in the upcoming years as Poland and Ukraine will be preparing to host the European Soccer Championships in 2012 and will be building the required infrastructure. The lack of a sufficient number of workers may result in increased labor costs and delays in construction and may have a material adverse effect on the business, cash flows, financial condition, results of operations or prospects of the Company.

***The real estate residential development market is cyclical***

The real estate residential development market in Poland is cyclical and the number of new residential units completed each year has varied from year to year, depending on, among other things, general macro-economic factors in Poland, changes in the demographics of specific metropolitan areas, availability of financing, and prices of existing and new residential units. Typically, growing demand results in an increase of margins of real estate developers and an increase in the number of new projects. Because of the significant lag time between the time of the decision to construct a project and its actual delivery, due in part to the protracted process of obtaining the required governmental consents and the construction time, there is a risk that once the project is completed, the market will be saturated and the developer will not be able to sell the project without decreasing its profit margin. An upturn in the market is typically followed by a downturn as new developers are deterred from commencing new projects due to reduced profit margins. This market cyclicity may have a material adverse effect on the business, cash flows, financial condition, results of operations or prospects of the Company.

***The Company may be required to make payments in connection with claims against contractors***

The duties assumed by the contractors relating to the completion of the development projects may result in claims against them, arising from non-performance or the incorrect performance of their duties. Although contractors provide performance guarantees which help to mitigate the impact of non-performance, disputes with contractors can still lead to delays in the completion of a development project and/or cost overruns. An unreliable contractor may not be in a position to fully satisfy the Company's claims. As a result, the Company could be exposed to disputes or litigation and could be forced to make payments to third parties as a result of such disputes or litigation (such as those resulting from construction guarantees granted to customers). This may have an adverse effect on the business, cash flows, financial condition, results of operations or prospects of the Company.

***The Company's operating and other costs may increase***

Factors which could increase operating and other costs include: inflation; increases in taxes and other statutory charges; changes in the law, regulations or government policies (including those relating to

health and safety at work and environmental protection) which increase the costs of compliance with such laws, regulations or policies; and increases in the cost of borrowing. In light of the growing competition on the Polish real estate market, the Company could also be faced with increased marketing costs. Any material increase in the Company's operating costs may have a material adverse effect on the business, cash flows, financial condition, results of operations or prospects of the Company.

***The costs of the Company's projects may increase***

The Company has entered into, and will enter into, construction agreements with general contractors to build the Company's development projects. The costs of these projects can vary due to: changes in the scope of a given project and in its architectural design; increases in the cost of building materials and of labor costs; the contractors not completing the works within the agreed term and to a standard which is acceptable to the Company. Any material increase in the Company's project costs may have a material adverse effect on the business, cash flows, financial condition, results of operations or prospects of the Company.

***The Company may be unable to raise additional financing requirements***

Although the Company believes that with the proceeds of the Offer, the Company will have sufficient working capital to finance its current activities, a need may arise in the future for the Company to raise further funds through, for example, issuing shares, undertaking loans and issuing debt instruments. There can be no guarantee that such further fundraising or any type of fundraising would be successful. The development and growth of the business of the Company may be constrained if fundraising is not successful or if funds are raised on unfavorable terms, which could have a material adverse effect on the business, cash flows, financial condition, results of operations or prospects of the Company.

***The Company may be forced to sell some of its assets in order to meet its obligations***

In order to finance its activities the Company uses borrowings and debt instruments. The Company cannot guarantee that it will be able to procure funding at commercially attractive rates or, if such funding is obtained, to pay the interest or repay the principal, or to meet other obligations under the loan and debt instrument agreements. Should the Company not be in a position to procure additional funds in line with its expectations, it may be forced to change its strategy and to restrict its growth and to refinance such borrowings. In such circumstances the repayments may become immediately payable, in whole or in part, and the Company may be forced to sell some of its assets in order to settle these liabilities. This could have a material adverse effect on the business, cash flows, financial condition, results of operations or prospects of the Company.

***The Company may have to incur costs in connection with environmental pollution***

Under Polish law entities which use land on which there are dangerous or contaminated substances may be required to decontaminate the land or bear the decontamination costs, or to pay an administrative fine in respect of the polluted land. So far as the Company is concerned, an assessment of the risk of claims for compensation, the obligation of incurring the decontamination costs and payment of an administrative fine resulting from the pollution of the environment is an important element of the legal and technical due diligence carried out during the process of acquiring land for future development projects. However, it is not possible to exclude the possibility that in the future, unforeseen costs of repairing damage or decontamination may arise or that fines may be imposed on the Company in relation to environmental pollution on the properties used. This may have a material adverse effect on the business, cash flows, financial condition, results of operations or prospects of the Company.

***Adverse site or ground conditions may result in delays of the Company's projects or increase costs thereof***

When purchasing potential development sites, the Company carries out a technical analysis of the site being acquired. Nevertheless, given the limitations of such an analysis, there is always a risk that during the development of a project the Company may encounter unexpected factors which may cause a delay or increase the costs of site preparation. These could include matters concerning the water table, unstable ground conditions and archaeological finds. Such events may have a material impact on the costs of developing a given project or may render it impossible to develop as planned. This could have

a material adverse effect on the business, cash flows, financial condition, results of operations or prospects of the Company.

***Lack of access to required infrastructure may result in delays of the Company's projects or increase costs thereof***

A development project can only be carried out if the site has access to the relevant technical infrastructure (e.g. internal roads, utility connections, and treatment facilities), which is required by law. In cases where such infrastructure is not connected with the site, the building permit for the project may not be issued until such connection is assured. It may also be possible that the relevant authorities will require that the Company develops the relevant infrastructure as a part of the works related to the project, which may have a significant impact on the costs of the construction works. The authorities may also demand that the investor develops the technical infrastructure that is not required from the project's perspective but may be expected by the authorities as a contribution of the investor in the development of the local municipality. Because of delays in ensuring that the Company's projects have access to the required infrastructure, there may be a delay in the completion of a given project or an unexpected increase of costs related to the development of the infrastructure by the Company. Such an event may have a material impact on the viability of a project. This could have a material adverse effect on the business, cash flows, financial condition, results of operations or prospects of the Company.

***The use of improper construction technology may result in delays of the Company's projects or increase costs thereof***

The costs of the construction of a building can vary substantially, depending on the construction technology used. There are many kinds of construction technologies available on the market and new technologies are frequently introduced. The selection of improper technology in the initial stages of a project may result in the construction budget being exceeded or in a delay in the completion of the project. This could have a material adverse effect on the business, cash flows, financial condition, results of operations or prospects of the Company.

***The Company may incur material losses in excess of insurance pay-outs***

It is the Company's policy to ensure that its projects under construction are adequately insured by the general contractor. However, the buildings on projects developed by the Company could suffer physical damage caused by fire or other causes, resulting in losses which may not be fully compensated by insurance. In addition, there are certain types of risks that may be uninsurable.

Should an uninsured loss or a loss in excess of insured limits occur, the Company could suffer a loss in the value of an investment in the affected development as well as the anticipated future revenue from that development. The Company could also be liable for the repair of the damage caused by the risk which is not covered by the insurance. In addition, the Company may be obliged to continue servicing the debt associated with the damaged development project. This may have a material adverse effect on the business, cash flows, financial condition, results of operations or prospects of the Company.

***The Company may be liable in connection with post-construction obligations***

Pursuant to the Polish Civil Code, the Company is liable under the statutory warranty for defects of the residential units and the building for three years and must provide the required repairs. Warranties and guarantees obtained by the Company from general contractors and other subcontractors that render the construction works or particular construction elements, allow the Company to recover the costs of such repairs or to transfer an obligation to provide repairs to such entities. As the general contractor guarantee commences upon handover of the construction and the guarantee of the Company commences upon handover of the residential unit, there may be (and usually is) a period in which the general contract guarantee has already run out but the liability of the Company under its statutory guarantee remains in effect. Claims made during such interim period, if not fully covered under the Company's insurance policy, may have a material adverse effect on the business, cash flows, financial condition, results of operation or prospects of the Company.

***The Company's agreements contain clauses prohibited by law and the Company may be required to remove such provisions or pay fines; the enactment of the Act on Protecting Purchasers in Real Estate Development Transactions could expose the Company to increased development project costs***

Generally, purchase agreements entered into between real estate developers and purchasers of residential units limit the rights of the purchasers and extend their obligations. The Polish Office of



Competition and Consumer Protection maintains a list of prohibited clauses, which sets forth clauses that may not be included in such purchase agreements. Prohibited clauses include price indexation provisions to shift to the purchaser the risk of increased costs of construction materials and services or changes in applicable taxes, clauses restricting the client's right to submit a complaint if defects are discovered in the property following its delivery, or provisions allowing development firms to delay the project completion date without incurring any liability to the purchasers. If certain of the provisions of the agreements entered into between the Company and the purchasers of its residential units are deemed to constitute prohibited clauses, the Company faces the risk of having to remove these clauses from its standard purchase agreements and, if fails to do so, be subject to fines in the amount equal to up to 10% of their revenues in the preceding year. Such changes to the agreements or fines could have a material adverse effect on the business, cash flows, financial condition, results of operations or prospects of the Company.

In addition, to further facilitate the enforcement of the ban on prohibited clauses, the Polish Construction Ministry has prepared a draft of a new Act on Protecting Purchasers in Real Estate Development Transactions. The current draft of the Act provides that, among other things, developers would not be able to receive the full amount of the purchase price installments prior to the completion of the development project and would be required to obtain a professional liability insurance policy protecting the purchasers against the deterioration of the financial condition of the developer. The draft Act also provides that a development firm that has violated the Act may be subject to a fine in the amount of up to 10% of its annual revenues. Consequently, the enactment of the Act on Protecting Consumers in Real Estate Development Transactions could result in an increase of development project costs, which could have a material adverse effect on the business, cash flows, financial condition, results of operations or prospects of the Company.

***The Company may be required to increase the prices of certain of its residential units and single family dwellings due to the increase of the VAT rate in Poland***

The EU regulations set the VAT rate applicable to the sale of residential units and single family dwellings at 22%. As part of the negotiations of their accession to the EU, certain CEE countries, including Poland, introduced a lower VAT rate of 7% on such sales until 31 December 2007. The Polish Parliament adopted amendments to the Act on Value Added Tax that increase the VAT rate applicable to the sale of residential units and single family dwellings to 22% as of 1 January 2008. This increase will not apply to "social residential projects", which are defined as residential units of less than 150m<sup>2</sup> of useable area and single family dwellings of less than 300m<sup>2</sup> of useable area. The definition of social residential projects will cover most of the residential developments of the Company. However, it is likely that the Company will be required to increase the prices of its residential units and single family dwellings that are not social residential projects. This may have a material adverse effect on the business, cash flows, financial condition, results of operations or prospects of the Company.

***The Company may be unable to detect and prevent fraud or other misconduct committed by its employees or third parties***

Fraud and other misconduct by employees or third parties acting on behalf of the Company may be difficult to detect and prevent and could subject the Company to financial losses and sanctions imposed by governmental authorities and seriously harm the Company's reputation. In addition, the Company's employees may commit errors that could subject the Company to financial claims and regulatory actions. There can be no assurance that fraud or other misconduct, whether involving past acts that have gone undetected or future acts, will not have a material adverse effect on the Company's reputation, results and business or prospects.

**Risks related to Poland**

***The Polish legal and regulatory framework is developing and the Company is exposed to unexpected changes in the law***

The Company is exposed to the risk of rapid changes in legal and regulatory environment in Poland. The Polish legal and regulatory environment has been subject to frequent changes, and legal regulations are not applied in a uniform manner by the courts and public administration institutions.

The Company's operations are also significantly affected by changes in tax law. The tax law system in Poland is subject to particularly dynamic changes resulting from the need to adjust these regulations to the requirements imposed by the development of its economy after joining the European Union. The nature and scope of these changes, as well as interpretation difficulties related to the tax law application, impede both day-to-day business and correct tax planning. Consequently, the tax and regulatory risk, including the risk related to tax law application, is relatively higher in Poland than in the countries with a stable legal system.

As compared to more developed western markets, Poland has more recently adopted a legal framework to cover the private holding and development of real estate. The Polish legal system is less developed and there is comparatively greater uncertainty as to how real estate issues might be resolved if they were to become the subject of court proceedings. Therefore, there is a greater risk of unexpected and occasionally adverse outcomes which might have a material adverse effect on the business, cash flows, financial condition, results of operations or prospects of the Company.

***The Company may be negatively effected by the political and economic situation in Poland***

The Company carries out its activities in Poland, which is regarded as an emerging market. Investors buying shares in companies operating in such markets should be aware that political and economic risks are greater than in developed markets.

The financial condition of the property development sector in Poland, and therefore the financial condition of the Company, is linked with many economic factors, such as changes in GDP, inflation, unemployment, currency rates and interest rates. Any future adverse changes in one or more of these factors could result in a fall in the demand for new residential units, which could have a material adverse effect on the business, cash flows, financial condition, results of operations or prospects of the Company.

***The shareholders of the Company may have difficulties in effecting service of legal process and enforcing judgments against the Company and its management***

The Issuer is a company incorporated under the laws of the Netherlands and substantially all of its businesses, assets and operations are held through limited liability companies registered in Poland. As a result, it may not be possible to effect service of process within the United States or elsewhere outside Poland upon the Company or its directors and offices, including with respect to matters arising under U.S. federal securities laws or applicable state securities laws. The Company has been advised by its Polish counsel that judgments of foreign courts subject to enforcement, which generally represent judgments for the payment of money or specific performance, are enforceable in Poland if the judgment was issued in a member country of the European Union or if a relevant bilateral treaty provides for such enforcement or on the basis of the rules of the Polish Code of Civil Procedure. However, Poland does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States and other countries. As a result, recognition and enforcement in Poland of judgments of a court in the United States and other jurisdictions in relation to any matter may be difficult or impossible.

***The Polish land and mortgage registry system is inefficient***

The land and mortgage registry system in Poland continues to be inefficient, which can result in delays in the land acquisition process and the registration of many plots into one consolidated plot which is a requirement before the development can be sub-divided between individual customers who purchase units from the Company. This inefficiency could have a material adverse effect on the business, cash flows, financial condition, results of operations or prospects of the Company.

***The Company may be subject to restitution claims***

Following the introduction of nationalization in Poland during the post-war years, many privately-owned properties and businesses were taken over by the State Treasury. In many cases the requisition of the property took place in contravention of the prevailing law. After Poland moved to a market economy system in 1989, many former property owners or their legal successors took steps to recover the properties or businesses lost after the war or to obtain compensation. For many years efforts have been made to regulate the issue of restitution claims in Poland. Despite several attempts, no act regulating the restitution process has been passed. Under the current law, former owners of properties or their legal successors may file applications with the authorities for the administrative decisions under

which the properties were taken away from them to be revoked. As at the date of this Prospectus, there are no proceedings underway for administrative decisions issued by the authorities to be declared invalid concerning properties held by the Company. Although the Company conducts analyses in relation to restitution claims, the results of such analyses are not always decisive and there is no guarantee that restitution claims may not be brought against the Company in the future, and this could have a material adverse effect on the business, cash flows, financial condition, results of operations or prospects of the Company.

### **Risk Factors relating to the Company's Structure**

#### ***The interests of the Company's controlling shareholders may conflict with those of minority shareholders***

The Principal Shareholders hold a majority of the Shares in the Company and will remain the majority shareholders following completion of the Offering. The Principal Shareholders will be able to control the governing bodies and operations of the Company. In particular, they will control the appointment of all members of the Issuer's Supervisory Board and Management Board, as well as have the ability to determine all matters submitted to a vote of the Issuer's shareholders, including approval of significant corporate transactions, such as amendments to the Company's articles, mergers and the sale of all or substantially all of its assets. Dutch law does not provide minority shareholders with any right to proportional representation on the Supervisory Board (equivalent to the "group voting" procedure under Polish law). The Company's articles of incorporation provide that two members of the Supervisory Board must be independent, which is a deviation from the Dutch Corporate Governance Code and the WSE Corporate Governance Rules.

Such concentration of voting power could have the effect of deterring or preventing a change in control of the Company that might otherwise be beneficial to its shareholders. In addition, the majority shareholder could take other actions that might be desirable to it but not to other shareholders.

#### ***The Issuer is not in full compliance with the Dutch Corporate Governance Code and the WSE Corporate Governance Rules and does not expect to be in full compliance in the near future***

While the Issuer's corporate governance structure complies with the principles of Dutch law, the Issuer deviates in several respects from the best practice provisions set forth in the Dutch Corporate Governance Code and the WSE Corporate Governance Rules contained in the "Best Practices in Public Companies in 2005". However, the Issuer believes that in most important aspects the Issuer complies with such codes and the Issuer's deviations result from specifics of the Dutch law or the Polish market practice, or from the conflict between the Dutch and Polish corporate governance regulations. The Issuer has adopted a policy that, whenever the Dutch Corporate Governance Code and the WSE Corporate Governance Rules contain conflicting provisions, the Issuer will, to the extent practicable, comply with the regulations of the WSE, as this is the main market on which the Issuer's Shares will be listed. Please see "*Description of the Shares and Corporate Rights and Obligations — Dutch Corporate Governance*" and "*Description of the Shares and Corporate Rights and Obligations — Polish Corporate Governance*".

#### ***Exercise of certain shareholders' rights and tax treatment for non-Dutch investors in a Dutch company may be more complex and costly***

The Issuer is a company organized and existing under the laws of the Netherlands. Accordingly, the Issuer's corporate structure as well as rights and obligations of the Issuer's shareholders may be different from the rights and obligations of shareholders in Polish companies listed on the WSE.

The exercise of certain shareholders' rights for non-Dutch investors in a Dutch company may be more difficult and costly than the exercise of rights in a Polish company. Resolutions of the General Meeting of Shareholders may be taken with majorities different from the majorities required for adoption of equivalent resolutions in Polish companies. Action with a view of declaring a resolution invalid must be filed with, and will be reviewed by a Dutch court, in accordance with the laws of the Netherlands.

Investors in the Issuer's Shares may also be subject to Dutch taxation of dividends received from the Company. Although Poland and the Netherlands have a tax treaty which provides protection against double taxation, there can be no assurance that such treaty will continue to remain in force. Please see "*Certain Tax Considerations*".

***U.S. and other non-Polish holders are subject to exchange rate risk***

The Shares being sold in the Offering are priced in Polish zloty and, presuming that a trading market for the Shares develops on the Warsaw Stock Exchange (“WSE”), will be quoted and traded in zloty. In addition, any dividends the Issuer may pay will be declared and paid in zloty. Accordingly, U.S. and other non-Polish holders are subject to risks arising from adverse movements in the value of the U.S. dollar or other currencies against the zloty, which may reduce the value of the Shares, as well as that of any dividends paid.

**Risk Factors relating to the Shares**

***The Issuer may be unable to list its Shares on the WSE***

The admission of the Issuer's Shares to trading on the WSE requires that the Polish Financial Supervisory Commission (the “PFSC”) receive a certificate from the AFM confirming that this Prospectus has been approved in the Netherlands, that the Polish National Depository for Securities (the “NDS”) register the Issuer's Shares and that the management board of the WSE approves that the Issuer's Shares are listed and traded on the WSE. The Issuer intends to take all the necessary steps to ensure that the Issuer's Shares are admitted to trading on the WSE as soon as possible. However, there is no guarantee that all of the aforementioned conditions will be met and that the Issuer's Shares will be admitted to trading on the WSE on the date expected or at all.

***Trading in the Issuer's Shares on the WSE may be suspended***

The WSE management board has the right to suspend trading in shares of a listed company if the company fails to comply with the regulations of the WSE (such as specific disclosure requirements) or if such suspension is necessary to protect the interests of market participants. Moreover, trading may be suspended upon the request of the Issuer or of the PFSC if (i) investors' interests, or (ii) the orderly stock exchange trading, or (iii) the security of stock exchange trading are endangered. There can be no assurance that trading in the Issuer's Shares will not be suspended. However, currently the Issuer has no reasons to believe that such a suspension may occur. Any suspension of trading would adversely affect the Issuer's Share price.

***The Issuer's Shares may be excluded from trading on the WSE***

If a company listed on the WSE fails to fulfill certain requirements or obligations under the applicable laws and regulations of the WSE and/or if the orderly stock exchange trading, the safety of trading thereon or the investors' interests are endangered, the company's securities can be excluded from trading on the WSE. This may be the case: (i) if transferability of shares is restricted, (ii) if shares cease to exist in a book-entry form, (iii) upon the PFSC's request or (iv) if shares are excluded from trading on a regulated market by a relevant supervisory authority. There can be no assurance that such a situation will not occur in relation to the Issuer's Shares.

If a company listed on the WSE fails to fulfill certain requirements under applicable laws, in particular the requirements referred to in Art. 96 of the Act on Public Offers, the PFSC has the authority to impose a fine on the company and/or to exclude the company's securities from trading on a regulated market. There can be no assurance that such a situation will not occur in relation to the Issuer's Shares, however, currently there is no reason to believe that such a situation will occur in the future.

***The marketability of the Issuer's Shares may decline and the market price of the Issuer's Shares may fluctuate and decline below the Offer Price***

The Issuer cannot assure that the marketability of the Issuer's Shares will improve or remain consistent. The market price of the Issuer's Shares at the time of the Offering may not be indicative of the market price for the Issuer's Shares after the Offering has been completed. The market price of the Issuer's Shares may fluctuate widely, depending on many factors beyond the Issuer's control. These factors include, amongst other things, actual or anticipated variations in operating results and earnings by the Company and/or its competitors, changes in financial estimates by securities analysts, market conditions in the industry and, in general, the status of the securities market, governmental legislation and regulations, as well as general economic and market conditions, such as recession.

The market price of the Issuer's Shares is also subject to fluctuations in response to further issuances of shares by the Issuer, sales of Shares by the Issuer's major shareholders, the liquidity of trading in the

Issuer's Shares and capital reduction or purchases of Shares by the Issuer as well as investor perception. As a result of these or other factors, the Issuer cannot assure that the public trading market price of the Issuer's Shares will not decline below the Offer Price.

***The Issuer will have a limited free float, which may have a negative effect on the liquidity marketability or value of its Shares***

Prior to the Offering, the Principal Shareholders own all of the Issuer's outstanding Shares and immediately after the Offering the Principal Shareholders will own approximately 71.2%, provided that all Firm Shares are placed with investors and that the Overallotment Option is exercised in full. Consequently, the free float of Shares held by the public will be limited. Furthermore, the Issuer does not have any agreement with the Principal Shareholders that restricts them from increasing their ownership percentage of the Issuer's Shares, although they are not planning to subscribe for the New Shares in the Offering.

***There is no prior market for the Shares and therefore no assurance can be given regarding the future development of such market***

The lack of a prior public market for the Shares may have a negative effect on the ability of shareholders to sell their Shares or the price at which the holders may be able to sell their Shares. If a market for the Shares were to develop, the Shares could trade on prices that may be higher or lower than the Offer Price, depending on many factors. Therefore, there can be no assurance as to the liquidity of any trading in the Shares or that an active market for the Shares will develop.

***Future sales of Shares may adversely affect the prevailing market price***

After this Offering, the Company will have an aggregate of up to 560,000,000 Shares authorized but unissued. In general, the Company may issue up to 25% of these Shares in connection with an offering without any action or approval by shareholders. The Company and the Principal Shareholders have agreed with the Global Coordinator that neither the Company nor the Principal Shareholders will sell any of their remaining shares (other than in the Overallotment Option, if any) for a period of 180 days following the Allotment Date. After the end of this period, the Company and the Principal Shareholders may freely sell shares (to the extent that they hold any Shares at the relevant time). Sales of substantial amounts of shares, whether by the Company, the Principal Shareholders or any other Shareholders, or the perception that such sales could occur, could adversely affect the market value of the Shares and could adversely affect the Company's ability to raise capital through future capital increases.

***U.S. and other non-Polish holders may not be able to exercise pre-emption rights or participate in rights offerings***

Holders of Shares will have certain pre-emption rights in respect of certain issuances of the Company's Shares, unless those rights are disapplied. Securities laws of certain jurisdictions may restrict the Company's ability to allow participation by shareholders in such jurisdictions in any future issue of its Shares carried out on a pre-emptive basis. U.S. holders of Shares may not be able to exercise their pre-emption rights or participate in a rights offer, as the case may be, unless a registration statement under the U.S. Securities Act is effective with respect to such rights or an exemption from the registration requirements is available. The Company has no intention of filing such a registration statement. In the future the Issuer may sell Shares or other securities to persons who are not holders of Shares, without enabling U.S. holders of Shares to exercise their pre-emptive rights at a lower price than the applicable offer price, and as a result U.S. shareholders may experience substantial dilution of their interest in the Issuer.

**Risk Factor relating to Taxation**

***U.S. holders could suffer significant adverse tax consequences if the Company is classified as a passive foreign investment company***

The Company would be classified as a "passive foreign investment company," or a PFIC, for U.S. federal income tax purposes in any taxable year in which, treating the Company's ratable shares of its 25-percent subsidiaries' assets and income as held directly, either:

- at least 75% of its gross income is "passive income," or

- at least 50% of the average gross fair market value of its assets is attributable to assets that produce “passive income” or are held for the production of passive income.

Passive income for this purpose generally includes dividends, interest, royalties, rents and capital (generally, investment) gains. Gross income for U.S. federal income tax purposes generally includes gross receipts from interest, dividends, rents, royalties, services, and other sources, but, for dealings in property, includes only gains.

Based on estimates of its gross income and gross assets and the nature of its business, the Company believes that it will not be classified as a PFIC currently or in the foreseeable future. Its status in future years will depend on the Company’s assets and activities, including the proceeds which the Company receives from this offering and income earned thereon, in those years. The Company has no reason to believe that its assets or activities will change in a manner that would cause it to be classified as a PFIC, but the tests for PFIC status are factual in nature and depend upon factors not wholly within the Company’s control, and there can be no assurance that it will not be considered a PFIC for any taxable year. Since the Company’s business consists primarily of developing and selling residential real property, and the real estate residential development market is cyclical, there is a risk that we may in the future be unable to generate enough nonpassive gross income in the form of gains on sales of our real property inventory to avoid PFIC status.

If the Company is classified as a PFIC for any taxable year, U.S. holders would generally be subject for that year, and for each subsequent year, to reporting obligations for ownership of Shares, as well as to taxation at ordinary rates and an interest charge for deemed deferral of tax on distributions and disposition gains upon Shares.

If the Company is classified as a PFIC for any taxable year, U.S. holders for that taxable year would be considered as owning, and would be subject to reporting obligations and potential adverse tax treatment for ownership of and deemed receipt of distributions upon, their proportionate interests in any lower-tier PFICs which we may own (which may include our subsidiaries and SPVs). These indirect ownership rules could result in tax liability without the receipt of cash, and there can be no assurance that U.S. Holders would be able to obtain the information necessary to determine and comply with tax obligations arising from deemed ownership of any lower-tier PFICs.

The Company does not expect that certain tax elections which would generally mitigate the adverse tax consequences of the PFIC rules would be available to U.S. holders.

Please see “*Taxation—United States Federal Income Taxation—Passive Foreign Investment Company Considerations*” for a more comprehensive discussion of the PFIC rules.

## **USE OF PROCEEDS**

The Company intends to utilize the net proceeds from the New Shares to finance the development of its business throughout Poland and potentially other Central and Eastern European countries, including the building of a portfolio of real estate properties through the purchase of real estate for future projects and repay a portion of the existing bank financing in the amount of up to PLN 22,800,000 and of the existing shareholder loans in the amount of up to PLN 37,000,000 and, to the extent funds are not otherwise invested in this manner, for other general corporate purposes, including the redemption of debt. The costs and expenses of the Offer, including fees and commissions of the Managers, are estimated at approximately 7.5%. The exact amount of the net proceeds will be announced in a press release on the Pricing Date.

Pending use of the net proceeds of this Offer, the Company intends to invest the net proceeds in accordance with its investment policy guidelines, which currently provide for investment of funds in cash equivalents, government obligations, high grade and corporate notes and commercial paper.

The Company will not receive any proceeds from the sale of the Sale Shares by the Selling Shareholder.

The fees and expenses of the Offering include legal, accounting, administrative and other costs, registration fees in relation to the issue of the Shares, expenses in relation to the publication of the required legal notices and printing of this Prospectus, and the commissions paid to the Managers.

The Company will pay commissions to the Managers based upon the aggregate gross proceeds from the sale of the newly issued Shares, and the Selling Shareholder will pay commissions to the Managers based upon the aggregate gross proceeds from the sale of the Sale Shares. In addition, the Company and the Selling Shareholder have agreed to reimburse the Managers for certain of their expenses.

## **DIVIDENDS AND DIVIDEND POLICY**

### **Dividends for the year ended 31 December 2006**

The Company did not pay a dividend with respect to the financial year ended 31 December 2006.

### **Dividend Policy for Future Years**

The Company currently intends to retain future earnings, if any, to finance the growth and development of its business. As a result, it does not anticipate paying any dividends for the foreseeable future. However, the Company does not rule out paying dividends in the future depending on the Company's financial performance, cash flows and the results of the projects currently underway.

The Management Board, with the prior approval of the Supervisory Board, will determine which portion of net profits for the year will be reserved. It is the General Shareholders Meeting that then decides how any remaining net profit is to be allocated, including whether to pay any dividends and the level of such dividends, if any.

Under Dutch law, payment of dividends may be made only if the Company's shareholders' equity exceeds the sum of its called-up and paid-in share capital plus the reserves required to be maintained by law and by its Articles of Association.

Under the terms of the loan agreement with Bank BPH, the Company may not pay or declare dividends without the consent of Bank BPH or unless the outstanding amount under the loan is repaid. Please see *"Operating and Financial Review – Description of Existing Credit Facilities and Availability"*.



## PRINCIPAL SHAREHOLDERS

The following table sets out the interests of the Principal Shareholders and, following the Offering, of the investors in the Company's Shares immediately prior to and immediately following the Offering, assuming that the maximum number of the Offer Shares will be sold:

Shareholder	Shares owned prior to the closing of the Offer		Shares owned immediately after the Offer			
	Total	%	Without exercise of the Overallotment Option		With full exercise of the Overallotment Option	
	Total	%	Total	%	Total	%
ITR Dori B.V. <sup>1</sup>	158,200,000	79.1	138,200,000	57.6	129,200,000	53.8
GE Real Estate <sup>2</sup>	41,800,000	20.9	41,800,000	17.4	41,800,000	17.4
Others	—	—	60,000,000	25.0	69,000,000	28.8

<sup>1</sup>U. Dori Engineering Works Corp. Ltd. and Israel Theatres Ltd. each hold 50% of the shares in ITR Dori B.V. U. Dori Engineering Works Corp. Ltd. is a company listed on the Tel Aviv Stock Exchange. The company has almost 50 years of experience in carrying out numerous housing and commercial projects. Israel Theatres Ltd. is a privately-held Israeli company, which is active, directly and indirectly, in the entertainment and real estate sectors, both in Israel and Central Europe.

<sup>2</sup>GE Real Estate is a business unit of GE Commercial Finance, a division of the General Electric Company, is one of the world's largest real estate investors with an approximate USD 59 billion portfolio.

As the Issuer has only one class of shares outstanding, all of which have equal voting rights, none of the Issuer's shareholders have different voting rights from any other shareholders, other than the greater or lesser voting power inherent in their percentage ownership in the Issuer's share capital.

The Principal Shareholders do not intend to subscribe for the Shares in the Offering.

## CAPITALIZATION AND INDEBTEDNESS

The following table sets out the capitalization and indebtedness of the Company on a combined basis as at 31 December 2006 and on a consolidated basis as at 30 June 2007. Certain of the information contained in this table has been extracted from management accounts. The information in this table should be read in conjunction with “*Operating and Financial Review*” and the IFRS Financial Statements included in this Prospectus.

	As at 31 December 2006 PLN'000	As at 30 June 2007 PLN'000
<b>Liabilities:</b>		
<b>Current debt:</b>		
Guaranteed and secured <sup>(1)</sup> .....	10,085	10,085
Unguaranteed and unsecured .....	67,879	116,387
Total current debt .....	77,964	126,472
<b>Long-term debt, net of current portion</b>		
Guaranteed and secured <sup>(1)</sup> .....	22,988	33,962
Unguaranteed /unsecured .....	79,832	80,805
Total long-term liabilities .....	102,820	114,767
<b>Invested equity:</b>		
Owners' net investment .....	106,036	—
Stated share capital .....	—	172
Other reserves .....	—	92,104
Profit for the period attributable to equity holders .....	—	(226)
Total shareholders' equity .....	—	92,050
Minority interests .....	18,711	18,745
<b>Total capitalization and indebtedness .....</b>	<b>305,531</b>	<b>352,034</b>

<sup>(1)</sup> Relates to amounts borrowed under loan agreements that are secured by mortgages on certain of the Company's real estate properties. These loan agreements are described in “*Operating and Financial Review – Liquidity and Capital Resources*”.

	As at 31 December 2006 PLN'000	As at 30 June 2007 PLN'000
<b>Net Indebtedness</b>		
Cash and cash equivalents.....	39,120	14,757
<b>Liquidity .....</b>	<b>39,120</b>	<b>14,757</b>
Current bank debt.....	10,085	10,085
<b>Current financial debt.....</b>	<b>10,085</b>	<b>10,085</b>
<b>Net current financial indebtedness .....</b>	<b>(29,035)</b>	<b>(4,672)</b>
Non-current loans from related parties .....	71,069	72,703
Non-current bank loans.....	22,988	33,962
<b>Non-current financial indebtedness .....</b>	<b>94,057</b>	<b>106,665</b>
<b>Net financial indebtedness .....</b>	<b>65,022</b>	<b>101,993</b>

There has not been any material change in the Company's or the Group's capitalization and indebtedness since 30 June 2007.

## SELECTED FINANCIAL INFORMATION AND OPERATING DATA

The following tables set out selected combined financial and operating information for Ronson Europe N.V. as at and for the year ended 31 December 2006, and selected consolidated financial and operating information for the Company as at and for each of the six-month periods ended 30 June 2006 and 2007, respectively.

The selected financial information has been extracted from the Combined Financial Statements of the Company for the year ended 31 December 2006, without material adjustment, and should be read in conjunction with, and is qualified in its entirety by reference to, those financial statements and the notes thereto included elsewhere in this Prospectus. The selected interim financial information has been extracted from the Interim Consolidated Financial Statements of the Company as at and for each of the six-month periods ended 30 June 2007 and 2006 and should be read in conjunction with, and is qualified in its entirety by reference to, those financial statements and the notes thereto included elsewhere in this Prospectus, and the information in the section titled “*Operating and Financial Review*”. The aforementioned financial statements have been prepared in accordance with IFRS adopted by the European Union and as applicable in the respective years. The Combined Financial Statements of the Company as at and for the year ended 31 December 2006 have been audited by KPMG Accountants N.V., the Netherlands, whose report thereon is included elsewhere in the prospectus. The review report on the unaudited consolidated financial statement as at and for each of the six months periods ended 30 June 2007 and 2006 is included elsewhere in this prospectus. Please see “*Presentation of Financial and Other Data*” and “*Independent Auditors*”.

Due to change of control effective January 2006 and in accordance with accounting regulations it is not feasible to present combined comparable financial statements for any period prior to the year ended 31 December 2006. Ronson Europe N.V. was established in June 2007, and the financial statements as of and for the year ended 31 December 2006 represent the combined financial statements of the Group. For the reasons mentioned herein, financial statements of the Group for years ended 31 December 2005 and 2004 are not presented. Based on EU commission regulation EC 211/2007, Ronson concluded that it has a complex financial history and its entire business undertaking cannot be practicably covered by historical information relating to Ronson. The combined financial information of the subsidiaries, which make up the business that was transferred to Ronson following its establishment, was used to provide the required historical information. Such subsidiaries were controlled by ITR Dori B.V. as of the beginning of 2006. Because such subsidiaries were not under common control prior to 2006, comparable combined financial statements for the years 2004 and 2005 cannot be readily prepared under IFRS. Moreover, fair value accounting has been applied for the identifiable assets and liabilities acquired by ITR Dori B.V. in a business combination at the beginning of 2006. The new basis of accounting of a significant part of the combination would make the 2006 and subsequent financial statements incomparable to any combined financial statements of previous periods.

	<b>Year ended 31 December 2006</b>	<b>Six months ended 30 June 2006</b>	<b>2007</b>
	<i>(PLN'000, except per share data and number of shares)</i>		
<b>Income Statement Data:</b>			
Revenue.....	56,176	21,711	12,667
Cost of sales .....	(32,609)	(11,856)	(8,817)
<b>Gross profit .....</b>	<b>23,567</b>	<b>9,855</b>	<b>3,850</b>
Change in fair value of investment property .....	21,754	6,954	—
Administrative expenses.....	(6,641)	(3,802)	(4,291)
<b>Results from operating activities .....</b>	<b>38,680</b>	<b>13,007</b>	<b>(441)</b>
Finance income.....	1,424	790	728
Finance expense .....	(1,284)	(888)	(730)
<b>Net finance income .....</b>	<b>140</b>	<b>(98)</b>	<b>(2)</b>
<b>Profit/(loss) before taxation.....</b>	<b>38,820</b>	<b>12,909</b>	<b>(443)</b>
Income tax benefit/(expense).....	(6,902)	(2,523)	251
<b>Profit/(loss) for the period.....</b>	<b>31,918</b>	<b>10,386</b>	<b>(192)</b>

	As at 31 December 2006	As at 30 June 2006	2007
<i>(PLN'000, except per share data and number of shares)</i>			
<b>Balance Sheet Data:</b>			
<b>Assets:</b>			
Property and equipment.....	315	199	722
Intangible assets .....	169	159	74
Investment property.....	44,300	29,500	44,300
Long-term finance lease receivable .....	729	783	667
Loans granted to related party .....	13,533	—	—
Deferred tax assets.....	2,750	1,922	3,657
<b>Total non-current assets.....</b>	<b>61,796</b>	<b>32,563</b>	<b>49,420</b>
Inventories of residential units.....	182,920	104,913	247,731
Trade and other receivables .....	21,695	14,259	40,126
Cash and cash equivalents .....	39,120	39,277	14,757
<b>Total current assets .....</b>	<b>243,735</b>	<b>158,449</b>	<b>302,614</b>
<b>Total assets.....</b>	<b>305,531</b>	<b>191,012</b>	<b>352,034</b>
<b>Invested equity:</b>			
<b>Owners' net investment.....</b>	<b>106,036</b>	<b>15,742</b>	—
Share capital .....	—	—	172
Other reserves .....	—	—	92,104
Profit/(loss) for the period attributable to equity holders .....	—	—	(226)
<b>Total equity attributable to equity holders of the Company .....</b>	<b>—</b>	<b>—</b>	<b>92,050</b>
<b>Minority interests .....</b>	<b>18,711</b>	<b>—</b>	<b>18,745</b>
<b>Total (invested) equity.....</b>	<b>124,747</b>	<b>15,742</b>	<b>110,795</b>
<b>Liabilities:</b>			
Loans and borrowings .....	94,057	111,383	106,665
Deferred tax liabilities .....	8,763	7,497	8,102
<b>Total non-current liabilities .....</b>	<b>102,820</b>	<b>118,880</b>	<b>114,767</b>
Loans and borrowings .....	10,085	998	10,085
Trade and other payables .....	13,392	9,966	22,003
Tax payable .....	2,832	619	922
Provisions.....	501	501	501
Deferred income .....	51,154	44,306	92,961
<b>Total current liabilities.....</b>	<b>77,964</b>	<b>56,390</b>	<b>126,472</b>
<b>Total liabilities .....</b>	<b>180,784</b>	<b>175,270</b>	<b>241,239</b>
<b>Total equity and liabilities.....</b>	<b>305,531</b>	<b>191,012</b>	<b>352,034</b>

	Year ended 31 December 2006	Six months ended 30 June 2006	2007
<i>(PLN'000, except per share data and number of shares)</i>			
<b>Cash Flow Data:</b>			
Net cash used in operating activities.....	(81,334)	(14,909)	(35,394)
Net cash used in investing activities .....	(296)	(111)	(141)
Net cash from financing activities .....	108,993	42,540	11,172
Net increase in cash and cash equivalents.....	27,363	27,520	(24,363)

## OPERATING AND FINANCIAL REVIEW

The following discussion and analysis generally relates to the Company's historical financial condition and results of operations and should be read in conjunction with its financial statements and related notes included elsewhere in this document. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Actual results may differ materially from those anticipated in forward-looking statements as a result of a number of factors, including, but not limited to those set forth under "Risk Factors" and elsewhere in this document.

Due to change of control effective January 2006 and in accordance with accounting regulations it is not possible to present combined comparable financial statements for any period prior to the year ended 31 December 2006. Ronson Europe N.V. was established in June 2007, and the financial statements as of and for the year ended 31 December 2006 represent the combined financial statements of the Group. For the reasons mentioned herein financial statements of the Group for years ended 31 December 2005 and 2004 are not presented. Based on EU commission regulation EC 211/2007, Ronson concluded that it has a complex financial history and its entire business undertaking cannot be covered by historical information relating to Ronson. The combined financial information of the subsidiaries, which make up the business that was transferred to Ronson following its establishment, was used to provide the required historical information. Such subsidiaries were controlled by ITR Dori B.V. as of the beginning of 2006. Because such subsidiaries were not under common control prior to 2006, comparable combined financial statements for the years 2004 and 2005 cannot be prepared under IFRS. Moreover, fair value accounting has been applied for the identifiable assets and liabilities acquired by ITR Dori B.V. in a business combination at the beginning of 2006. The new basis of accounting of a significant part of the combination would make the 2006 financial statements incomparable to any combined financial statements of previous periods, and therefore the 2006 combined financial statements would be incomparable to any combined financial statements of previous periods.

In order to present certain information for the years ended 31 December 2004 and 2005, the Company has prepared limited combined pro forma information, containing selected historical financial information of the Group, which has not been audited and does not present the Group's actual combined financial condition or results of operations for such periods. The unaudited combined selected pro forma information for the years ended 31 December 2004 and 2005 is presented below only for discussion purposes and to demonstrate certain trends in the Group's operations. Investors should bear in mind, however, that such pro forma information is not comparable to the Combined Financial Statements of Ronson Europe N.V. for the year ended 31 December 2006.

### Overview

Ronson is an experienced, fast-growing and dynamic residential real estate developer rapidly expanding its geographic reach to major metropolitan areas across Poland. Leveraging upon its large portfolio of secured sites, Ronson is poised to become a leading residential development company throughout Poland.

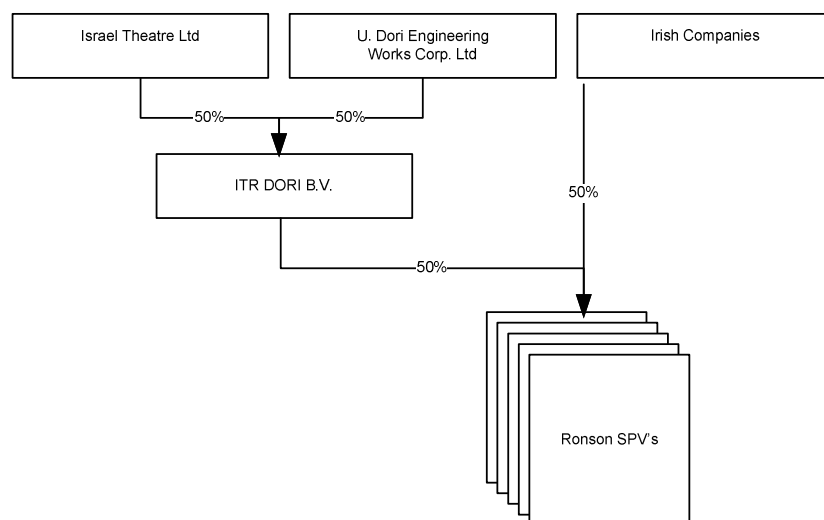
The Group has completed five projects, delivering 771 residential units with a total area of 60,689m<sup>2</sup>. As of the date of this Prospectus, the Group is currently developing four new projects. The Group has 544 residential units under construction, with a total area of approximately 39,400m<sup>2</sup>, of which 319 are expected to be completed in 2007. In addition, the Group is currently preparing 19 projects with approximately 4,735 residential units for future development in Warsaw, Poznań, Wrocław and Szczecin. Moreover, the Group has entered into five preliminary purchase agreements regarding properties in Poznań, Wrocław and Szczecin.

In 2006, the Company had net profits of PLN 31,918 thousand and in the first six months of 2007, the Group had a net loss of PLN 192 thousand. According to the accounting policies applied by the Company, the net profit for the year ended 31 December 2006, as well as for the first six months of 2007, has not reflected revenues from sales nor costs related to construction of residential units that have not been transferred to the buyer. Advances received related to pre-sales of residential units, which represent deferred income, are deferred to the extent that they do not meet the criteria to be recognized as revenue. Similarly, cost of sales is recognized as a reduction of total costs capitalized to inventory based on the proportion of residential units sold. As a result, results for interim periods are not necessarily indicative of the results which may be expected for the full year.

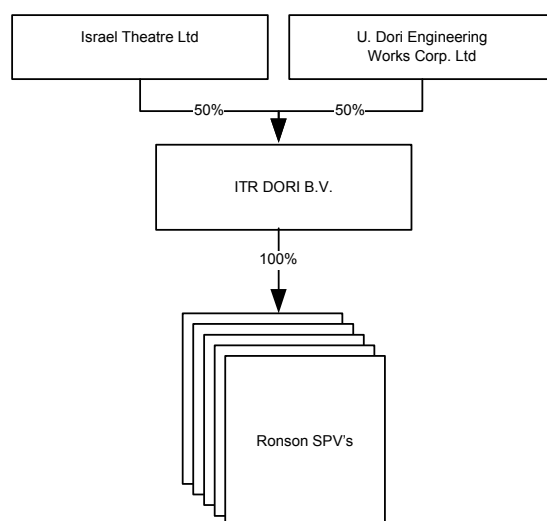
There has been no significant change in the financial or trading positions of the Company or the Group since 30 June 2007.

### History and Corporate Restructurings

The Group was originally established in 2000 by a group of investors to develop properties primarily in Poland. At the time, Israel Theatres Ltd. and U.Dori Engineering Works Corp Ltd, formed a Dutch holding company called ITR Dori B.V., to participate in 50% in Ronson Group. Each of Israel Theatres Ltd and U.Dori Engineering Works Corp Ltd held 50% of the shares in ITR Dori B.V. Within the Ronson Group, for each project, a separate company with domicile in Poland has been established. Each of these special purpose vehicles, in which ITR Dori B.V. directly owned 50% of the shares, held all of the assets and liabilities of the relevant project. The remaining 50% ownership in those vehicles were held by non-related parties, accordingly there was no majority control of the Ronson entities. The chart below presents the Group's structure as of 31 December 2005:

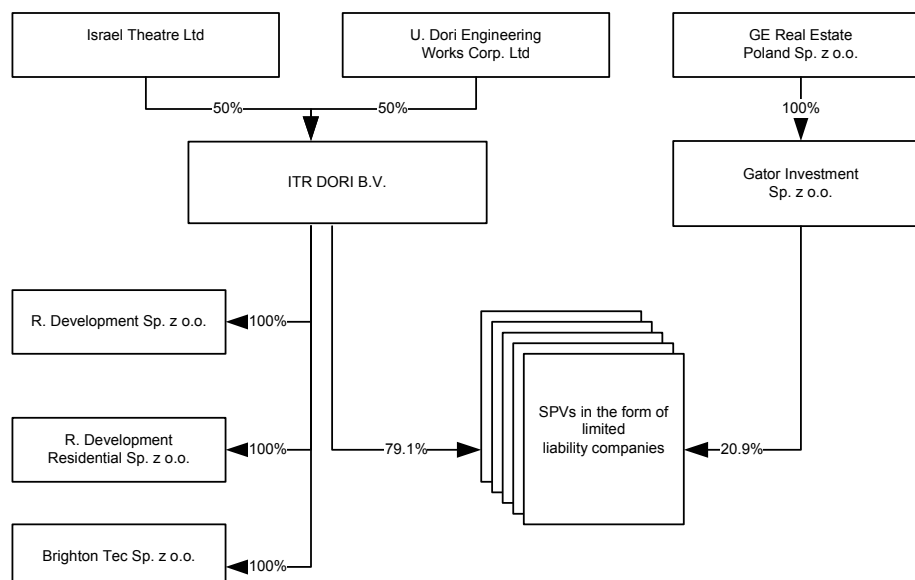


On 19 January 2006, ITR Dori B.V. acquired the remaining 50% of the equity in each of the Ronson companies from the other shareholders of Polish companies, after which ITR Dori B.V. became sole shareholder of each Polish company of the Ronson Group. The chart below presents the Group's structure following such purchase:



In November 2006, GE Real Estate, the real estate division of the General Electric Company, through its wholly-owned subsidiary, Gator Investment Sp. z o.o., invested in the Ronson Group in cash for

20.9% of the shares in a number of Polish companies that were directly related to the development of residential projects. Three of the Ronson Group companies were excluded from the GE Real Estate investment. The chart below presents the Group's structure following the investment of Gator Investment Sp. z o.o.:

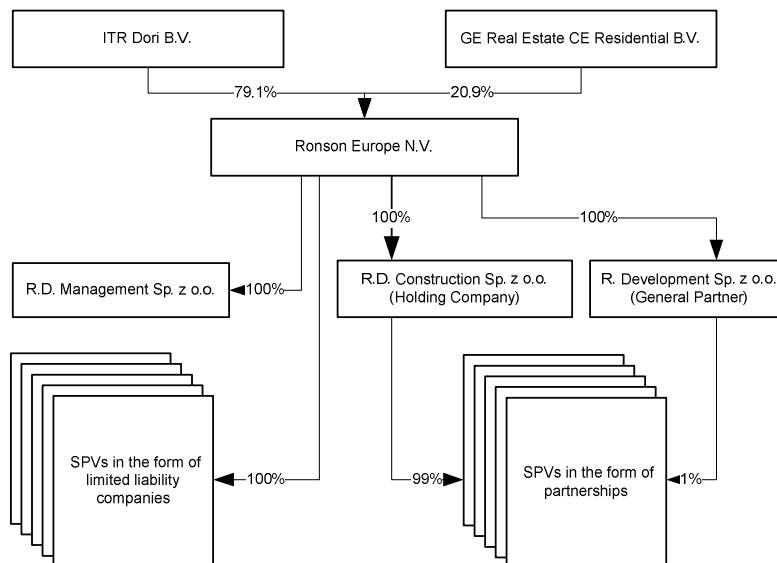


In anticipation of this expected initial public offering, on 18 June 2007, the Issuer, Ronson Europe N.V., was established, as a 100% subsidiary of ITR Dori B.V. On 30 June 2007, ITR Dori B.V. assigned and contributed to the Company, its shares and rights to shares in 36 Polish companies as well as a liability with the principal amount of PLN 13,533 thousand under a loan agreement between ITR Dori B.V. and Ronson Development Residential Sp. z o.o., one of the companies in which the shares were transferred to the Company.

On 26 July 2007, R.D. Sp z o.o. Landscape Sp. k., a newly formed Polish subsidiary of Ronson, entered into a preliminary purchase agreement to acquire the assets of Brighton Tec Sp. z o.o. from ITR Dori B.V. The primary asset of Brighton Tec is a plot of land located in Mokotów, Warsaw. Brighton Tec has been seeking zoning approval for construction of a residential project on this site, rather than the commercial project originally contemplated. On 27 September 2007 the asset sale was consummated for EUR11,500,000 in cash, which constituted the appraised fair value of the assets. Following such sale, all of the activity of the Ronson Group prior to the reorganization was transferred to Ronson Europe N.V.

On 27 September 2007 GE Real Estate CE Residential B.V., a Dutch subsidiary of General Electric Real Estate Equities, Inc., contributed its shares in all the Polish Ronson SPVs to Ronson Europe N.V., in exchange for Ronson Europe N.V. issuing to GE Real Estate CE Residential B.V. 20.9% of its shares. Accordingly, ITR Dori B.V. holds 79.1% of the equity in Ronson Europe N.V. and GE Real Estate CE Residential B.V. holds the remaining 20.9%.

The table below presents the current Company structure:



## Factors Affecting Results of Operations

The Company's results have been affected, and are expected to be affected in the future, by a variety of factors, including the following:

### Macroeconomic Factors

All of the Company's current projects and projects in the pipeline are located in Poland. As a result, the Polish macroeconomic trends and country-specific risks significantly influence its performance. For a description of the macroeconomic situation in Poland, please see section "Industry Overview – Macroeconomic Environment."

In addition, because the Company has focused its activities on major metropolitan areas in Poland, the condition of the residential market in such metropolitan areas has a significant impact on its performance. For information on the condition of the residential market in major Polish metropolitan areas, please see section "Industry Overview – The Polish Residential Property Market."

### Factors Affecting Operating Revenue

The Company generates operating revenue principally from contract revenues following the sale of residential units. Revenue 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 residential unit. The remaining revenues are obtained mostly from the lease of office space and parking places.

The following table sets forth a breakdown of the Company's revenues by project for the periods indicated:

	Pro forma				Actual					
	For the year ended 31 December				For the year ended 31 December		For the six months ended 30 June			
	2004	2005	2006	2007	2006	2007	2006	2007	2006	2007
	(PLN'000)	%	(PLN'000)	%	(PLN'000)	%	(PLN'000)	%	(PLN'000)	%
Słoneczny Skwer.....	39,496	97.4	14,801	17.8	1,447	2.6	1,447	6.7	519	4.1
Lazurowa Dolina.....	—	—	13,498	16.2	36,764	65.4	18,792	86.6	—	—
Twój Biały Dom.....	—	—	22,365	26.9	3	0.0	3	0.0	—	—
Pegaz I.....	—	—	31,390	37.7	1,755	3.1	730	3.3	—	—
Pegaz II.....	—	—	—	—	15,160	27.0	—	—	11,487	90.7
Other.....	1,054	2.6	1,206	1.4	1,047	1.9	739	3.4	661	5.2
<b>Total revenues.....</b>	<b>40,550</b>	<b>100.0</b>	<b>83,260</b>	<b>100.0</b>	<b>56,176</b>	<b>100.0</b>	<b>21,711</b>	<b>100.00</b>	<b>12,667</b>	<b>100.00</b>



### Factors Affecting Operating Expenses

The Company's principal operating expenses consist of cost of sales related to the purchase of land, construction costs and other costs and expenses connection with the Company's projects.

The following table sets forth the Company's principal operating costs for the periods indicated:

	Pro forma				Actual			
	For the year ended 31 December				For the year ended 31 December	For the six months ended 30 June		
	2004		2005		2006	2006	2007	
	(PLN'000)	%	(PLN'000)	%	(PLN'000)	(PLN'000)	(unaudited) %	(PLN'000)
Słoneczny Skwer.....	(22,580)	100.0	(8,216)	16.4	(1,126)	(988)	8.3	(360)
Lazurowa Dolina.....	—	—	(8,288)	16.5	(19,410)	(10,424)	87.9	—
Twój Biały Dom .....	—	—	(12,176)	24.3	(111)	(97)	0.8	—
Pegaz I .....	—	—	(21,495)	42.8	(1,107)	(347)	3.0	—
Pegaz II .....	—	—	—	—	(10,821)	33.2	—	(8,257)
Other.....	—	—	—	—	(34)	—	—	(200)
<b>Total cost of sale .....</b>	<b>(22,580)</b>	<b>100.0</b>	<b>(50,175)</b>	<b>100.0</b>	<b>(32,609)</b>	<b>(11,856)</b>	<b>100.0</b>	<b>(8,817)</b>

In the year ended 31 December 2006 the Company delivered a total of 184 residential units and had a gross profit of approximately PLN 128,000 per unit.

### Residential Properties under Development

The Company capitalizes most costs directly related to the purchase and construction of properties being developed as inventories. Inventories are measured at the lower of cost and net realizable value. Project construction costs include costs of land acquisition, construction costs paid to subcontractors for the construction of the residential units, planning and design costs and other costs attributable to the development of the project. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The Company's inventories increased by 16.91% from PLN 62,346 thousand for the year ended 31 December 2004 to PLN 72,887 thousand for the year ended 31 December 2005, by 150.96% from PLN 72,887 thousand for the year ended 31 December 2005 to PLN 182,920 thousand for the year ended 31 December 2006 and by 136.13% from PLN 104,913 thousand for the period ended 30 June 2006 to PLN 247,731 thousand for the period ended 30 June 2007. Following the sale of the residential units, the Company will recognize costs related to the construction of such properties in its income statement.

In addition, advances received related to pre-sales of residential units, which represent deferred income, are deferred to the extent that they do not meet the criteria to be recognized as income. The Company's deferred income decreased by 37.73% from PLN 32,751 thousand for the year ended 31 December 2004 to PLN 20,394 thousand for the year ended 31 December 2005, and increased by 150.83% from PLN 20,394 thousand for the year ended 31 December 2005 to PLN 51,154 thousand for the year ended 31 December 2006 and increased by 109.82% from PLN 44,306 thousand for the period ended 30 June 2006 to PLN 92,961 thousand for the period ended 30 June 2007. In accordance with its revenue recognition policy, the Company will recognize the deferred income related to the pre-sales of residential units upon their sale.

### Trends

For a description of Company-specific trends that may affect its results for at least the current financial year, please see "Business", and for a description of industry-related trends that may affect its results, please see "Industry Overview".

There has been no significant change in the Company's or the Group's financial or trading position since 30 June 2007.

### Comparative Discussion of Historical Results

#### Six-month periods ended 30 June 2007 and 30 June 2006

**Revenue.** Revenues decreased by 41.7% from PLN 21,711 thousand for the six months ended 30 June 2006 to PLN 12,667 thousand for the six month period ended 30 June 2007. The decrease was primarily a result of decreased deliveries of residential units.

**Cost of sales.** Cost of sales decreased by 25.6% from PLN 11,856 thousand for the six month period ended 30 June 2006 to PLN 8,817 thousand for the six month period ended 30 June 2007. The decrease was primarily a result of decreased deliveries of residential units.

**Change in fair value of investment property.** Change in fair value of investment property decreased from PLN 6,954 thousand for the six month period ended 30 June 2006 to nil for the six month period ended 30 June 2007. The decrease resulted from the lack of change in the fair value of the Company's investment property during the six month period ended 30 June 2007 as compared to an increase in the fair value of such property during the six month period ended 30 June 2006.

**Administrative expenses.** Administrative expenses increased by 12.9% from PLN 3,802 thousand for the six month period ended 30 June 2006 to PLN 4,291 thousand for the six month period ended 30 June 2007. The increase was primarily a result of personnel expenses, which increased by 61.8% from PLN 838 thousand for the six month period ended 30 June 2006 to PLN 1,356 thousand for the six month period ended 30 June 2007.

**Operating (loss)/profit.** As a result of the factors described above, operating result decreased by PLN 13,352 thousand from a profit of PLN 12,909 thousand for the six month period ended 30 June 2006 to a loss of PLN 443 thousand for the six month period ended 30 June 2007.

**Income tax benefit/(expense).** Income tax decreased from an expense of PLN 2,523 thousand for the six month period ended 30 June 2006 to a benefit PLN 251 thousand for the six month period ended 30 June 2007. The income tax charge as a percentage of profit before income tax was 20% for the six month period ended 30 June 2006 and 57% for six months ended 30 June 2007.

**(Loss)/Profit for the period.** As a result of the factors described above, net loss for the period was PLN 192 thousand for the six month period ended 30 June 2007 as compared to a net profit of PLN 10,386 thousand for the six month period ended 30 June 2006.

***Years ended 31 December 2006 and 31 December 2005 (pro forma)***

**Revenue.** Revenues decreased by 32.5% from PLN 83,260 thousand for the year ended 31 December 2005 to PLN 56,176 thousand for the year ended 31 December 2006. The decrease was primarily a result of decreased deliveries of residential units.

**Cost of sales.** Cost of sales decreased by 35% from PLN 50,175 thousand for the year ended 31 December 2005 to PLN 32,609 thousand for the year ended 31 December 2006. The decrease was primarily a result of decreased deliveries of residential units.

**Change in fair value of investment property.** Change in fair value of investment property increased by 331.1% from PLN 5,046 thousand for the year ended 31 December 2005 to PLN 21,754 thousand for the year ended 31 December 2006. This increase resulted from the increase in the value of the Company's investment property located in Mokotów, Warsaw.

**Administrative expenses.** Administrative expenses increased by 5.5% from PLN 6,293 thousand for the year ended 31 December 2005 to PLN 6,641 thousand for the year ended 31 December 2006. The increase was primarily a result of new development projects and opening of new offices.

**Operating profit.** As a result of the factors described above, operating profit increased by 21.5% from PLN 31,838 thousand for the year ended 31 December 2005 to PLN 38,680 thousand for the year ended 31 December 2006.

**Income tax.** Income tax increased from PLN 6,405 thousand for the year ended 31 December 2005 to PLN 6,902 thousand for the year ended 31 December 2006. The income tax charge as a percentage of profit before income tax was 21.4% in 2005 and 17.8% in 2006.

**Profit for the period.** As a result of the factors described above, net profit for the period increased by 35.4% from PLN 23,566 thousand for the year ended 31 December 2005 to PLN 31,918 thousand for the year ended 31 December 2006.

***Years ended 31 December 2005 (pro forma) and 31 December 2004 (pro forma)***

**Revenue.** Revenues increased by 105.3% from PLN 40,550 thousand for the year ended 31 December 2004 to PLN 83,260 thousand for the year ended 31 December 2005. The increase was primarily a result of increased deliveries of residential units.

**Cost of sales.** Cost of sales increased by 122.2% from PLN 22,580 thousand for the year ended 31 December 2004 to PLN 50,175 thousand for the year ended 31 December 2005. The increase was primarily as result of increased deliveries of residential units.

**Change in fair value of investment property.** Change in fair value of investment property increased by 101.8% from PLN 2,500 thousand for the year ended 31 December 2004 to PLN 5,046 thousand for the year ended 31 December 2005. This increase resulted from the increase in the value of the Company's investment property.

**Administrative expenses.** Administrative expenses increased by 1.2% from PLN 6,217 thousand for the year ended 31 December 2004 to PLN 6,293 thousand for the year ended 31 December 2005. The increase was primarily a result of an increase in payroll and other expenses, which were partially offset by decreased external service costs.

**Operating profit.** As a result of the factors described above, operating profit increased by 123.4% from PLN 14,253 thousand for the year ended 31 December 2004 to PLN 31,838 thousand for the year ended 31 December 2005.

**Income tax.** Income tax increased from PLN 2,872 thousand for the year ended 31 December 2004 to PLN 6,405 thousand for the year ended 31 December 2005. The income tax charge as a percentage of profit before income tax was 18.2% in 2004 and 21.4% in 2005.

**Profit for the period.** As a result of the factors described above, net profit for the period increased by 82.1% from PLN 12,941 thousand for the year ended 31 December 2004 to PLN 23,566 thousand for the year ended 31 December 2005.

## Liquidity and Capital Resources

Historically, the Company's primary sources of liquidity have been cash generated from operations, shareholder loans and borrowings under its loan facilities, while its principal funding requirements consist of cash necessary to fund its operations, land acquisition, debt service, and maintenance and expansion capital expenditures.

In the opinion of the Company, its working capital (i.e. its ability to access cash and other available liquid resources) is sufficient to meet its present requirements for at least 12 months from the date of this Prospectus.

## Cash Flow

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

The following table sets forth the Group's and the Company's cash flows for the periods indicated.

	Pro forma		Actual		
	Year ended 31 December		Year ended 31 December	Six months ended 30 June	
	2004	2005	2006	2006	2007
	(PLN'000)			(unaudited)	
Cash flows (used in)/from operating activities .....	4,000	6,052	(81,334)	(14,909)	(35,394)
Cash flows (used in)/from investing activities .....	(149)	(79)	(296)	(111)	(141)
Cash flow (used in)/from financing activities .....	11,499	(11,506)	108,993	42,540	11,172

## Six months ended 30 June 2007 and 30 June 2006

Cash flows used in the Group's operating activities totaled minus PLN 35,394 thousand for the six months ended 30 June 2007 as compared to minus PLN 14,090 thousand used in the six months ended 30 June 2006.

Cash flows used in the Group's operating activities increased principally due to:

- an increase in inventories of residential units from minus PLN 31,066 thousand for the six months ended 30 June 2006 to minus PLN 65,245 thousand for the six months ended 30 June 2007.

- an increase in provisions and deferred income from PLN 23,411 thousand for the six months ended 30 June 2006 to PLN 41,807 thousand for the six months ended 30 June 2007
- an increase in receivables and prepayments that increased from minus PLN 6,100 thousand for the six months ended 30 June 2006 to minus PLN 18,369 thousand for the six months ended 30 June 2007.

Cash flows used in the Group's investing activities totaled minus PLN 141 thousand and minus PLN 111 thousand during the six months periods ended 30 June 2006 and 30 June 2007.

Cash flows provided by the Group's financing activities totaled PLN 42,540 thousand for the six months ended 30 June 2006, as compared to cash flow provided by the Group's financing activities of PLN 11,172 thousand in the six months ended 30 June 2007. The decrease was primarily the consequence of a decrease in loans received from banks of PLN 3,591 thousand and decrease in net amount of loans received from shareholders of PLN 26,692.

***Years ended 31 December 2006 and 31 December 2005 (pro forma)***

Cash flows used in the Group's operating activities totaled minus PLN 81,334 thousand for the year ended 31 December 2006. Cash flows provided by the Group's operating activities totaled PLN 6,052 thousand for the year ended 31 December 2005. Cash flows from the Group's operating activities shifted from 2005 to 2006 from a positive to a negative amount due principally to an increase in inventories of residential units from PLN 18,393 thousand for the year ended 31 December 2005 to PLN 110,176 thousand for the year ended 31 December 2006 and increase in fair value of investment property that increased from PLN 5,046 for the year ended 31 December 2005 to PLN 21,754 thousand for the year ended 31 December 2006.

Cash flows used in the Group's investing activities totaled minus PLN 296 thousand and minus PLN 79 thousand during the years ended 31 December 2006 and 2005, respectively. The increase was the consequence of increased costs related to the purchase of property and equipment and other assets in connection with new projects.

Cash flows provided by the Group's financing activities totaled PLN 108,993 thousand for the year ended 31 December 2006, as compared to cash flow used in the Group's financing activities of minus PLN 11,506 thousand in the year ended 31 December 2005. The increase was primarily the consequence of capital contributions of PLN 88,023 thousand that was recognized in the year ended 31 December 2006.

***Years ended 31 December 2005 (pro forma) and 31 December 2004 (pro forma)***

Cash flows provided by the Group's operating activities totaled PLN 6,052 thousand and PLN 4,000 thousand during the years ended 31 December 2005 and 2004, respectively. The increase was primarily the consequence of an increase in trade and other payables and short term borrowings from minus PLN 2,280 thousand in the year ended 31 December 2004 to PLN 12,254 thousand in the year ended 31 December 2005 and the change in provisions and deferred income, which decreased from PLN 27,251 thousand in the year ended 31 December 2004 to minus PLN 12,357 thousand in the year ended 31 December 2005.

Cash flows used in the Group's investing activities totaled minus PLN 79 thousand and minus PLN 149 thousand for the years ended 31 December 2005 and 2004, respectively. The decrease was the consequence of decreased costs related to the purchase of property and equipment and other assets in connection with new projects.

Cash flow used in the Group's financing activities totaled minus PLN 11,506 thousand in the year ended 31 December 2005 and cash flow provided by financing activities in the year ended 31 December 2004 was PLN 11,499 thousand. The change from a positive to a negative balance was primarily the result of a decrease in the amount of loans received from banks that decreased from PLN 23,427 thousand in year ended 31 December 2004 to PLN 13,692 thousand in year ended 31 December 2005 and increased repayments of bank and shareholder loans that totaled PLN 24,215 thousand and PLN 13,781 thousand in year ended 31 December 2005, respectively, as compared to PLN 13,080 thousand and PLN 6,748 thousand in year ended 31 December 2004, respectively.

## Commitments

The following table set out the Company's income-bearing financial liabilities, indicating their average effective interest rates as of 31 December 2006 and the periods in which they mature.

	2006						
	Average effective interest rate	Total	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Secured bank loans .....	WIBOR+1.1%	33,073	—	10,085	—	22,988	—
Loan from related parties.....	6%	71,069	—	—	—	71,069	—

## Capital Expenditures

The Company plans to spend approximately PLN 83,778 thousand in connection with the purchase of land under the executed preliminary purchase contracts. The Company anticipates that most of this amount will be financed with the proceeds from the Offering and cash generated by its operations. The Company expects that any additional required funding for these projects will come from internally generated cash flows and additional bank loans.

## Description of Existing Credit Facilities and Availability

On 14 September 2007 Ronson Development City Sp. z o.o., Ronson Development Warsaw Sp. z o.o., Ronson Development Habitat Sp. z o.o., Ronson Development South Sp. z o.o., Ronson Development West Sp. z o.o., Ronson Development East Sp. z o.o., Ronson Development North Sp. o.o., Ronson Development Architecture Sp. z o.o., Ronson Development Conception Sp. z o.o., Ronson Development Continental Sp. z o.o., Ronson Development Universal Sp. z o.o., Ronson Development Skyline Sp. z o.o., Ronson Development Millenium Sp. z o.o., Ronson Development Providence Sp. z o.o., Ronson Development Destiny Sp. z o.o., Ronson Development Spółka z ograniczoną odpowiedzialnością – Estate Sp. k., Ronson Development Spółka z ograniczoną odpowiedzialnością – Town Sp. k., Ronson Development Spółka z ograniczoną odpowiedzialnością – Home Sp. k., Ronson Development Spółka z ograniczoną odpowiedzialnością – Horizon Sp. k., Ronson Development Spółka z ograniczoną odpowiedzialnością – Community Sp. k., among others, as the borrowers and U.Dori Engineering Works Corporation LDT. and Israel Theatres LTD, as guarantors, entered into a facility agreement with Bank BPH S.A. (the “BPH Loan Agreement”). Under the BPH Loan Agreement, Bank BPH S.A. shall make available a stand-by loan facility agreement in an aggregate amount of up to PLN 114,000,000. The loan is made available to finance or refinance the purchase of real estate property by the borrowers during the period of twelve months from the date of the BPH Loan Agreement, provided, however, that any part of the facility not utilized on the date of registration of the share capital increase in connection with the Offering shall be automatically cancelled. Each of the borrowers shall be authorized to use the proceeds from the facility to finance up to 100% of the purchase price of the property. The loan facility may be divided into more than one loan in order to better facilitate the administration of the facility and the credit monitoring process. All amounts outstanding under the loan mature on the date falling twenty four (24) months from the date of the BPH Loan Agreement. The borrowers shall prepay the loan in the amount equal to 20% of proceeds from the IPO on the date of the registration of the increase of the share capital of the Company in connection with the IPO. The loan bears interest of WIBOR plus interest. The following constitute security for the loan: mortgages over the real estate purchased from the proceeds of the loan; deed of pledge of 51% of Shares of Ronson Europe N.V.; agreement for the registered pledges and the financial pledges relating to shares in: E.E.E. Development Sp. z o.o. (79.3% of shares), Ronson Development Metropol Sp. z o.o. (79.3% of shares), Ronson Development Wrocław Sp. z o.o. (79.3% of shares), Ronson Development City Sp. z o.o. (79.3% of shares), Ronson Development Habitat Sp. z o.o. (79.3% of shares), Ronson Development Enterprise Sp. z o.o. (79.1% of shares), Ronson Development South Sp. z o.o. (100% shares, registered pledge only), Ronson Development West Sp. z o.o. (100% shares, registered pledge only), Ronson Development East Sp. z o.o. (100% shares, registered pledge only), Ronson Development North Sp. z o.o. (100% shares, registered pledge only), Ronson Development Village Sp. z o.o. (100% shares, registered pledge only), Ronson Development Continental Sp. z o.o. (100% shares, registered pledge only), Ronson Development Universal Sp. z o.o. (100% shares, registered pledge only), Ronson Development Millenium Sp. z o.o. (100% shares, registered pledge only).

only), Ronson Development Providence Sp. z o.o. (100% shares, registered pledge only), Ronson Development Destiny Sp. z o.o. (100% shares, registered pledge only); agreement for the registered pledges and the financial pledges of rights under bank account agreements; statements of submission to enforcement under art. 91 of the Banking Law of each of the borrowers; guarantees by Ronson Europe N.V. (limited to the PLN equivalent of EUR 30,000,000); guarantees granted by U.Dori Engineering Works Corporation Ltd. and Israel Theatres Ltd. (each limited to the amount equal to the PLN equivalent of EUR 15,000,000).

The BPH Loan Agreement contains various covenants including a negative pledge whereby the borrowers agree not to create or permit to exist any encumbrance over any of its assets or over shares in any of its subsidiaries other than under the security documents in connection with the BPH Loan Agreement.

Moreover, no borrower may incur or permit to exist any financial indebtedness other than subordinated debt, except for the guarantees issued by the Company for any other bank as a security of the obligations of Company's subsidiaries. In addition, the Company nor any borrower shall not make, pay or declare any dividend or other distribution in relation to any shares forming part of its issued share capital and no borrower shall make, pay or declare any dividend or other distribution in relation to any shares forming part of its issued share capital. No borrower shall pay or resolve to pay any interest, fees or any other moneys in respect of any subordinated debt or redeem, repurchase, repay or prepay any amount of principal (or capitalized interest) of or in respect of any subordinated debt or purchase any amount of the subordinated debt. Each of the borrowers must maintain the amount of all its outstanding loans at the level of not more than 75% of the value of the real estate purchased or refinanced with the proceeds from the BPH Loan Agreement.

At 30 June 2007, subject to the satisfaction of certain conditions precedent, the Company had approximately PLN 130,059 thousand of funds available under its existing credit facilities. The following is a description of the principal terms of the Company's existing long-term facilities:

- R.D. Investment Sp. z o.o. is a party to a credit facility agreement with PKO BP S.A. dated 29 March 2006 under which it was granted a credit facility in the amount of PLN 10,085 thousand. The facility bears interest at the rate per annum equal to 1M WIBOR plus margin and matured on 30 September 2007. The facility was used to refinance the purchase of the real estate in connection with the Meridian project. The following security was established: (i) ordinary mortgage in the amount of PLN 10,085 thousand over the real estate of R.D. Investment Sp. z o.o., (ii) capped mortgage up to the amount of PLN 2,218.79 thousand over the real estate of R.D. Investment Sp. z o.o., (iii) powers of attorney to bank accounts in Fortis Bank S.A., (iv) declaration on submission to enforcement, (v) bank's right to set-off its claims with proceeds deposited on R.D. Investment Sp. z o.o.'s bank account in PKO BP S.A. and (vi) blank promissory note together with declaration. As of 30 June 2007, PLN 10,085 thousand remained outstanding under the loan.
- R.D. Buildings Sp. z o.o. is a party to a credit facility agreement with PKO BP S.A. dated 4 July 2006 under which it was granted a credit facility for the amount of PLN 18,750 thousand. The facility bears interest at the rate per annum equal to 1M WIBOR plus margin and matures 36 months from the date the loan was paid out, but not later than on 4 July 2011. The facility was used to finance the purchase of the real estate in connection with the Gemini project. The following security was established: (i) ordinary mortgage in the amount of PLN 18,750 thousand over the real estate of R.D. Buildings Sp. z o.o., (ii) capped mortgage up to the amount of PLN 4,125 thousand over the real estate of R.D. Buildings Sp. z o.o., (iii) powers of attorney to bank accounts in Fortis Bank S.A., (iv) declaration on submission to enforcement, (v) bank's right to set-off its claims with proceeds deposited on R.D. Buildings Sp. z o.o.'s bank account in PKO BP S.A., (vi) blank promissory note together with declaration and (vii) subordination agreements of Ronson Development Residential Sp. z o.o. As of 30 June 2007, PLN 14,400 thousand remained outstanding under the loan.
- R.D. Structure Sp. z o.o. is a party to a credit facility agreement with Śląski Bank Hipoteczny S.A. and ING Bank Śląski S.A. dated 1 March 2007 under which it was granted a credit facility for the amount of PLN 47,885 thousand. The facility bears interest at the rate per annum equal to 1M WIBOR plus margin and matures on 5 September 2009. The facility was used to finance the purchase of the real estate in connection with the Nautica project and to finance and refinance the construction of such project. The following security was established: (i) capped mortgages up to the

amount of PLN 59,227.5 thousand and PLN 12,600 thousand over the real estate of R.D. Structure Sp. z o.o., (ii) powers of attorney to bank accounts in ING Bank Śląski S.A., (iii) registered pledges over all current and future R.D. Structure Sp. z o.o.'s shares, (iv) registered pledges over all current and future R.D. Structure Sp. z o.o.'s reserved account, (v) assignment of certain rights under the agreements connected with the project, (vi) declaration on submission to enforcement, and (vii) assignment of all rights under the insurance policies. As of 30 June 2007, PLN 6,200 thousand remained outstanding under the loan.

- R.D. Structure Sp. z o.o. is a party to a credit facility agreement with ING Bank Śląski S.A. dated 1 March 2007 under which it was granted a credit facility for the amount of PLN 2,000 thousand. The facility bears interest at the rate per annum equal to 1M WIBOR plus margin and matures on 5 September 2009. The facility is to be used in connection with certain tax payments to be incurred in connection with the Nautica project. The following security was established: (i) assignment under a VAT escrow agreement; and (ii) power of attorney to certain bank accounts. As of 30 June 2007, the full amount was available under the loan.
- R.D. Company Sp. z o.o. is a party to a credit facility agreement with PKO BP S.A. dated 28 December 2006 under which it was granted a credit facility in the amount of PLN 46,830 thousand. The facility bears interest at the rate per annum equal to 1M WIBOR plus margin and matures on 31 December 2008. The facility is to be used to finance the development of the Galileo project in Poznań. The following security was established: (i) ordinary mortgage in the amount of PLN 46,830 thousand over the real estate of R.D. Company Sp. z o.o., (ii) capped mortgage up to the amount of PLN 10,303 thousand over the real estate of R.D. Company Sp. z o.o., (iii) powers of attorney to bank accounts, (iv) declaration on submission to enforcement, (v) bank's right to set-off its claims with proceeds deposited on bank account in PKO BP S.A., (vi) blank promissory note together with declaration, (vii) assignment of rights under the agreements with the purchasers of residential housing, (viii) assignment of rights under the insurance agreements. As of 30 June 2007, the full amount was available under the loan.
- R.D. Company Sp. z o.o. is a party to a credit facility agreement with PKO BP S.A. dated 7 June 2006 under which it was granted a credit facility in the amount of PLN 9,459 thousand. The facility bears interest at the rate per annum equal to 1M WIBOR plus margin and matures on 31 December 2008. The facility was used to finance the acquisition of real estate in connection with the Galileo project in Poznań. The following security was established: (i) ordinary mortgage in the amount of PLN 9,459 thousand over the real estate of R.D. Company Sp. z o.o., (ii) capped mortgage up to the amount of PLN 2,081 thousand over the real estate of R.D. Company Sp. z o.o., (iii) powers of attorney to bank accounts in Fortis Bank Polska S.A., (iv) declaration on submission to enforcement, (v) bank's right to set-off its claims with funds deposited on bank account in PKO BP S.A., (vi) blank promissory note together with declaration. As of 30 June 2007, PLN 4,365 thousand remained outstanding under the loan.
- R.D. Properties Sp. z o.o. is a party to a credit facility agreement with Bank Zachodni WBK S.A. dated 3 July 2007 under which it was granted a credit facility in the amount of PLN 14,400 thousand. The facility bears interest at the rate per annum equal to 3M WIBOR plus margin and matures on 30 June 2008. The facility was used to finance the acquisition of real estate in connection with the Imaginarium project in Warsaw. The following security was established: (i) capped joint mortgage up to the amount of PLN 28,800 thousand over the real estate of R.D. Properties Sp. z o.o., (ii) powers of attorney to bank accounts, (iii) registered and financial pledges over receivables arising from R.D. Properties Sp. z o.o.'s shares, (iv) registered and financial pledges over R.D. Properties Sp. z o.o.'s bank accounts maintained with Bank Zachodni WBK S.A., (v) declaration on submission to enforcement, and (vi) temporary loan repayment guarantee of Ronson Development Poznań Sp. z o.o. to remain in place pending the application for the mortgage referred to in (i) above.
- R.D. Creations Sp. z o.o. is a party to a credit facility agreement with Bank Zachodni WBK S.A. dated 23 February 2007 (together with an annex dated 16 May 2007) under which it was granted a credit facility in up to the amount of PLN 4,280 thousand. The facility bears interest at the rate per annum equal to 3M WIBOR plus margin and matures on 31 January 2008. The facility was used to refinance the acquisition of real estate in connection with the Mistral project in Warsaw. The following security was established: (i) capped mortgage up to the amount of PLN 8,560 thousand over the real estate of R.D. Creations Sp. z o.o., (ii) powers of attorney to bank accounts,

(iii) registered and financial pledges over all shares of R.D. Creations Sp. z o.o., (iv) registered and financial pledges over receivables arising from R.D. Creations Sp. z o.o.'s bank accounts. As of 30 June 2007, PLN 4,280 thousand remained outstanding under the loan.

- R.D. Buildings Sp. z o.o. is a party to a credit facility agreement with PKO BP S.A. dated 6 April 2007 under which it was granted a credit facility for amount of PLN 35,000 thousand. The facility bears interest at the rate per annum equal to 1M WIBOR plus margin and matures 36 months from the date the first installment was paid out but not later than on 6 April 2012. The facility was used to finance the construction of the Gemini project in Warsaw. The following security was established: (i) ordinary mortgage in the amount of PLN 35,000 thousand over the real estate of R.D. Buildings Sp. z o.o., (ii) capped mortgage up to the amount of PLN 7,700 thousand over the real estate of R.D. Buildings Sp. z o.o., (iii) power of attorney to bank accounts in Fortis Bank Polska S.A., (iv) blank promissory note together with declaration, (v) Bank's right to set-off its claims with proceeds deposited on R.D. Building Sp. z o.o.'s bank accounts in PKO BP S.A., (vi) assignment of rights under the insurance agreement, (vii) assignment of rights under the future agreements with purchasers of residential housing, and (viii) declaration on submission to enforcement. As of 30 June 2007, the full amount was available under the loan.
- R.D. Innovation Sp. z o.o. is a party to a credit facility agreement with PKO BP S.A. dated 18 July 2007 under which it was granted a credit facility for amount of PLN 17,550 thousand. The facility bears interest at the rate per annum equal to 1M WIBOR plus margin and matures on 30 September 2009. The facility was used to refinance the acquisition of real estate in connection with the Orion project in Warsaw. The following security was established: (i) ordinary mortgage in the amount of PLN 17,550 thousand over the real estate of R.D. Innovation Sp. z o.o., (ii) capped mortgage up to the amount of PLN 4,037 thousand over the real estate of R.D. Innovation Sp. z o.o., (iii) blank promissory note together with declaration, (iv) Bank's right to set-off its claims with proceeds deposited on R.D. Innovation Sp. z o.o.'s bank accounts in PKO BP S.A., and (v) declaration on submission to enforcement.
- R.D. 2000 Sp. z o.o. is a party to a credit facility agreement with PKO BP S.A. dated 18 July 2007 under which it was granted a credit facility for amount of PLN 21,000 thousand. The facility bears interest at the rate per annum equal to 1M WIBOR plus margin and matures on 30 June 2009. The facility was used to refinance the acquisition of real estate in connection with the Orion project in Warsaw. The following security was established: (i) ordinary joint mortgage in the amount of PLN 21,000 thousand over the real estate of R.D. 2000 Sp. z o.o., (ii) capped mortgage up to the amount of PLN 4,830 thousand over the real estate of R.D. 2000 Sp. z o.o., (iii) power of attorney to bank accounts, (iv) blank promissory note together with declaration, (v) Bank's right to set-off its claims with proceeds deposited on R.D. 2000 Sp. z o.o. bank accounts in PKO BP S.A., and (vi) declaration on submission to enforcement.
- R.D. Poznań Sp. z o.o. is a party to a credit facility agreement with Bank Zachodni WBK S.A. dated 30 August 2007 under which it was granted a credit facility in up to the amount of PLN 4,708 thousand. The facility bears interest at the rate per annum equal to 3M WIBOR plus margin and has to be finally repaid on 31 August 2008. The facility was used to refinance the acquisition of real estate in connection with the Copernicus project in Poznań. The following security was established: (i) power of attorney granted to Bank Zachodni WBK S.A. to dispose of the proceeds deposited on R.D. Poznań's bank accounts held at Bank Zachodni WBK S.A. (ii) capped joint contractual mortgage up to amount of PLN 9,416 thousand over the real estate of R.D. Poznań Sp. z o.o., (iii) registered and financial pledges over R.D. Poznań Sp. z o.o.'s shares, (iv) registered and financial pledges over receivables arising from R.D. Poznań Sp. z o.o.'s bank accounts maintained with Bank Zachodni WBK S.A., (v) security deposit in the amount of PLN 250 thousand and (vi) declaration on submission to enforcement.
- R.D. Capital Sp. z o.o. is a party to credit facility agreement with Bank Zachodni WBK S.A. dated 11 September 2007 under which it was granted a credit facility in up to the amount of PLN 36,600 thousand. The facility bears interest at the rate per annum equal to 3M WIBOR plus margin and matures on 30 September 2008. The facility was used to finance/refinance the acquisition of real estate in connection with the Eclipse project in Poznań. The following security was established: (i) capped mortgage up to the amount of PLN 73,200 thousand over the real estate of R.D. Capital Sp. z o.o., (ii) power of attorney granted to Bank Zachodni WBK S.A. to dispose of the proceeds deposited on R.D. Capital's bank accounts held at Bank Zachodni WBK S.A., (iii) registered and



financial pledges over R.D. Capital Sp. z o.o.'s shares, (iv) registered and financial pledges over receivables arising from R.D. Capital Sp. z o.o.'s bank accounts maintained with Bank Zachodni WBK S.A., (v) temporary loan repayment guarantee of Ronson Development Architecture Sp. z o.o., Ronson Development Creations Sp. z o.o. Ronson Development 2000 Sp. z o.o., Ronson Development Properties Sp. z o.o., Ronson Development Innovation Sp. z o.o., Ronson Development Investment Sp. z o.o. and Ronson Development Poznań Sp. z o.o. to remain in place until the application for the mortgage referred to in (i) above is duly filed, and (vi) blockade over the accounts of the companies referred to in (v) above to remain in place until the application for the mortgage referred to in (i) above is duly filed, (vii) blockade over certain accounts of R.D. Capital Sp. z o.o. (viii) security deposit in the amount of PLN 1,728 thousand and (ix) declaration on submission to enforcement.

- R.D. Retreat Sp. z o.o. is a party to a credit facility agreement with Bank Zachodni WBK S.A. dated 14 September 2007 under which it was granted a credit facility in up to the amount of PLN 11,807 thousand. The facility bears interest at the rate per annum equal to 3M WIBOR plus margin and has to be finally repaid on 30 September 2008. The facility was used to refinance the acquisition of real estate in connection with the Renaissance project in Warsaw. The following security was established: (i) power of attorney granted to Bank Zachodni WBK S.A. to dispose of the proceeds deposited on R.D. Retreat's bank accounts held at Bank Zachodni WBK S.A. (ii) capped joint contractual mortgage up to amount of PLN 23,614 thousand over the real estate of R.D. Retreat Sp. z o.o., (iii) registered and financial pledges over R.D. Retreat Sp. z o.o.'s shares, (iv) registered and financial pledges over receivables arising from R.D. Retreat Sp. z o.o.'s bank accounts maintained with Bank Zachodni WBK S.A., (v) security deposit in the amount of PLN 688 thousand and (vi) declaration on submission to enforcement.

The credit facilities impose reporting obligations on the Ronson subsidiaries. In addition, certain of such financing agreements contain restrictive covenants that, among other things, impose certain operating and financial restrictions on the Ronson subsidiaries, including prohibitions on the incurring and granting of loans, credits or other debt financings, and prohibitions on establishing encumbrances on their assets, acquisitions of shares in other entities or changes in their current business activities.

### **Critical Accounting Policies and Estimates**

The Company prepares its IFRS Financial Statements in conformity with IFRS as adopted by the European Union and as applicable in the respective years. Under these standards, the Company's management is required to make certain estimates, judgments and assumptions that it believes are reasonable based upon the information available. These estimates, judgments and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. The accounting policies set out below have been applied consistently by the Group and the Company. The combined balance sheet and combined income statement of the Group and the Company have been prepared on a historical cost basis except that Investment property is measured at its fair value. Individual balance sheets and income statements of the entities in the Company were prepared on the assumption that these entities would continue their business activities in the foreseeable future. The significant accounting policies which management believes are the most critical to aid in fully understanding and evaluating the Group's and the Company's reported financial results include the following:

#### ***Basis of preparation of the combined financial statements***

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the combined financial statements from the date that control commences until the date that control ceases.

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Company are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired under common control are recognized at the historical carrying amounts. Any cash paid for the acquisition is recognized directly in the invested equity.

Intra-group balances and transactions, and any unrealized gains and losses (to the extent there is no evidence of impairment) arising from intra-group transactions, were eliminated in preparing the combined financial statements.

### ***Foreign currency***

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions using:

- the purchase or selling rate of the bank whose services are used by the companies – in case of foreign currency sales or purchase transactions, as well as of the debt or liability payment transactions;
- the average rate specified for a given currency by the National Bank of Poland as on the transaction date, unless a customs declaration or other document binding for the companies indicates another rate – in case of other transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency differences arising on retranslation are recognized in profit or loss.

### ***Financial instruments***

Non-derivative financial instruments of the Company comprise loans granted, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognized initially at cost plus any directly attributable transaction costs, except as described below.

A financial instrument is recognized if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Company commits itself to purchase or sell the asset. Financial liabilities are derecognized if the Company's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash on hand and on-call deposits. Cash equivalents are short-term highly liquid investments that readily convert to a known amount of cash and which are subject to insignificant risk of changes in value.

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Non-derivative financial instruments are classified into one of the following categories:

- loans and receivables,
- other financial liabilities.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are classified as current assets, provided their maturity does not exceed 12 months after the balance sheet date. Loans and receivables with maturities exceeding 12 months from the balance sheet date are classified under non-current assets. After initial measurement loans and receivables are subsequently carried at amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in the income statement when the loans and receivables are derecognized or impaired, as well as, through the amortization process.

Other non-derivative financial instruments are measured at amortized cost using the effective interest method, less any impairment losses.

Financial liabilities are valued at amortized cost not later than at the end of the reporting period.

### ***Property and equipment***

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Repairs and renewals are charged to the income statement when the expenditure is incurred; major improvements are capitalized when incurred, providing that they increase the future economic benefits embodied in the item of property and equipment.

When components of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Depreciation is calculated on the straight-line basis over the estimated useful life of each component of an item of property and equipment.

The estimated useful life of property, plant and equipment, by significant class of asset, is 3 - 7 years.

Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Depreciation methods, useful lives and residual values are reassessed at the reporting date. Depreciation is calculated starting from the month following the month in which an asset is brought into use.

### ***Intangible assets***

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss when incurred.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for intangible fixed assets (software) is two years.

### ***Investment property***

Investment property is property held either to earn rental income or for capital appreciation or both. Investment property is measured at fair value with any changes therein recognized in profit and loss.

Fair value is calculated annually by an independent appraiser, having an appropriate recognized professional qualification, based on active market prices, adjusted, if necessary, for any differences in the nature, location or condition of the specific asset. If this information is not available, alternative valuation methods, such as recent prices of less active markets, are applied.

Investment property is de-recognized when disposed of or permanently withdrawn from use and no future benefits are expected from its disposal. Gains or losses on de-recognition of investment property are recognized in the income statement for the year in which such de-recognition took place.

### ***Leases***

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to

the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

The Company is the lessor of a building to a third party under an agreement that is classified as a finance lease.

The gross investment in the lease equals the sum of minimum lease payments less building maintenance costs to be paid by the Company. The net investment in finance leases represents the difference between the gross investment in the lease and unearned income.

The principal portion of lease payments received subsequently reduces the initial net investment in the finance leases.

### ***Inventories of residential units***

Inventories consists of multi-family residential real estate projects to individual customers.

Inventories are measured at the lower of cost and net realizable value. The cost of inventories includes expenditure incurred relating to the construction of a project. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Costs relating to the construction of a project are included in inventories of residential units as follows:

- costs incurred relating to projects or a phase of a project which are not available for sale (work in progress),
- costs incurred relating to units unsold associated with a project or a phase of a project that is available for sale (finished goods).

Project construction costs include:

- a) land or leasehold rights for land,
- b) construction costs paid to subcontractors for the construction of the residential units,
- c) planning and design costs,
- d) perpetual usufruct fees and real estate taxes incurred during the period of construction,
- e) selling expenses to the extent they are reasonably expected to be recovered from the sale of the project or from incidental operations,
- f) borrowing costs to the extent they are directly attributable to the development of the project,
- g) professional fees attributable to the development of the project,
- h) construction overheads and other directly related costs.

### ***Trade and other receivables***

Trade and other receivables are stated at their cost less impairment losses.

### ***Invested Equity***

The invested equity balance in the combined financial statements of the Ronson Group comprises the owners' net investment including net profit for the year and minority interest.

### ***Impairment***

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on a individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in profit or loss.

The carrying amounts of the Company's non-financial assets, investment property, inventories of residential units and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated (for inventories the net realizable value is estimated).

An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount or the net realizable value.

The recoverable amount or the net realizable value of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset except for inventories of residential units which consider cost.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or the net realizable value. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

### ***Provisions***

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

### ***Revenues and cost of sales***

Revenues from the sale of residential units are recognized upon transfer to the buyer of the significant risks and rewards of ownership of the residential unit (i.e. upon signing of the protocol of technical acceptance and transfer of the key to the residential unit), providing that a valid building occupancy permit has been obtained by the Company.

Advances received related to pre-sales of residential units, which represent deferred income, are deferred to the extent that they do not meet the criteria to be recognized as income.

Finance lease income is recognized based on the annuity method under which total finance lease interest income and the excess of scheduled lease payments over the cost of the related assets is deferred and amortized as income over the lease term by employing the effective interest rate that provides a constant periodic rate of return on the net investment in the lease.

Payments made under operating leases are recognized in the income statement on a straight-line basis over the term of the lease.

Cost of sales is recognized as a reduction of total costs capitalized to inventory based on the proportion of residential units sold.

Construction costs relating to unsold units are capitalized as inventory within current assets, either as work in progress or finished goods depending on the stage of completion. An expected loss, if any, on a sale, is recognized as an expense immediately. Inventory relating to units sold is expensed as cost of sales in the same period as the related sale.

### ***Finance income and expense***

Finance income comprises interest income and foreign currency gains. Interest income is recognized on the accrual basis using the effective interest method.

Finance expense comprises interest expense on borrowings and foreign currency losses.

Borrowing costs (including interest and foreign exchange gains and losses) are accrued and capitalized to the value of inventory to the extent they are directly attributable to the construction of residential

units. These costs are amortized in the income statement over the estimated duration of the loan, except to the extent that they are directly attributable to construction. Debt issuance expenses represent an adjustment to the effective interest rate.

Borrowing costs which are not capitalized are recognized in profit and loss using the effective interest method.

### ***Income tax expense***

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax expense is calculated according to tax regulations in effect in the jurisdiction in which the individual Companies are domiciled.

Deferred income tax is provided, using the balance sheet method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, and for tax losses carried forward, except for the initial recognition of assets or liabilities that in a transaction which is not a business combination and at the time of the transaction affect neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

The principal temporary differences arise primarily on differences in the timing of revenue recognition for accounting and tax purposes fair value adjustments on Investment Property, accruals and finance income/expense. In addition there are tax losses carry forwards.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. At each balance sheet date deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### ***Determination of fair values***

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

Investment property includes properties that is held for long-term rental yields and capital appreciation, and that is not occupied by the Company. Investment property comprises a number of warehouses in Warsaw that are leased to third parties under lease agreements with an indefinite term subject to a three or six month notice period for termination.

Investment property is valued at fair value determined annually by an independent appraiser, having an appropriate recognized professional qualification, based on current prices on an active market.

### ***Effective interest rates and repricing analysis***

In respect of income-earning financial assets and interest-bearing financial liabilities, the following tables indicate their average effective interest rates at the reporting date and the periods in which they mature or, if earlier, reprice.

In thousands of PLN	2006						
	Average effective interest rate	Total	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
<b>Fixed rate instruments</b>							
Loans granted	6%	13,533	—	—	—	—	13,533
Cash and cash equivalents .....	2%	39,120	39,120	—	—	—	—
Loans from related parties .....	6%	71,069	—	—	—	71,069	—
<b>Variable rate instruments</b>							
	WIBOR						
Secured bank loans .....	+1.1%	33,073	—	10,085	—	22,988	—

### ***Estimation of fair values***

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- trade and other receivables, cash and cash equivalents and trade and other payables: the carrying amounts approximate fair value because of the short maturity of these instruments;
- secured bank loans: carrying amounts approximate fair value because these loans bear variable interest rates which approximate market rates;
- loans from related parties and loans granted: the fair value is estimated by discounting the future cash flows of each instrument at rates currently offered to the Company for similar instruments of comparable maturities by the Company's bankers.

### **Credit, interest rate and currency risks**

Exposure to credit, interest rate and currency risks arises in the normal course of the Group's business.

#### *Credit risk*

The Company is making significant cash payments as security for preliminary land purchase agreements. At 31 December 2006, payments made under land purchase agreements amounted to PLN 4,787 thousand. The Company minimizes its credit risk arising from such payments by registering advance repayment obligations in the mortgage register of the respective property. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Company does not expect any counter parties to fail in meeting their obligations. The carrying amount of trade and other receivables reflects the maximum exposure to the risk.

#### *Interest rate risk*

The Company's fixed-rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Company's variable-rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short-term receivables and payables are not exposed to interest rate risk.

#### *Foreign currency risk*

Until 31 October 2006, the Group was exposed to foreign currency risk on borrowings denominated in a currency other than PLN. The currency giving rise to this risk was primarily the US Dollar. On 31 October 2006, all borrowings denominated in USD were converted into PLN and, as a result, at 31 December 2006 all loans were denominated in PLN.

## INDUSTRY OVERVIEW

*Some of the statements in some of the sections in this Prospectus include forward-looking statements which reflect the Issuer's current views with respect to future events and financial performance. Statements which include the words "intend", "plan", "project", "expect", "anticipate", "will" and similar statements of a future or forward-looking nature identify forward-looking statements.*

*All forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause the Issuer's actual results to differ materially from those indicated in these statements. These factors include, but are not limited to, those set out under "Risk Factors", which should be read in conjunction with the other cautionary statements that are included elsewhere in this Prospectus. If one or more of these or other risks or uncertainties materialize, or if the Issuer's underlying assumptions prove to be incorrect, actual results may vary materially from those projected in this Prospectus.*

*Unless otherwise noted, all of the information regarding the Polish residential property market has been based on REAS reports.*

*Apart from any continuing obligations under the Dutch Act on Financial Supervision, the Polish Act on Public Offers, or WSE Corporate Governance Rules to which the Issuer is subject to, the Issuer undertakes no obligation to publicly update or review any forward-looking statement contained in this Prospectus, whether as a result of new information, future developments or otherwise.*

### Macroeconomic environment

The major macroeconomic factors that influence real property markets are: GDP growth, inflation, production growth, consumer behavior, demographic developments and interest rates. The factors driving the attractiveness of a property generally are legal requirements, tenant diversity, the condition of the property and, in particular, the property's location.

The macroeconomic situation in Poland is a key factor in determining the strength of the Polish real estate markets. The following key economic indicators can provide some measure of the strength of the Polish economies:

- (i) Gross Domestic Product (GDP) growth, which is an indicator of the general level of economic activity and prosperity;
- (ii) unemployment level;
- (iii) real gross salaries growth, which is an indicator of the economy's ability to increase the income of those in employment;
- (iv) inflation rates, which can influence the central bank's interest rate policy, the stability of the exchange rate and general business confidence.

	Poland			
Population (in million)	38.2			
	2005	2006	2007E*	2008E*
GDP (year on year % grow)	3.3	6.1	5.9	5.4
Average annual inflation (year on year % grow)	2.1	1.0	2.4	2.5
Real gross salaries (year on year % grow)	2.0	4.1	4.9	3.5
Unemployment (% rate)	17.6	14.9	12.8	12.0
National Bank of Poland base interest rate (%)	5.3	4.1	4.5	5.0

\* E denotes an estimate of future macroeconomic indicators made by IbmGR in Poland and Economist Intelligence Unit (National Bank of Poland interest rates)

General economic trends in Poland and other countries of Central and Eastern Europe over the last five years have been positive, with strong GDP growth, greater domestic liquidity, declining interest rates and increasing fund flows into the region.

Reform-oriented governments have implemented economically beneficial changes, including easing tax regimes and restrictions on foreign ownership, which have simplified investment decisions and improved sovereign financial stability. This reform has helped to produce real wage growth and to decrease unemployment levels which, combined with easier access to consumer loans, have contributed



to an increase in personal consumption. Since it joined the European Union in May 2004, the investment environment in Poland has become increasingly attractive.

The Company believes that among the factors that make Poland an attractive market for real estate developers are the following:

- (i) continued GDP growth which it believes is likely to outperform Western Europe;
- (ii) increased foreign direct investments as a result of EU membership;
- (iii) lack of quality residential property;
- (iv) a growing middle-class;
- (v) higher yields compared to Western Europe; and
- (vi) availability of attractive financing.

Generally, GDP growth throughout Central and Eastern Europe has consistently outperformed that of Western Europe in recent years. This trend is forecast to continue into the foreseeable future as the region's economies continue to expand and develop.

Membership of the EU, greater personal wealth created both domestically and as a result of population movements and the growing emergence of business activity in capital and many major secondary metropolitan areas have produced a vibrant real estate market in the region.

One of the most significant factors driving economic growth in Poland was foreign investments. Poland's strategic location, well-educated staff and specialists, and incentives for investors offered by the Polish government have helped to attract more and more foreign firms, which have decided to expand their activities into Poland. Since the beginning of the economy's transition in 1989, foreign direct investments in Poland have totaled over USD 72 billion. Poland is the largest of the newly admitted EU countries in terms of GDP and population. The manufacturing sector represents an increasing percentage of investments which has promoted local job creation and economic growth, and also stimulated exports. The Polish economy has been one of the fastest growing economies into the EU since 2004, posting growth of 6.1% in 2006, with the rate of growth expected to be above 5.9% in 2007. In 2006, industrial production was up by 11.8% in comparison to previous year, which brought the number of people employed in the corporate sector up by 3.8%. This strong growth coupled with a relatively low inflation rate suggests the economy is likely to experience robust real economic growth in the future. According to forecasts, the strengthening economy is likely to generate employment growth, with the rate of unemployment projected to fall from 17.6% in 2005 to 12.8% in 2007, i.e. a fall of 4.8% in two years. The increase in employment figures, coupled with a gradual departure of significant numbers of specialists from Poland forced employers to increase salaries. In December 2006, the average monthly gross remuneration in the corporate sector was PLN 3,028 PLN (EUR 784), which represented an 8.4% increase in comparison to the same period in the preceding year. In the whole of 2006, the average remuneration was PLN 2,644 (EUR 685), up by 5.1% from 2005. The data presented above clearly indicate a steady increase in salaries, which is expected to continue in 2007.

With inflation under control, the Monetary Policy Council of NBP managed to lower the rate of interest from 6.5% in 2004 to 4% in June 2006 and then has increased the rate of interest to 4.25% in April 2007. According to GUS statistics published in March 2007, in the 4th quarter of 2006 Poland's GDP was 6.4% higher than in the 4th quarter of 2005. The growth rate was higher than official institutions and independent experts had previously projected. Real GDP is expected to grow by 6.1% in 2007 and by 5% in 2008. The economy currently appears to be in its best condition since the mid-1990s, as domestic demand has gradually strengthened with a low current-account deficit and well-balanced growth. Inflation dropped from 3.6% in 2004 to 2.2% in 2005 and to 1.3% in 2006. It increased again to 2.3% by May 2007 and is expected then to rise to 2.7% in 2008. (Source: EIU)

### **The Polish Residential Property Market**

Poland's housing deficit of around 1.5 million apartments, defines the country as one of the most promising residential markets in Europe. In most major metropolitan areas the demand by far exceeds the supply which is pushing up apartment prices. Warsaw is still the major market with some 25% of all new apartments being constructed within the metropolitan area. The other five major metropolitan

areas (Krakow, Poznań, Wrocław, the Tri-City and Łódź) offer together another 32% of new dwellings completed by developers and cooperatives.

The trend is away from the older, existing stock toward newer Western style developments. This provides opportunities for those with development capabilities to exploit the need for new premises with pre-lets now more readily available. The sector-specific demand varies from country to country and is increasingly being seen in regional centers outside the capital metropolitan areas.

There is a growing demand for new, modern living accommodation. As residents have more disposable income and mortgage finance becomes more readily available there is an increasing desire to move away from old, dated apartment blocks. This is helping to increase sales prices for all apartment types and related space. While land and construction costs have also increased, margins in most metropolitan areas have improved.

The Polish mortgage lending market has been rapidly growing. According to data published by the Polish Bank Association, as of 31 December 2005, the value of outstanding mortgage loans granted to individuals increased by 30% as compared to 31 December 2004 and totaled PLN 45.8 billion as at 31 December 2005. In 2006, the value of new mortgage loans granted to individuals totaled PLN 44.4 billion. The Polish Bank Association estimates that in 2007 the value of new loans will reach PLN 54 billion, representing a 22% increase as compared to 2006. The increased availability of mortgage financing has fuelled growth of the residential property market in Poland.

So far the highest market growth has been observed in Warsaw, but since 2005 other residential markets have seen accelerated growth as well, in particular, Wrocław with the highest market growth and Krakow with the highest prices.

According to the REAS reports, long-term prospects in the residential markets of major Polish metropolitan areas are very promising. In approximately two to three years, however, the market is projected to slow down and the prices to stabilize. This will primarily result from an increased number of existing residential units for sale, which were originally acquired in 2005-2006, for investment rather than primary residential purposes. The number of such units that will be offered for sale will depend on the general economic situation in Poland, taxation policy, conditions for mortgage financing as well as the developers' ability to satisfy the pent-up demand.

The residential real estate development market is very fragmented, thus consolidation within the industry is expected over the next few years.

### ***Major metropolitan areas***

Basic indicators that show the differences between Warsaw, Poznań, Wrocław, the Tri-City and Łódź are presented below.

	<b>Warsaw</b>	<b>Poznań</b>	<b>Wrocław</b>	<b>Tri-City</b>	<b>Łódź</b>
Area (km <sup>2</sup> ) .....	517	261	293	415	294
Population (1,000 inhabitants, as of 30 June 2006).....	1,701	567	635	750	764
GDP per capita (PLN, 2004 current prices).....	68,140	49,125	34,351	34,733	29,104
Retail sales billion (PLN, as of 2005) .....	67.0	9.6	7.0	3.4 (Gdańsk)	4.0
Unemployment rate (as of February 2007).....	4.5	4.8	7.6	5.8	12.3
Monthly remuneration (PLN, as of 2006).....	3,553	2,864	2,581	3,260 (Gdańsk)	2,349
Saturation with housing (apartments per 1,000 inhabitants, as of 2005).....	443.7	390.4	387.3	384.5	432.4
Apartments commissioned for occupancy (per 1,000 inhabitants, as of 2006).....	8.0	4.8	6.9	6.4	1.6

Source: GUS

### ***Warsaw***

#### ***General***

Warsaw is Poland's administrative and financial capital. In Warsaw, the anticipated economic growth is driven by, among other factors, the presence of many foreign companies. According to the REAS reports, the unemployment rate has consistently been a fraction of the national average and stood at 4.4% as of March 2007. Warsaw's population has been growing as many young people move to Warsaw and generate demand for small residential units. Individuals between the ages of 20 to 34,

which establish the largest number of new households, constitute approximately 26% of the total Warsaw population. This group is also the largest customer base for developers and banks extending loans for the purchase of new residential units. Overall, demographic experts expect an increase in the population of the Warsaw metropolitan area by 25 to 30% over the next ten years.

#### *Existing residential properties*

According to the 2002 National Census, there were 648,600 permanently occupied residential units in Warsaw, while the total number of residential units was approximately 700,000. The total housing stock volume has not significantly changed since 2002.

Cooperative flats, ownership and tenancy, account for approximately 48.8% of the city's existing housing stock. Housing premises owned by natural persons included single-family houses and flats in multi-family buildings managed by tenant communities, and accounted in 2002 for 29.7% of the housing stock. Sales of flats to their existing occupiers had reduced the share of municipal flats to 16.5%, although the stock controlled by municipalities still includes many units fit for privatization, especially in buildings owned by tenant communities. As a result of privatization, the housing stock held by companies for their personnel has decreased significantly and now accounts for approximately 1.5% of the total number of flats in the city.

An average apartment in Warsaw has 54.7m<sup>2</sup> of usable floor space, consists of 3.2 rooms (statistically, the kitchen is considered a separate room) and is occupied by 2.6 inhabitants.

#### *Residential Housing Construction and Pricing*

According to the REAS reports, 2001 was a record year for residential developers in Warsaw, with 14,700 residential units completed. In the following years, the number of new residential units completed clearly declined, as did the number of new projects and new construction permits issued, with the slowest growth in 2003. As a result, a small number of residential units was completed in Warsaw in 2004. Since 2004, the number of new residential development projects and construction permits issued has been growing. The number of residential units completed grew significantly in 2005 and reached the second highest value in the recent years, yet in 2006 it declined again, by approximately 5%.

According to developers' plans disclosed in the course of market monitoring by REAS in April 2007, developers were planning to complete approximately 17,400 flats in 2007 and approximately 11,800 flats in 2008. Generally, it may be estimated that the number of new residential developments in 2007 and 2008 will be much higher than in 2006.

As of May 2007, the average asking price for new residential units in Warsaw increased by 36.7% in the preceding six-month period from approximately PLN 6,000 per m<sup>2</sup> up to approximately PLN 8,200 per m<sup>2</sup>.

#### *Forecast and Trends*

The rate of growth of the demand for new residential units in Warsaw will decline, with decreased sales of residential units for investment rather than primary residential purposes, partially set off by increased purchases of units by Polish individuals who are employed abroad and transfer their earnings to Poland. It is estimated that the supply will stay at a level in excess of 21,000 residential units per year. While the market will be more stable, it is likely that demand will still exceed supply. According to developer plans, in 2007, the total value of the primary residential market in Warsaw will increase by a further 44% approaching the level of PLN 10 billion annually.

### **Poznań**

#### *General*

Poznań is among Poland's economically strongest metropolitan areas with commerce, financial services, education, and the real estate market predominant in its economy. It is also Poland's most important fair centre. On 7 April 2006, Moody's Investors Service ranked Poznań as A-3, with stable forecast.

The city's population is slowly decreasing, from 590,000 in 1990 to 567,000 in 2006. There are two population booms in the age structure: the first in the 50 to 57 year age group and the second is made

up of their children, now 18 to 28 years old. Currently, the second group is entering maturity and will be purchasing housing in the upcoming years.

#### *Existing residential properties*

Poznań's existing housing stock is approximately 217,000 units. 85% of housing is privately owned, by housing cooperatives and private individuals. Only 9% of the present housing stock in Poznań is owned by the municipalities.

Almost 25% of all apartments in Poznań have been built before 1939. Built of large pre-fabricated concrete slabs, low-quality flats from 1971-1988 account for nearly 40% of the stock. Only 12% of the housing stock has been built in 1989-2002.

The average Poznań residential unit has 63.0m<sup>2</sup> of usable floor space.

#### *Residential Housing Construction and Pricing*

According to the REAS reports, in the last six years, on average approximately 2,900 residential units were built every year, although the yearly construction output varied between 2,200 and 3,400 units. In 2006, the number of residential units built decreased by 550 as compared to the previous year.

In 2005, construction of approximately 3,700 apartments started. In March 2007, developers had announced their plans to build approximately 3,000 apartments in 2007 and approximately 1,300 in 2008. 2007 is likely to become a record year in terms of the highest number of new residential units in Poznań.

As of May 2007, the average asking price for approximately 60% of the new residential units on sale in Poznań was between PLN 5,000 and PLN 7,000 per m<sup>2</sup>.

#### *Forecast and Trends*

The rate of growth of the demand for new residential units in Poznań will decline, with decreased sales of residential units for investment rather than primary residential purposes, partially set off by increased purchases of units by Polish individuals who are employed abroad and transfer their earnings to Poland. It is estimated that the supply will stay at a level in excess of 8,000 residential units per year. While the market will be more stable, it is likely that demand will still exceed supply. In 2007, the total value of the primary residential market in Poznań is likely to double as compared to the previous year and will reach approximately PLN 1.3 billion.

### ***Wrocław***

#### *General*

Wrocław is the capital of the Dolny Śląsk region. The city's advantageous location and developed transportation infrastructure, as well as an efficient local administration all factor into the city's economic development. The economic position is reflected by the Fitch Ratings' BBB+ rating.

In June 2006, Wrocław's population stood at 635,000. In terms of demographics, there are two population booms in Wrocław: in the age group of 20-30 years and in the age group of 45-55 years.

#### *Existing residential properties*

There were approximately 230,000 residential units in Wrocław at the end of 2002. The average usable floor space was less than 60m<sup>2</sup> and was occupied by 2.7 people. Nearly 75% of the units were privately owned, by housing cooperatives or individuals, with the remainder owned by the municipalities.

#### *Residential Housing Construction and Pricing*

According to the REAS reports, the number of new residential units completed in Wrocław has significantly fluctuated in the last decade. Prior to 1998, output had been growing at a low rate. In 1998, approximately 1,800 apartments were completed. The period of 1999 to 2001 marked a significant increase in new developments, and in 2001, the housing construction output increased up to approximately 5,500 units. In the subsequent years the number of new developments significantly declined. The number of new units completed in 2005 was only half of the number of new units completed in 2003. In 2006, however, the trend was reversed and approximately 4,400 apartments were completed.

In March 2007 developers had announced their plans to build approximately 4,100 apartments in 2007 and approximately 4,000 in 2008.

As of March 2007, the average asking price for new residential units in Wrocław increased by 2% in the preceding six-month period to approximately PLN 7,149 per m<sup>2</sup>.

#### *Forecast and Trends*

The rate of growth in the demand for new residential units in Wrocław will decline, with decreased sales of residential units for investment rather than primary residential purposes, partially set off by increased purchases of units by Polish individuals who are employed abroad and transfer their earnings to Poland. It is estimated that the supply will stay at a level in excess of 8,000 residential units per year. While the market will be more stable, it is likely that demand will still exceed supply. In 2008, the total value of the primary residential market in Wrocław is likely to reach approximately PLN 2.0 billion.

### **Tri-City**

#### *General*

The Tri-City is the largest metropolitan region in northern Poland and on the Baltic Sea's southern shores. It is composed of three cities: Gdańsk, Sopot, and Gdynia. The Tri-City has a population of approximately 750,000. The maritime and industrial sectors of the economy have been the traditional basis for the development of Gdańsk and Gdynia alike. In addition, tourism has generated significant growth in Gdańsk and Sopot. In April 2007, the unemployment rate in Gdańsk stood at 5.2%, in Gdynia at 5.1%, and in Sopot at 4.4%.

#### *Existing residential properties*

According to the 2002 National Census, there were 261,600 residential units in the Tri-City. Gdańsk had 157,600 units (approximately 60% of the Tri-City's total), Gdynia had 88,300 units (approximately 33%), and Sopot had 15,700 units (approximately 6%).

The ownership structure of the residential units in Gdańsk differs from those of the other two cities, with a much higher share of units owned by the municipalities as compared to those that are privately owned. Generally, in the Tri-City 95% of residential units are owned by cooperatives (45%), individuals (33%) and municipalities (16%).

Residential units are smallest in Gdańsk, where the average unit has 57.6m<sup>2</sup> of usable floor space, and the largest in Sopot - 62.1m<sup>2</sup>.

#### *Residential Housing Construction and Pricing*

In the recent years, the number of new residential units completed has increased from 1,900 in 2000 to 4,900 in 2003. Generally, the number of units completed in the recent years has increased significantly, over twice as many units were completed in 2006 as in 2000, although most units were completed in 2003.

In February 2007, developers had announced their plans to build approximately 3,900 residential units in 2007 and approximately 2,200 units in 2008.

As of February 2007, the average asking price for new residential units in the Tri-City increased by 4.9% in the preceding five-month period to approximately PLN 6,761 per m<sup>2</sup>.

#### *Forecast and Trends*

The rate of growth of the demand for new residential units in the Tri-City will decline, with decreased sales of residential units for investment rather than primary residential purposes, partially set off by increased purchases of units by Polish individuals who are employed abroad and transfer their earnings to Poland. It is estimated that the supply will stay at a level in excess of 6,000 residential units per year. While the market will be more stable, it is likely that demand will still exceed supply. In 2007, the total value of the primary residential market in the Tri-City is likely to exceed PLN 1.0 billion (actually reaching approximately PLN 1.4 billion).

## ***Łódź***

### ***General***

Łódź is the second largest Polish city in terms of population and an important national industrial and commercial center. The population in Łódź is 760,300 people. Łódź is situated in the center of Poland, 120 km from the capital. According to the latest population forecasts, however, the population of Łódź will decrease by approximately 7% to 708,000 over the next ten years.

### ***Existing residential properties***

The average usable area of a unit in Łódź in 2002 was 52.1m<sup>2</sup>, and units of less than 50m<sup>2</sup> made up 60% of the total. On average, there are 2.47 people living together in one unit. Generally, the residential units are of very poor quality. The total shortage of new residential units in the Łódź metropolitan area has been estimated at 44,000.

### ***Residential Housing Construction and Pricing***

In 2006, 1,186 new residential units were completed in Łódź. The current level of production continues to be below the 2000-2004 levels, when each year the number of new units exceeded 1,200 and stood at 1,620 units in the record breaking year of 2001. The number of new units has, however, increased since 2005, when the number of new units fell to 682.

In March 2007, developers and housing cooperatives had announced their plans to build approximately 1,200 residential units in 2007 and approximately 900 units in 2008.

Most of residential projects planned for development in Łódź in the next few years are located in the city centre and in adjacent areas of the city's downtown. Many projects are being developed on former industrial sites, often with existing buildings being revitalized.

As of March 2007, the average asking price for approximately 65% of the new residential units on sale in Łódź was between PLN 5,000 and PLN 6,000 per m<sup>2</sup>.

### ***Forecast and Trends***

According to the REAS report, the rate of growth of the demand for new residential units in Łódź will decline, with decreased sales of residential units for investment rather than primary residential purposes, partially set off by increased purchases of units by Polish individuals who are employed abroad and transfer their earnings to Poland. It is estimated that the supply will increase up to 1,800 new residential units per year. While the market will be more stable, it is likely that demand will still exceed supply. In 2007, the total value of the primary residential market in Łódź is likely to exceed PLN 440 million.

### ***Competition***

The Polish residential real estate development industry remains very fragmented, with most of the developers continuing to focus their operations on a single metropolitan area. Based on the REAS reports, the top two residential real estate developers in Poland in terms of the number of units delivered are Dom Development S.A. and J.W. Construction S.A.

### ***Warsaw***

According to information obtained by REAS prior to April 2007, 234 projects will be completed in Warsaw in 2007 and 2008 by 125 developers. The average development in 2007 will have 126 apartments, which is almost the same as in the previous year, whereas in 2008, such number will increase to an average of 135 apartments per project.

In terms of number of completed residential units, Dom Development S.A. and J.W. Construction S.A. are the clear market leaders in the Warsaw market and in 2006 delivered approximately 1,700 and 809 units, respectively. The Company believes that the following residential real estate developers are its major competitors on the Warsaw market: Dom Development S.A., Echo Investment S.A., Bouygues Immobilier Polska Sp. z o.o., and Pirelli Pekao Real Estate Sp. z o.o.

### ***Poznań***

In Poznań, the average size of a project in 2006 was approximately 70 residential units. Based on developers' plans disclosed to REAS in May 2007, the average size of a project will increase to 89

units in 2007 and 2008. The market remains highly fragmented, the top ten developers delivering in aggregate approximately 2,500 units in 2006. In 2006, a leading developer in terms of number of units delivered, ATANER Sp. z o.o., delivered 600 units, followed by WECHTA S.A. that had completed approximately 450 residential units.

#### ***Wrocław***

In Wrocław, the average size of a project in 2006 was approximately 69 residential units. Based on developers' plans disclosed to REAS in May 2007, the average size of a project will increase to 84 units and 96 units in 2007 and 2008, respectively. The market remains highly fragmented, the top ten developers delivering in aggregate approximately 1,600 units in 2006. In 2006, a leading developer in terms of number of units delivered, Przedsiębiorstwo Budownictwa Ogólnego Dach Bud Sp. z o.o., completed approximately 360 units.

#### ***Tri-City***

In the Tri-City, the average size of a project in 2006 was approximately 44 residential units. Based on developers' plans disclosed to REAS in May 2007, the average size of the a project will increase to 60 units and 90 units in 2007 and 2008, respectively. The market remains highly fragmented, with the top ten developers delivering in aggregate approximately 2,600 units in 2006. In 2006, a leading developer in terms of number of units delivered, Invest Komfort S.A., completed approximately 460 units. Allcon Osiedla Sp. z o.o. completed a similar number of units.

#### ***Łódź***

In Łódź, the average size of a project in 2006 was approximately 40 residential units. Based on developers' plans disclosed to REAS in May 2007, the average size of a project will increase to 58 units and 75 units in 2007 and 2008, respectively. The market remains highly fragmented, with the top ten developers delivering in aggregate approximately 71% of all of the units. The market in Łódź is in its nascent stage with the leaders in terms of the number of residential units delivered completing projects with less than 90 units.

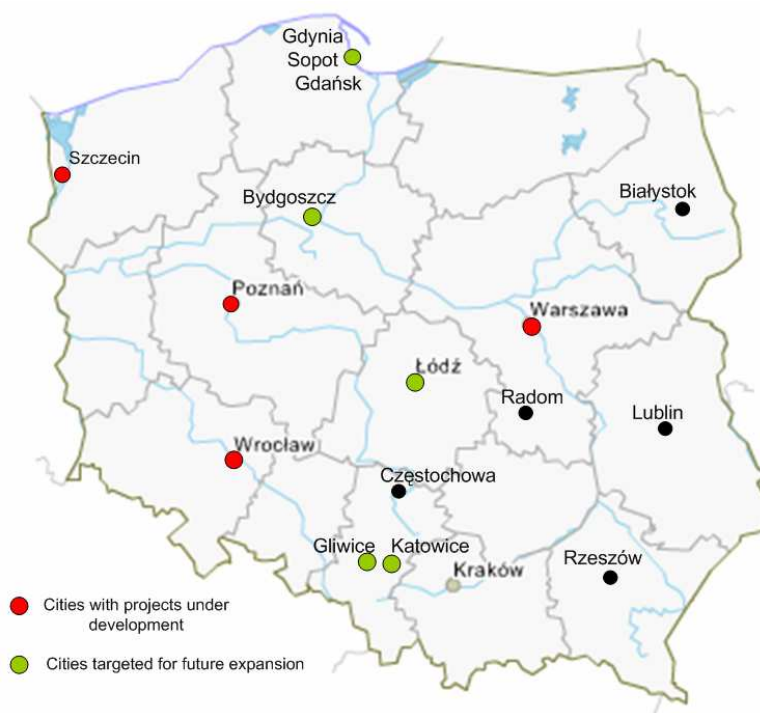
## BUSINESS

### Overview

Ronson is an experienced, fast-growing and dynamic residential real estate developer rapidly expanding its geographic reach to major metropolitan areas across Poland. Leveraging upon its large portfolio of secured sites, Ronson is poised to become a leading residential development company throughout Poland.

The Group has completed five projects, delivering 771 residential units with a total area of 60,689m<sup>2</sup>. As of the date of this Prospectus, the Group is currently developing four new projects. The Group has 544 residential units under construction, with a total area of approximately 39,400m<sup>2</sup>, of which 319 are expected to be completed in 2007. In addition, the Group is currently preparing 19 projects with approximately 4,735 residential units for future development in Warsaw, Poznań, Wrocław and Szczecin. Moreover, the Group has entered into five preliminary purchase agreements regarding properties in Poznań, Wrocław and Szczecin.

The Group's operations by major metropolitan area in Poland are illustrated below:



### History

The Group was originally established in 2000 by a group of investors to develop properties primarily in Poland. At the time, Israel Theatres Ltd. and U.Dori Engineering Works Corp Ltd, formed a Dutch holding company called ITR Dori B.V., to participate in 50% in Ronson Group. Each of Israel Theatres Ltd and U.Dori Engineering Works Corp Ltd held 50% of the shares in ITR Dori B.V. Within the Ronson Group, for each project, a separate company with domicile in Poland has been established. Each of these special purpose vehicles, in which ITR Dori B.V. directly owned 50% of the shares, held all of the assets and liabilities of the relevant project. The remaining 50% ownership in those vehicles were held by non-related parties, accordingly there was no majority control of the Ronson entities.



On 19 January 2006, ITR Doris B.V. acquired the remaining 50% of the equity in each of the Ronson companies from the other shareholders of Polish companies, after which ITR Doris B.V. became sole shareholder of each Polish company of the Ronson Group.

In November 2006, General Electric Company Inc. through its wholly-owned subsidiary, Gator Investment Sp. z o.o., invested in the Ronson Group cash for 20.9% of the shares in a number of Polish companies that were directly related to the development of residential projects. Three of the Ronson Group companies were excluded from the GE Real Estate investment.

In anticipation of this expected initial public offering, on 18 June 2007, the Issuer, Ronson Europe N.V., was established, as a 100% subsidiary of ITR Doris B.V. On 30 June 2007, ITR Doris B.V. assigned and contributed to the Company, its shares and rights to shares in 36 Polish companies as well as a liability with the principal amount of PLN 13,533 thousand under a loan agreement between ITR Doris B.V. and Ronson Development Residential Sp. z o.o., one of the companies in which the shares were transferred to the Company.

On 26 July 2007, R.D. Sp z o.o. Landscape Sp. k., a newly formed Polish subsidiary of Ronson, entered into a preliminary purchase agreement to acquire the assets of Brighton Tec Sp. z o.o. from ITR Doris B.V. The primary asset of Brighton Tec is a plot of land located in Mokotów, Warsaw. Brighton Tec has been seeking zoning approval for construction of a residential project on this site, rather than the commercial project originally contemplated. On 27 September 2007 the asset sale was consummated for EUR11,500,000 in cash, which constituted the appraised fair value of the assets. Following such sale, all of the activity of the Ronson Group prior to the reorganization was transferred to Ronson Europe N.V.

On 27 September 2007 GE Real Estate CE Residential B.V., a Dutch subsidiary of General Electric Real Estate Equities, Inc., contributed its shares in all the Polish Ronson SPVs to Ronson Europe N.V., in exchange for Ronson Europe N.V. issuing to GE Real Estate CE Residential B.V. 20.9% of its shares. Accordingly, ITR Doris B.V. holds 79.1% of the equity in Ronson Europe N.V. and GE Real Estate CE Residential B.V. holds the remaining 20.9%.

## **Our Competitive Strengths**

The Company believes that it benefits from the following competitive strengths:

### ***A highly profitable business model***

The Group has completed five projects, delivering 771 units with a total area of 60,689m<sup>2</sup> and in the last three years has generated a stable gross margin of at least 40%. In the year ended 31 December 2006, the Group delivered a total of 184 residential units and had a gross profit of approximately PLN 128,000 per unit. In 2005 and 2004 the Group delivered 284 and 110 units, respectively, and had a gross profit of approximately PLN116,000 and PLN163,000 per unit, respectively. In terms of overall profitability, the Group's total gross margin was 44% in 2004, 40% in 2005 and 42% in 2006. In the six month period ended 30 June 2007, the total gross margin stood at 30% as the Group recognized revenues from the sale of only 33 apartments that were completed already in 2006.

### ***Strong market position***

The Company believes that it has a strong market position because it has earned a reputation as a high quality reliable residential real estate developer, which attracts new customers and provides it with a competitive advantage over other developers. Moreover, the Company's market position is further enhanced because it has an almost exclusive focus on building residential units catering to the growing middle class.

### ***Actively engaged in expanding operations to secondary markets***

While initially the Company concentrated its activities on the Warsaw market, the Company is now actively engaged in developing projects and exploring opportunities in many other metropolitan areas throughout Poland. The Company has already conducted studies of the markets in Poznań, Wrocław, Szczecin, Bydgoszcz, Łódź and the Tri-City (Gdańsk, Gdynia and Sopot) and has initially determined that these markets, together with other yet untapped metropolitan areas throughout Poland with populations of over 250 thousand, provide the Company with a high potential for residential unit sales. Due to the lack of quality residential housing in such locations, the Company believes that such

metropolitan areas have high growth potential and that the residential housing market in such locations will continue to develop rapidly. To that end, the Company has already acquired real estate and has commenced a development project in Poznań and has also acquired real estate in Wrocław and Szczecin. Due to its existing portfolio of real estate properties and operational knowledge of the major metropolitan areas outside of Warsaw, the Company believes it is uniquely positioned to expand its operations to secondary markets in Poland, ahead of many of its competitors.

***Seasoned international management and effective decision-making procedures***

The Company believes that it benefits from the extensive real estate development experience of its management team. Moreover, the Company has a relatively simple operational corporate structure that allows it to make investment decisions in an expedited manner. The Company is able to make operational decisions, for example relating to the purchase of attractive sites, within a short period of time. The Company believes that, as a result, its management can evaluate investment opportunities and execute real estate transactions more rapidly and with more insight than new entrants into the Polish market.

***Benefit of internationally recognized shareholders with strong sector knowledge***

The Company is the only residential real estate entity in Poland in which GE Real Estate has invested. GE Real Estate CE Residential B.V., an undertaking associated with GE Real Estate, a business unit of GE Commercial Finance, itself a division of the General Electric Company, is one of the world's largest real estate investors with an approximately USD 59 billion portfolio. In addition, U. Dori Engineering Works Corp. Ltd., a company listed on the Tel Aviv Stock Exchange, has almost 50 years of experience in carrying out numerous housing and commercial projects. Israel Theatres Ltd. is active, directly and indirectly, in the entertainment and real estate sectors, both in Israel and in Central Europe and has experience in the construction sector in Poland.

U. Dori Engineering Works Corp. Ltd. and Israel Theatres Ltd. have cooperated on various real estate development projects in Israel and Poland for over 20 years. The presence of such leading internationally recognized shareholders augments the Company's credibility. Moreover, based on the in-depth sector knowledge of its shareholders, the Company has implemented effective internal systems and procedures that facilitate its operations and development. The Company believes that these systems and procedures help to enhance its ability to make optimal investments in land, control costs and efficiently manage the construction process.

***Focus on high quality apartments for the growing middle class***

The Company has concentrated its operations on high-quality residential projects for the growing Polish middle class. The Company places particular focus on the aesthetics and standard of finish of the apartment buildings. The Company believes that the segment of the residential market for the middle class has high growth potential and that it will be able to further solidify its market position.

***Our Strategy***

The Company aims to maximize value for its shareholders by pursuing the following strategies:

***Selective geographical expansion in Poland***

While the Company will continue to focus on Warsaw, it is also undertaking selective geographical expansion in other major metropolitan areas in Poland. The Company is currently developing a project in Poznań and has purchased plots in other major metropolitan areas, including Wrocław, Poznań and Szczecin. The Company has identified cities in Poland with expected strong economic and demographic growth, and an existing undersupply of high-quality residential properties. This strategy will allow the Company to further geographically diversify its operations in Poland.

***Creation of a portfolio of real estate properties***

Taking into consideration that real estate prices in Poland have been rapidly increasing, the Company has started to selectively develop a portfolio of real estate properties across Poland. The Company intends to purchase attractive plots of land that will allow for the future development of residential projects. As of the date of this Prospectus, the Company has purchased 19 sites that it is currently preparing for development and has entered into five preliminary purchase agreements concerning the acquisition of five sites in Wrocław, Poznań and Szczecin. The Company believes that the creation of a

portfolio of real estate properties across Poland will facilitate long-term growth and development. During the first six months of 2007, the Company purchased 10 real estate properties that may accommodate the development of approximately 3,500 units. Over the coming years, the Company plans to continue purchases of real estate with a view to allow it to continue to increase its potential residential unit capacity in a manner consistent with its aggressive growth development plans.

#### ***Expansion into other Central and Eastern European Markets***

The Company aims to expand its operations into new markets in Central and Eastern Europe, leveraging the business model that it has developed and implemented in Poland. The Company will consider new opportunities across the region as they arise.

#### **Completed Projects**

The following table sets forth the basic information on the projects that the Group has completed so far:

<b>Project name</b>	<b>Location</b>	<b>Area of plot (m<sup>2</sup>)</b>	<b>Total area of units (m<sup>2</sup>)</b>	<b>Number of residential units</b>
Słoneczny Skwer	Ochota, Warsaw	8,810	32,500	311
Lazurowa Dolina	Bemowo, Warsaw	9,329	11,217	192
Twój Biały Dom	Ursynów, Warsaw	2,737	5,253	79
Pegaz I	Mokotów, Warsaw	2,419	6,934	109
Pegaz II	Mokotów, Warsaw	2,116	4,786	80
<b>Total</b>		<b><u>25,411</u></b>	<b><u>60,690</u></b>	<b><u>771</u></b>

#### ***Słoneczny Skwer***

The Słoneczny Skwer housing estate was completed in October 2004. The project was developed on the real property with an area of 8,810m<sup>2</sup> located in the Ochota district of Warsaw. The Słoneczny Skwer project comprises five 8 to 12-storey buildings with a total of 311 apartments (and nine commercial units) with an aggregate area of 32,500m<sup>2</sup>. The size of the apartments varies from 37 to 127m<sup>2</sup>.

#### ***Lazurowa Dolina***

The Lazurowa Dolina housing estate was completed in August 2006. The project was developed on the real property with an area of 9,329m<sup>2</sup> located in the Bemowo district of Warsaw. The Lazurowa Dolina project comprises six three-storey buildings with a total of 192 apartments (no commercial units) with an aggregate area of 11,217m<sup>2</sup>. The size of the apartments varies from 34 to 76m<sup>2</sup>.

#### ***Twój Biały Dom***

The Twój Biały Dom apartment building was completed in May 2005. The project was developed on the real property with an area of 2,737m<sup>2</sup> located in the Kabaty district of Warsaw. The Twój Biały Dom apartment building is an eight-storey building with a total of 79 apartments (and four commercial units) with an aggregate area of 5,253m<sup>2</sup>. The size of the apartments varies from 40 to 110m<sup>2</sup>.

#### ***Pegaz I***

The Pegaz I apartment building was completed in February 2005. The project was developed on the real property with an area of 2,419m<sup>2</sup> (and 3,212m<sup>2</sup> of parking lots) located in the Mokotów district of Warsaw. The Pegaz I apartment building is a eight-storey building with a total of 109 apartments (no commercial units) with an aggregate area of 6,934m<sup>2</sup>. The size of the apartments varies from 38 to 79m<sup>2</sup>.

#### ***Pegaz II***

The Pegaz II apartment building was completed in January 2007. The project was developed on the real property with an area of 2,116m<sup>2</sup> located in the Mokotów district of Warsaw. The Pegaz II apartment building is a thirteen-storey building with a total of 80 apartments (no commercial units) with an aggregate area of 4,786m<sup>2</sup>. The size of the apartments varies from 37 to 101m<sup>2</sup>.

## Current Projects

The table below presents information on the four projects that the Company is currently developing. The Company has obtained construction permits and has commenced construction of all such projects.

Project name	Location	Area of plot (m <sup>2</sup> )	Total units	Total area of units (m <sup>2</sup> )	Number of units sold as at 30 June 2007
Galileo	Poznań	8,598	226	16,100	26 <sup>1</sup>
Meridian	Warsaw	5,196	206	15,000	171
Mistral	Warsaw	5,366	54	4,300	48
Imaginarium	Warsaw	10,343	58	4,000	47
<b>Total</b>		<b>29,503</b>	<b>544</b>	<b>39,400</b>	<b>292</b>

<sup>1</sup>As of 30 June 2007, 80 units have been offered for sale.

### **Galileo**

#### *Stage of development*

Construction of the Galileo project commenced in February 2007 and the project is expected to be completed in the fourth quarter of 2008.

#### *Description of project*

The Galileo project is being developed on real property with an area of 8,598m<sup>2</sup> located in the City Center district of Poznań. The Galileo housing project will comprise five apartment six-storey buildings with a total of 226 apartments with an aggregate area of 16,100m<sup>2</sup>. The size of the apartments varies from 52 to 112m<sup>2</sup>.

### **Meridian**

#### *Stage of development*

Construction of the Meridian project commenced in November 2005 and the project is expected to be completed in October 2007.

#### *Description of project*

The project is being developed on real property with an area of 5,196m<sup>2</sup> located in the Wola district of Warsaw. The Meridian housing estate comprises three seven and nine-storey buildings with a total of 206 apartments (and seven commercial units) with an aggregate area of 15,000m<sup>2</sup>. The size of the apartments varies from 47 to 183m<sup>2</sup>.

### **Mistral**

#### *Stage of development*

Construction of the Mistral project commenced in December 2006 and the project is expected to be completed in March 2008.

#### *Description of project*

The project is being developed on real property with an area of 5,366m<sup>2</sup> located in the Ursynów district of Warsaw. The Mistral housing estate comprises four two-storey detached houses of 10 to 17 apartments each, with a total of 54 apartments (no commercial units) with an aggregate area of 4,300m<sup>2</sup>. The size of the apartments varies from 51 to 113m<sup>2</sup>.

### **Imaginarium**

#### *Stage of development*

Construction of the Imaginarium project commenced in December 2006 and the project is expected to be completed in December 2007.

#### *Description of project*

The project is being developed on real property with an area of 10,343m<sup>2</sup> located in the Bielany district of Warsaw. The two apartment buildings are two-storey buildings with a total of 58 apartments (no commercial units) with an aggregate area of 4,000m<sup>2</sup>. The size of the apartments varies from 30 to 110m<sup>2</sup>.

## Future Projects

The table below presents information on the 19 projects that the Company is currently preparing for development. The Company has finalized the agreements regarding the acquisition of the properties upon which such projects will be developed and is currently in the process of finalizing the detailed architectural design of the projects and obtaining the required permits. In aggregate, the Company is currently preparing for development ten projects in Warsaw, five projects in Wrocław, two projects in Poznań and two projects in Szczecin. The Company is planning to construct approximately 4,735 residential units within a total area of 355,335m<sup>2</sup>. The majority of the projects are multi-family buildings with an average size of the residential unit of 70m<sup>2</sup>. In Konstancin, the Company plans to develop 18 semi-detached apartment buildings with the size of residential units ranging from 220 to 250m<sup>2</sup>. Similarly, the Sadkow project in Wrocław contemplates the development of semi-detached houses with the size of the residential units ranging from 220 to 450m<sup>2</sup>.

Please note that the information presented below is preliminary in nature and may be subject to change depending upon, among other things, the conditions of the final construction permits. It is currently unclear when, if at all, the Company will obtain the required regulatory permits and commence construction of the projects presented below. Moreover, the Company gives no assurance that the projects listed below will be developed in accordance with the exact specifics set forth below, if at all.

Project name	Company	Location	Permit status		Status/Date of filing for building permit	Area of plot (m <sup>2</sup> )	Total units	Total area of units commencement (m <sup>2</sup> )	Expected of construction
			LSDP	Status/Date of filing for WZ					
Copernicus	R.D. Poznań Sp. z o.o.	Poznań	—	Obtained	—	9,715	285	15,800	H1 2008
Tulce	R.D. Apartments Sp. z o.o.	Poznań	Existing	—	—	39,604	158	21,000	Q1 2008
Vivaldi	R.D. Universal Sp. z o.o.*	Szczecin	—	—	—	39,600	350	23,700	2009
Gemini I	R.D. Buildings Sp. z o.o.	Warsaw (Ursynów)	—	Obtained	—	3,929	152	13,200	Q1 2008
Gemini II	R.D. Buildings Sp. z o.o.	Warsaw (Ursynów)	—	Obtained	—	4,703	177	13,973	H2 2008
Imaginarium II	R.D. Properties Sp. z o.o. <sup>1</sup>	Warsaw (Bielany)	Existing	—	28 June 2007	12,743	125	8,400	Q4 2007
Konstancin	R.D. Metropol Sp. z o.o.	Warsaw (Konstancin)	Existing	—	1 June 2007	36,377	36	10,100	Q4 2007
Magellan	R.D. 2000 Sp. z o.o.	Warsaw (Mokotów)	—	25 November 2005, 22 May 2006 <sup>2</sup>	—	12,143	340	24,500	2009
Nautica	R.D. Structure Sp. z o.o.	Warsaw (Ursynów)	—	Obtained	In process <sup>3</sup>	10,749	149	9,862	Q1 2008
Orion	R.D. Innovation Sp. z o.o.*	Warsaw (Ochota)	—	Obtained <sup>4</sup>	—	16,311	318	26,000	H1 2009
Renaissance	R.D. Retreat Sp. z o.o.	Warsaw (Siekierki)	Existing	—	—	21,629	230	15,800	H2 2009
Tamka	R.D. Enterprise Sp. z o.o.	Warsaw (Śródmieście)	—	10 December 2004 <sup>5</sup>	—	1,400	45	3,000	2009
Matisse	E.E.E. Development Sp. z o.o.	Wrocław	—	12 April 2007	—	25,411	400	24,000	2008
Sadkow	R.D. Village Sp. z o.o.*	Wrocław	In process <sup>6</sup>	—	—	44,700	130	20,800	2010
Van Gogh	R.D. Wrocław Sp. z o.o.	Wrocław	—	22 March 2007	—	14,918	200	11,800	2009
Chopin	R.D. Continental Sp. z o.o. <sup>7*</sup>	Szczecin	In process <sup>8</sup>	—	—	92,000	800	55,000	2009
Kłobucka	R.D. Sp. z o.o. Landscape Sp. k. <sup>9</sup>	Warsaw (Mokotów)	—	3 August 2007	—	21,010	500	35,000	2009
Goya	R.D. Conception Sp. z o.o.*	Wrocław	Pending	—	—	14,039	230	15,400	Q2 2008
Picasso	R.D. Architecture Sp. z o.o. <sup>10*</sup>	Wrocław	Pending	—	—	8,121	110	8,000	Q3 2008
<b>Total</b>						<b>429,102</b>	<b>4,735</b>	<b>355,335</b>	

<sup>1</sup> R.D. Properties Sp. z o.o. has applied for entry of its ownership of the RPU regarding a portion of the property into the land and mortgage register and such application is pending.

<sup>2</sup> The property is located within an industrial and office district and the Company has had difficulties receiving the required decision on outline planning and spatial development for residential development.

<sup>3</sup> The building permit was obtained on 27 April 2007, however, it is subject to an appeal.

<sup>4</sup> The WZ was issued to R.D. Capital Sp. z o.o. and will be transferred to R.D. Innovation Sp. z o.o.

<sup>5</sup> The Company filed for a residential decision on outline planning and spatial development for the property in late 2004.

<sup>6</sup> The existing LSDP must be changed to allow residential development.

<sup>7</sup> R.D. Continental Sp. z o.o. has applied for entry of its ownership of the RPU into the land and mortgage register and such application is pending.

<sup>8</sup> The LSDP should be prepared by 31 May 2008.

<sup>9</sup> Brighton Tec Sp. z o.o. is indicated in the land and mortgage register as the owner of the RPU.

<sup>10</sup> R.D. Architecture Sp. z o.o. has applied for entry of its ownership of the RPU regarding a portion of the property into the land and mortgage register and such application is pending.

\* The Company has the power to govern the financial and operating policies of this entity and to obtain benefits from its activities, whereas Jaroslaw Zubrzycki holds the legal title to the shares of this entity.

In addition, the Company entered into five preliminary purchase agreements in connection with the acquisition of land for the following projects:

### Newton

On 7 March 2007, R.D. Skyline Sp. z o.o. concluded a preliminary purchase agreement in connection with the transfer of ownership rights to a plot of land with an area of 10,908m<sup>2</sup> in Poznań. The final sale agreement is expected to be executed on or before 31 December 2007 and is subject to the satisfaction or waiver of various conditions precedent including, without limitation, the confirmation

that the plots are not subject to any third party rights, the receipt of the required planning decision and the completion of an environmental audit.

#### ***Aurora***

On 25 June 2007, R.D. West Sp. z o.o. concluded a preliminary purchase agreement in connection with the transfer of ownership rights to four plots of land with an aggregate area of 31,933m<sup>2</sup> and RPU to a plot of land with an area of 6,419m<sup>2</sup> in Poznań. The final sale agreement is expected to be executed on or before 30 June 2008 (provided, however, that it may be extended for an additional period of three months if certain conditions are not satisfied) and is subject to the satisfaction or waiver of various conditions precedent including, without limitation, the confirmation that the plots are not subject to any third party rights, the receipt of the required planning decision and the completion of an environmental audit.

#### ***Eclipse***

On 14 June 2007, R.D. Capital Sp. z o.o. concluded a preliminary purchase agreement in connection with the transfer of RPU to a plot of land with an area of 15,449m<sup>2</sup> in Poznań. On 18 September 2007, R.D. Capital concluded a conditional sale agreement which provides for the sale of the plot subject to the satisfaction or waiver of various conditions precedent including, without limitation, the entry of the seller of the real property as RPU owner to the land and mortgage register, the confirmation that the plots are not subject to any third party rights and the receipt of the required planning decision. The final sale agreement is expected to be executed on or before 31 March 2008.

#### ***Matisse II***

On 17 July 2007, R.D. South Sp. z o.o. concluded a preliminary purchase agreement in connection with the transfer of ownership right to a plot of land with an area of 6,965m<sup>2</sup> in Wrocław. On 1 October 2007 R.D. South Sp. z o.o. concluded a conditional sale agreement which provides for the sale of the plot subject to the exercise or waiver of the pre-emptive right of the Agricultural Agency to the real estate, by not later than on 15 November 2007.

#### ***Mozart***

On 2 October 2007, R.D. Sp. z o.o. Community Sp. k. concluded a preliminary purchase agreement in connection with the transfer of ownership rights to two plots of land with an aggregate area of 30,283m<sup>2</sup> in Szczecin. The final sale agreement is expected to be executed on or before 10 December 2007 (provided, however, that such term shall be automatically extended to 31 December 2007 if the required planning decision is not obtained by 30 November 2007) and is subject to the satisfaction or waiver of the conditions precedent including, the confirmation that the plots are not subject to any third party rights and the receipt of the required planning decision.

The table below presents information on the Company's projects subject to the preliminary purchase agreements. Please note that the information presented below is preliminary in nature and may be subject to change depending upon, among other things, the acquisition of the land subject to the preliminary contracts and the conditions of the final construction permits. It is currently unclear when, if at all, the Company will purchase the properties and obtain the required regulatory permits and commence construction of the projects presented below. Moreover, the Company gives no assurance that the projects listed below will be developed in accordance with the exact specifics set forth below, if at all.

Project name	Company	Location	Expected date of final		Total units	Total area of units (m <sup>2</sup> )
			sale agreement	Area of plot (m <sup>2</sup> )		
Newton	R.D. Skyline Sp. z o.o.*	Poznań	31 December 2007	10,908	120	8,500
Aurora	R.D. West Sp. z o.o.*	Poznań	30 June 2008	38,352	600	42,000
Eclipse	R.D. Capital Sp. z o.o.	Poznań	31 March 2008	15,449	370	24,000
Matisse II	R.D. South Sp. z o.o.*	Wrocław	15 November 2007	6,965	85	6,000
	R.D. Sp. z o.o.					
Mozart	Community Sp. k.	Szczecin	10 December 2007	30,283	500	33,500
<b>Total</b>				<b>101,957</b>	<b>1,675</b>	<b>114,000</b>

\* The Company has the power to govern the financial and operating policies of this entity and to obtain benefits from its activities, whereas Jarosław Zubrzycki holds the legal title to the shares of this entity.

## **Development Process**

### ***Identification of Investment Opportunities***

The Company takes a pro-active approach to identifying new investment opportunities and sources new investments by press advertising and establishing contacts with the local municipalities in the metropolitan areas in which it currently operates or which it intends to enter. In addition, the Company is directly approached by brokers and third party owners.

Although the Company intends to be opportunistic in identifying investment opportunities, it will closely examine certain core investment criteria, such as the sufficiency of land for the purpose of future development, the geographic location of the relevant property, expected yields and margins, transport links and the availability of appropriate debt financing.

### ***Internal Approval***

In order for the Management Board to evaluate a potential investment opportunity, a feasibility analysis is prepared. The analysis includes a profit and loss account for the property (including estimated sales and costs of any required demolition and the construction of the proposed development and its timing), a general project description (including information on general architectural design), geographical details about the location, local market information.

### ***Land Purchase***

If the initial assessment of a development opportunity is approved by the Company's Management Board, the Company will engage external architects and other professionals to prepare more detailed concept design alternatives for a particular development. Generally, the Company will also conduct a contamination study to ensure that the property has not been polluted and clean-up costs would be assessed. Discussions with the various government authorities will normally commence at this stage to determine various preliminary issues such as whether there are or may be any issues relating to utility supplies to the relevant site, zoning particularities, requested public facilities, etc.

The preliminary design suggestions for each development must be approved by various local authorities. For a description of some of the authorizations and certifications required during the stages of development, please see the section entitled "*Certain Aspects of Real Estate Law and Practice*".

The Company typically enters into preliminary land purchase agreements with the owners of the land pursuant to which the Company generally pays the vendor a deposit, equal to 10% to 25% of the agreed purchase price. The execution of the final agreement is generally conditional upon satisfaction of certain conditions precedent that depend on the particular issues identified in connection with the proposed purchase. In effect, the deposit secures the option to purchase the land for a specified period, generally 6 to 9 months.

The Company typically incurs secured bank debt to cover 70% to 80% of the purchase price in connection with the purchase of land. Please see "*Business -- Material Agreements*" for a description of such financing.

### ***The Construction Process***

Once the decision has been made to proceed with a particular development, external architects would be engaged to prepare the final detailed concept design and plan. External architects would be retained to ensure that a contemporary approach is brought to the design of new projects. The Company will manage the process of obtaining the necessary development approvals and permits from the relevant authorities.

The Company engages external general contractors to carry out the actual construction work. The Company enters into building contracts with leading general contractors such as Hochtief Polska Sp. z o.o., Warbud S.A., Mitex S.A. and Karmar S.A. Under the building contracts, the general contractor is under an obligation to construct the project and, generally, to represent the Company in administrative proceedings in order to obtain the occupancy permits.

The general contractor's fee is set forth as a lump amount that covers the value of all of the constructions works as well as all of the contractor's costs, as well as the contractor's profit and may be subject to change only in case of a change in the scope of work or savings. The fee is payable in installments. Within 30 days of receipt of each installment, the general contractor is required to pay the

remuneration due to its subcontractors. Should it fail to provide confirmation of payments to subcontractors, the Company may suspend the next payment. The subcontractors are generally engaged directly by the general contractor, provided that the entry into the agreement with a subcontractor requires prior written consent of the Company.

The technical department of the Company will designate a project manager for the development and to generally coordinate the construction process. The technical department will also generally oversee the choice of subcontractors and the procurement of materials by the general contractor in order to maintain the Company's quality standards and control costs. The general contractor's scope of work will typically be agreed with the technical department at defined stages of construction of the development. This allows the technical team to monitor the progress and quality of construction and specify performance enhancements should they be required. The progress of construction is also monitored based on performance reports provided under each construction related contract.

Performance by general contractor of its obligations under the building contract is secured by a guarantee issued by a bank or insurer, in an amount equal to 10% of the contract value and remains valid at least until the final acceptance of the works. The general contractor is required to purchase and maintain during the entire construction period a third party liability insurance as well as all risks construction insurance.

#### ***Marketing and advertising***

The Company's sales and marketing are carried out entirely by the Company's internal sales and marketing department. The marketing primarily consists of press advertising, marketing show-rooms at the Company's projects under construction, participation in residential development fairs and the Company's website.

#### ***Sale of residential units***

The Company sells apartments based on preliminary sale agreements concluded before a building is completed. The agreements provide for an obligation of the Company to construct and sell apartments as separate premises with a relevant share in the land. A purchaser is required to pay a purchase price for an apartment in installments which are due on certain dates, which are not tied to the stages of construction. The full price for an apartment must be paid before a final sale agreement for an apartment is concluded.

A final sale agreement is executed after an occupancy permit for a building is received by the Company. The Company establishes separate ownership of each residential unit and sells it together with a share in the land on which a building is located.

#### ***Post-construction obligations***

Pursuant to the Polish Civil Code, the Company is liable under the statutory warranty for defects of residential units and the building for three years and must provide the required repairs. Warranties and guaranties obtained by the Company from general contractors and other subcontractors that render the construction works or particular construction elements allow the Company to recover the costs of such repairs or to transfer an obligation to provide repairs to such entities.

Generally, the following guarantees are granted by the general contractors under the building contracts:

- 3-year guarantee for all construction works other than the ones listed below;
- 5-year guarantee for windows;
- 1-year guarantee for the machines and equipment, other than the machines and equipment which are covered by the producer's guarantee of longer period;
- 10-year guarantee for roof leak tightness and the roof structural elements.

The guarantee periods commences from the acceptance of a building by the Company. The Company's guarantee rights are secured by a guarantee issued by a bank or insurer for the amount equal to 5% of the contract value for the respective phase, which remains valid during the 12-month period following final acceptance of the works.

Upon completion of construction, all of the appropriate regulatory authorities involved in the development process will inspect the completed development to ensure that the Company and the general contractor have complied with the terms and conditions of any approvals and regulations. The



Company delivers its developments to apartment owners on a “shell and core” basis. This means that the Company will procure the fit-out of common areas and individual apartment owners will be responsible for the fit-out of their respective apartments.

## Corporate Organization and Structure

Ronson Europe N.V. is a holding company and its main function is the determination of the objectives and strategies of the Company and its subsidiaries, and the central co-ordination and monitoring of their activities. The Company’s subsidiaries comprise real estate holding companies. Each investment project has a specific special purpose vehicle (“SPV”) to own the land, which is done to isolate the projects within the corporate group. The purpose of R.D. Management Sp. z o.o. is to provide personnel to the Company.

The following is a table presenting basic information on the Issuer's wholly-owned subsidiaries:

Name of subsidiary	Registered seat	Share capital (PLN)	Field of activity (name of project)
R.D. 2000 Sp. z o.o.	Warsaw, Poland	62,500	Magellan, Warsaw, and Pegaz I, Warsaw
R.D. Poznań Sp. z o.o.	Warsaw, Poland	63,000	Copernicus, Poznań
R.D. Apartments Sp. z o.o.	Warsaw, Poland	63,000	Kabaty/Wąwozowa, Warsaw and Tulce, Poznań
R.D. Warsaw Sp. z o.o.	Warsaw, Poland	63,125	Pegaz II, Warsaw
E.E.E. Development Sp. z o.o.	Warsaw, Poland	63,000	Matisse, Wrocław
R.D. Metropol Sp. z o.o.	Warsaw, Poland	63,000	Konstancin, Warsaw
R.D. Investment Sp. z o.o.	Warsaw, Poland	63,000	Meridian, Warsaw
R.D. Wrocław Sp. z o.o.	Warsaw, Poland	63,000	Van Gogh, Wrocław
R.D. Creations Sp. Z o.o.	Warsaw, Poland	63,000	Mistral, Warsaw
R.D. Construction Sp. z o.o.	Warsaw, Poland	63,000	No project (holding company)
R.D. Innovation Sp. z o.o.*	Warsaw, Poland	63,000	Orion, Warsaw
R.D. City Sp. z o.o.	Warsaw, Poland	63,000	No project
R.D. Properties Sp. z o.o.	Warsaw, Poland	63,000	Imaginarium, Warsaw
R.D. Company Sp. z o.o.	Warsaw, Poland	63,000	Galileo, Poznań
R.D. Buildings Sp. z o.o.	Warsaw, Poland	63,000	Gemini I and II, Warsaw
R.D. Habitat Sp. z o.o.	Warsaw, Poland	63,000	No project
R.D. Enterprise Sp. z o.o.	Warsaw, Poland	63,200	Tamka, Warsaw
R.D. Capital Sp. z o.o.	Warsaw, Poland	63,000	Eclipse, Wrocław
R.D. Structure Sp. z o.o.	Warsaw, Poland	63,000	Nautica, Warsaw
R.D. Architecture Sp. z o.o.*	Warsaw, Poland	50,000	Picasso, Wrocław
R.D. Village Sp. z o.o.*	Warsaw, Poland	50,000	Sadkow , Wrocław
R.D. Residential Sp. z o.o.	Warsaw, Poland	50,000	Lazurowa Dolina, Warsaw
R.D. Sp. z o.o.	Warsaw, Poland	63,000	No project (general partner)
R.D. Conception Sp. z o.o.*	Warsaw, Poland	50,000	Goya, Wrocław
R.D. Skyline Sp. z o.o.*	Warsaw, Poland	50,000	Newton, Poznań
R.D. Continental Sp. z o.o.*	Warsaw, Poland	50,000	Chopin, Szczecin
R.D. Universal Sp. z o.o.*	Warsaw, Poland	50,000	Vivaldi, Szczecin
R.D. Management Sp. z o.o.	Warsaw, Poland	50,000	No project (management company)
R.D. East Sp. z o.o.*	Warsaw, Poland	50,000	No project
R.D. Retreat Sp. z o.o.	Warsaw, Poland	50,000	Renaissance, Warsaw
R.D. South Sp. z o.o.*	Warsaw, Poland	50,000	Matisse II, Wrocław
R.D. West Sp. z o.o.*	Warsaw, Poland	50,000	Aurora, Poznań
R.D. North Sp. z o.o.*	Warsaw, Poland	50,000	No project
R.D. Providence Sp. z o.o.*	Warsaw, Poland	50,000	No project
R.D. Destiny Sp. z o.o.*	Warsaw, Poland	50,000	No project
R.D. Millenium Sp. z o.o.*	Warsaw, Poland	50,000	No project

*\* The Company has the power to govern the financial and operating policies of this entity and to obtain benefits from its activities, whereas Jarosław Zubrzycki holds the legal title to the shares of this entity.*

In addition, the Issuer holds, through a holding company and a general partner, the following partnerships: R.D. Sp. z o.o. Town Sp. k., R.D. Sp. z o.o. Estate Sp. k., R.D. Sp. z o.o. Home Sp. k., R.D. Sp. z o.o. Horizon Sp. k., R.D. Sp. z o.o. Community Sp. k., R.D. Sp. z o.o. Landscape Sp. k. and R.D. Sp. z o.o. Sp. k. With the exception of R.D. Sp. z o.o. Landscape Sp. k. that holds the real estate for the Kłobucka project in Warsaw, the partnerships currently do not participate in any projects.

Generally, the Company establishes separate entities in connection with all of its projects. The Company holds special purpose vehicles either in the form of limited liability companies (Sp. z o.o.) or as partnerships (Sp. k.). Since March 2007, to improve tax efficiency and the management of cash flows, the Company has been establishing partnerships and, following the Offering, plans to convert all of the limited liability companies into partnerships.

## **Certain Aspects of Real Estate Law and Practice**

### ***General***

Polish real property law is primarily based on: (i) the Polish Civil Code, (ii) the Act on Mortgages and Land and Mortgage Registers, (iii) the Act on Apartment Ownership, (iv) the Act on Real Property Management, (v) the Act on the Acquisition of Real Property by Foreigners. Some provisions of the Water Act, the Act on Forests, the Act on the Protection of Agricultural and Forestry Land, the Environmental Protection Act, the Act on Housing Cooperatives, the Act on the Protection of Tenants' Rights, the Act on Structuring the Agricultural System and other acts may also touch upon real property matters.

### ***The ownership of real properties***

The most powerful right that can be enjoyed with regard to real properties is the right of ownership ('*własność*'). Ownership assumes that, subject to the limitations set forth in acts of law, principles of coexistence within a community and the socioeconomic purpose of the ownership, the owner may, to the exclusion of other persons, use the property (and in particular enjoy benefits and other income), as well as freely dispose of the property. Ownership of property extends to the space above and below it. Ownership may be subject to encumbrances such as, e.g. mortgages. The Polish Civil Code makes a legal distinction between land and buildings or parts of buildings (separate premises). Each of the land, building and separate premises may be subject to an individual ownership title.

In general, under Polish law, the ownership title to a structure, such as a building, cannot be separated from the ownership title to the underlying land on which the structure is situated. Buildings or parts thereof are treated as a part of the plot of land on which they stand unless a specific provision of law provides otherwise. Most often the distinction between the ownership title to the plot of land and the ownership title to the building occurs where the perpetual usufructuary builds a structure on the plot of land used thereby. Please see a detailed description of the right of the perpetual usufruct below.

The Polish Civil Code permits private ownership of real property and the transfer of real property from one person to another. Under Polish law foreigners may own real property on the same terms as Polish nationals. However, certain restrictions with respect to the transfer of land exist in accordance with the Act on the Acquisition of Real Property by Foreigners. Under the provisions of this act the purchase of land by foreigners (or acquiring the right of perpetual usufruct with respect to land) is subject to obtaining the relevant consent from the Polish Minister of Internal Affairs and Administration. A number of exceptions apply, especially with respect to the purchase of real property by entities from the European Economic Area. According to the Act on the Acquisition of Real Property by Foreigners entities from the European Economic Area may acquire all types of real properties with the exception of acquiring arable land, forests and a second house. The acquisition of these real properties is subject to additional requirements.

Under the Polish Civil Code, legal entities generally have one of the following rights with respect to real property: (i) freehold ownership; (ii) leasehold right; (iii) tenancy right; or (iv) right of perpetual usufruct. Legal entities also have the right of free use or a servitude. Only state and regional or local authorities may grant the right of perpetual usufruct to the land they own.

The Polish Constitution provides that property (including real property) may be expropriated for "public needs" for fair compensation. As an exception from the general rule – the protection of property – the provisions allowing for expropriation must be interpreted restrictively.

### ***The co-ownership of real properties***

Under Polish law, real property can be co-owned by several persons/entities. All the major mutual rights and obligations of the co-owners, in particular the principles of administration and use of real estate, are regulated by the provisions of the Polish Civil Code.

Each co-owner is entitled to use the co-owned real property to the extent compatible with common possession and the use of such co-owned real property by the other co-owners. Each co-owner may dispose of its share without the consent of the remaining co-owners. Each co-owner may transfer or encumber, by establishing a mortgage, their share in the ownership of the real property without the consent of the other co-owners. Such mortgage does not directly affect the other co-owners. However, any transactions with respect to the entire co-owned real property (e.g. the disposal of the real property) require the consent of the other co-owners.

### ***The transfer of real properties***

Polish law recognizes two types of agreements: an agreement under which one party is under an obligation to effect a transfer (*'umowa zobowiązująca'*) and an agreement under which one party actually effects the transfer (*'umowa rozporządzająca'*). Pursuant to the Polish Civil Code unless the parties or specific provisions of the law provide otherwise, an agreement under which one party is under an obligation to transfer real property results in the transfer of such real property. The transfer of the ownership title to real property cannot be conditional. Agreements for the transfer of land ownership title must be in the form of a notarial deed.

It should be underlined that the transfer of the right of perpetual usufruct takes effect as of the registration of the transfer in the Land and Mortgage Register.

### ***The right of perpetual usufruct (the "RPU")***

An RPU is a type of "in rem" right that is subject to certain legal limitations, most notably its duration. RPUs can only be created on land owned by the State Treasury, local authorities or unions of local authorities and situated in urban areas or areas subject to urban spatial development plans. RPUs are freely transferable, registerable and mortgageable (subject to certain preemption rights in limited cases) and must be created by way of a notarial deed.

The maximum term of an RPU is 99 years; the minimum is 40 years. In the last 5 years of the term, the usufructuary may request an extension of the RPU for an additional period of between 40 and 99 years. In such cases, the grantor of the RPU may only refuse the extension on the grounds of an "important public interest".

Buildings and other structures on the land subject to the RPU belong to the usufructuary, and not to the grantor, since the ownership rights to such buildings and structures are connected with the RPU. Therefore, the transfer, encumbrance or other disposal of the RPU automatically applies to the ownership rights to the buildings and structures. Finally, as a consequence of this form of title, the usufructuary is entitled to recover the value of the buildings and structures existing on the land when the RPU expires, provided that such buildings and structures were built in accordance with the agreement establishing the RPU in question.

An RPU may also be established on the basis of an RPU Agreement. RPU Agreements must be concluded in the form of a notarial deed and include the term of the RPU and the manner in which the subject property is to be used. Grantors of RPUs may also request that RPU Agreements be terminated if the usufructuary uses the subject property in a manner inconsistent with the provisions of the RPU Agreement in question.

### ***Classification of land real property***

According to the Polish Civil Code land in Poland is divided into the following categories in accordance with the purpose of such land: (i) agricultural land, and (ii) other land.

The specific types of designation of the plots of land are set forth in the Land and Building Register (*'Ewidencja Gruntów i Budynków'*) pursuant to the Act on Surveying and Cartography and Regulation on the Land and Building Register. The main categories of designation of plots of land are: agricultural land, forestry land, urbanized and built-up land, ecological land, wasteland, underwater land, and various land.

Generally, for a commercial or residential development to be carried out, the plots of land on which structures will be situated must be designated for development in accordance with the Act on Outline Planning and Spatial Development. Under this act, re-designation of plots of land is permitted, subject to some conditions.

### ***Land registers***

Under the Act on Mortgages and Land and Mortgage Registers, rights to the ownership title to one or more real properties, the right of perpetual usufruct, limited rights *in rem* ('*jura in re aliena*'), mortgages, restrictions in the disposal of the real property and other rights related to the real property are registered in the Land and Mortgage Register ('*Księga Wieczysta*') for the real property.

The Land and Mortgage Register is maintained by district courts ('*Sądy Rejonowe*').

Information included in the Land and Mortgage Register is publicly available and can be the basis for confirmation of the registered ownership rights. The Land and Mortgage Register contains important information about the registered property, including, among other things, a description of the real property, the owner's name and any registered encumbrances on the property. Polish law contains a legal presumption that the information in the Land and Mortgage Register is consistent with the actual legal state. Challenging such presumption before the court is restricted. Generally, Polish law provides that in the case of a discrepancy between the information in the Land and Mortgage Register and the actual legal state, the purchase of a real property or any rights *in rem* related to the real property is subject to the information included in the Land and Mortgage Register, provided that the purchaser acted in good faith.

The owners of real properties are required to promptly file an application to disclose their legal title in the Land and Mortgage Register. In the case of real property sale-purchase agreements, which must be entered into in the form of a notarial deed, the notary should file the respective application on behalf of the purchaser.

The Land and Buildings Register is a register of real properties separate from the Land and Mortgage Register. It contains information on individual real property parts, including their identification numbers, surface area, value, numbers in other respective registers, type of land designation and other data.

### ***Mortgages***

Under Polish law, a mortgage is a form of security established over one or several real properties to ensure due performance of a monetary obligation. A mortgage must be registered in the Land and Mortgage Register and takes effect as of the date on which the motion registering the mortgage was filed with the court. If the debtor is not the owner of the real property a mortgage requires the consent of the mortgagor. A mortgage is valid even if the ownership title to the mortgaged real property was transferred.

If the debtor defaults, the claims of the mortgagee should generally be satisfied in accordance with the court enforcement proceedings before a Polish court. The mortgagee has preferential rights over unsecured commercial creditors of the mortgagor.

### ***Liabilities of persons holding legal rights to land and buildings***

#### ***General provisions***

Owners of plots of land, buildings and their parts are required to comply with state and regional or local legislation, which includes, among others, environmental, public health, fire, residential and urban-planning rules and regulations. The owner of a building will usually incur all the liabilities that may arise in connection with the real property. Owners and holders of other titles to the real property are required to use the real property in accordance with its designation, not damage the environment, assume the liability and financial costs relating to complying with various land use standards and prevent the pollution of, littering on or degradation of the plot of land. Regional or local legislation, or investment, tenancy or perpetual usufruct agreements entered into with the State Treasury or regional or local authorities, may also subject the owner or the developer, as the future owner of the buildings to be constructed under the investment or lease contract, to various financial obligations, such as the financing of local engineering services, transportation and social infrastructure.

### *Environmental law*

The Environmental Protection Act imposes certain obligations on investors implementing any undertakings that could potentially have a negative impact on the environment, as well as extending the number of entities authorized to participate in administrative procedures preceding the issuance of construction permits and approvals.

The Environmental Protection Act provides additional rights for third parties to participate in administrative procedures and defines the requirements for environmental impact statements which precede the issuance of construction permits and approvals. The Environmental Protection Act states in general that a polluter is liable for the damages which it caused. Pursuant to the Act on Preventing Environmental Damage and the Remediation of Environmental Damage, owners of land are required to remediate, at their own expense, any pollution which occurred before 30 April 2007. If such owner is able to prove that the pollution was caused by another entity after the owner acquired the title to the land, the polluter can be charged with the costs of the remediation. However, if the owner agreed to the actions which caused the pollution or was aware of such actions, the owner is jointly and severally liable with the polluter. Most importantly, the purchaser of land, which was polluted before 30 April 2007 can not be released from liability on the grounds that the pollution occurred before the purchaser acquired the title to the land. On the contrary, if the pollution occurred after 30 April 2007 the polluter must remediate the pollution at its own expense. This does not limit the liability of the owner which agreed to the actions that caused the pollution to its land. Pursuant to the Act on Preventing Environmental Damage and the Remediation of Environmental Damage, the liability of the polluter is confined to the specific type of the polluter's activity.

If an entity liable for the performance of remediation is able to prove that the pollution occurred before 1 September 1980, the remediation may be limited to actions which would prevent a threat to life or health or further spreading of the pollution. An entity liable for remediation must obtain a permit from the appropriate authority prior to carrying out the work. Such permit determines the scope, manner and date of remediation.

### *Lease and tenancy agreements*

In Poland, any person can lease real property on the terms provided under the Polish Civil Code. The Polish Civil Code makes a legal distinction between a lease agreement and a tenancy agreement. Under a lease agreement the lessor undertakes to provide the lessee with a thing for use for a specified or unspecified period of time and the lessee undertakes to pay the lessor the agreed rent. Under a tenancy agreement the landlord undertakes to provide a thing to the tenant for use and the collection of proceeds (e.g. the tenant's profits from leasing the thing to a third party under a lease agreement) for a specified or unspecified period of time and the tenant undertakes to pay the landlord the agreed rent. Lease terms vary, however, and lease agreements will often provide a right of renewal on expiry. According to the Polish Civil Code, a lease agreement may be concluded for a maximum period of ten years. If the lease agreement is concluded for a longer period than ten years, it is deemed, after the lapse of the ten-year period, to have been concluded for an indefinite time. A tenancy agreement may be concluded for a maximum period of thirty years and, in case the agreement is concluded for a longer period of time, is deemed to be concluded for an indefinite time after the lapse of the thirty-year period. In practice, tenancy agreements are used with respect to land and lease agreements are used with respect to premises.

If the lease agreement does not provide otherwise, a lease agreement under which the rent is payable on a monthly basis may be terminated with one month's notice, with the notice becoming effective on the last day of the month in which it is delivered. A tenancy agreement may be terminated with six months' notice served before the lapse of the year of tenancy.

According to the Act on the Protection of Tenants' Rights, the rental of flats is subject to various restrictions that apply to the lessors.

In general, the transfer of ownership title to the real property does not change the terms of a lease of such property.

## ***Overview of the development process***

### ***The Construction Permit***

The development process in Poland is regulated by the Construction Act, the Act on Outline Planning and Spatial Development and other acts. In general an investor must obtain a construction permit (*'pozwolenie na budowę'*) prior to commencing any construction work. A construction permit is a decision granted by the construction authorities.

The investor must file an application for such permit and is required to prepare several documents, the most important of which are:

1. construction design (*'projekt budowlany'*) that includes, but is not limited to: (i) development plan of the plot of land or terrain (*'projekt zagospodarowania działki i terenu'*), (ii) architectural-constructional design (*'projekt architektoniczno-budowlany'*). The construction design is finally approved in the construction permit;
2. investor's confirmation of the existing right to utilize the plot of land for construction purposes;
3. a decision on outline planning and spatial development (*'decyzja o warunkach zabudowy'*) issued under the Act on Outline Planning and Spatial Development (such decisions being required only in situations where no LSDP was adopted by the local municipality).

The Construction Act provides that the issuance of the construction permit may be subject to obtaining other decisions, assignments and consents by the investor and providing such documents to the construction authorities should they be required pursuant to other acts, for example the Water Act or the Environmental Protection Act.

The construction permit expires if the construction works have not commenced within two years from the date on which the construction permit became binding or if the construction works are interrupted for longer than two years. In such case, a new construction permit is required if the investor intends to proceed with the construction work.

Both the construction permit and the decision on outline planning and spatial development may be transferred to a third party; however, the permit can only be transferred if the transferee previously acquires the legal title to the land on which the relevant investment is planned.

### ***Requirements on the Outline Planning and Spatial Development***

Every construction project must comply with the LSDP for the site of the given project. The purpose of LSDPs is to: (i) establish the permitted use of area; (ii) indicate the location of future public investments (such as roads, railway lines, etc.); and (iii) set forth the manner in which the area may be developed.

LSDPs are drawn up by the mayor or the head of the municipality (*'gmina'*) on the basis of a study of the conditions and objectives of land development (*'studium uwarunkowań i kierunków zagospodarowania przestrzennego'*). This study is carried out in order to specify the local zoning policy, while the LSDP is drawn up for the purposes outlined in the paragraph above. Among the matters covered by an LSDP are: the boundaries of areas which have different use designations; the parameters and factors affecting potential developments; the dimensions of the structures which may be constructed; the maximum development density; detailed conditions for individual areas, including any prohibited or restricted development(s); and specific regulations regarding the protection of the environment. Unlike the aforementioned study, an LSDP is a district council regulation. Both the study and the LSDP are publicly available.

If an LSDP does exist for a given real property, an investor can apply directly for a construction permit, and can only commence construction work after such permit has been final. If no LSDP exists, before applying for a construction permit the investor must apply for issuance of a decision which provides the outline planning and spatial development, this decision is treated as a substitute LSDP.

The decision on outline planning and spatial development is issued by the mayor or the head of the municipality but will only be issued if all the legal requirements are satisfied. Such decision does not grant any title to the area; more than one investor can apply for such a decision relating to the same area.

Pursuant to the Act on Outline Planning and Spatial Development LSDPs adopted prior to 1 January 1995 expired on 31 December 2003. In practice, this means that most areas of Poland are not covered by binding LSDPs, and therefore decisions on outline planning and spatial development must usually be obtained for real estate developments.

#### *The completion of the building process*

The Construction Act provides detailed regulations of the building process. Depending on the type of structure, the finished structure may only be used if the investor: (i) notified the construction authority of the completion of the construction works and such authority did not issue a decision objecting thereto; (ii) obtained an occupancy permit ('*pozwolenie na użytkowanie*') from the construction authority and notified other relevant authorities of the completion of the construction works. The occupancy permit will be issued only after the investor provides construction works documents and the construction authority examines the structure.

#### **Land and real property taxation**

Real property tax is payable pursuant to the Act on Local Taxes and Fees. Among those liable to pay such tax are individuals, legal entities and unincorporated entities which are owners, possessors or perpetual usufructuaries of: (i) plots of land; (ii) buildings and parts thereof; and (iii) structures related to the performance of business activities. The basis for taxation is: (i) the surface area of the plot of land; (ii) the usable surface area of a building or of a part thereof; and (iii) in the case of structures related to the performance of business activities, the value of the structure calculated in accordance with the Act on Local Taxes and Fees and the Income Tax Act. The councils of local municipalities establish the rate of the real property tax applicable within the respective municipalities. Such rate cannot exceed the maximum annual rates set forth in the Act on Local Taxes and Fees. In the case of plots of land related to the performance of business activities, the annual rate cannot exceed PLN 0.69/1m<sup>2</sup> of the surface area and in the case of other plots of land PLN 0.34/1m<sup>2</sup>. The maximum tax rates for buildings and parts thereof vary, depending on the designation of the buildings. For residential buildings, the maximum rate is set at PLN 0.57/1m<sup>2</sup> of the usable surface area. The maximum annual tax rate for structures cannot exceed 2% of their value.

In Poland persons and legal entities pay an annual land rent to the state or to the regional and local authorities pursuant to agreements for the right of perpetual usufruct. The general rules for assessing land rent are established by the state or the relevant regional and local authorities according to the Act on Real Property Management.

#### **Environmental protection**

The following legislative acts related to environment protection are significant for the development projects executed by the Company:

- Act dated 27 April 2001, the Environment Protection Law (Journal of Laws No. 129/2006, Item 902, as amended);
- Act dated 16 April 2004, on Nature Protection (Journal of Laws No. 92, Item 880, as amended);
- Act dated 27 April 2001, on Waste (Journal of Laws No. 62, Item 628, as amended);
- Act dated 11 May 2001, on Packaging and Packaging Waste (Journal of Laws No. 63, Item 638, as amended);
- Act dated 11 May 2001, on Entrepreneurs' Obligations In Respect of Management of Certain Waste, and on Product and Deposit Fees (Journal of Laws No. 63, Item 639, as amended);
- Act dated 18 July 2001, the Water Law (Journal of Laws No. 239/2005, Item 2019, as amended).

The Company is not required to obtain any integrated permits for operation, but it receives certain permits for using the environment for business purposes, water permits, including permits for discharging water from excavations to the rain water systems and for liquid waste disposal, as well as other administrative decisions required by the environmental regulations in the course of obtaining construction permits for particular development projects.

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

### **Recent Developments**

There have been no significant changes in the Company's operations since 30 June 2007.

### **Insurance**

The Company maintains a standard umbrella third party liability insurance coverage for all of the Ronson subsidiaries in the aggregate amount of EUR 1,000 thousand. In addition, the Company obtains standard third party liability insurance coverage for each Ronson subsidiary that holds undeveloped real estate. The insurance coverage for each such subsidiary is PLN 500 thousand.

Furthermore, the Company maintains an umbrella third party liability insurance coverage with respect to liabilities arising out of construction supervision services in the aggregate amount of EUR 2,000 thousand as well as an umbrella third party liability insurance coverage with respect to liabilities arising out of architectural design and services in the aggregate amount of EUR 2,000 thousand.

Following transfer of a property to a general contractor, the Company requires that the general contractor purchases and maintains a third party liability insurance coverage as well as all risk construction insurance coverage. After final acceptance of the construction works, the Company acquires asset insurance coverage of the amount equal to reconstruction value of a given project. The insurance coverage varies with each project. After the apartments in a given project are sold by the Group, the Group transfers the insurance coverage to housing association.

### **Litigation**

Other than as set out below, there have been no governmental, legal or arbitration proceedings, that may have, or have had during the 12 months preceding the date of this document, a significant effect on the Company's or its group's financial position or profitability and, so far as the Company is aware, there are no such proceedings pending or threatened.

#### ***Tax Proceedings concerning Ronson Development Sp. z o.o.***

In 1999 and 2000, a member of the Management Board granted to Ronson Development three loans for the total amount of USD 3,034,550. During a routine investigation undertaken in March 2005 the tax authorities claimed that those loans are invalid due to the fact that Ronson Development was not represented by the supervisory board or a representative appointed by the shareholders' meeting as required under the Polish Commercial Companies Code. As the result, on 21 October 2005 the Chief of the Mazowiecki Province Fiscal Office in Warsaw issued a decision based on which deductibility of interest accrued on those loans has been questioned and the Ronson Development's tax obligation under corporate income tax for 2003 was recalculated. Ronson Development was to pay additional amount of PLN 913,326.65 (plus default interest).

The above decision was annulled by the appeal authority which requested that the case be re-examined. Currently, the proceedings are suspended until completion of the proceedings undertaken by fiscal authorities in the Netherlands to establish the lender's relationships with JFC, a Dutch company. On 1 September 2000, based on the assignment agreement concluded by the lender with JFC, JFC acceded as the lender to the loan agreements.

### **Intellectual Property**

On 16 March 2007, Ronson Development filed an application with the Polish Patent Office to register the word and graphic „Ronson Development Group” trademark in the territory of Poland. Registration of the said trademark was applied for in four product and service classes. Furthermore, on the same day, Ronson Development applied for the registration of such trademark as a Community trademark (in the same product and service classes as in the national filing).



As of the date of this Prospectus, the “Ronson Development Group” trademark has not yet been registered as a national or Community trademark. The registration of a trademark is a time-consuming process and may take up to three or four years (with respect to the national registration with the Polish Patent Office) or approximately two years (with respect to the Community registration with the Office for Harmonization in the Internal Market). Until the trademark is registered, Ronson Development will not be authorized to exercise its rights as a trademark owner.

As a general rule, upon filing an application for registration, a trademark applicant acquires the priority right to register the relevant trademark. However, Ronson Development has found out that on 18 January 2006, a third party applied with the Polish Patent Office for the registration of the “Ronson Development Group” trademark as a national trademark. Ronson Development believes, and has strong supporting evidence, that the application of the third party infringes several of Ronson’s rights, including the right to the “Ronson Development” and “Ronson Development Group” business names (the “Ronson Development” business name was used by Ronson Development starting from 1999) and the copyrights to the logo. Furthermore, Ronson Development strongly believes, and is able to prove, that registration of the said trademark was applied for the third party in bad faith.

Ronson Development filed documentation to support the refusal of the registration of the trademark for the benefit of the third party with the Polish Patent Office on 30 April 2007. Based on the above, Ronson Development believes that it will be successful in preventing the Polish Patent Office from registering the “Ronson Development Group” trademark for the benefit of the third party.

### **Material Agreements**

The Issuer is not dependent on patents or licenses, industrial, commercial or financial contracts or new manufacturing processes in the conduct of its business or that would be material to its profitability.

The Company has entered into several loan agreements that are described under “*Operational and Financial Review – Description of Existing Credit Facilities and Availability*” and preliminary purchase agreements related to the purchase of real estate described under “*Business – Future Projects*”.

On September 2007 GE Real Estate CE Residential B.V. and ITR Dori B.V. entered into a Relationship Agreement that sets forth certain rights and obligations of the Principal Shareholders with respect to each other.

Pursuant to the Relationship Agreement, each of the Principal Shareholders has agreed to exercise its voting rights so as to procure that the Supervisory Board Members (other than the Independent Supervisory Board Members) shall exercise their voting rights to ensure that at all times the Management Board shall consist of five directors including the chief executive officer and the chief financial officer of the Company. ITR Dori B.V. shall be entitled to propose the nomination of the chief executive officer and the chief financial officer of the Company for appointment to the Management Board as well as to propose the removal of such nominee, by giving written notice of the same to the Management Board, and the Principal Shareholders shall vote in favour of such nomination or removal. For as long as the GE Real Estate and its affiliates hold at least 10% of the aggregate amount of Shares in the Company held by the Principal Shareholders, GE Real Estate shall be entitled to propose to the Supervisory Board the nomination of one director for appointment to the Management Board as well as to propose the removal of such director, by giving written notice of the same to the Company, and the Principal Shareholders shall vote in favour of such appointment or removal. If such nominee is not the Managing Director of GE Real Estate at such time (or any equivalent business unit covering Poland), the identity of such nominee shall be subject to the ITR Dori B.V.’s prior approval, which shall not be unreasonably withheld. For as long as ITR Dori B.V. and its affiliates hold at least 50% of the aggregate amount of Shares in the Company held by the Principal Shareholders, ITR Dori B.V. shall be entitled to propose to the Supervisory Board the nomination of two directors for appointment to the Management Board as well as to propose the removal of such directors, by giving written notice of the same to the Company, and the Principal Shareholders shall vote in favour of such appointment or removal. Once the shareholding of ITR Dori B.V. and its affiliates falls below 50% (but remains above 10%), then ITR Dori B.V. shall be entitled to propose to the Supervisory Board the nomination of one director for appointment to the Management Board as well as to propose the removal of such director, by giving written notice of the same to the Company, and the Principal Shareholders shall vote in favour of such appointment or removal.

The Principal Shareholders have agreed that the Supervisory Board shall be composed of five Supervisory Board Members, including three that shall be nominated as set forth below and two Independent Supervisory Board Members. For as long as GE Real Estate and its affiliates hold at least 10% of the aggregate amount of Shares in the Company held by the Principal Shareholders, GE Real Estate shall be entitled to propose the nomination of one Supervisory Board Member for appointment to the Supervisory Board as well as to propose the removal of such Supervisory Board Member, by giving written notice of the same to the Company, and the Principal Shareholders shall vote in favour of such appointment or removal. For as long as ITR Dori B.V. and its affiliates hold at least 50% of the aggregate amount of Shares in the Company held by the Principal Shareholders, ITR Dori B.V. shall be entitled to propose the nomination of two Supervisory Board Members for appointment to the Supervisory Board as well as to propose the removal of such Supervisory Board Members, by giving written notice of the same to the Company, and the Principal Shareholders shall vote in favour of such appointment or removal. Once the shareholding of ITR Dori B.V. and its affiliates falls below 50% (but remains above 10%), then ITR Dori B.V. shall be entitled to propose the nomination of one Supervisory Board Member for appointment to the Supervisory Board as well as to propose the removal of such Supervisory Board Member, by giving written notice of the same to the Company, and the Principal Shareholders shall vote in favour of such appointment or removal. ITR Dori B.V. shall be entitled to propose the nomination of the two Independent Supervisory Board Members for appointment to the Supervisory Board as well as the Principal Shareholders shall vote in favour of such appointment.

The Principal Shareholders have agreed that for as long as both of them are entitled to nominate directors to the management board decisions on the following matters shall require the unanimous approval of the directors of the management board: (a) any future projects to be undertaken by any group company which do not meet certain investment criteria specified in the Relationship Agreement; (b) any amendment of corporate documentation of any group company and any issuance of shares of any group company; (c) liquidation and/or winding up of any group company; (d) acquisition or disposal of any assets by any group company with a value in excess of EUR 1 million, other than the acquisition of real property or assets directly required for and connected with the construction of a project; and (e) merger with, or the acquisition or disposal of other companies or entities by any group company (including shares or interest in a group company).

The Relationship Agreement sets forth certain rights of first offer of the Principal Shareholders. The Principal Shareholders have agreed that in the event that one of the Principal Shareholders wishes to sell in one transaction or a series of transactions (the "Transferring Shareholder") over a period of 60 days (taking into account trading on the market) either (a) more than 1% of the Company's issued share capital or (b) less than 1% of the Company's issued share capital but as a result of such transfer its aggregate holding in the Company together with that of its affiliates falls below 83% of its aggregate shareholding immediately after the Admission, then the Transferring Shareholder shall send a written notice to the other Party (the "Notified Party") offering the possibility to acquire (or designate a third party to acquire) the shares thus offered at the price traded on the day of the notice. The Notified Party shall notify the Transferring Shareholder in writing if it wishes to acquire such offered shares at such price within 2 business days (the "Notification Date"). The Transferring Shareholder shall be permitted to agree to transfer the Offered Shares to a third party for a period of 5 Business Days from the Notification Date, if the Notified Party (i) fails to provide an acceptance notice by the Notification Date or (ii) notifies the Transferring Shareholder in writing that it does not wish to purchase the offered shares.

In addition, the Relationship Agreement contains a proportionate tag-along right. In the event that the Transferring Shareholder intends to sell more than 5% of the issued shares in the Company (in one or a series of sales) within a period of 60 days, then the Notified Party shall be entitled (if it does not elect to acquire such shares) to elect to participate on the proportionate basis in the contemplated transfer by sending the Transferring Shareholder a written notice of such election by the Notification Date ("Tag Notice"). The proportionate basis is the number of shares of the notified party, which when added together with the Shares to be sold by the Transferring Shareholder produces a total amount of shares which corresponds proportionately with the shareholding of each of the Principal Shareholders in the Company on the business day prior to the notification date. Following the sending of the Tag Notice, the Principal Shareholders shall cooperate to conduct the sale of the shares subject to the Tag Option and the shares of the Notified Party in an orderly manner, to ensure to the extent possible that the Principal Shareholders receive materially the same price for the sale of such shares.

Any sale or transfer of Shares, under the rights of first offer (the "Transfer Shares") and the proportionate tag-along right shall be conducted in installments to ensure, to the extent reasonably possible, that such sale or transfer does not trigger any tender-offer obligations and that there are no legal or regulatory requirements to sell or transfer Shares other than by way of off-session transactions. Provided that (a) the date of receipt of the Acceptance Notice or Tag Notice (as the case may be) by the Transferring Shareholder shall determine the rights of the Principal Shareholders to nominate to the Management Board Members and Supervisory Board Members and (as the case may be) the date of termination of non-compete obligations under the Relationship Agreement, rather than the date of the actual sale or transfer of shares (b) the Transferring Shareholder shall at all times vote all of the Transfer Shares, and utilise all of the rights attaching to the Transfer Shares in accordance with the written instructions of the Notified Party following its receipt of such Acceptance Notice; (c) interest shall accrue on the consideration for the transfer of the Transfer Shares at a rate of the 6 month EURIBOR plus 2% from the date of receipt of the Acceptance Notice by the Transferring Shareholder until the date of payment of such consideration (the "Interest") and the Interest shall be payable at the completion of the transfer of all of the Transfer Shares; and (d) at the completion of the transfer of all of the Transfer Shares, the Transferring Shareholder shall pass to the Notified Party any dividend payments that are distributed to shareholders of Ronson subsequent to its receipt of a Acceptance Notice (net of applicable taxes payable by the Transferring Shareholder as a result of its receipt of such dividends) and which are attributable to the Transfer Shares, subject to any set-off in respect of payments of Interest which are due to the Transferring Party from the Notified Party.

The Relationship Agreement provides that each of the Principal Shareholders shall be entitled to make a disposal of its Shares to its affiliates, provided that a transferee affiliate shall execute an adherence agreement and shall not cease to be an affiliate of the Transferring Party.

Except as specifically set forth in the Relationship Agreement, the Principal Shareholders have agreed that they and their affiliates shall refrain from engaging in Poland in competitive business activities until such time as one or the other Principal Shareholder (or its affiliates) loses or relinquishes its right to nominate the appointment of at least one Director or one Supervisory Board Member under this Agreement.

Generally, this restriction shall not apply to (i) development projects that have been considered and rejected by the Management Board and/or Supervisory Board of the Company, (ii) passive investment in a real property investment fund whose investment portfolio include residential development projects in Poland, provided that such fund's investment portfolio shall include investments outside of Poland and passive investments, (iii) the acquisition of an international group whose main activities are outside of the Polish residential real estate market, and (iv) and acquisitions of interests by an affiliate of GE Real Estate, which is a bank or credit institution, as a result of enforcement of a security instrument.

Each of the Principal Shareholders shall procure in so far as it is legally able, that each of their respective affiliates will conduct all transactions and relationships with the Company and its affiliates on an arm's length terms and on a normal commercial basis. Any of the Principal Shareholders will not take any action which precludes or inhibits any of its affiliates from carrying on its business independently of Principal Shareholder.

The Relationship Agreement is conditional upon, and shall come into force on, Admission and shall terminate when (i) the aggregate interest of the Principal Shareholders and their associates in the issued share capital of the Company falls below 40% of the total issued share capital of the Company, unless the Principal Shareholders Group still retains sufficient voting power at general meetings of the shareholders of Ronson to procure the appointment of all Management Board Members in accordance with its nominations, (ii) one of the Principal Party's aggregate interest in the issued share capital of the Company, together with its associates falls below 10% of the aggregate interest held by the Principal Shareholders and their associates; (iii) the Shares cease to be listed and traded on the Warsaw Stock Exchange, or (iv) neither of Israel Theaters Ltd. nor U.Dori Engineering Works Corporation Ltd. control or (together) jointly control ITR Dori B.V. and GERE elects to terminate the Relationship Agreement as a result of such change of control; or (v) GERE ceases to be controlled by the General Electric Company and ITR Dori B.V. elects to terminate the Relationship Agreement as a result of such change of control.

## MANAGEMENT AND EMPLOYEES

### General

Set out below is a summary of relevant information concerning the Management Board, Supervisory Board, Senior Management and other employees. In addition, a brief summary of certain significant provisions of Dutch corporate law and the Company's Articles of Association in respect of the Company's Management Board and Supervisory Board as they will read after the expected execution of the Deed of Amendment, which was approved on 28 September 2007, is set out below. Please see "*Description of Share Capital and Corporate Governance - General*".

The numbers of Shares and other securities and exercise prices set forth in this chapter are based on the assumption that the capital restructuring reflected in the Deed of Amendment has been completed. Please see "*Description of Share Capital and Corporate Governance - Share Capital - Authorized and Issued Share Capital*".

The Company has a two-tier board structure, consisting of an Management Board ('*Directie*') and a Supervisory Board ('*Raad van Commissarissen*'). The day-to-day management and policy-making of the Company is vested in the Management Board, under the supervision of the Supervisory Board. There are currently five members of the Management Board whose names are set out below. The Supervisory Board supervises the Management Board and the Company's general course of affairs and the business it conducts. It also supports the Management Board with advice. In performing their duties the Supervisory Board members must act in accordance with the interests of the Company and the business connected with it.

### Powers, Composition and Function of the Management and Supervisory Boards

#### Management Board

The Management Board is responsible for the day-to-day management of the Company's operations under the supervision of the Supervisory Board. The Management Board is required to keep the Supervisory Board informed, consult with the Supervisory Board on important matters and submit certain important decisions to the Supervisory Board for its approval, as more fully described below.

The Company's Articles of Association provide that the Management Board shall consist of one or more managing directors A and may, in addition, consist of one or more managing directors B. The Supervisory Board shall determine the precise number of members of the Management Board and the precise number of Management Board members of a specific class. The General Meeting of Shareholders shall grant the title of "Chief Executive Officer" to one of the managing directors A, who will be the chairman of the Management Board. The General Meeting of Shareholders may also grant the title of "Chief Financial Officer" to a managing director A and other titles to managing directors A or managing directors B.

The Management Board may perform all acts necessary or useful for achieving the Company's corporate purpose, save for those acts that are prohibited by law or by its Articles of Association. The Management Board as a whole is authorized to represent the Company, as are two members of the Management Board acting jointly among whom, if one or more managing directors B are in office, at least one managing director B.

Members of the Management Board are appointed by the General Meeting of Shareholders following a nomination by the Supervisory Board. A nomination which is drawn up in time and which contains the names of no less than two persons for each vacancy, shall be binding. However, the General Meeting of Shareholders may deprive the nomination of its binding character by resolution adopted with a majority of not less than two thirds of the votes cast, representing more than half of the issued capital.

The current members of the Management Board have been appointed for an indefinite period of time. In view of the Dutch Corporate Governance Code, the Company's Articles of Association provide (i) that new members of the Management Board are appointed for a maximum term of four years, unless provided otherwise in the resolution to appoint such member and (ii) that reappointment is possible.

The General Meeting of Shareholders may suspend or dismiss Management Board members at any time. If a resolution to suspend or dismiss a Management Board member has not been proposed by the

Supervisory Board, the resolution to suspend or dismiss a Management Board member is adopted with not less than two thirds of the votes cast, representing more than half of the issued capital. The Supervisory Board may also suspend Management Board members at any time. The suspension may at all times be cancelled by the General Meeting of Shareholders by a resolution adopted with not less than two thirds of the votes cast, representing more than half of the issued capital.

Under the Articles of Association, all resolutions by the Management Board shall be adopted by an absolute majority of the votes cast, provided, however, resolutions with respect to the purchase of real property shall be adopted by the board of managing directors by unanimous vote.

The Company's Articles of Association provide that the Management Board may adopt rules and regulations governing its decision-making process ("Management Board Rules"), subject to the approval of the Supervisory Board.

Under the Articles of Association, the Supervisory Board may resolve that specific resolutions of the Management Board must be approved by the Supervisory Board. Such resolutions shall be clearly specified and reported to the Management Board in writing. The absence of approval of the Supervisory Board shall not affect the authority of the Management Board or its members to represent the Company. Currently, no resolutions of the Management Board have been made subject to the approval of the Supervisory Board.

The Management Board shall at least once a year submit to the Supervisory Board for approval the strategy designed to achieve the Company's operational and financial objectives and, if necessary, the parameters to be applied in relation to that strategy.

### ***Supervisory Board***

The Supervisory Board is responsible for supervising the conduct of and providing advice to the Management Board and supervising the Company's business generally. In performing its duties, the Supervisory Board is required to act in the interests of the Company's business as a whole. The members of the Supervisory Board are not, however, authorized to represent the Company in dealings with third parties.

The Company's Articles of Association provide that the Supervisory Board will consist of at least three and at the most seven natural persons of which at least one shall be independent within the meaning of the Articles of Association.

The Company's Articles of Association provide that the General Meeting of Shareholders appoints the members of the Supervisory Board following a nomination by the Supervisory Board. A nomination which is drawn up in time and which contains the names of no less than two persons for each vacancy, shall be binding. However, the General Meeting of Shareholders may deprive the nomination of its binding character by resolution adopted with a majority of not less than two thirds of the votes cast, representing more than half of the issued capital.

The current members of the Supervisory Board have been appointed for the term specified. In view of the Dutch Corporate Governance Code, the Articles of Association provide that any newly appointed member of the Supervisory Board will serve for a maximum of four years, unless provided otherwise in the resolution to appoint the Supervisory Board member in question, and may only be reappointed twice. The Supervisory Board shall appoint a chairperson and may appoint a vice-chairperson from amongst its members.

Under the Articles of Association, the General Meeting of Shareholders may at any time suspend or dismiss Supervisory Board members. If a resolution to suspend or dismiss a member of the Supervisory Board has not been proposed by the Supervisory Board, the resolution to suspend or dismiss a member of the Supervisory Board is adopted with not less than two thirds of the votes cast, representing more than half of the issued capital. The Articles of Association provide that the Supervisory Board members shall retire periodically in accordance with a rotation plan to be drawn up by the General Meeting of Shareholders.

Under the Articles of Association, the Supervisory Board can only adopt resolutions by an absolute majority of the votes cast. Each member of the Supervisory Board shall be entitled to one vote.

The Company's Articles of Association provide that the Supervisory Board may adopt rules and regulations governing its decision-making process ("Supervisory Board Rules").

## Members of the Management and Supervisory Boards

### *Management Board*

The following table sets out information with respect to each of the members of the Management Board, their respective ages and their positions at the Company as at the date of this Prospectus. The President and the remaining members of the Management Board have been appointed for an indefinite period. The business address of the following persons is the Company's principal place of business at Weena 210-212, 3012 NJ, Rotterdam, the Netherlands.

<b>Name</b>	<b>Position</b>	<b>Age</b>
Dror Kerem	President of the Board, Chief Executive Officer, director A	49
Ariel Bouskila	Member of the Management Board, Chief Financial Officer, director A	33
Karim Habra	Member of the Management Board, director B	32
David Katz	Member of the Management Board, director B	64
Amos Weltsch	Member of the Management Board, director B	57

### *Supervisory Board*

The following table sets out information with respect to each of the members of the Supervisory Board, their respective ages and their positions at the Company as at the date of the Deed of Amendment. The terms of office for all members of the Supervisory Board expire in 2011. There is currently one vacancy on the Supervisory Board and it is expected that such vacancy will be filled following the Offering by an independent director. The business address of the following persons is the Company's principal place of business at Weena 210-212, 3012 NJ, Rotterdam, the Netherlands.

<b>Name</b>	<b>Position</b>	<b>Age</b>
Uri Dori	Chairman of the Supervisory Board	65
Thierry Leleu	Member of the Supervisory Board	39
Mark Segall	Member of the Supervisory Board	45
Yair Shilhav	Member of the Supervisory Board, Chairman of the Audit Committee	48

## Relevant expertise and experience of the members of the Management and Supervisory Boards

### *Management Board*

#### *Dror Dory Kerem*

Dror Dory Kerem was appointed the President and Chief Executive Officer of the Company on 1 October 2007. Mr Kerem joined the Group in 2000, at which time he was appointed the President of R.D. Management Sp. z o.o. He has also served as a general manager of the Group for the last seven years. Until 2003, he was on the management board of Globcom Sp. z o.o.

#### *Ariel Bouskila*

Ariel Bouskila was appointed as a member of the Management Board and Chief Financial Officer of the Company on 1 October 2007. Mr Bouskila joined the Group in August 2006, at which time he was appointed a member of the management board of R.D. Management z o.o. From 2005 to 2007 he was a member of the management board of Forum Film Poland Sp. z o.o. and from 2005 to 2006 he was a member of the management board of All Job Poland Sp. z o.o.

#### *David Katz*

David Katz was appointed a member of the Management Board of the Company on 1 October 2007. Since 1983, Mr Katz has been the Vice President of U. Dori Engineering Works Corporation Ltd. and is currently the manager of the initiative department outside of Israel in U. Dori Engineering Works Corporation Ltd. From 1969 to 1983 he was a performance engineer at Ashtrom Engineering & Construction Ltd. He is a member of the board of the following companies: U. Dori Engineering Works Corporation Ltd, Jerusalem Finance B.V, I.T.R Dori B.V, D.A.C Engineering Ltd, ACAD Building and Investments Limited, ACAD Equipment and Assets (1979) Limited, U. Dori Technologies & Investments Ltd, Bay Heart Assets (1994) Limited, U. Dori Construction and Infrastructure Ltd, Mildan Initiating and Investments Ltd, David K. Holdings Ltd.

#### *Karim Habra*

Karim Habra was appointed a member of the Management Board member on 1 October 2007. Mr Habra has been the Managing Director of GE Real Estate Central and Eastern Europe since 2003. From

2000 to 2003 he was the Business Development Director of GE Real Estate Central and Eastern Europe and from 1998 to 2000 he was an Acquisition Associate Director of GE Real Estate Europe. He serves as a board member of the following companies: GE Real Estate Czech Republic s.r.o., IGY České Budějovice s.r.o., IGY Czech s.r.o., IGY a.s., SV FÁZE II. s.r.o., SLUNEČNÝ VRŠEK III. s.r.o., Košík Development s.r.o., GFR s.r.o., OC Slovakia s.r.o., GE Real Estate Poland Sp. z o.o., GE Debt Management TFI S.A., Karafiat House Sp. z o.o., Gator Investments Sp. z o.o., Gemini Investments Sp. z o.o., GE Debt Closed-End Investment Fund Non-Standardized Securitization Fund, GECGE Kosik Investors S.a.r.l., Nove Czech Investment Company S.a.r.l., Scandia L.L.C., EURO MALL VENTURES S.a.r.l., Central Europe Capital Inc.

#### ***Amos Weltsch***

Amos Weltsch was appointed a member of the Management Board member on 1 October 2007. Mr Weltsch has been the chief operating officer of Cinema City N.V. since 1980. He has also held various senior management positions with Israel Theatres Limited and affiliated companies since 1980. From 1974 to 1978, he was a manager at L. Glickman Building Materials, and from 1978 to 1980, a managing director of Eitan Cement Limited.

#### ***Supervisory Board***

##### ***Uri Dori***

Uri Dori was appointed the Chairman of the Supervisory Board of the Company on 28 September 2007 (effective as of the date of the Deed of Amendment). He is the Chairman of the management board and Chief Executive Officer in U. Dori Engineering Works Corporation LTD. Mr Dori is a member of the board of the following companies: U. Dori Engineering Works Corporation LTD, ACAD Building and Investments Ltd., ACAD Equipment and Assets (1979) Ltd. ROM GEVES Casing and Covering (1997) Ltd., Innovate Ltd., Bay Heart Limited, U. Dori Technologies & Investments Ltd., Maor – Mortgage Bonds Backed Securities (1999) Ltd., Mendor Limited, Bay Heart Assets (1994) Limited, U.N. Dori Ltd, Ziggurat Systems Ltd., U. Dori Construction and Infrastructure Ltd., Mildan Initiating and Investments Ltd, Udor Holdings Ltd.

##### ***Thierry Leleu***

Thierry Hubert Francois Leleu was appointed a member of the Supervisory Board of the Company on 28 September 2007 (effective as of the date of the Deed of Amendment). Since 2006, Mr Leleu has been the General Counsel of GE Real Estate Europe SAS. Prior to 2006, Mr Leleu was an investment director at Orion Capital Management, a European real estate private equity fund and, until 2002, he was a partner at Norton Rose law firm. He has been serving as a member of the board of directors of DxO Labs since 2002 and AZMT Holding B.V. since 2007. He is also a member of the management board of Olympian B.V. (under incorporation).

##### ***Mark Segall***

Mark Segall was appointed a member of the Supervisory Board of the Company on 28 September 2007 (effective as of the date of the Deed of Amendment). Mr Segall is the founder of Kidron Corporate Advisors LLC, a corporate advisory and mergers and acquisitions boutique, and of Kidron Opportunity Fund I, LLC, a small private equity fund. Prior to forming Kidron in 2003, he was the chief executive officer of Investec Inc. Mr Segall serves on the board of directors of Integrated Asset Management plc, and Answers Corporation.

##### ***Yair Shilhav***

Yair Shilhav was appointed a member of the Supervisory Board in 28 September 2007 (effective as of the date of the Deed of Amendment), and will be the Chairman of the Audit Committee. Since 2004, Mr Shilhav has been the owner of a business consulting office in Haifa. Between 2000 and 2003, he was a member of executive directory committee, the Somekh Chaikin CPA firm, a member firm of KPMG (“Somekh Chaikin”). Between 1995 and 2003, he was the head of the Tel-Aviv branch of Somekh Chaikin, of which he was a partner from 1990 to 2003. Prior to becoming a partner at Somekh Chaikin, he was the head of the professional and finance department of the same firm. He was also the head of the accountancy faculty at Haifa University between 1998 and 2002.

## Senior Management

Our Management Board is supported by the following members of the management team ("Senior Management"):

Name	Position	Age
Anna Barbara Petruliewicz	Director of Operations	30
Andrzej Gutowski	Sales and Marketing Manager	38

### *Anna Barbara Petruliewicz*

Anna Barbara Petruliewicz was named the Group's Director of Operations in September 2006. She joined the Group in May 2001, initially as a book-keeper. She was the Group's general bookkeeper from January 2002 to July 2005 and the Financial Director from August 2005 to August 2006. She is the President of Brighton Tec Sp. z o.o., the President of 14 Ronson Company Sp. z o.o., and is a board member of 9 Ronson Sp.k. and 6 Ronson Sp.k.

### *Andrzej Gutowski*

Andrzej Gutowski has been the Sales and Marketing Manager of the Group since 2004. Prior to joining the Group, from 1994 to 2003, he was the Director of Primary Markets and a member of the management board of Emmerson Sp. z o.o.

## Supervisory Board Composition; Audit, Remuneration and Appointment Committees

The General Meeting of Shareholders resolved that the Company will have a Supervisory Board of five members. In accordance with the requirements of the Code, the Supervisory Board will prior to listing install from among its members an Audit Committee, and a Remuneration and Nominating Committee.

### *Audit Committee*

The Company's Audit Committee assists the Supervisory Board in monitoring its systems of internal controls, the integrity of the Company's financial reporting process and the contents of the Company's financial statements and reports. The Audit Committee also assists the Supervisory Board in assessing and mitigating the Company's business and financial risks.

The Audit Committee shall meet at least twice a year and shall also meet each time the Company proposes to issue a press release containing the Company's financial figures.

### *Remuneration and Nominating Committee*

The Company's Remuneration and Nominating Committee advises the Supervisory Board on the remuneration of the members of the Management Board and monitors the Company's remuneration policy, which covers bonus plans for the Company's Senior Management and members of the Management Board. The Remuneration and Nominating Committee further advises on the selection criteria and appointment procedures for members of the Management Board and members of the Supervisory Board, the proposals for appointments and reappointments, and the policy of the Management Board on selection criteria and appointment procedures for the Senior Management. It also assesses the functioning of individual members of the Supervisory Board and the Management Board.

## Directors' Remuneration, Benefits and Terms and Conditions

### *Remuneration Policy*

The objective of the Company's remuneration policy is to provide a compensation programme that allows the Company to attract, retain and motivate members of the Management Board and Supervisory Board who have the character traits, skills and background to successfully lead and manage respectively supervise the Company.

The remuneration policy, which sets forth the terms of remuneration of members of the Management Board, was adopted by the General Shareholders' Meeting on 1 October 2007. The remuneration of members of the Supervisory Board was also adopted by the same General Shareholders' Meeting. In the year ended 31 December 2006, the total remuneration, including salary and bonuses, paid to the



members of the Management Board of the Company and the Senior Management was PLN 630 thousand. The Company did not have a Supervisory Board in 2006.

#### ***Management Board***

##### ***Dror Kerem***

Dror Kerem will enter into a consulting agreement with Ronson Management Sp. z o.o. for an unspecified period of time and which may be terminated by either party with six months notice. The agreement will include a non-compete clause that will require Mr Kerem, acting directly or indirectly, to refrain from any activity that is competitive to the Company's activity for the term of the agreement and in the event that Mr Kerem terminates his consulting agreement for a period of twelve months thereafter. The consulting agreement will entitle Mr Kerem to a gross monthly fee of the PLN equivalent of USD 20,000. In addition, he will be entitled to a bonus set at 3.3% of the consolidated annual pre-tax profit of the Group. Mr Kerem will be entitled to reimbursement of housing/office costs of the PLN equivalent of USD 1,400 monthly, cover of educational expenses of his children, health insurance for himself and his family, a company car, telephone and cellular phone and flight expenses for one journey from Warsaw to Tel Aviv for Mr. Kerem and his family. Mr Kerem will not be entitled to any benefits upon termination except for a severance payment, which will be equal to a one-time payment of a bonus amount which is equivalent to an aggregate annual bonus of 3.3% of the consolidated annual pre-tax profit of the Group Companies, proportionate to the amount of the financial year for which Mr Kerem was subject to the consulting agreement, less any amounts already received by Mr Kerem, as bonus during such financial year and an additional amount in respect of unfinished project constituting a variable of the profits of such project, depending on the stage of completion. Mr Kerem will be entitled to designate an entity to assume the rights and obligations under the agreement.

Pursuant to a shareholders resolution dated 1 October 2007 Mr Kerem, or the designated entity, has been granted the following stock incentives: (i) 300,000 shares in the Company for consideration equal to the aggregate nominal value of such shares, on the date falling six months from the date of Admission, subject to his agreement not to sell, pledge, encumber or transfer these shares until the end of the six month period from the Admission; and (ii) upon the Admission, options to acquire 1.2 million shares in the Company exercisable at the purchase price per share equal to the price per share of the Company on the date of Admission, which shall vest at a rate of 240,000 shares per year annually commencing on the anniversary date of the Listing, provided, however, that if the consulting agreement is terminated (for any reason), Mr Kerem's (or the designated entity) entitlement to the vesting of the options on the anniversary date of the year of such termination shall be relative to the proportion of the year (to the anniversary date) he was contracted by the Company.

##### ***Ariel Bouskila***

Ariel Bouskila will enter into a consulting agreement with Ronson Management Sp. z o.o. for an unspecified period of time and which may be terminated by either party with three months notice. The employment contracts will entitle Mr Bouskila to a gross monthly salary of the PLN equivalent of EUR12,250. Mr Bouskila will be entitled to the cover of health insurance for himself and his family, a company car, telephone and cellular phone, costs of cable television services, and flight expenses for one journey from Warsaw to Tel Aviv for Mr Bouskila and his family.

Mr Bouskila is entitled to participate in the Company's Employee Stock Incentive Plan described below.

#### ***Supervisory Board***

Each Supervisory Board member currently receives annual remuneration of EUR8,900 and EUR1,500 per attendance at meetings or EUR750 if attendance is by telephone. The Supervisory Board members are not entitled to any benefits on termination of their service.

### ***Value of remuneration and bonuses***

The following table presents the remuneration and bonuses (in cash and in kind) paid out or payable for the year ended 31 December 2006 for each of the Management Board members and Senior Management.

	Employment agreement (PLN)	Management salary (PLN)	Other (bonuses) (PLN)	Total
<b>Management Board</b>				
Dror Kerem .....	24,000	182,646	161,000	367,466
Ariel Bouskila .....	8,200	16,500		24,700
<b>Senior Management</b>				
Anna Petruliewicz .....	100,763	—	5,000	105,763
Andrzej Gutowski.....	75,754	—	56,000	131,754

### ***Employee Stock Incentive Plan***

The Company intends to present to its General Meeting of Shareholders, for approval prior to the Allotment Date, an employee stock incentive plan (the “Employee Stock Incentive Plan”) comprising a maximum of 4,000,000 newly issued Shares for members of the Management Board, members of management and employees of the Company. Therefore, the General Meeting of Shareholders has resolved to authorize the Supervisory Board to determine, with the participation of at least one independent member of the Supervisory Board, the exact terms of any stock or stock-based incentive scheme, and the persons entitled to participate therein, upon the recommendation of the Management Board. The General Meeting of Shareholders shall approve the general terms, criteria and beneficiaries of the Employee Stock Incentive Plan. In addition, under such resolution, the Company may purchase its shares in the open market to satisfy any share entitlements upon exercise of any options issued or granted under its Employee Stock Incentive Plan. However, the Issuer has agreed with the Management Board to reasonably procure that any beneficiary of the Stock Incentive Plan who receives any options, shares or other securities of the Issuer in connection with the Employee Stock Incentive Plan will not offer, sell, contract to sell, pledge or otherwise transfer or dispose of any such options, Shares or other securities during the Lock-up Period. Please see “*Terms and Conditions of the Offering – Lock-up Agreements*”.

Other than as described above and in connection with Mr Kerem’s consultancy agreement, the Company has not granted any other rights, including but not limited to rights to subscribe for Shares, warrants, option rights or entitlements to any person or entity.

### ***Pensions***

According to the relevant laws, the Company’s subsidiaries in Poland are required to deposit amounts, on a monthly basis, to retirement and pension funds on behalf of their employees, and therefore have no liabilities towards them.

### ***Other Information***

At the date of this Prospectus, no member of the Management Board or Supervisory Board has, in the previous five years (i) been convicted of any offences relating to fraud; (ii) held an executive position at any company at the time of or immediately preceding any bankruptcy, receivership or liquidation; (iii) been subject to any official public sanction by any statutory or regulatory authority (including any designated professional body), and (iv) been the subject of any official public incrimination or been disqualified by the court from acting as a member of the administrator, management or supervisory bodies of a company or from acting in the management or from conduct of the affairs of any company.

No family relationships exist between the members of the Management Board or Supervisory Board.

No member of the Management Board or Supervisory Board has a conflict of interest actual or potential) between his private interests and duties to the Company.

Except as specifically noted in the biographical notes appearing above under the captions “*Relevant expertise and experience of the members of the Management and Supervisory Boards – Management Board*” and “*Relevant expertise and experience of the members of the Management and Supervisory Boards – Supervisory Board*”, no member of the Management Board or Supervisory Board holds a

supervisory or a non-executive position in another listed company or carries on principal activities outside the Company which are of significance with respect to the Company.

Except as otherwise provided in the information relating to the service contracts of Mr Dror Kerem, no member of the Management Board or Supervisory Board is entitled to any benefits on termination of their employment under their respective service contracts.

No member of the Management Board or Supervisory Board intends to subscribe for Shares in the Offering.

Other than as set out above in the context of the share options granted to Mr Kerem in connection with the Listing, none of the members of the Company's administrative, management or supervisory bodies or any senior managers, own Shares or hold options over the Shares.

## Employees

The Company's 34 employees, both full-time and part-time, are employed by R.D. Management Sp. z o.o. under standard employment agreements, containing only minimum provisions required by law, on a monthly-salary basis. As of 30 June 2007 14 employment agreements were entered into for a specified period of time and 13 employment agreements were entered into for an unlimited period of time. Seven agreements were concluded for a trial period of three months.

The sales team and marketing director are eligible under a bonus program that provides for the payment of quarterly bonuses conditional on achieving established minimum sales targets.

According to the Company's data, none of its employees is a member of a trade union. The Company has not experienced any industrial action by its own employees. The Company considers its relationship with its employees to be very good.

The table below shows employee turnover for the years ended 31 December 2004, 2005, 2006 and as of 30 June 2007.

	2004	2005	2006	2007
Number of employees at the beginning of term .....	13	14	19	27
Hires .....	4	7	14	12
Terminations.....	3	2	6	5
Number of employees at the end of term .....	14	19	27	34
Turnover.....	1	5	8	7

The Company considers its employee relations to be good. None of the employees are members of unions in any of the countries in which the Company operates. The Company has not experienced any material disruptions to its operations arising from labor disputes with its employee in the last three years.

## Indemnification and Insurance

In order to attract and retain qualified and talented persons to serve as members of the Management Board or the Supervisory Board, in respect of a sector, region, product group or other internal company structure or segment, the Company provides such persons with protection through a directors' and officers' insurance policy.

Furthermore, the Company will indemnify members of its Management Board and Supervisory Board for the losses, including liabilities, damages, costs (including reasonable legal costs and reasonable experts' and consultants' fees), charges, expenses, actions, fines (whether civil, administrative or criminal in nature), amounts paid in settlement, claims (including third-party claims) and demands, that arise from a claim or proceedings related to the fulfillment of the duties of such member or to the fulfillment of any other duties for subsidiaries or other enterprises with which the Company is affiliated in a group or to duties that are fulfilled elsewhere on the request of the Company or by virtue of their position. No indemnification will be given if it has been determined by a judgment which is no longer subject to appeal, that the act or failure to act of the member of the Management Board or the Supervisory Board in question is characterized as willful misconduct or gross negligence, or that the act or failure to act of such member is characterized as conduct that is in violation with the standards set out in article 2:9 DCC and that the member of the Management Board or Supervisory Board in

question is not entitled to indemnification as a result of such characterization, or if and to the extent the losses are or can be refunded by an insurer under an insurance policy.

## RELATED-PARTY TRANSACTIONS

Except as disclosed below, the members of the Management Board and the Supervisory Board, and the Principal Shareholders have had no interest in any transactions to which the Company was a party since 1 January 2006 or which were entered into by the Company prior thereto and under which the Company or the other parties still have ongoing obligations.

The main related-party transactions arise with the following:

- loans granted: On 31 October 2006, the Group granted an unsecured loan to Jerusalem Finance Company B.V. ("JFC") amounting to PLN 13,399 thousand. JFC is a company fully owned by ITR Dori B.V., which provides financing to each of the companies within the Group. The balance as at 31 December 2006 includes the principal of PLN 13,399 thousand plus accrued interest of PLN 134 thousand. The loan is due on 31 October 2011 and bears an interest rate of 6%. Following the incorporation of the Company in June 2007, the liability under this loan agreement including the accrued interest as at 29 June 2007 amounting to PLN 13,932 thousand were assigned to the Company. As a result, upon consolidation the amount receivable as at 30 June 2007 has been eliminated against the liability of the Company as at 30 June 2007.
- loans received: The Company has entered into a series of loan agreements with JFC and Gator in the aggregate amount outstanding of PLN 72,703 thousand as of 30 June 2007. During the period proceeding the Offering, JFC and Gator granted pre-IPO financing to the Company and as of the date of this Prospectus, the amount outstanding under the loan agreement granted by JFC and Gator was PLN 98,433 thousand. All such loans are unsecured and have as maturity date 31 October 2011 bearing an interest rate of 6%. The loans are all denominated in Polish Zloty.
- charges from ITR Dori B.V.: during the financial year ended 31 December 2006, transactions with ITR Dori B.V. comprised services and consultancy fees paid in respect of management services provided for the benefit of the Group companies in the amount of PLN 1,850 thousand. As at 31 December 2006, the amount owed by ITR Dori B.V. to the Group amounted to PLN 79 thousand, whereas the amount owed to ITR Dori B.V. at the same date was PLN 4 thousand.
- transactions with key management personnel: Apart from the compensation in the amount of PLN 630 thousand, company cars, company mobile telephones and certain health insurance benefits, there were no additional benefits granted to key management personnel in the year ended 31 December 2006.

On 23 November 2006, R.D. Management Sp. z o.o. entered into management services agreements ("MSAs") with eighteen of the Company's subsidiaries i.e.: Ronson Development Innovation Sp. z o.o., E.E.E. Development Sp. z o.o., Ronson Development Wrocław Sp. z o.o., Ronson Development Metropol Sp. z o.o., Ronson Development Poznań Sp. z o.o. Ronson Development Apartments Sp. z o.o., Ronson Development Buildings Sp. z o.o., Ronson Development 2000 Sp. z o.o., Ronson Development Company Sp. z o.o., Ronson Development Creations Sp. z o.o., Ronson Development Structure Sp. z o.o., Ronson Development Investment Sp. z o.o., Ronson Development City Sp. z o.o., Ronson Development Enterprise Sp. z o.o., Ronson Development Habitat Sp. z o.o., Ronson Development Capital Sp. z o.o., Ronson Development Properties Sp. z o.o. and Ronson Development Warsaw Sp. z o.o.

On the basis of those agreements, R.D. Management Sp. z o.o. provides the subsidiaries with management services required to efficiently manage the development process of residential apartment buildings, from acquisition of land, through receipt of required zoning, building, occupancy and other permits, approvals, notifications and administrative decisions, including the marketing and sale of apartment units and management of completed residential property.

For the services rendered, R.D. Management Sp. z o.o. is entitled to a monthly fixed fee for general administration services, a monthly variable fee for pre-development and development related services, a monthly marketing and advertising fee and a monthly sales fee.

The agreements are concluded for a defined period of time required to complete the development process and may be terminated by the subsidiary concerned only in case of a serious breach of obligation by R.D. Management Sp. z o.o., provided that such breach has not been remedied within the period of notice.

## DESCRIPTION OF SHARE CAPITAL AND CORPORATE GOVERNANCE

### General

The Company was incorporated in the Netherlands on 18 June 2007 by a notarial deed of incorporation as a public company with limited liability under the laws of the Netherlands (*'naamloze vennootschap'* or *"N.V."*) under the name Ronson Europe N.V. The articles of association will be amended and restated entirely, prior to the listing, so that they will read as described herein, pursuant to shareholders resolutions executed on 28 September 2007.

The Company's registered office is at Weena 210-212, 3012NJ Rotterdam, the Netherlands. The Company can be contacted through its website which is [www.ronson.pl](http://www.ronson.pl). The contents of the Company's website are expressly not incorporated by reference into this Prospectus.

Set out below is a summary of certain relevant information concerning the Company's share capital, certain significant provisions of Dutch corporate law and a brief summary of certain provisions of the Articles of Association.

This summary does not purport to give a complete overview and should be read in conjunction with the Articles of Association, together with relevant provisions of Dutch law, and does not constitute legal advice regarding these matters and should not be considered as such.

### Corporate Objects

Pursuant to Article 3 of the Articles of Association, the Company's corporate objects are:

- to participate in Polish and other European companies with activities in the field of development and trade and other commercial activities involving real estate and anything ancillary thereto;
- to incorporate, participate in, conduct the management of and take any other financial interest in other companies and enterprises;
- to acquire, dispose of, manage and exploit real and personal property, including patents, marks, licenses, permits and other industrial property rights;
- to render administrative, technical, financial, economic or managerial services to other companies, persons or enterprises; and
- to borrow and/or lend moneys, act as surety or guarantor in any other manner, and bind itself jointly and severally or otherwise in addition to or on behalf of others;
- the foregoing whether or not in collaboration with third parties and inclusive of the performance and promotion of all activities which directly and indirectly relate to those objects, all this in the broadest sense of the terms.

### Share Capital Authorized and Issued Share Capital

Issued ordinary share capital	Cumulative number of shares	Nominal value (EUR per share)
Current shares issued as at the date	200,000,000	0.02
New Shares to be issued for the Offering	<u>40,000,000</u>	0.02
<b>Total issued shares post-Offering</b>	<b><u>240,000,000</u></b>	0.02

The Issuer has only one class of shares outstanding, all of which have equal voting rights and none of the Issuer's shareholders have different voting rights from any other shareholders, other than the greater or lesser voting power inherent in their percentage ownership in the Issuer's share capital.

Currently, neither the Company nor any of its subsidiaries hold any of the Company's shares. All shares that are outstanding as of the date of this Prospectus are fully paid up.

The principal legislation under which the Company's shares have been created and under which the Company was formed and now operates is Book 2 of the Dutch Civil Code.

### ***Issue of Shares and Pre-emptive Rights***

In general, each holder of the Company's ordinary shares shall have a pre-emptive right to subscribe for newly issued ordinary shares, pro rata to the aggregate amount of that holder's ordinary shares. Such pre-emptive rights do not apply, however, in respect of (i) ordinary shares issued for a non-cash contribution, and (ii) ordinary shares issued to employees of the Company or of a group company of the Company.

Our Articles of Association provide that the Management Board, with the prior approval of the Supervisory Board, is authorized to resolve to issue ordinary shares with a maximum per separate issuance of twenty-five percent (25%) of the issued share capital immediately prior to that issuance, and/or to limit or exclude pre-emptive rights in relation to an issuance of shares, for a period of five years, ending five years after the Deed of Amendment becoming effective. This delegation may be extended, either by an amendment to the Articles of Association, or by a resolution of the General Meeting of Shareholders, for a period not exceeding five years in each case. A delegation pursuant to a resolution of the General Meeting of Shareholders shall require the proposal of the Management Board, which is subject to the prior approval of the Supervisory Board.

Designation of the Management Board as the corporate body with these authorities by the Articles of Association may be revoked by an amendment of the Articles of Association. Designation of the Management Board as the corporate body with these authorities by the General Meeting of Shareholders cannot be revoked, unless determined otherwise at the time of designation.

Following termination of the Management Board's authority to resolve to issue ordinary shares and/or to limit or exclude pre-emptive rights in relation to an issue of shares, the General Meeting of Shareholders shall be authorized to do so, unless it has delegated these authorities to another corporate body.

No resolution of the General Meeting of Shareholders or the Supervisory Board is required for an issue of shares pursuant to the exercise of a previously granted right to subscribe for shares.

### ***Granting of Rights to Subscribe for Shares***

Our Articles of Association delegate the authority to grant rights to subscribe for shares to the Management Board, with the prior approval of the Supervisory Board, for a period of five years after the Deed of Amendment becoming effective. This delegation may be extended, either by an amendment to the Articles of Association, or by a resolution of the General Meeting of Shareholders, for a period not exceeding five years in each case. A delegation pursuant to a resolution of the General Meeting of Shareholders shall require a proposal by the Management Board, which is subject to prior approval of the Supervisory Board.

Designation of the Management Board as the corporate body with the authority to grant rights to subscribe for shares by the Articles of Association may be revoked by an amendment of the Articles of Association.

Designation of the Management Board as the corporate body with the authority to grant rights to subscribe for shares by the General Meeting of Shareholders cannot be revoked, unless determined otherwise at the time of designation.

Following termination of the Management Board's authority to grant rights to subscribe for ordinary shares, the General Meeting of Shareholders shall be authorized to do so, unless it has delegated these authorities to another corporate body.

### ***Acquisition of Shares in the Company's Capital***

The Company may acquire its own fully paid shares at any time for no consideration ('*om niet*'). Furthermore, subject to certain provisions of Dutch law and the Articles of Association, the Company may acquire fully paid shares in its own capital if (i) its shareholders' equity less the payment required to make the acquisition, does not fall below the sum of the paid-in and called-up share capital plus the reserves as required to be maintained by Dutch law or by the Articles of Association (such excess, the "Distributable Equity") and (ii) the Company and its subsidiaries would thereafter not hold shares in the Company or hold a pledge over the Company's shares with an aggregate nominal value exceeding 10% of its issued share capital.

Other than those shares acquired for no consideration, shares may only be acquired subject to a resolution of the Management Board, which is approved by the Supervisory Board, and authorized by the General Meeting of Shareholders. Such authorization from the General Meeting of Shareholders for the acquisition of the Company's shares shall specify the number and class of these shares that may be acquired, the manner in which these shares may be acquired and the price range within which shares may be acquired. Such authorization may be valid for no more than 18 months.

The General Meeting of Shareholders has authorized the Management Board to acquire a maximum of 10% of the Company's issued ordinary shares for a period of 18 months, ending 18 months after the Deed of Amendment and Conversion becoming effective, at a purchase price between the nominal value of the shares and 110% of the average price of the Company's ordinary shares during five trading days before the repurchase.

No authorization from the General Meeting of Shareholders is required for the acquisition of fully paid shares for the purpose of transferring these shares to employees pursuant to the Company's share option plan. Any shares the Company held in its own capital may not be voted or counted for voting quorum purposes.

#### ***Reduction of Share Capital***

The General Meeting of Shareholders may, at the proposal of the Supervisory Board, resolve to reduce the Company's issued and outstanding share capital by canceling the Company's shares, or by amending the Articles of Association to reduce the nominal value of the shares.

#### **Dividends and Other Distributions**

The Management Board may, with prior approval of the Supervisory Board, determine that a portion of the profits shall be reserved. The profit remaining after application of the previous sentence, if any, shall be at the disposal of the General Meeting. The General Meeting may resolve to partially or totally reserve such remaining profit. A resolution to pay a dividend shall be dealt with as a separate agenda item at the General Meeting.

The Company may make distributions to shareholders and other persons entitled to distributable profits only to the extent that its net assets exceed the paid-up and called-up part of the capital increased by the reserves which must be maintained by law. Any distribution of profits will be made after the adoption of the annual accounts showing that this is permitted. Each shareholder is entitled to dividends pro rata to the number of Ordinary Shares held by such Shareholder. For the computation of the profit distribution, the Ordinary Shares held by the Company in its own capital must be included.

Subject to certain conditions and pursuant to an interim statement of assets and liabilities, the Management Board may with prior approval of the Supervisory Board, resolve to pay interim dividends. The statement of assets and liabilities relates to the state of the assets of the Company on or after the first day of the third month prior to the month in which the resolution to declare the interim dividend for payment is made known. The Company shall deposit the interim statement of assets and liabilities at the office of the commercial register within eight days after the day on which the resolution to declare the interim dividend is made known.

The right of a shareholder to receive profit distributions in cash shall lapse if such profit distribution is not claimed within five years from the date on which it became payable. The cash dividends that were unclaimed will be for the benefit of the Company.

Notice of distributions, and of the dates on which they become payable, shall be disclosed in the form of a Current Report and published in a national daily newspaper in the Netherlands and further in such manner as the Board may deem desirable.

#### **General Meetings of Shareholders and Voting Rights**

The annual General Meeting of Shareholders shall be held within six months after the end of each financial year. The Company's financial year is equal to a calendar year.

An Extraordinary General Meeting of Shareholders may be convened, whenever the Company's interests so require, by the Management Board or the Supervisory Board. Shareholders representing alone or in aggregate at least one-tenth of its issued and outstanding share capital may, pursuant to the



Dutch Civil Code and the Articles of Association, request the district court to authorize such shareholder to convene a General Meeting of Shareholders.

The notice convening any General Meeting of Shareholders shall be sent no later than the 15th day prior to the meeting and shall include an agenda stating the items to be dealt with. Holders of shares (including holders of the rights conferred by law upon holders of depositary receipts issued with a company's cooperation for shares in its capital) who, alone or in the aggregate, own shares representing at least 1% of the Company's issued and outstanding capital, have the right to request the Supervisory Board or the Management Board to place items on the agenda of the General Meeting of Shareholders. If such proposals are submitted to the Management Board or the Supervisory Board in time for the Management Board to put these proposals on the agenda for the next meeting, or announce them prior to the meeting by means of a supplementary notice with due observance of the aforementioned notice period, the Management Board or the Supervisory Board shall be obliged to do so, provided that no important interest ('*zwaarwichtig belang*') the Company dictates otherwise.

All notices of General Meetings of Shareholders, all announcements concerning dividend and other distributions, and all other announcements to holders of shares (including holders of rights conferred by law upon holders of depositary receipts issued with a company's cooperation for shares in its capital), shall be effected by means of a publication in a nationally distributed daily newspaper in the Netherlands, in the Daily Official List and on the Company's website.

The Management Board shall be authorized to determine a record date to establish which shareholders are entitled to attend and vote in the General Meeting of Shareholders. Such record date may not be set for a date prior to the thirtieth day before that of the meeting and not later than the third day before the meeting.

Each of the Company's ordinary shares is entitled to one vote. Shareholders may vote by proxy. The voting rights attached to any of the Company's shares held by the Company are suspended as long as they are held in treasury.

Decisions of the General Meeting of Shareholders are taken by an absolute majority of votes cast, except where Dutch law provides for a qualified majority.

#### **Amendment of the Articles of Association and Change of the Company's Corporate Form**

The General Meeting of Shareholders may resolve to amend the Articles of Association, subject to a proposal by the Management Board, which requires the approval of the Supervisory Board.

The General Meeting of Shareholders may furthermore resolve to change the Company's corporate form. A change of the Company's corporate form shall require a resolution to amend the Articles of Association, subject to a proposal by the Management Board, which requires the approval of the Supervisory Board.

#### **Statutory Merger and Statutory Demerger**

The General Meeting of Shareholders may resolve that the Company enters into a statutory merger or demerger (which term includes both a split-up and a spin-off), subject to a proposal by the Management Board, which requires the approval of the Supervisory Board. In the event the Company is the acquiring company, the Management Board may resolve to enter into a statutory merger or demerger, unless one or more shareholders representing at least 5% of the Company's issued share capital request the Management Board within one month of the announcement of the merger or demerger, to convene a General Meeting of Shareholders in order to resolve on the merger or demerger.

#### **Dissolution and Liquidation**

The Company may only be dissolved by a resolution of the General Meeting of Shareholders subject to a proposal by the Management Board, which requires the approval of the Supervisory Board.

In the event of a dissolution, the Company's business will be liquidated in accordance with Dutch law and the Articles of Association, and the members of the Management Board will (unless otherwise determined by the General Meeting of Shareholders) become liquidators, acting under supervision of

the Supervisory Board. During liquidation, the provisions of the Articles of Association will remain in force to the extent possible.

The balance of the Company's remaining equity after payment of debts and liquidation costs will be distributed to the shareholders in proportion to the number of ordinary shares that each shareholder holds.

### **Dutch Corporate Governance Code**

On 9 December 2003, the Dutch Corporate Governance Committee, also known as the Tabaksblat Committee, released the Dutch Corporate Governance Code. The Dutch Corporate Governance Code contains 21 principles and 113 best practice provisions for management boards, supervisory boards, shareholders and general meetings of shareholders, financial reporting, auditors, disclosure, compliance and enforcement standards.

Dutch companies listed on a government-recognized stock exchange, whether in the Netherlands or elsewhere, are required under Dutch law to disclose in their annual reports whether or not they apply the provisions of the Dutch Corporate Governance Code and, if they do not apply, to explain the reasons why. The Dutch Corporate Governance Code provides that if a company's general meeting of shareholders explicitly approves the corporate governance structure and policy and endorses the explanation for any deviation from the best practice provisions, such company will be deemed to have applied the Dutch Corporate Governance Code.

The Company acknowledges the importance of good corporate governance. The Management Board and Supervisory Board have reviewed the Dutch Corporate Governance Code, generally agree with its basic provisions, and have taken and will take any further steps they consider appropriate to implement the Dutch Corporate Governance Code.

The Company supports the Dutch Corporate Governance Code and will apply with the relevant best practice provisions of the Dutch Corporate Governance Code, subject to the exceptions set out below.

Non-Compliance with the Dutch Corporate Governance Code:

II. 1.1 A management board member is appointed for a maximum period of four years. A member may be reappointed for a term not more than four years at a time.

The current members of the Management Board have been appointed for an unlimited period and the Company does not consider it appropriate to renegotiate the existing agreements, in so far as this would be possible given the mandatory provisions of Dutch labor law. Any future appointments of members of the Management Board will be in compliance with this provision.

II. 1.3 The Company shall have a suitable internal risk management and control system. It shall, in any event, employ as instruments of the internal risk management and control system:

*risk analyses of the operational and financial objectives of the Company;*

*a code of conduct which should, in any event, be published on the Company's website;*

*guides for the layout of the financial reports and the procedures to be followed in drawing up the reports; and*

*a system of monitoring and reporting.*

The Company does not yet have a code of conduct, but intends to adopt such a code in due course.

II. 2.1 Options to acquire shares are a conditional remuneration component, and become unconditional only when the management board members have fulfilled predetermined performance criteria after a period of at least three years from the grant date.

The currently outstanding options have been granted unconditionally. The Company shall not amend these existing agreements. Considering that the Company is still in a relatively early stage of development and that the setting of credible predetermined performance criteria at a term of at least three years is not practical at this stage, the Company shall not fully apply this provision.

II. 2.6 The supervisory board shall draw up regulations concerning ownership of and transactions in securities by management board members, other than securities issued by their 'own' company. The

regulations shall be posted on the Company's website. A management board member shall give periodic notice, but in any event at least once a quarter, of any changes in his holding of securities in Dutch listed companies to the compliance officer or, if the company has not appointed a compliance officer, to the chairman of the supervisory board. A management board member who invests exclusively in listed investment funds or who has transferred the discretionary management of his securities portfolio to an independent third party by means of a written mandate agreement is exempted from compliance with this last provision.

The Company believes that the restrictions under Dutch securities law are sufficient to govern the ownership of and transactions in securities by members of the Management Board. Implementing additional restrictions would potentially harm the Company's ability to attract and ensure the continued services of the members of the Management Board and the Company therefore believes that applying this best practice provision is not in its best interest.

III. 2.1 The supervisory board members, with the exception of not more than one person, shall be independent within the meaning of best practice provision III. 2.2.

Our Supervisory Board currently consists of four members, of which one is independent within the meaning of the Dutch Corporate Governance Code. There is currently one vacancy on the Supervisory Board and it is expected that such vacancy will be filled following the Offering by an independent director. GE and ITR Dori B.V. have agreed to use their voting rights in such a manner to procure that ITR Dori B.V. will be in a position to nominate independent directors to the Company.

III. 4.3 The supervisory board shall be assisted by the company secretary. The company secretary shall see to it that correct procedures are followed and that the supervisory board acts in accordance with its statutory obligations and its obligations under the articles of association. He shall assist the chairman of the supervisory board in the actual organization of the affairs of the supervisory board (information, agenda, evaluation, training program, etc.). The company secretary shall, either on the recommendation of the supervisory board or otherwise, be appointed and dismissed by the management board, after the approval of the supervisory board has been obtained.

The Company is in the process of determining the exact profile of the company secretary. As soon as the Company has determined this profile, it shall seek a suitable candidate. The Company expects to appoint a company secretary after the Offer.

III. 7.3 The supervisory board shall adopt a set of regulations containing rules governing ownership of and transactions in securities by supervisory board members, other than securities issued by their 'own' company. The regulations shall be posted on the company's website. A supervisory board member shall give periodic notice, but in any event at least once a quarter, of any changes in his holding of securities in Dutch listed companies to the compliance officer or, if the company has not appointed a compliance officer, to the chairman of the supervisory board. A supervisory board member who invests exclusively in listed investment funds or who has transferred the discretionary management of his securities portfolio to an independent third party by means of a written mandate agreement is exempted from compliance with this last provision.

The Company believes that the restrictions under Dutch securities law are sufficient to govern the ownership of and transactions in securities by Supervisory Board members. Implementing additional restrictions would potentially harm its ability to attract and ensure the continued services of Supervisory Board members and the Company therefore believes that applying this best practice provision is not in its best interest.

IV. 3.1 Meetings with analysts, presentations to analysts, presentations to investors and institutional investors and press conferences shall be announced in advance on the company's website and by means of press releases. Provision shall be made for all shareholders to follow these meetings and presentations in real time, for example by means of web casting or telephone lines. After the meetings, the presentations shall be posted on the company's website.

Considering the Company's size, it would create an excessive burden to provide facilities which enable shareholders to follow in real time the meetings and presentations referred to in the best practice provision. The Company will, however, ensure that presentations are posted on its website immediately after the meetings in question.

V.3.1 The external auditor and the audit committee shall be involved in drawing up the work schedule of the internal auditor. They shall also take cognizance of the findings of the internal auditor.

The Company feels that its financial reporting will be sufficiently monitored by its audit committee and will initially not appoint an internal auditor.

### **Polish Corporate Governance**

On 15 December 2004, the WSE management board and the WSE supervisory board adopted corporate governance rules of the WSE contained in the *Best Practices in Public Companies in 2005* (the "WSE Corporate Governance Rules"). The WSE Corporate Governance Rules apply to companies listed on the WSE, irrespective of whether such companies are incorporated in Poland or outside of Poland. The WSE Corporate Governance Rules consist of five general principles and 48 best practice provisions relating to shareholders' meetings, management boards, supervisory boards and relations with third parties and third party institutions. The WSE Corporate Governance Rules impose on companies listed on the WSE an obligation to disclose in their annual reports, whether or not the companies comply with those principles and provisions and, if they do not comply, to explain the reasons why. Moreover, every year, each company listed on the WSE is required to announce its detailed statement on compliance or non-compliance with the WSE Corporate Governance Rules by way of a Current Report published before 1 July.

Compliance with WSE Corporate Governance Rules is voluntary. Companies listed on the WSE are required, however, to give reasons justifying non-compliance or partial compliance with any rule.

The Issuer intends, to the extent practicable, to comply with all principles of the WSE Corporate Governance Rules. However, certain principles will apply to the Company only to the extent allowed by Dutch law. In particular, as Dutch law does not provide for elections of the Supervisory Board's members by separate groups of shareholders, the Company's internal regulations do not and will not include provisions on group elections (Rule 6). No reports will be provided by the Supervisory Board member delegated by a group of shareholders (Rule 30) because Dutch law does not provide for delegation of a board member by a group of shareholders.

Detailed information regarding non-compliance, as well as additional explanations regarding partial compliance with certain Corporate Governance Rules of the WSE due to incompatibilities with Dutch law, will be included in the full text of the Company's declaration regarding WSE Corporate Governance Rules, which will be filed with the WSE at the time of filing the application for admission to listing and will be available on the Issuer's website and published by way of a Current Report.

### **Disclosure of Information**

The Company will be required to publish its annual accounts within four months after the end of each financial year and its half-yearly figures within two months after the end of the first six months of each financial year.

The Company shall also disclose forthwith all new facts relating to its business that are not publicly disclosed and could materially affect the market price of its Shares.

### **Obligations of Shareholders to Make a Public Offer**

After the entry into force of chapter 5.5 of the Dutch Act on Financial Supervision implementing Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids (the "Takeover Directive") and the rules promulgated thereunder in the Decree on public Takeover Bids ('*Besluit openbare biedingen Wft*'), any person who, individually or collectively, directly or indirectly, acquires 30% or more of the Company's voting rights will be obliged to launch a public offer for all outstanding shares in its share capital. Shareholders acting in concert who have a combined interest of at least 30% of its voting rights will also be obliged to make a public offer.

After a public offer, a holder of at least 95% of the outstanding shares and voting rights has the right to require the minority shareholders to sell their shares to the majority shareholder. Any such attempt to require the minority shareholders to sell their shares must be filed with the Enterprise Chamber of the Court of Appeal of Amsterdam ('*Ondernemingskamer*') within three months after the end of the

acceptance period of the public offer. Conversely, in such a case, each minority shareholder has the right to require the holder of at least 95% of the outstanding shares and voting rights to purchase its shares. The minority shareholders must file such claim with the Enterprise Chamber of the Court of Appeal of Amsterdam within three months after the end of the acceptance period of the public offer.

### **Obligations of Shareholders to Disclose Holdings**

Pursuant to chapter 5.3 of the Dutch Act on Financial Supervision, any person who, directly or indirectly, acquires or disposes of an interest in the Company's capital and/or its voting rights must immediately give written notice to the AFM by means of a standard form, of such acquisition or disposal if, as a result of such acquisition or disposal, the percentage of capital interest and/or voting rights held by such person meets, exceeds or falls below the following thresholds: 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%.

For the purpose of calculating the percentage of capital interest or voting rights, the following interests must, *inter alia*, be taken into account: (i) ordinary shares directly held (or acquired or disposed of) by any person, (ii) ordinary shares held (or acquired or disposed of) by such person's subsidiaries or by a third party for such person's account or by a third party with whom such person has concluded an oral or written voting agreement, (iii) voting rights acquired pursuant to an agreement providing for a temporary transfer of voting rights against a payment, and (iv) ordinary shares which such person (directly or indirectly) or third-party referred to above, may acquire pursuant to any option or other right to acquire ordinary shares. Special rules apply to the attribution of ordinary shares which are part of the property of a partnership or other community of property. A holder of a pledge or right of usufruct ('*vruchtgebruik*') in respect of ordinary shares can also be subject to the reporting obligations, if such person has, or can acquire, the right to vote on the ordinary shares. The acquisition of (conditional) voting rights by a pledgee or beneficial owner may also trigger the reporting obligations as if the pledgee or beneficial owner were the legal holder of the ordinary shares.

Under the Dutch Act on Financial Supervision the Company is required to inform the AFM immediately if the Company's issued and outstanding share capital or voting rights change by 1% or more since its previous notification. Other changes in its capital or voting rights need to be notified periodically. The AFM will publish such notification in a public register. If a person's capital or voting rights meets or passes the above-mentioned thresholds as a result of a change in the Company's issued and outstanding share capital or voting rights, such person is required to make such notification ultimately on the fourth trading day after the AFM has published the Company's notification as described above.

Each person whose holding of capital interest or voting rights amounts to 5% or more of the Company's issued and outstanding share capital at the time of admission of the Ordinary Shares to listing on the Warsaw Stock Exchange, must notify the AFM of such holding without delay.

Pursuant to the Dutch Act on Financial Supervision every managing and supervisory director must notify the AFM immediately after the Ordinary Shares are admitted to listing on the Warsaw Stock Exchange of (a) the number of Ordinary Shares he holds and the number of votes he is entitled to cast in respect of the Company's issued and outstanding share capital, and subsequently (b) each change in the number of Ordinary Shares he holds and each change in the number of votes he is entitled to cast in respect of the Company's issued and outstanding share capital immediately after such change.

The AFM keeps a public register of all notifications made pursuant to these disclosure obligations and publishes any notification received.

Non-compliance with these disclosure obligations is an economic offence and may lead to criminal prosecution. The AFM may impose administrative penalties or a cease-and-desist order under penalty for non-compliance. Furthermore, the AFM is in principle obliged to publish the fact that it imposes an administrative fine or a cease-and-desist order. In addition, a civil court can impose measures against any person who fails to notify or incorrectly notifies the AFM of matters required to be correctly notified. A claim requiring that such measures be imposed may be instituted by the Company and/or one or more shareholders who alone or together with others represent(s) at least 5% of the Company's issued and outstanding share capital. Such claim has to be filed within three months from the date the claimant knew or should have known about the non-compliance.

The measures that the civil court may impose include:

- an order requiring the person violating the disclosure obligations under the Dutch Act on Financial Supervision to make appropriate disclosure;
- suspension of voting rights in respect of such person's ordinary shares for a period of up to three years as determined by the court;
- voiding a resolution adopted by the General Meeting, if the court determines that the resolution would not have been adopted but for the exercise of the voting rights of the person who is obliged to notify, or suspension of a resolution until the court makes a decision about such voiding; and
- an order to the person violating the disclosure obligations under the Dutch Act on Financial Supervision to refrain, during a period of up to five years as determined by the court, from acquiring ordinary shares and/or voting rights in ordinary shares.

### **Insider Regulation**

Pursuant to chapter 5.4 of the Dutch Act on Financial Supervision and the rules promulgated thereunder in the Market Abuse Decree (*'Besluit marktmisbruik Wft'*), the Company is required to have a code of conduct with rules governing the possession of and transactions in the Company's shares.

Such code of conduct, amongst others, should include rules for:

- the tasks and powers of the person appointed by the Company to carry out the notifications under the disclosure obligation,
- the obligations of employees, directors, managers and supervisory board members with regard to the possession of and transactions in the Company's shares,
- if relevant, the period during which the persons as meant in the item above may not conduct or effect transactions in the Company's shares.

The Company must also draw up a list of persons working, under a contract of employment or otherwise, who could have access to inside information, to regularly update this list of persons and to inform persons on this list about the relevant prohibitions and sanctions in respect of insider knowledge and market abuse.

### **Other Applicable Market Abuse Regulations**

The Shares are subject to the Dutch prohibition on insider trading. Furthermore, the prohibition to disclose certain information in relation to inside information and the prohibition on market manipulation pursuant to the Dutch Act on Financial Supervision apply in relation to the Shares.

In case of violation of the Dutch market abuse regulations, the AFM may take enforcement action. It may impose administrative fines and issue injunctions. Furthermore, the AFM is in principle obliged to publish the fact that it imposes an administrative fine and/or issues an injunction, mentioning the name of the offender. In addition, non-compliance with certain prohibitions and obligations qualifies as a criminal offence.

## **THE POLISH SECURITIES MARKET**

### **Capital Market Regulations**

The principal legal Acts governing the Polish securities market are three Acts of 29 July 2005: the Act on Public Offers, the Act on Trading in Financial Instruments; and the Act on Capital Market Supervision. The operation of the WSE is also governed by the WSE Rules.

Furthermore, on 19 September 2006, the Act of 21 July 2006 on the Supervision of the Financial Market (excluding some regulations) came into force with the principal aim of centralizing the supervision of the markets constituting the financial market. The new supervision covers the capital market, the insurance market and from 1 January 2008 will also cover the banking services market. The supervising authority is the Financial Supervision Commission which, beginning from 19 September 2006 took over the competencies of the Polish Securities and Exchange Commission and the Insurance and Pension Funds Supervisory Commission and as of 1 January 2008 will also replace the Banking Supervision Commission.

### **Public Offer of Securities**

Subject to the exceptions provided for in the Act on Public Offers, the public Offer or the admission of securities to trading on a regulated market requires the drawing up of an issue prospectus, its approval by the Financial Supervision Commission and making it available to the public.

The contents and the manner of disclosure of the prospectus is governed by the Act on Public Offers and European Commission Regulation (EC) No. 809/2004 of 29 April 2004, implementing Directive 2003/71/EC of the European Parliament and Commission regarding information contained in prospectuses and the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements.

Drawing up, approving and making publicly available an issue prospectus is not required, *inter alia*, in the case of a public offer directed exclusively to qualified investors or solely to investors of whom each acquires securities with a value, calculated in accordance with the issue or sale price, of at least EUR 50,000 or the equivalent of this amount in PLN, determined by applying the average exchange rate for the EUR as published by the National Bank of Poland on the date of determining such price.

The liability for damage caused by public disclosure of untrue information or the omission of information that should have been included in the documents prepared and made available in connection with a public offer of securities or in connection with seeking admission to trading on a regulated market, rests with the issuer, the underwriter, the guarantor, or the selling shareholder, as well as the person who prepared such information or participated in the preparation thereof, unless these entities, or the persons they are responsible for, are not at fault. Persons preparing the summary which forms part of the issue prospectus, or persons preparing the translation of the prospectus, are only liable for damage caused in the event that such a summary or translation is misleadingly inaccurate or inconsistent when read with other parts of the prospectus. In addition, any person who publicly proposes the acquisition of securities without the statutorily required approval of an issue prospectus, without submitting a notification including an information memorandum or without making such a document available to the public or to interested investors, is subject to a fine or imprisonment.

If the issuer, the selling shareholder or any other entity participating in a public offer for or on behalf of the issuer or the selling shareholder, violates the law relating to public offers in Poland, or where there is reasonable suspicion that such violation has occurred or may occur, the Financial Supervision Commission may order that the commencement of such public offer be withheld or that such public Offer already underway be discontinued, in each case for a period of not more than ten business days, or may proscribe the commencement or continuation of the public offer.

The securities to be admitted to trading exist in dematerialized form as of the date of their registration under the agreement with the Polish NDS. All the Offer Shares have been registered with the Polish NDS and are traded on the WSE. The rights attached to the dematerialized securities arise as of the moment such securities are first registered in a securities account and inure to the benefit of the account holder. Under an agreement on the transfer of securities which have been admitted to public trading, such securities are transferred as of the moment the relevant entry is made in the securities account.

## **Disclosure Requirements**

An issuer whose securities are sought to be admitted to trading on a regulated market, or are admitted to trading on such a market, should simultaneously provide the following information to the Polish Financial Supervision Commission and to the WSE and, 20 minutes thereafter, also make it available to the public:

- (i) inside information (any information of a precise nature relating directly or indirectly to one or more issuers of financial instruments, one or more financial instruments, or the acquisition or disposal of such instruments, which has not been made public and which, if made public, would be likely to have a significant effect on the prices of financial instruments or related derivative financial instruments);
- (ii) current and interim information.

## **Insider Trading**

The Act on Trading in Financial Instruments defines “inside information” as any information of a precise nature, relating, directly or indirectly, to one or more issuers of financial instruments, or acquisitions or disposal of such instruments, which has not been made public and which, if made public, would be likely to have a significant effect on the prices of financial instruments or related derivative financial instruments.

Anyone who gains inside information by virtue of membership of the governing bodies of a company, by virtue of an interest in the share capital of the company, or as a result of having access to inside information in connection with employment, or a mandate or any other contract or any legal relationship of a similar nature, is prohibited from using such information. The actions regarded as prohibited use of inside information, include:

- (i) acquiring or disposing of, for their own account or for the account of a third party, any of the issuer shares, derivative rights attached thereto or other financial instruments related to such shares;
- (ii) enabling or facilitating the inside information regarding one or more issuers of shares, or the issuer of any other financial instruments, to be obtained by an unauthorized person.

Under the Act on Trading in Financial Instruments, any person who uses inside information in breach of the law may be subject to a fine or imprisonment, or both of these sanctions. The maximum fine that can be imposed is PLN 5,000,000; the length of imprisonment depends on the type of offence and can range from three months to eight years.

Additionally, according to the Act on Trading in Financial Instruments any person who obtains inside information is prohibited from:

- (i) disclosing such inside information;
- (ii) recommending or inducing other persons to acquire or dispose of any financial instruments affected by such inside information.

Under the Act on Trading in Financial Instruments, any person who discloses inside information or issues a recommendation or induces another person to acquire or dispose of financial instruments to which such inside information relates will be liable to a fine of up to PLN 2,000,000 or a penalty of imprisonment for up to three years, or to both of these sanctions jointly.

## **Obligations Related to Acquisition or Disposal of Shares in Restricted Periods**

The next restriction introduced under the Act on Trading in Financial Instruments concerns only insiders who, during the restricted period, may not acquire or dispose of financial instruments, for their own account or for the account of a third party. The Act on Trading in Financial Instruments defines the restricted period as (i) the period between a primary insider gaining inside information concerning the issuer of financial instruments and the time such information is made public, (ii) in the case of an annual report – a period of two months preceding the publication of such report, or if shorter, the period between the end of the given financial year and the publication of such report, (iii) in the case of a



semi-annual report - a period of one month preceding the publication of such report, or if shorter, the period between the end of the given half year and the publication of such report, (iv) in the case of a quarterly report - a period of between the end of two weeks preceding the publication of such report, or if shorter, the period between the end of the given quarter and the publication of such report.

Any insider who violates this prohibition during a restricted period is subject to a pecuniary penalty of up to PLN 200,000 imposed by the Polish Securities and Exchange Commission by way of decision.

In addition, pursuant to Article 160 of the Act on Trading in Financial Instruments, persons who are members of the issuer's management or supervisory bodies or who are issuer's proxies, as well as persons who hold management posts in the organizational structure of the issuer and have access to inside information of the issuer are obligated to notify the Financial Supervision Commission and the issuer of any transactions executed by them for their own account, whereby they acquire or dispose of any issuer shares or financial instruments related to the issuer shares. This obligation applies also to transactions by related persons of the persons specified above, as set forth in Art. 160, paragraph 2 of the Act on Trading in Financial Instruments. Any violation of the requirements provided for in Art 160 of the Act on Trading in Financial Instruments is subject to a pecuniary penalty of up to PLN 100,000.

The Company will adopt a share dealing code for the members of the Management and Supervisory Boards and certain employees which is appropriate for a company whose shares are listed on the WSE (particularly relating to dealing during close periods) and the Company will take all reasonable steps to ensure compliance with such code by the members of the Boards and any relevant employees. The share dealing code will meet the requirements of applicable Polish law and the market abuse chapter of the Wft, including the decree promulgated thereunder.

### **Concentration Control**

Under Art. 13.1 of the Act on Competition and Consumer Protection, an intended concentration is required to be notified to the Chairman of the UOKiK (the Office for Competition and Consumer Protection) if the total global turnover of the undertakings taking part in the concentration in the financial year preceding the year in which the notification is made exceeds the equivalent of EUR 1,000,000,000 or the total turnover in the territory of the Republic of Poland of the undertakings taking part in the concentration in the financial year preceding the year in which the notification is made exceeds the equivalent of EUR 50,000,000. For the purposes of the Act on Competition and Consumer Protection, undertakings shall also mean persons who are undertakings within the meaning of the Business Activity Freedom Act of 2 July 2004, as well as individuals exercising control (as defined in the Act on Competition and Consumer Protection) over at least one other undertaking, even if such persons do not conduct business activity within the meaning of the Business Activity Freedom Act, provided that such persons take further actions which are subject to concentration control.

Under Article 13.2 of the Act on Competition and Consumer Protection, the obligation to notify the Chairman of the UOKiK of the intended concentration applies to the intention: (i) of two or more independent undertakings to merge; (ii) to acquire – through the purchase of or subscription for shares, other securities, all or part of the assets or otherwise – direct or indirect control over one or more undertakings on the part of one or more undertakings; (iii) to establish a joint venture by two or more undertakings, or (iv) to of an undertaking to acquire a part of the assets of another undertaking (the entire enterprise or a part thereof), if the turnover generated by such assets in the territory of the Republic of Poland in any of the two financial years preceding the year in which the notification is made exceeded the equivalent of EUR 10,000,000.

The Act on Competition and Consumer Protection defines an assumption of control as all forms of direct or indirect acquisition of rights, which separately or jointly enable a decisive influence to be exerted over a specific undertaking or undertakings, while taking into account all legal and actual circumstances.

Under Art. 106.1 of the Act on Competition and Consumer Protection, the Chairman of the UOKiK may impose a fine on an undertaking, by way of a decision, of up to 10% of the revenues generated in the financial year preceding the year in which the fine is imposed, if such undertaking executed a concentration without the prior consent of the Chairman of the UOKiK.

### **Council Regulation on Concentration**

The requirements regarding concentration control also arise from the Council Regulation on the control of concentration of entrepreneurs. This regulation governs the so-called concentration with a Community dimension and therefore applies to entrepreneurs and their related parties, which exceed specific thresholds of sales of goods and services. The Council Regulation on the control of concentration of entrepreneurs applies only to such concentrations which result in a permanent change in the ownership structure of the enterprise. Concentrations with a Community dimension are subject to notification of the European Commission before they are executed.

Concentrations with a Community dimension are defined as those where either:

- (i) the total global turnover of all entrepreneurs taking part in the concentration amounts to more than EUR 5 billion; or
- (ii) the total turnover in the European Community of each of at least two entrepreneurs taking part in the concentration amounts to more than EUR 250,000,000, unless each of the entrepreneurs taking part in the concentration achieves more than two-thirds of its total turnover in the Community in the same member state.

Concentrations with a Community dimension are also defined as those where either:

- (i) the total global turnover of all entrepreneurs taking part in the concentration amounts to more than EUR 2,500,000,000; or
- (ii) in each of at least three member states, the total turnover of all entrepreneurs taking part in the concentration amounts to more than EUR 100,000,000; or
- (iii) in each of at least three member states, the total turnover of all entrepreneurs taking part in the concentration amounts to more than EUR 100,000,000, of which the total turnover of at least two entrepreneurs taking part in the concentration amounts to at least EUR 25,000,000; and
- (iv) the total turnover in the European Community of each of at least two entrepreneurs taking part in the concentration amounts to more than EUR 100,000,000, unless each of the entrepreneurs taking part in the concentration achieves more than two-thirds of its total turnover in the Community in the same member state.

## TAXATION

*This is a general summary and the tax consequences as described here may not apply to a holder of Shares. Any potential investor should consult his own tax adviser for more information about the tax consequences of acquiring, owning and disposing of Shares.*

### Taxation

This taxation summary solely addresses the principal Dutch and Polish tax consequences of the acquisition, the ownership and disposition of Shares. Where in this summary English terms and expressions are used to refer to Dutch and Polish concepts, the meaning to be attributed to such terms and expressions shall therefore be the meaning to be attributed to the equivalent concepts under local tax law. It does not discuss every aspect of taxation that may be relevant to a particular holder of Shares under special circumstances or who is subject to special treatment under applicable law. It also assumes that the Company is organized, and that its business will be conducted, in the manner outlined in this Prospectus. A change to such organizational structure or to the manner in which the Company conducts its business may invalidate the contents of this summary, which will not be updated to reflect any such change.

This summary is based on the tax laws of the Netherlands and Poland as they are in force and in effect on the date of this Prospectus. The laws upon which this summary is based are subject to change, possibly with retroactive effect. A change to such laws may invalidate the contents of this summary, which will not be updated to reflect any such changes.

### Dutch Taxation - Taxes on Income and Capital Gains

#### *Resident Holders of Shares*

##### *General*

The summary set out in this section “*Dutch Taxation - Taxes on Income and Capital Gains - Resident Holders of Shares*” only applies to a holder of Shares who is a “Dutch Individual” or a “Dutch Corporate Entity”.

For the purposes of this section you are a “Dutch Individual” if you satisfy the tests that (a) you are an individual; (b) you are resident, or deemed to be resident, in the Netherlands for Dutch income tax purposes, or you have elected to be treated as a resident of the Netherlands for Dutch income tax purposes; (c) your Shares and income or capital gains derived therefrom have no connection with your past, present or future employment, if any; and (d) your Shares do not form part of a substantial interest (*‘aanmerkelijk belang’*) or a deemed substantial interest in the Company within the meaning of Chapter 4 of the Dutch Income Tax Act 2001 (*‘Wet inkomstenbelasting 2001’*).

Generally, if a person holds an interest in the Company, such interest forms part of a substantial interest or a deemed substantial interest in the Company if (i) such person alone or, if he is an individual, together with his partner (partner, as defined in Article 1.2 of the Dutch Income Tax Act 2001), if any, has, directly or indirectly, the ownership of Shares in the Company representing 5% or more of the Company’s total issued and outstanding capital (or the issued and outstanding capital of any class of its Shares), or rights to acquire, directly or indirectly, Shares, whether or not already issued, that represent 5% or more of the Company’s total issued and outstanding capital (or the issued and outstanding capital of any class of its Shares), or the ownership of profit participating certificates (*‘winstbewijzen’*) that relate to 5% or more of the Company’s annual profit or to 5% or more of the its liquidation proceeds; (ii) such person’s Shares, profit participating certificates or rights to acquire Shares or profit participating certificates in the Company have been acquired by him or are deemed to have been acquired by him under a non-recognition provision; and/or (iii) such person’s partner or any of his relatives by blood or by marriage in the direct line (including foster-children) or of those of his partner has a substantial interest (as described under (i) and (ii) above) in us.

A person who is entitled to the benefits from Shares or profit participating certificates (for instance a holder of a right of usufruct) is deemed to be a holder of Shares or profit participating certificates, as the case may be, and his entitlement to benefits is considered a share or profit participating certificate, as the case may be.

If you are an individual and a holder of Shares and if you satisfy test (b) above, but do not satisfy test (c) and/or test (d) above, your Dutch income tax position is not discussed in this Prospectus. If you are an individual and a holder of Shares who does not satisfy test (b), please refer to the section “*Dutch Taxation - Taxes on Income and Capital Gains - Non-Resident Holders of Shares*”.

For the purposes of this section you are a “Dutch Corporate Entity” if you satisfy the tests that (1) you are a corporate entity (including an association that is taxable as a corporate entity) that is subject to Dutch corporation tax in respect of benefits derived from its Shares; (2) you are resident, or deemed to be resident, in the Netherlands for Dutch corporation tax purposes; (3) you are not an entity that, although in principle subject to Dutch corporation tax, is, in whole or in part, specifically exempt from that tax; and (4) you are not an investment institution (*‘beleggingsinstelling’*) as defined in the Dutch Corporation Tax Act 1969 (*‘Wet op de vennootschapsbelasting 1969’*).

If you are a corporate entity and a holder of Shares and if you do not satisfy any one or more of these tests, with the exception of test (2) directly above, your Dutch corporation tax position is not discussed in this Prospectus. If you are a corporate entity and a holder of Shares that does not satisfy test (2) directly above, please refer to the section “*Dutch Taxation - Taxes on Income and Capital Gains - Non-Resident Holders of Shares*”.

#### *Dutch Individuals Deriving Profits from an Enterprise*

If you are a Dutch Individual and if you derive or are deemed to derive any benefits from Shares, including any capital gains realized on the disposal thereof, that are attributable to an enterprise from which you derive profits, whether as an entrepreneur (*‘ondernemer’*) or pursuant to a co-entitlement to the net value of an enterprise, other than as an entrepreneur or a shareholder, such benefits are generally subject to Dutch income tax at progressive rates.

#### *Dutch Individuals Deriving Benefits from Miscellaneous Activities*

If you are a Dutch Individual and if you derive or are deemed to derive any benefits from Shares, including any gain realized on the disposal thereof, that constitute benefits from miscellaneous activities (*‘resultaat uit overige werkzaamheden’*), such benefits are generally subject to Dutch income tax at progressive rates.

If you are a Dutch Individual you may, *inter alia*, derive benefits from Shares that are taxable as benefits from miscellaneous activities in the following circumstances:

- your investment activities go beyond the activities of an active portfolio investor, for instance in the case of the use of insider knowledge (*‘voorkennis’*) or comparable forms of special knowledge; or
- you make Shares available or you are deemed to make Shares available, legally or in fact, directly or indirectly, to a related party as described in Articles 3.91 and 3.92 of the Dutch Income Tax Act 2001 under circumstances described there.

#### *Other Dutch Individuals*

If you are a Dutch Individual and your situation has not been discussed before in this section “*Dutch Taxation - Taxes on Income and Capital Gains - Resident Holders of Shares*”, benefits from your Shares will be taxed as a benefit from savings and investments (*‘voordeel uit sparen en beleggen’*). Such benefit is deemed to be 4% per annum of the average of your “yield basis” (*‘rendementsgrondslag’*) at the beginning and at the end of the year, insofar as that average exceeds the “exempt net asset amount” (*‘heffingvrij vermogen’*). The benefit is taxed at the rate of 30%. The value of your Shares forms part of your yield basis. Actual benefits derived from your Shares, including any capital gains realized on the disposal thereof, are not as such subject to Dutch income tax.

#### *Dutch Corporate Entities*

If you are a Dutch Corporate Entity, any benefits derived or deemed to be derived by you from Shares, including any capital gains realized on the disposal thereof, are generally subject to Dutch corporation tax, except to the extent that the benefits are exempt under the participation exemption as laid down in the Dutch Corporation Tax Act 1969.

### ***Non-Resident Holders of Shares***

The summary set out in this section “*Dutch Taxation - Taxes on Income and Capital Gains - Non-Resident Holders of Shares*” only applies to a holder of Shares who is a “Non-Resident Holder” of Shares.

For the purposes of this section, you are a Non-Resident Holder of Shares if you satisfy the tests that (A) you are neither resident, nor deemed to be resident, in the Netherlands for purposes of Dutch income tax or corporation tax, as the case may be, and, if you are an individual, you have not elected to be treated as a resident of the Netherlands for Dutch income tax purposes; (B) your Shares and income or capital gains derived therefrom have no connection with your past, present or future employment, if any; (C) your Shares do not form part of a substantial interest or a deemed substantial interest in the Company within the meaning of Chapter 4 of the Dutch Income Tax Act 2001, unless such interest forms part of the assets of an enterprise; and (D) if you are not an individual, no part of the benefits derived from your Shares is exempt from Dutch corporation tax under the participation exemption as laid down in the Dutch Corporation Tax Act 1969.

Please see “*Dutch Taxation - Taxes on Income and Capital Gains - Resident Holders of Shares*” for a description of the circumstances under which Shares form part of a substantial interest or a deemed substantial interest in us.

If you are a holder of Shares and you satisfy test (A), but do not satisfy test (B) and/or test (C), your Dutch income tax position or corporation tax position, as the case may be, is not discussed in this Prospectus.

If you are a Non-Resident Holder of Shares you will not be subject to any Dutch taxes on income or capital gains (other than the dividend withholding tax described below) in respect of benefits from Shares, including any capital gains realized on the disposal thereof, except in the following circumstances:

- if you derive profits from an enterprise, whether as an entrepreneur (‘*ondernemer*’) or pursuant to a co- entitlement to the net value of such enterprise, other than (i) as a shareholder, if you are an individual, or (ii) as a holder of securities, if you are not an individual, which enterprise is either managed in the Netherlands or carried on, in whole or in part, through a permanent establishment or a permanent representative in the Netherlands and your Shares are attributable to such enterprise;
- if you are an individual and you derive benefits from Shares that are taxable as benefits from miscellaneous activities in the Netherlands.

Please see the section “*Dutch Taxation - Taxes on Income and Capital Gains - Resident Holders of Shares*” for a description of the circumstances under which the benefits derived from Shares may be taxable as benefits from miscellaneous activities, on the understanding that such benefits will be taxable in the Netherlands only if such activities are performed or deemed to be performed in the Netherlands.

### **Dutch Taxation - Dividend Withholding Tax**

#### ***General***

The Company is generally required to withhold Dutch dividend tax at the rate of 15% from dividends distributed by us.

The concept “dividends distributed by us” as used in this section “*Dutch Taxation - Dividend Withholding Tax*” includes, but is not limited to, the following:

- distributions in cash or in kind, deemed and constructive distributions and repayments of capital not recognized as paid-in for Dutch dividend withholding tax purposes;
- liquidation proceeds and proceeds of redemption of Shares in excess of the average capital recognized as paid-in for Dutch dividend withholding tax purposes;
- the par value of Shares issued by the Company to a shareholder or an increase of the par value of Shares, as the case may be, to the extent that it does not appear that a contribution, recognized for Dutch dividend withholding tax purposes, has been made or will be made; and

- partial repayment of capital, recognized as paid-in for Dutch dividend withholding tax purposes, if and to the extent that there are net profits (*'zuivere winst'*), unless: (i) the general meeting of the Company's shareholders has resolved in advance to make such repayment; and (ii) the par value of the Shares concerned has been reduced by an equal amount by way of an amendment to the Company's articles of association.

### ***Dutch Individuals and Dutch Corporate Entities***

Dutch Individuals and Dutch Corporate Entities generally can credit Dutch dividend withholding tax against their Dutch income tax or Dutch corporation tax liability, as the case may be, and generally are entitled to a refund of Dutch dividend withholding tax insofar as such tax, together with any other creditable domestic and/or foreign taxes, exceeds their aggregate Dutch income tax or Dutch corporation tax liability. Pursuant to domestic rules to avoid dividend stripping, Dutch dividend withholding tax will only be creditable by or refundable to the beneficial owner (*'uiteindelijk gerechtigde'*) of dividends distributed by us. A holder of Shares who receives proceeds therefrom shall not be recognized as the beneficial owner of such proceeds if, in connection with the receipt of the proceeds, it has given a consideration, in the framework of a composite transaction including, without limitation, the mere acquisition of one or more dividend coupons or the creation of short-term rights of enjoyment of Shares (*'kortlopende genotsrechten op aandelen'*), whereas it may be presumed that (i) such proceeds in whole or in part, directly or indirectly, inure to a person who would not have been entitled to an exemption from, or who would have been entitled to a smaller reduction or refund of, or credit for, dividend withholding tax than the actual recipient of the proceeds; and (ii) such person acquires or retains, directly or indirectly, an interest in Shares or similar instruments, comparable to its interest in Shares prior to the time the composite transaction was first initiated.

Please see the section "*Dutch Taxation - Dividend Withholding Tax - General*" for a description of the concept "dividends distributed by us".

Please see the section "*Dutch Taxation - Taxes on Income and Capital Gains - Resident Holders of Shares*" for a description of the terms Dutch Individual and Dutch Corporate Entity.

### ***Non-Resident Holders of Shares***

If a Non-Resident Holder of Shares is resident in the Netherlands Antilles or Aruba or in a country that has concluded a double tax treaty with the Netherlands, such holder may be eligible for a full or partial relief from the dividend withholding tax, provided such relief is timely and duly claimed. In addition, a qualifying parent company within the meaning of the EU Parent Subsidiary Directive (Directive 90/435/EEC, as amended) is, subject to certain conditions, entitled to an exemption from dividend withholding tax. Pursuant to domestic rules to avoid dividend stripping, dividend withholding tax relief will only be available to the beneficial owner of dividends distributed by us. The Dutch tax authorities have taken the position that this beneficial ownership test can also be applied to deny relief from dividend withholding tax under double tax treaties, the Tax Arrangement for the Kingdom (*'Belastingregeling voor het Koninkrijk'*) and the EU Parent Subsidiary Directive.

Please see the section "*Dutch Taxation - Dividend Withholding Tax - Dutch Individuals and Dutch Corporate Entities*" for a description of the term beneficial owner.

Please see the section "*Dutch Taxation - Taxes on Income and Capital Gains - Non-Resident Holders of Shares*" for a description of the term Non-Resident Holder of Shares.

### ***Dutch Taxation - Gift and Inheritance Taxes***

If you acquire Shares as a gift (in form or in substance) or if you acquire or are deemed to acquire Shares on the death of an individual, you will not be subject to Dutch gift tax or to Dutch inheritance tax (as the case may be), unless:

- the donor is, or the deceased was, resident or deemed to be resident in the Netherlands for purposes of gift or inheritance tax (as the case may be); or
- the Shares are or were attributable to an enterprise or part of an enterprise that the donor or deceased carried on through a permanent establishment or a permanent representative in the Netherlands at the time of the gift or of the death of the deceased; or

- the donor made a gift of Shares, then became a resident or deemed resident of the Netherlands, and died as a resident or deemed resident of the Netherlands within 180 days after the date of the gift.

### **Dutch Taxation - Other Taxes and Duties**

No Dutch registration tax, transfer tax, stamp duty or any other similar documentary tax or duty will be payable in the Netherlands in respect of or in connection with the subscription, issue, placement, allotment or delivery of the Shares.

### **Polish Taxation**

#### **Income Earned on the Disposal of Securities by Individuals Who Are Polish Tax Residents**

In accordance with Article 3, section 1 of the Personal Income Tax Act, natural persons, provided that they reside within the territory of the Republic of Poland, are liable to pay tax on all of their income (revenue) regardless of the location of the source of revenues (unlimited tax obligation). A person residing within the territory of the Republic of Poland is any natural person who (i) has the centre of their personal or economic interests (centre of life interests) within the territory of Poland; or (ii) resides within the territory of Poland for more than 183 days in any tax year.

In case of disposal by a Polish resident of property located in another country, the tax treaty between Poland and that country applies. According to Article 13, section 4 of the Polish-Dutch tax treaty, gains from the disposal of shares are taxed exclusively in the country in which the person disposing of the property is resident. Thus, income from the disposal of the Offer Shares earned by Polish residents is taxed in Poland according to the following rules.

Pursuant to Article 30b, section 1 of the Personal Income Tax Act, income earned in Poland on the transfer of the ownership of securities (including the Offer Shares) in exchange for consideration is taxed at a flat rate of 19%. Taxable income is computed as the difference between the proceeds from the disposal of securities and the tax-deductible costs, including the expenditure relating to the acquisition of these securities. Such income is subject to taxation as income due, even if not actually yet received. It is not aggregated with the other income of the individual and is taxed separately.

Entities intermediating in the sale of securities by an individual (e.g. brokerage houses) are required to deliver to that person and the appropriate tax office, information on the amount of income earned by that person, by the end of February of the year immediately following the year in which the gains are made (or losses are incurred) by such person on the disposal of securities. There is no requirement to pay tax advances during the tax year.

An individual who obtains gains (or incurs losses) on the sale of securities is required to calculate and pay the tax due, as well as submit, by 30 April of the calendar year immediately following the year in which such gains are obtained (or losses incurred), a separate tax return identifying the amount of the gains or losses. The tax return is to be submitted to the tax office competent for the place of residence of such taxpayer on the last day of the financial year, and if such person ceased to reside in Poland before that date, to the tax office competent for the person's last place of residence within the territory of Poland.

The above regulations shall not apply if a sale of securities for a consideration is a consequence of performance of any business activities, as in such case the revenues from the sale of securities should be qualified as originating from the performance of such activities and should be settled according to general terms.

#### **Income Earned on the Disposal of Securities by Individuals Who Are Not Polish Tax Residents**

In accordance with Article 3, section 2a of the Personal Income Tax Act, natural persons, if they do not reside within the territory of the Republic of Poland, are liable to pay tax exclusively on income (revenue) obtained within the territory of the Republic of Poland (limited tax obligation).

Income from the disposal of shares in a foreign entity by an individual who is a Polish tax resident cannot be classified as income obtained in Poland and as a result is not taxed in Poland. In such case, the tax treaty between the Netherlands and the country of residence of the individual should be applied.

### **Dividends and Other Income from a Share in the Profits of Legal Persons Earned by Individuals Who Are Polish Tax Residents**

In light of Polish tax law, income from a share in the profits of legal persons is the income actually generated from such a share, including, *inter alia*, income from the redemption of shares, from the disposal of shares to the company in exchange for consideration with a view to redeeming the shares, the value of the assets received in connection with the liquidation of the legal person, income intended for a share capital increase, and income which is the equivalent of the amounts contributed to the share capital from other funds of the legal person.

Taxation of the dividend income obtained by an individual who is a Polish resident from a company resident in the Netherlands, is regulated by the provisions of the Polish-Dutch tax treaty. Pursuant to Article 12 of the treaty, dividends paid by a company resident in the Netherlands to a individual resident in Poland may be taxed in Poland. These dividends may also be taxed in the Netherlands, but the tax levied in this country cannot exceed 15% of the dividend.

Pursuant to Article 30a, section 1 point 4 of the Personal Income Tax Act, dividend income and other income from a share in the profits of legal persons is not aggregated with income from any other sources, and is subject to taxation at a flat rate of 19% of the income earned. However, according to Article 23 of the Polish-Dutch tax treaty, Poland must grant a credit for the tax levied on dividends in the Netherlands.

### **Dividends and Other Income from a Share in the Profits of Legal Persons Earned by Individuals Who Are Not Polish Tax Residents**

Dividend income paid by a Dutch company to a non-Polish tax resident is not taxed in Poland. The tax treaty between the Netherlands and the country of residence of the individual should be applied.

### **Income Earned on the Disposal of Securities by Corporate Persons Who Are Polish Tax Residents**

In accordance with Article 3, section 1 of the Corporate Income Tax Act, taxpayers having their seat or a management board within the territory of the Republic of Poland, are liable to pay tax on all of their income, irrespective of the location of the source of revenues.

According to Article 13, section 4 of the Polish-Dutch tax treaty, gains from the disposal of shares are taxed exclusively in the country, in which the person disposing of property is resident. Thus, income from the disposal of the Offer Shares earned by Polish residents is taxed in Poland.

Gains on the disposal of securities (including the Offer Shares) by a legal person having their seat (management board) within Poland are subject to taxation under the general rules stipulated in the Corporate Income Tax Act. Taxable income is the difference between the proceeds from the disposal of securities and the tax-deductible costs, including the expenditure relating to the acquisition of these securities. The income thus computed is aggregated with the other income of the legal person. The income of a legal person is taxed at a rate of 19% of the taxable income.

Pursuant to Article 25 of the Corporate Income Tax Act, a legal person which has disposed of securities is required to pay the due tax prepayment into the account of the appropriate tax office. The tax prepayment is calculated as the difference between the tax due on the income earned since the beginning of a given fiscal year and the aggregate tax prepayments due for the previous months of this year. The taxpayer is required to submit their annual tax return by the end of the third month of the year immediately following the year in which the gains are made.

### **Income Earned on the Disposal of Securities by Corporate Persons Who Are Not Polish Tax Residents**

Foreign corporate persons taxed on the principles set forth below are legal persons, companies in organization, as well as non-corporate organizations other than partnerships, which have their registered office or management board outside the territory of the Republic of Poland. In accordance with Article 3, section 2 of the Corporate Income Tax Act, taxpayers, if they do not reside within the



territory of the Republic of Poland, are liable to pay tax exclusively on income obtained within the territory of the Republic of Poland.

Income from the disposal of shares in a Dutch entity by a legal person who is not a Polish tax resident cannot be classified as income obtained in Poland, and as a result is not taxed in Poland. The tax treaty between the Netherlands and the country of residence of the company should be applied.

#### **Dividends and Other Income from a Share in the Profits of Legal Persons Earned by Legal Persons Who Are Polish Tax Residents**

As a rule, dividend income and other income from a share in the profits of legal persons is subject to taxation at a flat rate of 19% of the income earned. However, this rule is modified by the provisions of the Polish-Dutch tax treaty, according to which dividends paid by a company resident in the Netherlands to a person resident in Poland may be taxed in Poland. These dividends may also be taxed in the Netherlands, but the tax levied in this state cannot exceed 5% of the gross amount of the dividend, if the dividend is received by a company holding at least 10% of the share capital of the company paying the dividend and 15% of the dividend in other cases.

Pursuant to Article 20, section 3 of the Corporate Income Tax Act, income (revenues) from dividends and other revenues from participation in profits generated by legal persons, are tax exempt in Poland if all of the following conditions are satisfied jointly: (i) the entity paying the dividends and other revenues from participation in profits generated by legal persons is a company which pays income tax and has its registered seat or management board within the territory of the UE; (ii) the entity receiving income (revenues) from dividends and other revenues from participation in profits generated by legal persons, as referred to in section (i), is a company liable to pay income tax in the Republic of Poland with respect to its entire income, irrespective of the place where it is generated; (iii) the company referred to in section (ii) has at least 10% direct shareholding in the shares in the share capital of the company which pays out the dividend, provided that between 1 January 2007 and 31 December 2008 the direct percentage share in the company paying the dividends or other revenues from participation in profits generated by legal persons is not less than 15%.

The exemption referred to above applies if the company gaining income (revenues) from dividends and other revenues from participation in profits generated by legal persons having their registered seat or management board within the territory of the Republic of Poland, has at least 10% shareholding in the company paying out dividends (15% until 31 December 2008) uninterruptedly for two years. The exemption also applies if the two year period of uninterrupted holding of shares in the required amount by a company generating income (revenues) from participation in profits generated by a legal person having its registered seat or management board within the territory of the Republic of Poland, ends after the date of obtaining such income (revenues). In the case of failure to satisfy the condition of holding shares in the required amount uninterruptedly for two years, the taxpayer shall be required to pay tax, including default interest, on the income (revenues) at 19% of income (revenues) by the 20th day of the month following the month in which it was deprived of the right of exemption. Interest is calculated as of the day following the day on which the taxpayer had first exercised the right to exemption.

#### **Dividends and Other Income from a Share in the Profits of Legal Persons Earned by Legal Persons Who Are Not Polish Tax Residents**

Dividend income paid by a Dutch company to a non-Polish tax resident is not taxed in Poland. The tax treaty between the Netherlands and the country of residence of the individual should be applied. Companies subject to taxation of their entire incomes in any of the EU member states other than the Netherlands, are exempted from the taxation of dividends disbursed by companies with their registered office in The Netherlands. However, the application of this exemption is contingent on numerous conditions.

#### **Transfer Tax (Tax on Civil Law Transactions)**

Transfer tax applies to sale or exchange contracts, if the rights which are the subject of the transaction are to be performed within the territory of the Republic of Poland (e.g. shares in a Polish company), or if the rights are performed outside the Republic of Poland, provided that the agreement evidencing the

sale or exchange is concluded in the Republic of Poland and the purchaser is a Polish resident. The rate of this tax is set at 1% of the market value of the securities which are the subject of the transfer. In certain situations, the tax authorities may adjust the taxable base. The tax should be paid within 14 days after the transaction is concluded. However, pursuant to Article 9, section 9 of the Act on Transfer Tax, the sale of securities to brokerage houses and banks conducting brokerage activities is exempt from transfer tax, as is the sale of securities performed through an agency of brokerage houses and banks conducting brokerage activities.

The sale of shares in a Dutch company by a non-Polish tax resident is not subject to transfer tax.

### **Taxation of Gifts and Inheritance**

Polish gift or inheritance tax can only be imposed on individuals. Such tax may arise on a gift or inheritance of the Offer Shares where the heir or the donee is a Polish resident. The amount of tax depends on the relationship of the donor/deceased to the donee/heir.

### **United States Federal Income Taxation**

The following description is a summary of material U.S. federal income tax consequences that may be relevant to ownership and disposition of the Company's Shares. This description is based on the Internal Revenue Code of 1986, as amended, (the "Code"), the United States Treasury Regulations and relevant judicial and administrative interpretations, in each case as in effect and available on the date of this Prospectus. Changes in, or differing interpretations of, any of these authorities could affect the tax consequences described herein.

**TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, INVESTORS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS PROSPECTUS IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY INVESTORS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON INVESTORS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF TREASURY DEPARTMENT CIRCULAR 230) OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) INVESTORS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.**

This description addresses only the U.S. federal income tax considerations of U.S. Holders (described below) that are initial purchasers of the Offer Shares pursuant to the International Offering and that will hold such Shares as capital assets within the meaning of section 1221 of the Code (generally, as property held for investment). This description does not address tax considerations applicable to holders that may be subject to special tax rules, including:

- banks, financial institutions, "financial services entities," or insurance companies;
- real estate investment trusts, or regulated investment companies
- partnerships, grantor trusts or other entities classified as pass-through entities for U.S. federal income tax purposes;
- dealers or traders in securities or currencies;
- persons electing to mark their securities to market;
- pension funds or tax-exempt entities;
- persons receiving the Company's Shares as compensation for the performance of services;
- persons that will hold the Company's Shares as part of a "hedging," "conversion," "straddle," or other integrated transaction for United States federal income tax purposes;
- certain U.S. expatriates;
- persons that have a "functional currency" other than the United States dollar;

- persons that own or are deemed to own 10% or more of the voting power of the Company's Shares;
- persons subject to the alternative minimum tax; or
- persons subject to tax under the provisions of U.S. tax law applicable to certain expatriates or former long-term residents of the U.S.

For purposes of this description, a "U.S. Holder" is a beneficial owner of the Company's Shares, that for U.S. federal income tax purposes, is:

- a citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof, or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust, if such trust validly elects to be treated as a U.S. person for U.S. federal income tax purposes, or if

(1) a court within the United States is able to exercise primary supervision over its administration and

(2) one or more U.S. persons have the authority to control all of the substantial decisions of such trust.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds the Company's Shares, the tax treatment of a partner in such partnership will generally depend on the status of the partner and the activities of the partnership. Such a partner or partnership should consult its tax advisor as to the tax consequences of holding the Company's Shares.

This description addresses only U.S. federal income tax considerations and does not address U.S. federal estate, gift, or alternative minimum tax considerations, or any state, local or foreign tax considerations.

**You should consult your own tax advisor with respect to the U.S. federal, state, local and foreign tax consequences of acquiring, owning or disposing of the Company's Shares.**

## **Distributions**

Subject to the discussion below under "Passive Foreign Investment Company Considerations," if you are a U.S. Holder, for U.S. federal income tax purposes, the gross amount of any distribution made to you of cash or property (other than certain distributions, if any, of the Company's Shares distributed pro rata to all the Company's shareholders), with respect to your Shares, before reduction for any Polish taxes withheld therefrom will be includible in your income as dividend income to the extent such distributions are paid out of the Company's current or accumulated earnings and profits as determined under U.S. federal income tax principles. To the extent, if any, that the amount of any distribution by the Company exceeds the Company's current and accumulated earnings and profits as determined under U.S. federal income tax principles, it would generally be treated first as a tax-free return of your adjusted tax basis in your Shares and thereafter as capital gain. The Company does not maintain calculations of its earnings and profits under U.S. federal income tax principles. Therefore, a U.S. Holder should expect that any distribution paid on the Shares will generally be treated as a dividend even if that dividend would be treated as a non-taxable return of capital or as capital gain under the rules set forth above. The Company's dividends will not be eligible for the dividends received deduction generally allowed to corporate U.S. Holders, and the Company expects that its dividends will not be eligible for reduced rates of taxation to noncorporate U.S. Holders as "qualified dividend income."

If you are a U.S. Holder, and the Company pays a dividend in zloty, any such dividend will be included in your gross income in an amount equal to the U.S. dollar value of the zloty on the date of receipt. A U.S. Holder would not recognize any foreign currency gain or loss with respect to such distribution if the zloty are converted into U.S. dollars on the date they are received. If any zloty received are not converted into U.S. dollars on the date of receipt, U.S. Holders will have a tax basis in the zloty equal to their U.S. dollar value on the date of receipt. Any gain or loss realized on a subsequent conversion or other disposition of the zloty will be treated as U.S. source foreign exchange gain or loss, which would

be treated as ordinary. The amount of any distribution of property other than cash will be fair market value of such property on the date of distribution.

If you are a U.S. Holder, dividends paid to you with respect to your Shares will be treated as foreign source income, which may be relevant in calculating your foreign tax credit limitation. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific categories of income. For this purpose, dividends that the Company distributes generally will constitute “passive category income,” or, in the case of certain U.S. Holders, “general category income.” A U.S. Holder will be denied a foreign tax credit for non-U.S. income tax withheld from dividends received on Shares to the extent the U.S. Holder has not held the Shares for at least 16 days of the 31-day period beginning 15 days before the ex-dividend date (with any days during which the U.S. Holder has substantially diminished its risk of loss on the Shares not counting toward this requirement), or to the extent the U.S. Holder is under an obligation to make related payments with respect to positions in substantially similar or related property. The foreign tax credit rules are complex, and you are urged to consult your tax advisor regarding the availability of the foreign tax credit under your particular circumstances.

### **Sale or Exchange of Shares**

Subject to the discussions below under “Passive Foreign Investment Company Considerations,” if you are a U.S. Holder, you generally will recognize gain or loss on the sale or exchange of your Shares equal to the difference between the amount realized on such sale or exchange and your adjusted tax basis in your Shares. Such gain or loss will be capital gain or loss. If you are a non-corporate U.S. Holder, the maximum marginal U.S. federal income tax rate applicable to such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income (other than certain dividends) if your holding period for such Shares exceeds one year. As described under “- Poland - Taxation of Polish Holders -Taxation on transfer of Shares,” under current law a holder of Shares may be subject to Polish tax upon the disposition of such Shares under certain circumstances. Gain or loss from the sale or exchange of the Shares generally will be treated as U.S. source income or loss for U.S. foreign tax credit purposes. Consequently, you may not be able to utilize the foreign tax credit attributable to any such Polish tax imposed on a sale or disposition unless such credit can be applied (subject to applicable limitations) against tax due on other income treated as derived from foreign sources in the appropriate income category.

If you are a U.S. Holder, the initial tax basis of your Shares will be the U.S. dollar value of the zloty denominated purchase price determined on the date of purchase. If the Company’s Shares are treated as traded on an “established securities market,” a cash basis U.S. Holder and, if it elects, an accrual basis U.S. Holder, will determine the dollar value of the cost of such Shares by translating the amount paid at the spot rate of exchange on the settlement date of the purchase. If you convert U.S. dollars to zloty and immediately use that currency to purchase Shares, such conversion generally will not result in taxable gain or loss to you.

With respect to the sale or exchange of Shares, the amount realized generally will be the U.S. dollar value of the payment received determined on (1) the date of receipt of payment in the case of a cash basis U.S. Holder and (2) the date of disposition in the case of an accrual basis U.S. Holder. If the Company’s Shares are treated as traded on an “established securities market,” a cash basis taxpayer, and, if it elects an accrual basis taxpayer, will determine the U.S. dollar value of the amount realized by translating the amount received at the spot rate of exchange on the settlement date of the sale.

### **Passive Foreign Investment Company Considerations**

A Non-U.S. corporation will be classified as a “passive foreign investment company,” or a PFIC, for U.S. federal income tax purposes in any taxable year in which, treating the corporation’s ratable shares of its 25-percent subsidiaries’ assets and income as held and earned directly, either:

- at least 75% of its gross income is “passive income;” or
- at least 50% of the average gross fair market value of its assets is attributable to assets that produce “passive income” or are held for the production of passive income.

Passive income for this purpose generally includes dividends, interest, royalties, rents and capital (generally, investment) gains. Gross income for U.S. federal income tax purposes generally includes

gross receipts from interest, dividends, rents, royalties, services, and other sources, but, for dealings in property, includes only gains.

Based on estimates of its gross income and gross assets and the nature of its business, the Company believes that it will not be classified as a PFIC currently or in the foreseeable future. Its status in future years will depend on the Company's assets and activities, including the proceeds which the Company receives from this offering and income earned thereon, in those years. The Company has no reason to believe that its assets or activities will change in a manner that would cause it to be classified as a PFIC, but the tests for PFIC status are factual in nature and depend upon factors not wholly within the Company's control, and there can be no assurance that it will not be considered a PFIC for any taxable year. Since the Company's business consists primarily of developing and selling residential real property, and the real estate residential development market is cyclical, there is a risk that we may in the future be unable to generate enough nonpassive gross income in the form of gains on sales of our real property inventory to avoid PFIC status.

If a U.S. Holder holds Shares at any time when the Company is classified as a PFIC, the following rules would generally apply to those Shares for the remainder of the U.S. Holder's holding period, even if the Company ceases to be a PFIC:

Certain distributions by the Company to the U.S. Holder, as well as gain recognized on the disposition of the Company's Shares by the U.S. Holder, would be allocated over the tax years for which the U.S. Holder held the Shares. Such distributions or gain generally would be subject to the highest rates of tax on ordinary income in effect for such tax years, and tax attributed to prior years would be subject to an interest charge. The U.S. Holder would be required each year to file Internal Revenue Service Form 8621 to report ownership of and any distributions upon or dispositions of Shares in any year in which the Company is classified as a PFIC. The Company does not expect that certain tax elections which would generally mitigate the adverse tax consequences of these rules in the event we become a PFIC would be available to U.S. Holders.

If the Company is classified as a PFIC for any taxable year, U.S. holders for that taxable year would be considered as owning, and would be subject to reporting obligations and potential adverse tax treatment for ownership of and deemed receipt of distributions upon, their proportionate interests in any lower-tier PFICs which we may own (which may include our subsidiaries and SPVs). These indirect ownership rules could result in tax liability without the receipt of cash, and there can be no assurance that U.S. Holders would be able to obtain the information necessary to determine and comply with tax obligations arising from deemed ownership of any lower-tier PFICs.

**You should consult your own tax advisor regarding the tax consequences that would arise if the Company were treated as a PFIC.**

### **Backup Withholding Tax and information Reporting Requirements**

U.S. backup withholding tax and information reporting requirements generally apply to certain payments to certain non-corporate U.S. Holders of stock. Information reporting generally will apply to payments of dividends on, and to proceeds from the sale or redemption of, Shares made within the United States, or by a U.S. payor or U.S. middleman, to a holder of Shares, other than an exempt recipient (including a corporation, a payee that is not a U.S. person that provides an appropriate certification, and certain other persons). A payor will be required to withhold backup withholding tax from any payments of dividends on, or the proceeds from the sale or redemption of, Shares within the United States, or by a U.S. payor or U.S. middleman, to a holder, other than an exempt recipient, if such holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, such backup withholding tax requirements. Exempt recipients may be required to certify their exempt status to avoid information reporting and backup withholding.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding tax rules will be allowed as a refund or a credit against your U.S. federal income tax liability provided the required information is timely furnished to the Internal Revenue Service.

## **TERMS AND CONDITIONS OF THE OFFERING**

### **The Offering**

On the basis of this Prospectus (the “Prospectus”), the Ronson Europe N.V. (“Ronson”, the “Company” or the “Issuer”) is offering up to 40,000,000 new issue ordinary bearer shares (the “New Shares”), and ITR Dori B.V. (the “Selling Shareholder”) is offering up to 20,000,000 existing ordinary shares of the Company (the “Sale Shares”) (jointly referred to as the “Firm Shares”).

This offering (the “Offering”) consists of a public offering to: (i) retail investors in the Republic of Poland (the “Retail Offering”) and (ii) institutional investors in the Republic of Poland (the “Polish Institutional Offering” and, together with the “Retail Offering”, the “Polish Public Offering”) and a private placement to (iii) qualified institutional buyers (“QIBs”) in the United States in reliance on Rule 144A under the U.S. Securities Act of 1933, as amended (the “U.S. Securities Act”) and (iv) institutional investors outside the United States (excluding the Republic of Poland) in reliance on Regulation S under the U.S. Securities Act (the “International Offering” and together with the Polish Institutional Offering, the “Institutional Offering”).

In addition, ITR Dori B.V. has granted to the Managers an option exercisable for up to 30 days following the Allotment Date to purchase up to an additional 9,000,000 Shares (the “Overallotment Shares” and together with the Firm Shares, the “Offer Shares”), the maximum number of which is equal to 15% of the number of Firm Shares being offered in the Offering, solely to cover overallotments, if any, made in connection with the Offering and short positions resulting from stabilization transactions.

Pursuant to the draft deed of amendment of the Company's articles of association, which was approved by the general meeting of shareholders on 28 September 2007 and which will be executed prior to listing, the Management Board -subject to the approval of the Supervisory Board- is authorized to resolve to issue the New Shares. On 1 October 2007, the general meeting of shareholders authorized the Management Board to take any and all actions in connection with the Offering. The issuance of the New Shares is scheduled to occur upon the Management Board's execution of a resolution to that effect shortly prior to delivery and listing of the Offer Shares, as outlined below.

### **Determination of the Offer Price**

Retail Investors (excluding U.S. persons as defined in Regulation S) may submit their subscriptions for the Offer Shares in the period commencing on 18 October 2007, and ending on 24 October 2007. Institutional Investors (excluding U.S. persons as defined in Regulation S) may submit their subscriptions for the Offer Shares in the period commencing on 25 October 2007 and ending on 26 October 2007. The price at which subscriptions will be accepted in the Retail Tranche will be determined by the Company and the Selling Shareholder, in agreement with the Global Coordinator, on 16 October 2007 at the latest (the “Indicative Price”). The Indicative Price shall not be published in the form of an annex to this Prospectus. The information about the Indicative Price will be made publicly disclosed by the Company in the same manner as this Prospectus has been made available and pursuant to art. 56 § 1 of the Public Offering Act. The issue price of New Shares (the “Issue Price”) and the sale price of the Sale Shares (the “Sale Price”, and together with the Issue Price, the “Offer Price”) shall be determined jointly by the Company and the Selling Shareholder, in agreement with the Global Coordinator, prior to the commencement of subscription by Institutional Investors, on 24 October 2007 (the “Price Determination Date”), on the basis of the evaluation of the level of the investors' interest in acquisition of the Offer Shares. The Offer Price for Retail Investors shall not exceed the Indicative Price. The Offer Price for Institutional Investors may exceed the Indicative Price.

The information about the Offer Price shall be made publicly disclosed by the Company in the same manner as this Prospectus has been made available and pursuant to art. 56 § 1 of the Public Offering Act.

## **Schedule of the Offer**

The detailed schedule of the Offering is presented below:

10 October 2007 to 24 October 2007	Book-building process among Institutional Investors
16 October 2007	Publication of the Indicative Price
18 October 2007 to 24 October 2007	Retail Subscription Period
24 October 2007	Determination of the Offer Price
25 October 2007 to 26 October 2007	Institutional Subscription Period
29 October 2007	Allotment Date
5 November 2007	Delivery and listing of the Offer Shares

The Issuer and the Selling Shareholder reserve the right to change the timetable of the Offer, including the dates for accepting orders. All the above deadlines are subject to change. In the event of a change to any of the deadlines, this information will be published as an annex to the Prospectus pursuant to Art. 51 of the Act on Public Offers. A change to the dates of the Offering will not constitute a withdrawal of the Offer.

## **Rules Governing Placing of Subscription Orders for the Offer Shares**

After the completion of the book-building process the Global Coordinator, in agreement with the Issuer will determine the list of Eligible Investors who will be invited to place subscription orders for a specified number of shares.

Subscription orders from the Retail Investors will be accepted at the client service points of Centralny Dom Maklerski Pekao S.A., and Biuro Maklerskie Bank BPH S.A. or at any other place that may be publicly communicated by the Global Coordinator prior to the end of the subscription period for the Retail Investors.

For information on detailed rules governing placing of subscription orders, in particular: (i) the documents required if a subscription order is placed by a statutory representative, proxy or any other person acting on behalf of an investor, and (ii) the possibility of placing subscription orders and deposit requests in a form other than the written form, the investors should contact the Customer Service Point of the brokerage house accepting orders for Shares from Retail Investors at which they intend to place their subscription order.

Subscription orders from Institutional Investors will be accepted at the office of UniCredit CA IB Polska S.A., ul. Emilii Plater 53, Warsaw, Poland. For information on detailed rules governing placing of subscription orders, in particular: (i) the documents required if an order is placed by a statutory representative, proxy or any other person acting on behalf of an investor, and (ii) a possibility of placing orders and deposit instructions in a form other than the written form, Institutional Investors should contact the Global Coordinator.

Investors have the right to place multiple subscription orders, provided the aggregate number of the Offer Shares subscribed by one investor is not greater than the total number of Offer Shares. Subscription orders for a total number of Shares greater than the number of the Offer Shares shall be considered to be orders for the all Offer Shares. The subscription order placed by an investor must be given in respect of at least one Offer Share.

Subscription orders must be placed on subscription forms made available at the brokerage houses accepting orders for Shares or through fax, telephone or other electronic means of communication if the brokerage house accepting subscription orders provides for such possibility and in compliance with terms and conditions set down for such placement.

If an order placed by an Institutional Investor is not paid up in full, it shall be valid for the number of the Offer Shares corresponding to the amount paid by such investor. If an order placed by a Retail Investor is not paid up in full, such order shall be deemed invalid.

By placing subscription orders, each of the prospective investors will be deemed to have read the Prospectus, accepted the terms of the Offering consented to being allotted a lower number of Offer Shares than the number specified in such investor's subscription orders, or to not being allotted any Offer Shares at all, pursuant to the terms and conditions set forth in the Prospectus.

Subscription orders from Retail Investors or Institutional Investors will be accepted only from prospective investors who at the time of placing their orders (before the end of the subscription period for the Retail Investors or the subscription period for the Institutional Investors, respectively), will have opened securities accounts with entities of their choice, licensed to provide such services within the territory of the Republic of Poland.

### **Rules Governing Payment for the Offer Shares**

Retail Investors placing subscription orders for Offer Shares should pay for such Offer Shares at the time of placing their subscription order. The amount of such payment should be equal to the multiple of the number of Offer Shares for which the investor is placing the subscription order and the Indicative Price.

Institutional Investors placing subscription orders should pay for Offer Shares no later than by the end of the relevant subscription period. If an order is not paid up in full, it shall be valid for the number of Offer Shares corresponding to the amount paid by the investor, ignoring fractional entitlements. Payments should be transferred to such account as indicated by the investment institution accepting subscription order for the Offer Shares.

### **Allotment of the Offer Shares**

The total number of Offer Shares allotted to the Retail Investors and the Institutional Investors will be determined by the Global Coordinator, at its discretion. The minimum allotment in the Offer will be one Share, regardless of how and through whom the subscription order has been placed (without prejudice to the possibility of the Global Coordinator to allocate no Offer Shares at all to certain investors participating in the Offer).

The final number of the Offer Shares to be allotted to Retail Investors and Institutional Investors shall be published following the completion of the subscription period for Institutional Investors, by way of a press release and in the same manner as this Prospectus.

The allotment of the Offer Shares is expected to take place on or about 29 October 2007 (the "Allotment Date"). In the case of an over-subscription, Offer Shares shall be allotted to the Retail Investors participating in the Offering in accordance with the proportional reduction principle with respect to each order placed. Fractional allocations (after the proportional reduction, if any) will be rounded down to the nearest integer value, and the remaining Offer Shares will be allocated to the Retail Investors who subscribed for the largest number of Offer Shares.

Retail Investors participating in the Offering who have not been allotted any Offer Shares or whose subscriptions have been reduced will receive reimbursements of cash payments and of excess payments in accordance with the instructions provided by each Retail Investor as required under the procedures applicable in the brokerage house in which the subscription order was placed within 14 days from the Allotment Date or from the date of the announcement on the cancellation of the Offer. The excess payments shall be returned without any reimbursements for costs incurred by the investors in the course of subscribing for the Offer Shares and net of all transfer expenses and without interest.

Offer Shares shall be allotted to Institutional Investors participating in the Offer, subject to the payment for the Offer Shares they subscribed for in accordance with the provisions set forth in this Prospectus, in the first instance to those Institutional Investors who have been invited by the Global Coordinator to participate in the book-building and will be included in the allotment list prepared by the Company based upon the recommendation and with the agreement of the Global Coordinator (the "Allotment List"). The allocation of Offer Shares to particular Institutional Investors participating in the Offering will be determined by the Global Coordinator, at its discretion, subject to the consent of the Company.

Institutional Investors participating in the Offering will be notified about their allocations of Offer Shares by the Global Coordinator. Retail Investors participating in the Offering will receive relevant notifications in accordance with the regulations of their brokerage accounts.

All Offer Shares will be delivered to investors at the same time by way of registration of such Shares on their brokerage accounts through the facilities of the NDS.



## **Registration and Settlement**

The registration of the Shares on Investors' securities accounts in their brokerage houses or custodian banks shall be made through the NDS once the Shares have been admitted to trading on the WSE on or around 5 November 2007.

## **Abandonment of the Offer**

The Issuer may abandon the Offering or a part thereof at any time before or after the opening of the Offering or a part thereof, without disclosing any reason for doing so.

The Issuer may also cancel the Offering or any part thereof at any time after the opening of the subscription period for the Retail Investors, if proceeding with the Offering will be considered impracticable or inadvisable. Such reasons may include, but are not limited to: (i) suspension or material limitation in trading in securities generally on the Warsaw Stock Exchange; (ii) sudden and material adverse change in the economic or political situation in Poland and any other jurisdictions in which the Company operates or worldwide; (iii) a material loss or interference with the Company's business; (iv) the insufficiency, in the opinion of the Company, or the Global Coordinator, expected free float of the Shares on the Warsaw Stock Exchange or (v) any change or development in or affecting the general affairs, management, financial position, shareholders' equity or results of the Company's operations or the operations of its subsidiaries in a material adverse way. In such event, subscription orders for the Offer Shares that have been made will be disregarded, and any subscription payments made will be returned without interest or any other compensation, net of transfer costs.

## **Listing of the Offer Shares**

The Shares are dematerialized and will be registered with the NDS. Application will be made to the Warsaw Stock Exchange for the admission of all of the Company's Shares, including the New Shares, for listing on the main market in the continuous trading system. Trading in Shares is expected to commence on or about 5 November 2007.

## **Offeror**

The Company has appointed UniCredit CA IB Polska S.A. to act as the intermediary with respect to the Offer Shares for the purposes of the Offering and admission of the Shares to trading on the main market of the Warsaw Stock Exchange.

## **Lock-up Agreements**

The Issuer and the Principal Shareholders have agreed that, without the prior written consent of the Global Coordinator, it or he will not, subject to certain exceptions, during the 180 days period after the Allotment Date (the "Lock-up Period") issue, offer, sell, contract to sell, pledge or otherwise transfer or dispose of, or announce the proposed sale of, any Shares or other equity securities or securities linked to the Issuer's share capital, and the Issuer has agreed with the Managers to reasonably procure that any beneficiary of the Employee Stock Incentive Plan (as defined below) who receives any options, shares or other securities of the Issuer in connection with the Employee Stock Incentive Plan will not offer, sell, contract to sell, pledge or otherwise transfer or dispose of any such options, shares or other securities during the Lock-up Period, provided, however, that (i) the Issuer may, in connection with its Employee Stock Incentive Plan, issue options or other securities or contracts whose value is linked to the value of the Issuer's shares; and (ii) members of the Company's management may exercise any options granted to them under the Employee Stock Incentive Plan but any shares of the Issuer thus acquired may not be offered, sold, contracted to sell, pledged or otherwise transferred or disposed of during the Lock-up Period by such persons or on their behalf.

## **Expenses of the Offer**

As the Offer Price and the number of Offer Shares being issued are not known at present, the gross proceeds from the Offering cannot be estimated. Preliminary estimates of the costs of the Offering suggest that they will be approximately 7.5%.

The Issuer will publish information regarding the proceeds from the sale of the New Shares, as well as total expenses of the Offering as a Current Report immediately after the Offering is completed, in accordance with Article 56 of the Act on Public Offers.

**Entities that have binding obligations to act as intermediaries in trading on the secondary market**

No entity is obliged to act as an intermediary in secondary market trading, ensuring the liquidity of the Issuer's shares by quoting bid and offer prices.

**Share Stabilization**

In connection with the Offering, the Global Coordinator (or any person acting for the Global Coordinator) may purchase Shares on the WSE with a view to supporting the market price of the Shares on the WSE at a level higher than that, which might otherwise prevail. The purchases of the Shares shall be made in accordance with the rules set out in the European Commission Regulation (EC) No. 2273/2003 of 22 December 2003 implementing Directive 2003/6/EC of the European Parliament. There is no obligation on the Global Coordinator (or any agent of the Global Coordinator) to engage in such activities. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end within 30 days after the Listing Date.

## PLACING AND UNDERWRITING

The Issuer and the Principal Shareholders intend to enter, prior to the Pricing Date, i.e., prior to 24 October 2007, into an underwriting agreement (the “Underwriting Agreement”) in respect of the Offering with the Managers, in which Bank Austria Creditanstalt AG and ING Bank N.V., London Branch will commit, on a best efforts basis, to procure subscribers for, or failing that, to subscribe in their own name and pay for, the Firm Shares at the Offer Price.

UniCredit CA IB Polska S.A., ul. Emilii Plater 53, 00-113 Warsaw, Poland, will act as Offeror in Poland with respect to the Shares for the purposes of the Offering and admission to trading on the main market of the WSE.

In connection with the Offering, the Issuer and the Selling Shareholder have agreed to pay a fee of up to 5.0%, including an incentive fee, of the gross proceeds from the placement and sale of the Offer Shares, pro rata to the number of the New Shares and the Sale Shares in the Offering. In addition, the Issuer and the Selling Shareholder have agreed to indemnify the Managers against certain liabilities and to reimburse the Managers for certain of their expenses in connection with the management of the Offering. The Managers are entitled in certain circumstances to be released and discharged from their respective obligations under the Underwriting Agreement prior to the Listing Date. Such circumstances include the non-satisfaction of certain conditions precedent and the occurrence of certain *force majeure* events. Please see “*Terms and Conditions of the Offering — Abandonment of the Public Offering*”.

In addition, ITR Dori B.V. has granted to the Managers an option exercisable for up to 30 days following the Allotment Date to purchase up to an additional 9,000,000 Shares, the maximum number of which is equal to 15% of the number of Firm Shares being offered in the Offering, solely to cover overallocments, if any, made in connection with the Offering and short positions resulting from stabilization transactions. Please see “*Terms and Conditions of the Offering — Stabilization*”.

Pursuant to the Underwriting Agreement, the Company and the Principal Shareholders have agreed to a lock-up. Please see “*Terms and Conditions of the Offering — Lock-up Agreements*”.

### Other Relationships

The Managers and their respective affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Company and the Selling Shareholder and any of its affiliates. The Managers and their respective affiliates have received and may receive in the future customary fees and commissions for these transactions and services.

## SELLING RESTRICTIONS

### General

No action has been or will be taken in any jurisdiction other than the Republic of Poland that would permit a public offering of the Shares, or the possession, circulation or distribution of this Prospectus or any other material relating to us, the Selling Shareholder or the Shares in any jurisdiction where action for that purpose is required. Accordingly, the Shares may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisements in connection with the Shares may be distributed or published in any form or in any country or jurisdiction except under circumstances that will result in compliance with any applicable laws, rules and regulations of any such country or jurisdiction.

### United States

The Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States, and may not be offered, sold, pledged or otherwise transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with any applicable state securities laws. Accordingly, each Manager has acknowledged and agreed that it will not offer or sell the Shares in this Offering within the United States, except to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act. Transfers of the Shares will be restricted and each purchaser will be deemed to have made acknowledgments, representations and agreements, as described under “*Selling Restrictions – United States*”.

In addition, until 40 days after the commencement of the Offering, an offer or sale of the Shares within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirement of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

Because of the following restrictions, prospective investors are advised to consult legal counsel prior to making any offer for, resale, pledge or other transfer of, the Shares.

The Shares have not and will not be registered under the U.S. Securities Act or any state securities law and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state laws. Accordingly, the Shares in this Offering are being offered and sold:

- (i) in the United States only to “qualified institutional buyers” as such term is defined under Rule 144A of the U.S. Securities Act (“Rule 144A”); and
- (ii) outside the United States pursuant to Regulation S under the U.S. Securities Act.

Each purchaser of Shares within the United States pursuant to Rule 144A and each subsequent purchaser thereof, will be deemed to have represented and agreed as follows (terms used herein that are defined in Rule 144A or Regulation S are used herein as defined therein):

- (i) You (A) are a qualified institutional buyer, (B) are aware, and each beneficial owner of such Shares has been advised, that the sale of the Shares is being made in reliance on Rule 144A and (C) are acquiring such Shares for your own account or for the account of a qualified institutional buyer, as the case may be;
- (ii) You understand that the Shares have not been and will not be registered under the U.S. Securities Act and may not be reoffered, resold, pledged or otherwise transferred except (A)(i) to a person who you reasonably believe is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (ii) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S or (iii) pursuant to an exemption from registration under the U.S. Securities Act provided by Rule 144 thereunder, if available, and (B) in accordance with all applicable securities laws of the states of the United States;

- (iii) You acknowledge that the Shares are “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act and that no representation is made as to the availability of the exemption provided by Rule 144 for resales of Shares.
- (iv) You agree that, notwithstanding anything to the contrary in the foregoing, for so long as they are “restricted securities,” the Shares may not be deposited into any unrestricted depository receipt facility in respect of Shares that may be established or maintained by a depository bank.

Purchasers of the Shares outside the United States will be deemed to have represented and agreed as follows:

- (i) the purchaser: (a) is, and the person for whose account it is acquiring the Shares, if and, is outside the United States, (b) is not an affiliate of the Company or a person acting on behalf of an affiliate of the Company and (c) is not in the business of buying or selling securities or, if it is in such business, did not acquire the Shares in the initial distribution of the Shares;
- (ii) the purchaser is aware that the Shares have not been and will not be registered under the Securities Act and are being offered outside the United States in reliance on Regulation S; and
- (iii) upon sale of the Shares pursuant to Regulation S, the purchaser will be required, or will be deemed by its purchase thereof, to confirm that it is aware of the restrictions on the offer and sale of the Shares pursuant to Regulation S described in this Offering Memorandum.

The Company and the Selling Shareholder will not recognize any offer, sale, pledge or other transfer made other than in compliance with the above-stated restrictions.

### **European Economic Area**

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”) an offer to the public of any Shares which are the subject of the International Offering may not be made in that Relevant Member State other than offers contemplated by this Prospectus in that Relevant Member State after this Prospectus has been approved by the competent authority in that Relevant Member State and published and passported in accordance with the Prospectus Directive as implemented in that Relevant Member State. Notwithstanding the foregoing, an offer to the public in that Relevant Member State of any Shares' may also be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than EUR43,000,000 and (iii) an annual net turnover of more than EUR50,000,000, as shown in its last annual or consolidated accounts;
- by the Managers to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Managers for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Shares shall result in a requirement for the publication by the Company or any Manager of a prospectus pursuant to Article 3 of the Prospectus Directive,

For the purposes of this provision, the expression an “offer to the public” in relation to Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Shares to be offered so as to enable an investor to decide to purchase or subscribe for any Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

## **United Kingdom**

Each Manager has represented, warranted and agreed that (i) it has not made and will not make an offer of any Shares to the public in the United Kingdom prior to the publication of a prospectus in relation to the Shares and the Offering that has been approved by the United Kingdom Financial Services Authority (the “FSA”) or where appropriate, approved in another Member State and notified to the FSA, all in accordance with the Prospectus Directive, except that it may make an offer of the Shares to persons who fail within the definition of “qualified investor” as that term is defined in section 86(1) of the Financial Services and Markets Act 2000 (the “FSMA”) or otherwise in circumstances which do not require the publication by the Company of a prospectus pursuant to section 85(1) of the FSMA; (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Shares in circumstances in which section 21(1) of the FSMA does not apply to the Company; and (iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Shares in, from or otherwise involving the United Kingdom.

## **Australia**

This Prospectus has not been and will not be lodged with the Australian Securities and Investments Commission or the Australian Stock Exchange, and is not a disclosure document for the purposes of Australian law. This Prospectus (whether in preliminary or definitive form) may not be issued or distributed in Australia and no offer or invitation may be made in relation to the issue, sale or purchase of Shares in Australia (including an offer or invitation received by a person in Australia) and no Shares may be sold in Australia, unless the offer or invitation does not need disclosure to investors under Part 6D.2 or Division 2 of Part 7.9 of the Corporations Act 2001 (Cth). Restrictions on the resale of the Shares in Australia may also apply under Australia's Corporations Act and, as such, professional advice should be obtained in such a situation.

## **Japan**

The Shares have not been and will not be registered under the Securities and Exchange Law of Japan, as amended, (the “SEL”) and, accordingly, each Manager has undertaken that it has not offered or sold, or will not offer or sell any Shares, directly or indirectly, in Japan or to, or for the account or benefit of, any Japanese Person except under circumstances which will result in the compliance with the SEL and any other applicable laws and regulations promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, “Japanese Person” shall mean any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

## **Canada**

*This document is not, and under no circumstances is it to be construed as, a prospectus, an advertisement or a public offering of the securities described herein in Canada. No securities commission or similar authority in Canada has reviewed or in any way passed upon this document or the merits of the securities described herein, and any representation to the contrary is an offence.*

### **Representations and Agreements by Purchasers**

The Offering is being made in Canada only in the Canadian provinces of British Columbia, Ontario and Quebec (the “Canadian Jurisdictions”) by way of a private placement of Shares. The Offering in the Canadian Jurisdictions is being made pursuant to this Prospectus through the Managers named in this Prospectus or through their selling agents who are permitted under applicable law to distribute such securities in Canada. Each Canadian investor who purchases the Shares will be deemed to have represented to the Company, the Selling Shareholder the Managers that: (1) the offer and sale was made exclusively through this Prospectus and was not made through an advertisement of the Shares in any printed media of general and regular paid circulation, radio, television or telecommunications, including electronic display, or any other form of advertising in Canada; (2) such investor has reviewed the terms referred to below under “Canadian Resale Restrictions”; (3) where required by law, such

investor is, or is deemed to be, acquiring the Shares as principal for its own account in accordance with the laws of the Canadian Jurisdiction in which the investor is resident and not as agent or trustee; and (4) such investor or any ultimate investor for which such investors is acting as agent is entitled under applicable Canadian securities laws to acquire the Shares without the benefit of a prospectus qualified under such securities laws, and without limiting the generality of the foregoing: (i) in the case of an investor resident in a province or territory other than Ontario, without the Managers having to be registered; (ii) In the case of an investor resident in British Columbia or Quebec, such investor is an “accredited investor” as defined in section 1.1 of National Instrument 45-106-Prospectus and Registration Exemptions (“NI 45-106”); (iii) in the case of an investor resident in Ontario, such investor, or any ultimate investor for which such investor is acting as agent (1) is an “accredited investor”, other than an individual, as defined in NI 45-106 and is a person to which a dealer registered as an international dealer within the meaning of section 98 of Regulation 1015 to the U.S. Securities Act (Ontario) (the “OSA”) may sell the Shares or (2) is an “accredited investor”, including an individual, as defined in NI 45-106 who is purchasing the Shares from a fully registered dealer within the meaning of section 204 of Regulation 1015 to the OSA; and (5) such investor, if not an individual or an investment fund, has a pre-existing purpose and was not established solely or primarily for the purpose of acquiring the Shares in reliance on an exemption from applicable prospectus requirements in the Canadian Jurisdictions.

Each resident of Ontario who purchases the Shares will be deemed to have represented to the Company and the Managers that such investor: (a) has been notified by the Company (i) that the Company is required to provide information (“personal information”) pertaining to the investor as required to be disclosed in Schedule I of Form 45-106F1 under NI 45-106 (including its name, address, telephone number and the number and value of any Shares purchased), which Form 45-106F1 is required to be filed by the Company under NI 45-106; (ii) that such personal information will be delivered to the Ontario Securities Commission (the “OSC”) in accordance with NI 45-106; (iii) that such personal information is being collected indirectly by the OSC under the authority granted to it under the securities legislation of Ontario; (iv) that such personal information is being collected for the purposes of the administration and enforcement of the securities legislation of Ontario; and (v) that the public official in Ontario who can answer questions about the OSC's indirect collection of such personal information is the Administration Assistant to the Director of Corporate Finance at the OSC, Suite 1903, Box 5520 Queen Street West, Toronto, Ontario M5H 3S8, Telephone: (416) 593-8086; and (b) has authorized the indirect collection of the personal information by the OSC. Further, the investor acknowledges that its name, address, telephone number and other specified information, including the number of Shares it has purchased and the aggregate purchase price to the purchaser, may be disclosed to other Canadian securities regulatory authorities and may become available to the public in accordance with the requirements of applicable laws. Each resident of British Columbia or Quebec who purchases the Shares hereby acknowledges to the Company and the Managers that its name and other specific information, including the aggregate amount of the Shares it has purchased and the aggregate purchase price to the investor, may be disclosed to Canadian securities regulatory authorities and become available to the public in accordance with the requirements of applicable Canadian securities laws. By purchasing the Shares, each Canadian investor consents to the disclosure of such information.

#### ***Agreement by the Managers***

Each Manager has represented and agreed that the Shares will only be offered or sold, directly or indirectly, in Canada only in the Canadian Jurisdictions and in compliance with applicable Canadian securities laws and accordingly, any sales of Shares will be made (i) through an appropriately registered securities dealer or in accordance with an available exemption from the registered securities dealer requirements of applicable Canadian securities laws and (ii) pursuant to an exemption from the prospectus requirements of such laws.

#### ***Language of Document***

Each purchaser of Shares in Canada that receives a purchase confirmation hereby agrees that it is such purchaser's express wish that all documents evidencing or relating in any way to the sale of such Shares be drafted in the English language only. Chaque acheteur au Canada des valeurs mobilières recevant un avis de confirmation à l'égard de son acquisition reconnaît que c'est sa volonté expresse que tous les documents faisant foi ou se rapportant de quelque manière à la vente des valeurs mobilières soient rédigés uniquement en anglais.

### ***Canadian Resale Restrictions***

The distribution of the Shares in the Canadian Jurisdictions is being made on a private placement basis. Accordingly, any resale of the Shares must be made (i) through an appropriately registered dealer or in accordance with an available exemption from the dealer registration requirements of applicable provincial securities laws and (ii) in accordance with, or pursuant to an exemption from, the prospectus requirements of such laws. Such resale restrictions may not apply to resales made outside of Canada, depending on the circumstances. Purchasers of Shares are advised to seek legal advice prior to any resale of Shares.

The Company is not, and may never be, a “reporting issuer”, as such term is defined under applicable Canadian securities legislation, in any province or territory of Canada and there currently is no public market for any of the securities of the Company in Canada, including the Shares, and one may never develop. Under no circumstances will the Company be required to file a prospectus or similar document with any securities regulatory authority in Canada qualifying the resale of the Shares to the public in any province or territory of Canada. Canadian investors are advised that the Company currently has no intention of filing a prospectus or similar document with any securities regulatory authority in Canada qualifying the resale of the Shares to the public in any province or territory in Canada.

### ***Rights of Action for Damages or Rescission (Ontario)***

Securities legislation in Ontario provides investors in Shares pursuant to this Prospectus with a remedy for damages or rescission, or both, in addition to any other rights they may have at law, where this Prospectus or any amendment to it, contains a “Misrepresentation”. Where used herein, “Misrepresentation” means an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make any statement not misleading in light of the circumstances in which it was made. These remedies, or notice with respect to these remedies, must be exercised or delivered, as the case may be, by the purchaser within the time limits prescribed by the applicable securities legislation.

Section 130.1 of the OSA provides that every purchaser of securities pursuant to an offering memorandum (such as this Prospectus) shall have a statutory right of action for damages or rescission against the issuer in the event that the offering memorandum contains a Misrepresentation. A purchaser who purchases securities offered by the offering memorandum during the period of distribution has, without regard to whether the purchaser relied upon the Misrepresentation, a right of action for damages or, alternatively, while still the owner of the securities, for rescission against the issuer provided that:

- (a) if the purchaser exercises its right of rescission, it shall cease to have a right of action for damages as against the issuer;
- (b) the issuer will not be liable if it proves that the purchaser purchased the securities with knowledge of the Misrepresentation;
- (c) the issuer will not be liable for all or any portion of damages that it proves do not represent the depreciation in value of the securities as a result of the Misrepresentation relied upon; and
- (d) in no case shall the amount recoverable exceed the price at which the securities were offered.

Subject to the paragraph below, all or any one or more of the issuer and any selling security holder are jointly and severally liable, and every person or company who becomes liable to make any payment for a Misrepresentation may recover a contribution from any person or company who, if sued separately, would have been liable to make the same payment, unless the court rules that, in all the circumstances of the case, to permit recovery of the contribution would not be just and equitable.

Despite the paragraph above, the issuer shall not be liable where it is not receiving any proceeds from the distribution of the securities being distributed and the Misrepresentation was not based on information provided by the issuer, unless the Misrepresentation (a) was based on information that was previously publicly disclosed by the issuer, (b) was a Misrepresentation at the time of its previous public disclosure and (c) was not subsequently publicly corrected or superseded by the issuer prior to the completion of the distribution of the securities.



Section 138 of the OSA provides that no action shall be commenced to enforce these rights more than:

- (a) in the case of an action for rescission, 180 days from the day of the transaction that gave rise to the cause of action; or
- (b) in the case of an action for damages, the earlier of:
  - (i) 180 days from the day that the purchaser first had knowledge of the facts giving rise to the cause of action; or
  - (ii) three years from the day of the transaction that gave rise to the cause of action.

The rights referred to in section 130.1 of the OSA do not apply in respect of an offering memorandum (such as this Prospectus) delivered to a prospective purchaser in connection with a distribution made in reliance on the exemption from the prospectus requirement in section 2.3 of NI 45-106 (the “accredited investor exemption”) if the prospective purchaser is:

- (a) a Canadian financial institution, (as defined in NI 45-106) or a Schedule III bank,
- (b) the Business Development Bank of Canada incorporated under the Business Development Bank of Canada Act (Canada), or
- (c) a subsidiary of any person referred to in paragraphs (a) or (b), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary.

The foregoing summary is subject to the express provisions of the OSA and the rules, regulations and other instruments thereunder, and reference is made to the complete text of such provisions contained therein. Such provisions may contain limitations and statutory defences on which Company and the Selling Shareholder may rely. ***Prospective purchasers should refer to the applicable provisions of the relevant securities legislation and are advised to consult their own legal advisers as to which, or whether any, of such rights may be available to them.*** The enforceability of these rights may be limited as described herein under “Enforcement of Legal Rights”.

The rights of action discussed above will be granted to the purchasers to whom such rights are conferred upon acceptance by the relevant Manager of the purchase price for the Shares. The rights discussed above are in addition to and without derogation from any other right or remedy which purchasers may have at law. Similar rights may be available to investors resident in other Canadian Jurisdictions under local provincial securities laws.

#### ***Enforcement of Legal Rights***

All of the directors and officers (or their equivalents) of the Company and the Selling Shareholder, as well as any experts named herein, may be located outside of Canada and, as a result, it may not be possible for purchasers to effect service of process within Canada upon the Company, the Selling Shareholder or such experts. All or a substantial portion of the assets of the Company, the Selling Shareholder and such experts may be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against the Company, the Selling Shareholder or such experts in Canada or to enforce a judgment obtained in Canadian courts against the Company, the Selling Shareholder or such experts outside of Canada.

#### ***Canadian Tax Considerations and Eligibility for investment***

This Prospectus does not address the Canadian tax consequences of ownership of the Shares. Prospective purchasers of Shares should consult their own tax advisers with respect to the Canadian and other tax considerations applicable to their individual circumstances and with respect to the eligibility of the Shares for investment by purchasers under relevant Canadian legislation.

The Offer Price, financial statements and certain other financial information disclosed in this Prospectus are presented In Polish zloty. The following tables set out for the periods indicated, the period-end, high, low and average Canadian Noon Rates<sup>(1)</sup> between the Canadian dollar ("CAD") and the euro (expressed in CAD per EUR 1.00):

<b>Period<sup>(2)</sup></b>	<b>Period-end</b>	<b>High</b>	<b>Low</b>	<b>Average<sup>(3)</sup></b>
Six-month period ended 30 June 2007 .....	0.38	0.40	0.37	0.39
2006 .....	0.40	0.40	0.34	0.37
2005 .....	0.36	0.42	0.35	0.37
2004 .....	0.40	0.41	0.33	0.36

<sup>(1)</sup> The term "Canadian Noon Rate" means the Bank of Canada noon exchange rate.

<sup>(2)</sup> Unless otherwise specified, each reference to a year is a year ended 31 December.

<sup>(3)</sup> The daily average of the Canadian Noon Rate on the last business day of each month in the period.

On 5 October 2007, PLN 1.00 = CAD 0.37, based on the Canadian Noon Rate.

These exchange rates are provided only for the convenience of the reader. No representation is made that the Polish zloty amounts could have been converted into Canadian dollars at the above rates on any of the dates indicated or at any other rate.

## INDEPENDENT AUDITORS

KPMG Accountants N.V., the Netherlands (“KPMG Netherlands”), independent auditors, with their address at Burgemeester Rijnderslaan 10, 1185 MC Amstelveen, the Netherlands, have audited the combined financial statements of the Issuer for the financial year ended 31 December 2006 and reviewed the consolidated interim financial statements for the six-month periods ended 30 June 2006 and 30 June 2007. KPMG Netherlands have given, and have not withdrawn, their written consent to the inclusion of their report and the reference to themselves herein in the form and context in which they are included. KPMG Netherlands has no interest in the Issuer. The signatory of the independent auditors' report on the audited combined financial statements for the year 2006 of the Issuer is a member of Royal NIVRA (*‘het Koninklijk Nederlands Instituut van Registeraccountants’*).

## **GENERAL INFORMATION**

### **Prospectus**

This Prospectus constitutes a prospectus for the purposes of article 5.2 of the Dutch Act on Financial Supervision (*‘Wet op het financieel toezicht’*) for the purpose of giving the information with regard to the Issuer and the Shares it intends to offer pursuant to this Prospectus which is necessary to enable prospective investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer. The Prospectus Directive has been implemented in the Netherlands as at 1 July 2005.

This Prospectus constitutes a prospectus in the form of a single document within the meaning of article 3 of the Prospectus Directive. This Prospectus has been filed with, and was approved on 10 October 2007 by, the Netherlands Authority for the Financial Markets, which is the Dutch competent authority for the purpose of relevant implementing measures of the Prospectus Directive in the Netherlands. Under the Prospectus Directive and the Act on Public Offers, this Prospectus, once approved by the competent authority of one member state of the European Union (“home member state”) may be used for making a public offering and admission of securities to listing on a regulated market in another member state of the European Union (“host member state”), provided that the competent authority of the home member state provides the competent authority of the host member state with a certificate of approval of the Prospectus.

For the purposes of the public offering in Poland, the Issuer will publish a Polish translation of this Prospectus, including a translation of the summary of the Prospectus. The Issuer is responsible solely for the accuracy of the Polish translation of the summary of this Prospectus, or for omission of any information therein.

The Prospectus will be made available through the Company’s website at [www.ronson.pl](http://www.ronson.pl) and at the offices of the Offeror, at ul. Emilii Plater 53, 00-113 Warszawa.

### **The Company**

The Company was incorporated in the Netherlands on 18 June 2007 by a notarial deed of incorporation as a public company with limited liability under the laws of the Netherlands (*‘naamloze vennootschap’* or *‘N.V.’*) under the name Ronson Europe N.V. The articles of association will be amended and restated entirely by a notarial deed, the draft of which deed was approved by the Company’s General Meeting of Shareholders on 28 September 2007. The Company’s registered office is at Weena 210-212 3012NJ Rotterdam, The Netherlands. The Company can be contacted through its website which is [www.ronson.pl](http://www.ronson.pl). The contents of the Company’s website are expressly not incorporated by reference into this Prospectus.

### **Shares in Book-Entry Form**

The Issuer’s Shares are bearer shares and will be in book-entry form. The Shares will be registered with the NDS, the central securities depository of Poland. No individual share certificates will be issued.

### **Documents Available for Inspection**

The following documents will be available for inspection free of charge at the Company’s specified office address during normal business hours from the date of this Prospectus for a period of one year:

- the Articles of Association;
- the Company’s combined financial statements as at and for the year ended 31 December 2006;
- the Company’s interim financial statements as at and for the six month periods ended 30 June 2006 and 30 June 2007;
- copies of corporate resolutions mentioned in the preceding section; and
- copies of third party source publications cited in this Prospectus.

Moreover, the following documents will be available through the Company's website [www.ronson.pl](http://www.ronson.pl):

- this Prospectus, together with its summary translated into the Polish language;
- the Polish-language version of this Prospectus;
- the current Articles of Association;
- copies of the documents required to be published on the Company's website pursuant to the Dutch Corporate Governance Code and the WSE Corporate Governance Rules; and
- the statement of the Company's compliance or non-compliance with the WSE Corporate Governance Rules.

**REPRESENTATION PURSUANT TO COMMISSION REGULATION (EC) NO. 809/2004 OF  
29 APRIL 2004**

The Company bears responsibility for the contents of this Prospectus and represents that to the best of its knowledge, and having taken reasonable care to ensure that such is the case the information contained in the Prospectus is in accordance with the facts and contains no omission likely to affect its import.

**Ronson Europe N.V.**

On behalf of the Company

Dror Kerem  
President of the Board

Ariel Bouskila  
Member of the Management Board

Karim Habra  
Member of the Management Board

David Katz  
Member of the Management Board

Amos Weltsch  
Member of the Management Board

## FINANCIAL STATEMENTS

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**Combined Financial Statements of the Ronson Group for the year ended 31  
December 2006**

The notes on pages F-8 to F-32 are an integral part of these Combined Financial Statements.



To: The Board of Management of Ronson Europe N.V.

## **AUDITORS' REPORT**

We have audited the combined financial statements for the year ended 31 December 2006 of the Ronson Group, the Netherlands as defined on page F-8 of the combined financial statements which comprise the combined balance sheet as at 31 December 2006, the combined income statement, the combined statement of cash flow and the combined statement of invested equity for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages F-8 to F-32. These combined financial statements have been prepared for inclusion in the prospectus regarding the initial Offering of ordinary shares in Ronson Europe N.V.

### ***Management's responsibility***

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with International Financial Reporting Standards as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### ***Auditors' responsibility***

Our responsibility is to express an opinion on the combined financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the combined financial statements as set out on page F-4 to F-32 give, for the purposes of the prospectus, a true and fair view of the financial position of the Ronson Group as at 31 December 2006, and of its result and its cash flow for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Amstelveen, 1 October 2007

KPMG ACCOUNTANTS N.V.

P. Mizrachy RA

Ronson Europe N.V.  
Combined Financial Statements of the Ronson Group for the year ended 31 December 2006

**Combined Income Statement**

	<b>Note</b>	<b>For the year ended 31 December 2006</b>
		<i>In thousands of Polish Zlotys (PLN)</i>
Revenue .....	6	56,176
Cost of sales.....	7, 8	<u>(32,609)</u>
<b>Gross profit</b> .....		23,567
Change in fair value of investment property .....	13	21,754
Administrative expenses .....	7, 8	<u>(6,641)</u>
<b>Results from operating activities</b> .....		38,680
Finance income.....		1,424
Finance expense.....		<u>(1,284)</u>
<b>Net finance income</b> .....	9	140
<b>Profit before taxation</b> .....		38,820
Income tax expense .....	10	<u>(6,902)</u>
<b>Profit for the period</b> .....		<b>31,918</b>
<b>Attributable to:</b>		
Owners' net investment .....		31,897
Minority interests.....		<u>21</u>
<b>Net income before minority interests</b> .....		<b>31,918</b>

The notes on pages F-8 to F-32 are an integral part of these Combined Financial Statements.

Ronson Europe N.V.  
Combined Financial Statements of the Ronson Group for the year ended 31 December 2006

**Combined Balance Sheet**

		<b>As at</b>	
		<b>31 December 2006</b>	<b>1 January 2006</b>
	<b>Note</b>		
<i>In thousands of PLN</i>			
<b>Assets</b>			
Property and equipment.....	11	315	177
Intangible assets.....	12	169	79
Investment property.....	13	44,300	22,546
Long-term finance lease receivable.....	14	729	839
Loan granted to related party.....	15	13,533	—
Deferred tax assets.....	16	2,750	1,494
<b>Total non-current assets.....</b>		<b>61,796</b>	<b>25,135</b>
 Inventories of residential units.....	17	182,920	72,887
Trade and other receivables.....	18	21,695	8,103
Cash and cash equivalents.....	19	39,120	11,757
<b>Total current assets.....</b>		<b>243,735</b>	<b>92,747</b>
<b>Total assets.....</b>		<b>305,531</b>	<b>117,882</b>
 <b>Invested equity.....</b>	20		
 Owners' net investment.....		106,036	4,806
 Minority interests.....		18,711	—
<b>Total invested equity.....</b>		<b>124,747</b>	<b>4,806</b>
 <b>Liabilities.....</b>			
Loans and borrowings.....	22	94,057	68,079
Deferred tax liabilities.....	16	8,763	5,975
<b>Total non-current liabilities.....</b>		<b>102,820</b>	<b>74,054</b>
 Loans and borrowings.....	22	10,085	976
Trade and other payables.....	24	13,392	16,299
Tax payable.....		2,832	852
Provisions.....	21	501	501
Deferred income.....	23	51,154	20,394
<b>Total current liabilities.....</b>		<b>77,964</b>	<b>39,022</b>
<b>Total liabilities.....</b>		<b>180,784</b>	<b>113,076</b>
<b>Total equity and liabilities.....</b>		<b>305,531</b>	<b>117,882</b>

The notes on pages F-8 to F-32 are an integral part of these Combined Financial Statements.

Ronson Europe N.V.  
Combined Financial Statements of the Ronson Group for the year ended 31 December 2006

**Combined Statement of Changes in Invested Equity**

	<b>For the year ended 31 December 2006</b>		
	<b>Owners' net investment</b>	<b>Minority interests</b>	<b>Total equity invested</b>
	<i>In thousands of PLN</i>		
Balance of equity in Ronson Group at 1 January 2006.....	4,806	—	4,806
Proceeds from sale of equity in Ronson Group entities and other capital contributions at Ronson Group entities .....	69,333	18,690	88,023
Net profit for the year .....	31,897	21	31,918
Balance at 31 December 2006 .....	106,036	18,711	124,747

For further details regarding invested equity see note 19.

The notes on pages F-8 to F-32 are an integral part of these Combined Financial Statements.

**Combined Statement of Cash Flows**

	<u>Note</u>	<b>For the year ended 31 December 2006</b>
		<i>In thousands of PLN</i>
<b>Cash flows from operating activities</b>		
Profit for the period .....		31,918
<i>Adjustments to reconcile profit for the period to net cash used in)/from operating activities:</i>		
Effect of foreign currency exchange differences .....		(4,312)
Depreciation and amortization.....	11, 12	68
Interest accrued.....		5,593
Increase in fair value of Investment property .....	13	(21,754)
Decrease in finished goods .....		143
Increase in inventories of residential units .....		(110,176)
Increase in receivables and prepayments.....		(13,482)
Increase in trade and other payables and short-term borrowings.....		(815)
Increase in provisions and deferred income .....		30,760
Interest paid .....		(809)
Changes in net deferred taxes .....		1,532
<b>Net cash used in operating activities .....</b>		<b><u>(81,334)</u></b>
<b>Cash flows from investing activities</b>		
Acquisition of property, equipment and intangible assets .....		(296)
<b>Net cash used in investing activities .....</b>		<b><u>(296)</u></b>
<b>Cash flows from financing activities</b>		
Proceeds from sale of equity and capital contributions .....		88,023
Proceeds from bank loans.....		41,854
Proceeds from related-party loans .....		52,825
Repayment of bank borrowings.....		(9,954)
Repayment of related-party loans .....		(63,755)
<b>Net cash from financing activities .....</b>		<b><u>108,993</u></b>
<b>Net increase in cash and cash equivalents .....</b>		<b>27,363</b>
Cash and cash equivalents at 1 January .....		11,757
<b>Cash and cash equivalents at 31 December .....</b>	19	<b><u>39,120</u></b>

The notes on pages F-8 to F-32 are an integral part of these Combined Financial Statements.

## Notes to the Combined Financial Statements

### 1. Background and business of the Company

These combined financial statements of the Ronson Group as of and for the year ended 31 December 2006 have been prepared as follows:

The combined balance sheet has been prepared by aggregating the individual balance sheets of the entities in the Group for the year ended 31 December 2006 taking into account minority interests in the individual entities of the Group.

The combined income statements have been prepared by aggregating the individual income statements of the entities in the Group for the year ended 31 December 2006 taking into account minority interests in the individual entities of the Group. All balances and transactions between the entities in the Group as at 31 December 2006 and for the year then ended have been eliminated. As discussed below ITR Dori completed the acquisition of 100% of the Ronson group on 19 January 2006. The opening combined balance sheet of the Ronson group represents an aggregation of the individual balance sheets of entities in the Group giving effect to the change in control effective to 1 January 2006.

Ronson Europe N.V. ("the Company"), a Netherlands limited liability company with statutory seat in Rotterdam, the Netherlands, was incorporated on 18 June 2007, to hold investments in the Ronson Group Polish companies active in the development and sale of units, primarily apartments, in multi-family residential real-estate projects to individual customers. The Polish companies also lease real estate to third parties.

The Ronson Group was originally set up in 2000 by a group of investors to develop residential properties primarily in Poland. At the time, Israel Theatres Ltd. and U. Dori Engineering Works Corp Ltd, formed a Dutch holding company called ITR Dori BV ("ITR Dori"), to participate for 50% in the Ronson Group. Each of Israel Theatres Ltd. and U. Dori Engineering Works Corp Ltd. held 50% of the shares in ITR Dori. Within the Ronson Group, for each project a separate company with domicile in Poland has been established. Each of these special purpose vehicles, in which ITR Dori directly owned 50% of the shares, held all of the assets and liabilities of the relevant project. The remaining 50% ownership in those vehicles were held by non related parties, accordingly there was no majority control of the Ronson entities.

On 19 January 2006, ITR Dori acquired the remaining 50% of the equity in each of the Ronson companies from the other shareholders of the Polish companies, after which ITR Dori became sole shareholder of each Polish company of the Ronson Group.

In November 2006, General Electric Company Inc. through its wholly owned subsidiary, Gator Investments Sp. z o.o., ("Gator") invested in the Ronson Group in cash for 20.9% of the shares in a number of the Polish companies, more particularly in those companies that were directly related to the development of residential projects.

The financial statements for the year ended 31 December 2006 of those Polish entities that were incorporated and carrying business before 1 January 2007, have been combined in these financial statements and presented as one reporting entity, referred to as "the Group" or "the Ronson group".

In addition, the minority interest shown in these combined financial statements reflects the ownership of Gator Investments Sp.z.o.o. in the shares of those Polish entities in which ITR Dori B.V. held a majority ownership as at 31 December 2006.

As the 50% interests in the Polish entities that were acquired by ITR Dori from the Irish Partners on 19 January 2006, were economically acquired with retrospective effect to 1 January 2006, no minority interest in the profit for the period 1 January to 19 January 2006 is accounted for.

## Notes to the Combined Financial Statements

Detailed below are the Polish companies whose financial statements have been included in these combined financial statements, the year of incorporation and the percentage of ownership and voting rights directly held by ITR Dori at the end of 2006.

Entity name	Year of incorporation	Share of ownership & voting rights (end of year)
1 Ronson Development Sp.z.o.o. ....	1999	100.0%
2 Brighton Tec Sp.z.o.o. ....	2000	100.0%
3 Ronson Development 2000 Sp.z.o.o. ....	2000	79.1%
4 Ronson Development Warsaw Sp.z.o.o. ....	2000	79.1%
5 Ronson Development Investments Sp.z.o.o. ....	2002	79.1%
6 Ronson Development Metropol Sp.z.o.o. ....	2002	79.1%
7 Ronson Development Residential Sp.z.o.o. ....	2003	100.0%
8 Ronson Development Apartments Sp.z.o.o. ....	2003	79.1%
9 Ronson Development Properties Sp.z.o.o. ....	2002	79.1%
10 Ronson Development Enterprise Sp.z.o.o. ....	2004	79.1%
11 Ronson Development Company Sp.z.o.o. ....	2005	79.1%
12 Ronson Development Creations Sp.z.o.o. ....	2005	79.1%
13 Ronson Buildings Sp.z.o.o. ....	2005	79.1%
14 Ronson Development Structure Sp.z.o.o. ....	2005	79.1%
15 Ronson Development Poznań Sp.z.o.o. ....	2005	79.1%
16 Ronson Development Innovation Sp.z.o.o. ....	2006	79.1%
17 Ronson Development City Sp.z.o.o. ....	2006	79.1%
18 Ronson Development Wrocław Sp.z.o.o. ....	2006	79.1%
19 Ronson Development Capital Sp.z.o.o. ....	2006	79.1%
20 EEE Development Sp.z.o.o. ....	2006	79.1%
21 Ronson Development Venture Sp.z.o.o. ....	2006	79.1%
22 Ronson Development Construction Sp.z.o.o. ....	2006	79.1%
23 Ronson Development Habitat Sp.z.o.o. ....	2006	79.1%

The projects within the Companies are in various stages of development ranging from being in the process of acquiring land for development to projects which are completed or near completion.

Following the incorporation of the Ronson Europe N.V. in June 2007, the sole shareholder and founder of the Company, ITR Dori, assigned and contributed to the Company, its shares and rights to shares in 36 Polish companies as well as a liability under a loan agreement between Jerusalem Finance Company B.V. (JFC), a company fully owned by the owners of ITR Dori, and Ronson Development Residential Sp.z.o.o., one of the Polish entities in which the shares were transferred to the Company. These Polish entities comprise the 23 companies listed above with the remaining entities having been established after the financial year ended 31 December 2006. The principal amount (including accrued interest) under the loan agreement of which the liability was contributed, amounted to PLN 13,533 thousand.

## 2. Basis of preparation and measurement

### (a) Basis of preparation and statement of compliance

These combined financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS"). The combined financial statements are presented in thousands of Polish Zlotys ("PLN"). The combined financial statements were approved by the Board of Directors of Ronson Europe N.V. on 1 October 2007.

The combined balance sheet has been prepared by aggregating the individual balance sheets of the entities in the Group as at 31 December 2006 taking into account minority interests in the individual entities of the Group.

The combined income statements have been prepared by aggregating the individual income statements of the entities in the Group as at 31 December 2006 and for the year then ended taking into account minority interests in the individual entities of the Group. All balances and

## Notes to the Combined Financial Statements

transactions between the entities in the Group as at 1 January 2006, 31 December 2006 and for the year then ended have been eliminated.

These combined financial statements include, in the opinion of management, all adjustments that are considered necessary for a fair presentation of the information in the financial statements in accordance with IFRS as adopted by the EU.

**(b) Basis of measurement**

The combined financial statements have been prepared on the historical cost basis except for investment property which is measured at fair value. The methods used to measure fair values are discussed further in notes 13 and 25.

**(c) Functional and presentation 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 combined financial statements are presented in thousands of Polish Zlotys ("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 income statement.

**(d) Use of estimates and judgements**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in the following notes:

- Note 13 – valuation of investment property
- Note 14 – leases
- Note 16 – utilisation of tax losses
- Note 25 – valuation of financial instruments

**3. Significant accounting policies**

The accounting policies set out below have been applied consistently by the Group.

The combined balance sheet and combined income statement have been prepared on a historical cost basis except that Investment property is measured at its fair value.

**(a) Basis of preparation of the combined financial statements**

**(i) Subsidiaries**

Subsidiaries are entities controlled by the Group. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the combined statements from the date that control commences until the date that control ceases.

**(ii) Acquisitions from entities under common control**

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Ronson group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired under common control are recognized at the historical carrying amounts. Any cash paid for the acquisition is recognized directly in the invested equity.



## Notes to the Combined Financial Statements

### (iii) Transactions eliminated on combination

Intra-group balances and transactions, and any unrealized gains and losses (to the extent there is no evidence of impairment) arising from intra-group transactions, were eliminated in preparing the combined financial statements.

### (b) Foreign currency

#### (i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions using:

- the purchase or selling rate of the bank whose services are used by the Companies – in case of foreign currency sales or purchase transactions, as well as of the debt or liability payment transactions;
- the average rate specified for a given currency by the National Bank of Poland as on the transaction date, unless a customs declaration or other document binding for the Companies indicates another rate – in case of other transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency differences arising on retranslation are recognized in profit or loss.

### (c) Financial instruments

#### (i) Non-derivative financial instruments

Non-derivative financial instruments of the Group comprise loans granted, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments recognized initially at cost plus any directly attributable transaction costs, except as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognized if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognized if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash on hand and on-call deposits. Cash equivalents are short-term highly liquid investments that readily convert to a known amount of cash and which are subject to insignificant risk of changes in value.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

#### (ii) Non-derivative financial instruments are classified into one of the following categories:

- loans and receivables,
- other financial liabilities.

##### *Loans and receivables*

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are classified as current assets, provided their maturity does not exceed 12 months after the balance sheet date. Loans and receivables with maturities exceeding 12 months from the balance sheet date are classified under non-current assets. After initial measurement loans and receivables are subsequently carried at amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in the income statement when the loans and receivables are derecognized or impaired, as well as, through the amortization process.

## Notes to the Combined Financial Statements

### *Other financial liabilities*

Other non-derivative financial instruments are measured at amortized cost using the effective interest method, less any impairment losses.

Financial liabilities are valued at amortized cost not later than at the end of the reporting period.

## **(d) Property and equipment**

### **(i) Recognition and measurement**

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Repairs and renewals are charged to the income statement when the expenditure is incurred; major improvements are capitalized when incurred, providing that they increase the future economic benefits embodied in the item of property and equipment.

When components of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

### **(ii) Subsequent costs**

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

### **(iii) Depreciation**

Depreciation is calculated on the straight-line basis over the estimated useful life of each component of an item of property and equipment.

The estimated useful life of property and equipment, by significant class of asset, is 3-7 years.

Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Depreciation methods, useful lives and residual values are reassessed at the reporting date. Depreciation is calculated starting from the month following the month in which an asset is brought into use.

## **(e) Intangible assets**

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any (see accounting policy (k)).

### **(i) Subsequent expenditure**

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss when incurred.

### **(ii) Amortization**

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for intangible assets (software) are two years.

## **(f) Investment property**

Investment property is property held either to earn rental income or for capital appreciation or both. Investment property is measured at fair value with any changes therein recognized in profit and loss.

## Notes to the Combined Financial Statements

Fair value is calculated annually by an independent appraiser, having an appropriate recognized professional qualification, based on active market prices, adjusted, if necessary, for any differences in the nature, location or condition of the specific asset. If this information is not available, alternative valuation methods, such as recent prices of less active markets, are applied.

Investment property is de-recognized when disposed of or permanently withdrawn from use and no future benefits are expected from its disposal. Gains or losses on de-recognition of investment property are recognized in the income statement for the year in which such de-recognition took place.

### (g) Leases

#### (i) Finance leases – lessee accounting

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

#### (ii) Finance leases – lessor accounting

The Group is the lessor of a building to a third party under an agreement that is classified as a finance lease.

The gross investment in the lease equals the sum of minimum lease payments less building maintenance costs to be paid by the Group. The net investment in finance leases represents the difference between the gross investment in the lease and unearned income.

The principal portion of lease payments received subsequently reduces the initial net investment in the finance leases.

### (h) Inventories of residential units

Inventories consists of multi-family residential real estate projects to individual customers. Inventories are measured at the lower of cost and net realizable value. The cost of inventories includes expenditure incurred relating to the construction of a project. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Costs relating to the construction of a project are included in inventories of residential units as follows:

- costs incurred relating to projects or a phase of a project which are not available for sale (work in progress),
- costs incurred relating to units unsold associated with a project or a phase of a project that is available for sale (finished goods).

Project construction costs include:

- a) land or leasehold rights for land,
- b) construction costs paid to subcontractors for the construction of the residential units,
- c) planning and design costs,
- d) perpetual usufruct fees and real estate taxes incurred during the period of construction,
- e) selling expenses to the extent they are reasonably expected to be recovered from the sale of the project or from incidental operations,
- f) borrowing costs to the extent they are directly attributable to the development of the project (see accounting policy (n)),
- g) professional fees attributable to the development of the project,
- h) construction overheads and other directly related costs.

## Notes to the Combined Financial Statements

**(i) Trade and other receivables**

Trade and other receivables are stated at their cost less impairment losses.

**(j) Invested equity**

The invested equity balance in these combined financial statements of the Ronson group constitutes of the owners' net investment (ITR Dori as per 31 December 2006 that assigned its ownership to the company (see note 1)), net profit for the year and minority interests.

**(k) Impairment**

**(i) Financial assets**

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on a individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in profit or loss.

**(ii) Non-financial assets**

The carrying amounts of the Group's non-financial assets, investment property, inventories of residential units and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated (for inventories the net realizable value is estimated).

An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount or the net realizable value.

The recoverable amount or the net realizable value of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, except for inventories of residential units which consider cost.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or the net realizable value. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**(l) Provisions**

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

**(m) Revenues and cost of sales**

Revenue from operations includes:

**(i) Revenue from the sale of residential units**

Revenues from the sale of residential units are recognized upon transfer to the buyer of the significant risks and rewards of ownership of the residential unit (i.e. upon signing of the protocol

## Notes to the Combined Financial Statements

of technical acceptance and transfer of the key to the residential unit), providing that a valid building occupancy permit has been obtained by the Group.

Advances received related to pre-sales of residential units, which represent deferred income, are deferred to the extent that they do not meet the criteria to be recognized as revenue.

**(ii) Revenue on finance leases**

Finance lease income is recognized based on the annuity method under which total finance lease interest income and the excess of scheduled lease payments over the cost of the related assets is deferred and amortized as income over the lease term by employing the effective interest rate that provides a constant periodic rate of return on the net investment in the lease.

**(iii) Revenue on operating leases**

Payments made under operating leases are recognized in the income statement on a straight-line basis over the term of the lease.

**(iv) Cost of sales**

Cost of sales is recognized as a reduction of total costs capitalized to inventory based on the proportion of residential units sold.

Construction costs relating to unsold units are capitalized as inventory within current assets, either as work in progress or finished goods depending on the stage of completion. An expected loss, if any, on a sale, is recognized as an expense immediately. Inventory relating to units sold is expensed as cost of sales in the same period as the related sale.

**(n) Finance income and expense**

Finance income comprises interest income and foreign currency gains. Interest income is recognized on the accrual basis using the effective interest method.

Finance expense comprises interest expense on borrowings and foreign currency losses.

Borrowing costs (including interest and foreign exchange gains and losses) are accrued and capitalized to the value of inventory to the extent they are directly attributable to the construction of residential units. These costs are amortized in the income statement over the estimated duration of the loan, except to the extent that they are directly attributable to construction. Debt issuance expenses represent an adjustment to the effective interest rate. Borrowing costs which are not capitalized are recognized in profit and loss using the effective interest method.

**(o) Income tax expense**

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss.

- Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax expense is calculated according to tax regulations in effect in the jurisdiction in which the individual Companies are domiciled.

- Deferred income tax is provided, using the balance sheet method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, and for tax losses carried forward, except for the initial recognition of assets or liabilities that in a transaction which is not a business combination and at the time of the transaction affect neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

The principal temporary differences arise primarily on differences in the timing of revenue recognition for accounting and tax purposes, fair value adjustments on Investment Property, accruals and finance income/expense. In addition there are tax losses carryforwards.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. At each balance sheet date deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

## Notes to the Combined Financial Statements

### (p) Segment reporting

A segment is a distinguishable component of the Group that is providing products or services within a particular economic environment (geographical segment), or in providing related products or services (business segments), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on geographical segments, while secondary format is business segment.

### (q) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2006, and have not been applied in preparing these combined financial statements:

- IFRS 7 *Financial Instruments: Disclosures and the Amendment to IAS 1 Presentation of Financial Statements: Capital Disclosures* require extensive disclosures regarding the significance of financial instruments to an entity's financial position and performance, and qualitative and quantitative disclosures on the nature and extent of risks. IFRS 7 and amended IAS 1, which become mandatory for the Group's 2007 financial statements, will require additional disclosures with respect to the Group's financial instruments and invested equity.
- IFRS 8 *Operating Segments* (effective from 1 January 2009) requires segment disclosure based on the components of the entity that management monitors in making decisions about operating matters. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Group has not yet completed its analysis of the impact of this new Interpretation.
- IFRIC 7 *Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies* addresses the application of IAS 29 when an economy first becomes hyperinflationary and in particular the accounting for deferred tax. IFRIC 7, which becomes mandatory for the Group's 2007 financial statements, is not expected to have any impact on the Group's combined financial statements.
- IFRIC 8 *Scope of IFRS 2 Share-based Payments* addresses the accounting for share-based payment transactions in which some or all of goods or services received cannot be specifically identified. IFRIC 8 will become mandatory for the Group's 2007 financial statements, with retrospective application required. The interpretation is not expected to have a significant impact on the Group's combined financial statements.
- IFRIC 9 *Reassessment of Embedded Derivatives* requires that a reassessment of whether an embedded derivative should be separated from the underlying host contract should be made only when there are changes to the contract. IFRIC 9, which becomes mandatory for the Group's 2007 financial statements, is not expected to have a significant impact on the Group's combined financial statements.
- IFRIC 10 *Interim Financial Reporting and Impairment* prohibits the reversal of an impairment loss recognized in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. IFRIC 10 will become mandatory for the Group's 2007 financial statements, and will apply to goodwill, investments in equity instruments, and financial assets carried at cost prospectively from the date that the Group first applied the measurement criteria of IAS 36 and IAS 39 respectively. IFRIC 10 is not expected to have a significant impact on the Group's combined financial statements.
- IFRIC 11 *Share-based Payment – Group and Treasury Share Transactions* (effective from annual periods beginning on or after 1 March 2007) requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity-instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments needed are obtained. It also provides guidance on whether share-based payment arrangements, in which suppliers of goods or services of an entity are provided with equity instruments of the entity's parent, should be accounted for as cash-settled or equity-settled in the entity's financial statements. IFRIC 11 is not relevant to the Group's operations as the Group has not entered into any share-based payment arrangements.

## Notes to the Combined Financial Statements

- IFRIC 12 *Service Concession Arrangements* (effective for annual periods beginning on or after 1 January 2008) provides guidance to private sector entities on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12 is not relevant to the Group's operations, as none of the Group entities has entered into any service concession arrangements.
- IAS 23 *Borrowing Costs, revised* (effective from 1 January 2009) The revised Standard will require the capitalization of borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. Revised IAS 23 will not have an impact on the Group's operations as the Group capitalizes borrowing costs to inventory.
- IFRIC 13 *Customer Loyalty Programmes* (effective for annual periods beginning on or after 1 July 2008) The Interpretation explains how entities that grant loyalty award credits to customers who buy other goods or services should account for their obligations to provide free or discounted goods or services ('awards') to customers who redeem those award credits. Such entities are required to allocate some of the proceeds of the initial sale to the award credits and recognize these proceeds as revenue only when they have fulfilled their obligations. The Group does not expect the Interpretation to have any impact on its financial statements.
- IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interactions* (effective for annual periods beginning on or after 1 January 2008) The interpretation addresses 1) when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19; 2) how a MFR might affect the availability of reductions in future contributions; and 3) when a MFR might give rise to a liability. No additional liability need be recognized by the employer under IFRIC 14 unless the contributions that are payable under the minimum funding requirement cannot be returned to the company. The Group does not operate in countries that have a minimum funding requirement where there are restrictions on the employer company's ability to get refunds or reduce contributions.

### 4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the methods described in the respective note specific to that asset or liability: investment property (see note 13), non-derivative financial instruments (see note 25).

### 5. Segment reporting

Segment information is presented in respect of the Group's geographical segments (primary segments) and business segments (secondary segments).

Inter-segment pricing is determined on an arm's-length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise loans and borrowings and related expenses, head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

#### Geographical segments

The Group operates in three geographical segments:

- Warsaw
- Poznań
- Wrocław

#### Business segments

The Group operates in two business segments within Poland:

- Development and sale of residential units ("Residential")
- Development and rental of office space ("Rental")

Ronson Europe N.V.  
Combined Financial Statements of the Ronson Group for the year ended 31 December 2006

**Notes to the Combined Financial Statements**

Data presented in the table below is based on the geographical location of the Group's companies and their assets.

	<u>Warsaw</u>	<u>Poznań</u>	<u>Wrocław</u>	<u>Unallocated</u>	<u>Eliminations</u>	<u>Total</u>
	<i>In thousands of Polish Zloty</i>					
Total external revenues						
Residential .....	57,206	—	—	—	(2,207)	54,999
Rental .....	1,177	—	—	—	—	1,177
Inter-segment revenue .....	—	—	—	—	—	—
Total segment revenue.....	58,383	—	—	—	(2,207)	56,176
Segment result						
Residential .....	13,981	—	—	—	(33)	13,948
Rental .....	21,696	—	—	—	—	21,696
Unallocated expenses .....	—	—	—	3,176	—	3,176
Result from operating activities.....	35,677	—	—	3,176	(33)	38,820
Income tax expense .....						(6,902)
Profit for the period .....						31,918

	<u>Warsaw</u>	<u>Poznań</u>	<u>Wrocław</u>	<u>Unallocated</u>	<u>Eliminations</u>	<u>Total</u>
	<i>In thousands of Polish Zloty</i>					
Segment assets						
Residential .....	282,281	8,666	6,553	—	(40,649)	256,851
Rental .....	45,930	—	—	—	—	45,930
Unallocated assets .....	—	—	—	2,750	—	2,750
Total assets .....	328,211	8,666	6,553	2,750	(40,649)	305,531
Segment liabilities						
Residential .....	178,941	6,973	6,613	—	(39,788)	152,739
Rental .....	16,450	—	—	—	—	16,450
Unallocated liabilities....	—	—	—	11,595	—	11,595
Total liabilities.....	195,391	6,973	6,613	11,595	(39,788)	180,784
Capital expenditure.....	295	—	—	—	—	295
Depreciation and amortization.....	68	—	—	—	—	68



## Notes to the Combined Financial Statements

### 6. Revenue

	<u>2006</u>
	<i>In thousands of PLN</i>
Sale of residential units .....	54,999
Rental revenue .....	<u>1,177</u>
Total revenues .....	<u>56,176</u>

### 7. Costs by kind

	<u>2006</u>
	<i>In thousands of PLN</i>
<i>Costs of sales</i> .....	<u>32,609</u>
Depreciation .....	68
Materials and energy .....	767
External services .....	2,540
Taxes and charges .....	826
Personell (see note 8) .....	1,728
Other .....	<u>712</u>
<i>Administrative expenses</i> .....	<u>6,641</u>
 <b>Total</b> .....	 <b><u>39,250</u></b>

### 8. Personnel expenses

	<u>2006</u>
	<i>In thousands of PLN</i>
Wages and salaries .....	1,456
Social security .....	<u>272</u>
<b>Total</b> .....	<b><u>1,728</u></b>

### 9. Finance income and expense

	<u>2006</u>
	<i>In thousands of PLN</i>
Foreign exchange gain .....	1,219
Interests on granted loans .....	2
Interest income on bank deposits .....	<u>203</u>
<b>Finance income</b> .....	<b><u>1,424</u></b>
 Interest expense on financial liabilities measured at amortized cost .....	 (1,333)
Foreign exchange gain .....	<u>49</u>
<b>Finance expense</b> .....	<b><u>(1,284)</u></b>
<b>Net finance income</b> .....	<b><u>140</u></b>

**Notes to the Combined Financial Statements**

**10. Income tax expense in the income statement**

	<u><b>2006</b></u>
	<i>In thousands of PLN</i>
<b>Current tax expense</b>	
Current year.....	5,371
<b>Total current tax expense</b> .....	<u><b>5,371</b></u>
<b>Deferred tax expense</b>	
Origination and reversal of temporary differences .....	3,375
Benefit of tax losses recognized.....	(1,844)
<b>Total deferred tax expense</b> .....	<u><b>1,531</b></u>
<b>Total income tax expense</b> .....	<u><b>6,902</b></u>

**Reconciliation of effective tax rate**

	<u><b>2006</b></u>
	<i>In thousands of PLN</i>
Profit for the year .....	31,918
Total income tax expense.....	6,902
<b>Profit excluding income tax</b> .....	<u><b>38,820</b></u>
Income tax using the Polish tax rate (19%).....	7,376
Tax effect on:	
Timing differences which arose in prior years, for which a deferred tax asset was recognized in the current year .....	(190)
Other timing differences .....	(284)
<b>Tax calculated at an effective rate of 18%</b> .....	<u><b>6,902</b></u>

## Notes to the Combined Financial Statements

### 11. Property and equipment

	<b>Property and equipment</b>
	<i>In thousands of PLN</i>
<b>Cost or deemed cost</b>	
Balance at 1 January 2006.....	251
Additions .....	<u>165</u>
<b>Balance at 31 December 2006.....</b>	<b><u>416</u></b>
<b>Depreciation and impairment losses</b>	
Balance at 1 January 2006.....	74
Depreciation for the year.....	<u>27</u>
<b>Balance at 31 December 2006.....</b>	<b><u>101</u></b>
<b>Carrying amounts</b>	
At 1 January 2006 .....	<u>177</u>
<b>At 31 December 2006 .....</b>	<b><u>315</u></b>

#### Impairment loss and subsequent reversal

In financial year ended 31 December 2006, the Group did not recognize any property and equipment impairment loss in the financial statements.

### 12. Intangible assets

	<b>Software</b>
	<i>In thousands of PLN</i>
<b>Cost</b>	
Balance at 1 January 2006.....	79
Acquisitions.....	<u>131</u>
<b>Balance at 31 December 2006.....</b>	<b><u>210</u></b>
<b>Amortization</b>	
Balance at 1 January 2006.....	—
Amortization for the year .....	<u>41</u>
<b>Balance at 31 December 2006.....</b>	<b><u>41</u></b>
<b>Carrying amounts</b>	
At 1 January 2006 .....	<u>79</u>
<b>At 31 December 2006 .....</b>	<b><u>169</u></b>

#### Impairment loss and subsequent reversal

In financial year ended 31 December 2006, the Group did not recognize any impairment loss on intangible assets in the financial statements.

The amortization is allocated to the administrative expenses in the income statement.

## Notes to the Combined Financial Statements

### 13. Investment property

	<u>2006</u>
	<i>In thousands of PLN</i>
<b>Cost</b>	
Balance at 1 January.....	7,810
<b>Balance at 31 December</b> .....	<u><b>7,810</b></u>
<b>Fair value adjustment</b>	
Balance at 1 January.....	14,736
Increase in fair value .....	<u>21,754</u>
<b>Balance at 31 December</b> .....	<u><b>36,490</b></u>
<b>Fair value</b>	
Balance at 1 January.....	<u>22,546</u>
<b>Balance at 31 December</b> .....	<u><b>44,300</b></u>

Investment property includes properties held for long-term rental yields and capital appreciation, and not occupied by the Group. At 31 December 2006, Investment property comprises: a land in Warsaw (Klobucka Street) possessed based on perpetual usufruct right of land and a number of buildings and warehouses located on this land that in part are leased to third parties under lease agreements with an indefinite term subject to a three-month notice period for termination.

Investment property is valued at fair value determined annually by an independent appraiser, having an appropriate recognized professional qualification, based on current prices on an active market.

Revenue recognized and costs incurred relating to the investment property during the financial year ended 31 December 2006 are summarized in the table below:

	<u>Rental income</u>	<u>Cost</u>
	<i>In thousands of PLN</i>	
Klobucka .....	<u>970</u>	<u>1,123</u>

Total non-cancellable lease payments as at 31 December 2006 were as follows:

	<i>In thousands of PLN</i>
Minimum lease payments (less than 1 year) .....	<u>174</u>

### 14. Long-term finance lease receivable

The Group is a party to a finance lease arrangement under which it leases an office building and the land adjacent to the building in Warsaw to a third party. The arrangement expires on 2 March 2024.

## Notes to the Combined Financial Statements

Finance lease receivables as per 31 December 2006, non-current and current, and their ageing are presented in the table below:

	<b>Less than 1 year</b>	<b>Between 1 and 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
	<i>In thousands of PLN</i>			
Finance lease payments receivable.....	96	383	1,151	1,630
Unearned interest income .....	<u>(73)</u>	<u>(266)</u>	<u>(562)</u>	<u>(901)</u>
<b>Total.....</b>	<b><u>23</u></b>	<b><u>117</u></b>	<b><u>589</u></b>	<b><u>729</u></b>

Finance lease receivables as per 1 January 2006, non-current and current, and their ageing are presented in the table below:

	<b>Less than 1 year</b>	<b>Between 1 and 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
	<i>In thousands of PLN</i>			
Finance lease payments receivable.....	107	429	1,396	1,932
Unearned interest income .....	<u>(84)</u>	<u>(309)</u>	<u>(700)</u>	<u>(1,093)</u>
<b>Total.....</b>	<b><u>23</u></b>	<b><u>120</u></b>	<b><u>696</u></b>	<b><u>839</u></b>

### 15. Loan granted to related party

On 31 October 2006, the Group granted an unsecured loan to Jerusalem Finance Company B.V. ("JFC") amounting to PLN 13,399 thousand. JFC is a company fully owned by the owners of the invested equity of the Group, and provides financing to each of the companies within the Group. The balance as at 31 December 2006 includes principal of PLN 13,399 thousand plus accrued interest of PLN 134 thousand. The loan is due on 31 October 2011 and bears an interest rate of 6%. The principal and accrued interest are payable at the maturity of the loan. The borrower may at least one year following the loan agreement date at any time repay the loan. Information regarding the fair value of the loan is presented in note 25.

## Notes to the Combined Financial Statements

### 16. Deferred tax assets and liabilities

#### Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities as at the beginning and as at the end of the financial years are attributable to the following:

Deferred tax assets	<u>Opening balance</u>	<u>Recognized in the income statement</u>	<u>Closing balance</u>
	<i>In thousands of PLN</i>		
<b>Deferred tax assets</b>			
Foreign exchange rate differences .....	179	(173)	6
Interest liabilities .....	300	(211)	89
Tax loss carry forwards .....	1,992	1,844	3,836
<b>Total deferred tax assets .....</b>	<b><u>2,471</u></b>	<b><u>1,460</u></b>	<b><u>3,931</u></b>
<b>Deferred tax liabilities</b>			
Difference in timing of revenue recognition on the sale of residential units for accounting and tax purposes .....	3,829	(1,668)	2,161
Fair value gain on Investment Property .....	2,800	4,133	6,933
Foreign exchange differences .....	169	25	194
Accrued interest .....	130	470	600
Other .....	24	32	56
<b>Total deferred tax liabilities .....</b>	<b><u>6,952</u></b>	<b><u>2,992</u></b>	<b><u>9,944</u></b>
Deferred tax assets .....	2,471		3,931
Deferred tax liabilities .....	6,952		9,944
Offset of deferred tax assets and liabilities for individual companies .....	(977)		(1,181)
<b>Deferred tax assets reported in the balance sheet .....</b>	<b><u>1,494</u></b>		<b><u>2,750</u></b>
<b>Deferred tax liabilities reported in the balance sheet .....</b>	<b><u>5,975</u></b>		<b><u>8,763</u></b>

#### Unrecognized deferred tax liabilities

There are no unrecognized deferred tax liabilities.

#### Unrecognized deferred tax assets

A deferred tax asset is recognized only to the extent that it is more likely than not that future taxable profits will be available against which the asset can be utilized. Unrecognized deferred tax assets relate primarily to tax loss carry-forwards, which are not considered probable of realization prior to their expiration.

#### Movement in unrecognized deferred tax assets

During the financial year 2006, the unrecognized deferred tax assets increased by PLN 1,394 thousand from PLN 4,153 thousand to PLN 5,547 thousand.

#### Realization of deferred tax assets

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. In order to fully realize the deferred tax asset, the group will need to generate future taxable income of approximately PLN 14.5 million. Taxable profit

## Notes to the Combined Financial Statements

realized by the Group companies amounted to PLN 29,061 thousand for the year ended 31 December 2006. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Group will realize the benefits of these deductible differences at 31 December 2006. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the tax loss carry-forward period are reduced.

Tax losses are utilizable within the 5 year period following the period in which they originated subject to the limitation that a maximum of 50% of the loss carry-forward can be used in one year.

### 17. Inventories of residential units

	As at	
	31 December 2006	1 January 2006
	<i>In thousands of PLN</i>	
Work in progress .....	178,748	68,572
Finished goods .....	4,172	4,315
<b>Inventories valued at cost .....</b>	<b>182,920</b>	<b>72,887</b>
 Inventories valued at net realizable value .....	 —	 —

Borrowing costs capitalized to inventory as well as capitalization rates are presented in the table below:

	As at	
	31 December 2006	1 January 2006
	<i>In thousands of PLN</i>	
Interest expense .....	11,601	5,975
Foreign exchange rate (gains)/losses, net .....	(3,142)	301
<b>Total .....</b>	<b>8,459</b>	<b>6,276</b>
 Capitalization rate .....	 6%	 9%

### 18. Trade and other receivables

	<u>Note</u>	As at	
		31 December 2006	1 January 2006
		<i>In thousands of PLN</i>	
Trade receivables from related parties .....	28	79	79
Value added tax (VAT) receivables .....		14,875	1,488
Other trade receivables .....		1,936	1,451
Prepayments for current assets .....		18	58
Advances for inventories of residential units .....		4,787	5,027
<b>Total .....</b>		<b>21,695</b>	<b>8,103</b>

As at 31 December 2006, the Group created no allowances for doubtful debts (as at 1 January 2006: PLN 48 thousands).

## Notes to the Combined Financial Statements

As at 31 December 2006, receivables denominated in currencies other than the functional currency were insignificant.

### 19. Cash and cash equivalents

	As at	
	31 December 2006	1 January 2006
	<i>In thousands of PLN</i>	
Petty cash .....	17	14
Bank balances.....	39,103	11,743
<b>Cash and cash equivalents .....</b>	<b>39,120</b>	<b>11,757</b>

As at 1 January 2006, the Group held PLN 8,713 thousand on overnight deposits. The effective interest rate on overnight deposits was 3.1-3.4%. As at 31 December 2006, the Group had no deposits.

### 20. Invested equity

#### Reconciliation of movement in owners' net investment

	<u>Owners' net investments</u>
	<i>In thousands of PLN</i>
Balance of equity in Ronson Group at 1 January 2006 .....	4,806
Proceeds from sale of equity in Ronson Group entities and other capital contributions at Ronson Group entities (1).....	69,333
Net profit for the year .....	31,897
<b>Balance at 31 December 2006 .....</b>	<b>106,036</b>

(1) In November 2006, the Group and its shareholders entered into a participation agreement with a third party whereby the third party became a direct shareholder in 20 of the Group's Polish entities. In connection with the participation agreement, the 20 Polish entities concerned issued new share capital against a cash payment by the third party.

The share capital of Ronson Europe N.V. is PLN 172 thousand. The number of authorized shares of the Company is 225,000 with a par value of EUR 1 per share. The number of issued and paid-up shares as at the date of the Company's incorporation was 45,000. As Ronson Europe N.V. was incorporated on 18 June 2007, no share capital is accounted for in the combined balance sheet as at 31 December 2006.

Effectively, as at 1 January 2006, the shareholders of the Company had 100% control over the Polish entities.

### 21. Provisions

	<i>In thousands of PLN</i>
Balance as at 1 January 2006 .....	501
Increase .....	—
Decrease .....	—
<b>Balance as at 31 December 2006 .....</b>	<b>501</b>

### 22. Loans and borrowings

Information about the contractual terms of the Group's interest-bearing loans and borrowings is presented in the table below. For more information about the Group's exposure to interest rate and foreign currency risk, see note 25.



## Notes to the Combined Financial Statements

	<b>As at</b>	
	<b>31 December 2006</b>	<b>1 January 2006</b>
	<i>In thousands of PLN</i>	
<b>Non-current liabilities</b> .....		
Loans from related parties .....	71,069	66,802
Secured bank loans .....	<u>22,988</u>	<u>1,277</u>
<b>Total non-current liabilities</b> .....	<b><u>94,057</u></b>	<b><u>68,079</u></b>
<b>Current liabilities</b> .....	<b>10,085</b>	<b>976</b>

### Terms and debt repayment schedule

Terms and conditions of outstanding loans as at 31 December 2006 are as follows:

- All loans from related parties are unsecured and have as maturity date 31 October 2011 bearing an interest rate of 6%. The loans are all denominated in Polish Zloty.
- Bank loans (non-current and current) are due to PKO BP and are secured loans bearing an interest of WIBOR + 1.1%.

The maturity dates of the bank loans as at 31 December 2006 are as follows:

<b>Maturity date</b>	<b><u>Total</u></b>
31 December 2008 .....	4,395
4 July 2009 .....	18,593
Non-current .....	<u>22,988</u>
30 September 2007 .....	10,085

For the bank loans the following collaterals are given:

- Ordinary and floating mortgages on land.
- Pledge over bank account in PKO BP up to the amounts/instalments due (nil at 31 December 2006).
- Pledge over all bank accounts in Fortis Bank S.A. (PLN 5,667 thousand at 31 December 2006).
- Blank promissory note drawn by the Company with a promissory note declaration up to the amount of the loan plus interest.
- Advance payments of dividends until full repayment of loans are not allowed.

All loans include a clause allowing for earlier repayment of the loans.

## Notes to the Combined Financial Statements

### 23. Deferred income

Deferred income classified as current consists of customer advances for construction work in progress (deferred revenue).

Deferred income comprises of customer advances for the following projects:

	As at	
	31 December 2006	1 January 2006
	<i>In thousands of PLN</i>	
Bialy Dom .....	—	6
Klobucka .....	95	13
Imaginarium I .....	567	7
Lazurowa Dolina .....	167	13,704
Meridan .....	38,619	1,007
Mistral .....	348	—
Pegaz 1 .....	—	770
Pegaz 2 .....	10,733	3,548
Sloneczny Skwer .....	619	1,310
Others .....	6	29
<b>Total</b> .....	<b><u>51,154</u></b>	<b><u>20,394</u></b>

### 24. Trade and other payables

	<u>Note</u>	As at	
		31 December 2006	1 January 2006
		<i>In thousands of PLN</i>	
Trade payables due to related parties .....	28	4	178
Other trade payables .....		10,818	15,695
Non-trade payables and accrued expenses .....		2,570	426
<b>Total</b> .....		<b><u>13,392</u></b>	<b><u>16,299</u></b>

### 25. Financial instruments

Exposure to credit, interest rate and currency risks arises in the normal course of the Group's business.

#### Credit risk

The Group is making significant cash payments as security for preliminary land purchase agreements. At 31 December 2006, payments made under land purchase agreements amounted to PLN 4,787 thousand (see note 18). The Group minimizes its credit risk arising from such payments by registering advance repayment obligations in the mortgage register of the respective property. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Group does not expect any counter parties to fail in meeting their obligations. The carrying amount of trade and other receivables (see note 18) reflects the maximum exposure to the risk.

#### Interest rate risk

The Group's fixed-rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable-rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short-term receivables and payables are not exposed to interest rate risk.

## Notes to the Combined Financial Statements

### Effective interest rates and repricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following tables indicate their average effective interest rates at the reporting date and the periods in which they mature or, if earlier, reprice.

	<u>Note</u>	<u>Average effective interest rate</u>	<u>Total</u>	<u>6 months or less</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
<i>In thousands of PLN</i>								
<b>Fixed rate instruments</b>								
Loans granted.....	15	6%	13,533	—	—	—	—	13,533
Cash and cash equivalents...	19	2%	39,120	39,120	—	—	—	—
Loans from related parties...	22	6%	71,069	—	—	—	71,069	—
<b>Variable rate instruments</b>								
		WIBOR						
Secured bank loans.....	22	+1.1%	33,073	—	10,085	—	22,988	—

### Foreign currency risk

Until 31 October 2006, the Group was exposed to foreign currency risk on borrowings denominated in a currency other than PLN. The currency giving rise to this risk was primarily the US Dollar (USD). On 31 October 2006, all borrowings denominated in USD were converted into PLN and, as a result, at 31 December 2006 all loans were denominated in PLN.

### Sensitivity analysis

In managing interest rate and currency risks, the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer term, however, permanent changes in foreign exchange and interest rates will have an impact on profit.

At 31 December 2006, it is estimated that a general increase of one percentage point in interest rates would decrease the Group's profit before income tax by approximately PLN 333 thousand.

### Fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	<u>Note</u>	<u>2006</u>	
		<u>Carrying amount</u>	<u>Fair value</u>
<i>In thousands of PLN</i>			
Loans granted.....	15	13,533	13,533
Trade and other receivables.....	18	21,677	21,677
Cash and cash equivalents.....	19	39,120	39,120
Secured bank loans.....	22	33,073	33,073
Loan from related parties .....	22	71,069	70,452
Trade and other payables.....	24	13,392	13,392
<b>Total.....</b>		<b><u>191,864</u></b>	<b><u>191,247</u></b>
<b>Unrecognized gain .....</b>			<b><u>617</u></b>

### Estimation of fair values

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- trade and other receivables, cash and cash equivalents and trade and other payables: the carrying amounts approximate fair value because of the short maturity of these instruments;

## Notes to the Combined Financial Statements

- secured bank loans: carrying amounts approximate fair value as these loans bear variable interest rates which approximate market rates;
- loans from related parties and loans granted: the fair value is estimated by discounting the future cash flows of each instrument at rates currently offered to the Company for similar instruments of comparable maturities by the Company's bankers.

### Interest rates used for determining fair value

The interest rates used to discount estimated cash flows (PLN denominated), where applicable, are based on WIBOR as at 31 December 2006 plus margin, and amounts to 6%.

## 26. Capital commitments

As at 31 December 2006, the Group did not have any capital commitments.

## 27. Contingencies and commitments

Contingent commitments relate primarily to contingent consideration for land acquisitions, which are considered probable of being paid. As at 31 December 2006, these contingent commitments amount to PLN 26,971 thousand, the payment of which is contingent upon closing the final agreements conveying ownership of the land and clearance of the mortgage register.

In addition, commitments to the general contractor for construction services to be rendered in the future amount to PLN 15,307 thousand as at 31 December 2006.

## 28. Related parties

### Parent and ultimate controlling party

For invested equity and changes during the financial year ended 31 December 2006, see note 1.

The Group enters into various transactions with its subsidiaries and with its directors and executive officers.

The main related parties transactions arise on:

- loans granted (see note 15),
- loans received (see note 22),
- charges from ITR Dori (see below), and
- transactions with key management personnel (see below).

### Transactions with key management personnel

The key management personnel of all Group entities include:

Dror Kerem – President of Ronson Development Management Sp. z o.o.

Ariel Bouskila – Member of Management of Ronson Development Management Sp. z o.o.

Anna Petrulewicz – President or Member of Management Board

Andrzej Gutowski – Member of Management Board

### Loans to directors

As at 31 December 2006, there were no loans granted to directors.

### Key management personnel compensation

Apart from the compensation listed below, there were no additional benefits granted to key management personnel in the year ended 31 December 2006.

Key management personnel compensation can be presented as follows:

	Employment agreement	Management salary	Other (bonuses)	Total
		<i>In thousands of PLN</i>		
Management Board .....	209	199	222	630

### Charges from ITR Dori

During the financial year ended 31 December 2006, transactions with ITR Dori comprised consultancy fees paid in respect of management services provided for the benefit of the group

## Notes to the Combined Financial Statements

companies (PLN 1,850 thousand). As 31 December 2006, the amount owed by ITR Dori to the group amounted to PLN 79 thousand (see note 18), whereas the amount owed to ITR Dori at the same date was PLN 4 thousand (see note 24).

In the year ended 31 December 2006, the Group granted a loan to Jerusalem Finance Company B.V. See note 15 for details.

The group received loans from related parties, Jerusalem Finance Company B.V. (a Dutch entity under control of the owners of the invested equity) and Gator. See note 22 for details.

### 29. Subsequent events

Subsequent to 31 December 2006, the Group incorporated a number of new companies, the main is as follows:

- a. Ronson Development Village Sp. z o.o.
- b. Ronson Development Conception Sp. z o.o.
- c. Ronson Development Architecture Sp. z o.o.
- d. Ronson Development Skyline Sp. z o.o.
- e. Ronson Development Continental Sp. z o.o.
- f. Ronson Development Universal Sp. z o.o.
- g. Ronson Development Retreat Sp. z o.o.
- h. Ronson Development South Sp. z o.o.
- i. Ronson Development West Sp. z o.o.
- j. Ronson Development East Sp. z o.o.
- k. Ronson Development North Sp. z o.o.

In 2007, the Group entered into a number of new contracts for land acquisitions as presented in the table below:

Project	Company	Land Value	Already paid	Preliminary/final agreement
		<i>In thousands of PLN</i>		
Imaginarium II – Bielany	Ronson Development Properties Sp. z o.o.	17,000	3	preliminary agreement
Tulce-Sroda Wielkopolska	Ronson Development Apartments Sp. z o.o.	6,574	6,574	final agreement
Siekierki-Warszawa	Ronson Development Habitat Sp. z o.o.	14,758	2	preliminary agreement
Na Grobli-Wrocław	Ronson Development Architecture Sp. z o.o.	18,678	2	preliminary agreement
Sadkow-Wrocław	Ronson Development Village Sp. z o.o.	2,235	2,235	final agreement
Rymalska-Wrocław	Ronson Development Conception Sp. z o.o.	23,164	2	preliminary agreement
Belchatowska-Poznań	Ronson Development Skyline Sp. z o.o.	9,272	1,844	preliminary agreement
WarzeniceII-Kolbaskowo Szczecin	Ronson Development Continental Sp. z o.o.	20,240	2,024	preliminary agreement
Warzenice-Szczecin	Ronson Development Universal Sp. z o.o.	6,930	261	preliminary agreement
Poznań-Jeleniogorska	Ronson Development Capital Sp. z o.o.	36,000	1,000	preliminary agreement
Poznań-Hawelanska	Ronson Development West Sp. z o.o.	62,000	1,000	preliminary agreement

**Notes to the Combined Financial Statements**

On 26 July 2007, R.D. Sp z o.o. Landscape Sp. k., a newly formed Polish subsidiary of Ronson, entered into a preliminary purchase agreement to acquire the assets of Brighton Tec Sp. z o.o. from ITR Dori. The primary asset of Brighton Tec is a plot of land located in Mokotów, Warsaw. Brighton Tec has been seeking zoning approval for construction of a residential project on this site, rather than the commercial project originally contemplated. On 27 September 2007 the asset sale was consummated for EUR11,500,000 in cash, which constituted the appraised fair value of the assets. Following such sale, all of the activity of the Ronson Group prior to the reorganization was transferred to Ronson Europe N.V.

On 27 September 2007 GE Real Estate CE Residential B.V., a Dutch subsidiary of General Electric Real Estate Equities, Inc., contributed its shares in all the Polish Ronson SPVs to Ronson Europe N.V., in exchange for Ronson Europe N.V. issuing to GE Real Estate CE Residential B.V. 20.9% of its shares. Accordingly, ITR Dori holds 79.1% of the equity in Ronson Europe N.V. and GE Real Estate CE Residential B.V. holds the remaining 20.9%.

**Semi-annual Consolidated Financial Statements for the six months ended  
30 June 2007**

The notes on pages F-40 to F-71 are an integral part of these Consolidated Financial Statements.

To: The Board of Management of Ronson Europe N.V.

**Review report**

***Introduction***

We have reviewed the accompanying consolidated balance sheet of Ronson Europe N.V. ("the Company") as at 30 June 2007, and the related consolidated statements of income, changes in equity and cash flows for the six month period then ended, and a summary of significant accounting policies and other explanatory notes (the interim financial statements). Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these interim financial statements based on our review.

***Scope of review***

We conducted our review in accordance with the 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.

***Conclusion***

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not give a true and fair view of the financial position of the entity as at 30 June 2007, and of its financial performance and its cash flows for the six month period then ended in accordance with IAS 34, 'Interim Financial Reporting'.

Amstelveen, 1 October 2007

KPMG ACCOUNTANTS N.V.

P. Mizrachy RA



Ronson Europe N.V.  
Semi-annual Consolidated Financial Statements for the six months ended 30 June 2007

**Consolidated Income Statement**

	<u>Note</u>	<u>For the six months ended</u>	
		<u>30 June</u>	<u>30 June</u>
		<u>2007</u>	<u>2006 (1)</u>
		<u>unaudited</u>	<u>unaudited</u>
		<i>In thousands of Polish Zlotys</i>	
		<i>(PLN)</i>	
Revenue .....	6	12,667	21,711
Cost of sales.....	7	(8,817)	(11,856)
<b>Gross profit</b> .....		<b>3,850</b>	<b>9,855</b>
Change in fair value of investment property .....	13	—	6,954
Administrative expenses.....	7, 8	(4,291)	(3,802)
<b>Result from operating activities</b> .....		<b>(441)</b>	<b>13,007</b>
Finance income.....		728	790
Finance expense.....		(730)	(888)
<b>Net finance expense</b> .....	9	<b>(2)</b>	<b>(98)</b>
<b>Profit/(loss) before taxation</b> .....		<b>(443)</b>	<b>12,909</b>
Income tax benefit/(expense).....	10	251	(2,523)
<b>Profit/(loss) for the period</b> .....		<b>(192)</b>	<b>10,386</b>
<b>Attributable to:</b>			
Owners' net investment .....		(226)	10,386
Minority interests.....		34	—
<b>Profit/(loss) for the period</b> .....		<b>(192)</b>	<b>10,386</b>

(1) For the presentation of the combined comparative figures – see note 1.

The notes on pages F-40 to F-71 are an integral part of these Consolidated Financial Statements.

**Consolidated Balance Sheet**

		As at		
	Note	30 June 2007 unaudited	31 December 2006 (1)	30 June 2006 (1) unaudited
<i>In thousands of PLN</i>				
<b>Assets</b>				
Property and equipment.....	11	722	315	199
Intangible assets.....	12	74	169	159
Investment property.....	13	44,300	44,300	29,500
Long-term finance lease receivable .....	14	667	729	783
Loan granted to related party.....	15	-	13,533	-
Deferred tax assets.....	16	3,657	2,750	1,922
<b>Total non-current assets.....</b>		<b>49,420</b>	<b>61,796</b>	<b>32,563</b>
Inventories of residential units.....	17	247,731	182,920	104,913
Trade and other receivables .....	18	40,126	21,695	14,259
Cash and cash equivalents .....	19	14,757	39,120	39,277
<b>Total current assets .....</b>		<b>302,614</b>	<b>243,735</b>	<b>158,449</b>
<b>Total assets .....</b>		<b>352,034</b>	<b>305,531</b>	<b>191,012</b>
<b>(Invested) equity .....</b>	20			
<b>Owners' net investment /Equity attributable to equity holders of the parent</b>		92,050	106,036	15,742
<b>Minority interests .....</b>		18,745	18,711	—
<b>Total (invested) equity .....</b>		<b>110,795</b>	<b>124,747</b>	<b>15,742</b>
<b>Liabilities .....</b>				
Loans and borrowings.....	22	106,665	94,057	111,383
Deferred tax liability.....	16	8,102	8,763	7,497
<b>Total non-current liabilities .....</b>		<b>114,767</b>	<b>102,820</b>	<b>118,880</b>
Loans and borrowings.....	22	10,085	10,085	998
Trade and other payables .....	24	22,003	13,392	9,966
Tax payable .....		922	2,832	619
Provisions .....	21	501	501	501
Deferred income .....	23	92,961	51,154	44,306
<b>Total current liabilities .....</b>		<b>126,472</b>	<b>77,964</b>	<b>56,390</b>
<b>Total liabilities.....</b>		<b>241,239</b>	<b>180,784</b>	<b>175,270</b>
<b>Total equity and liabilities.....</b>		<b>352,034</b>	<b>305,531</b>	<b>191,012</b>

(1) For the presentation of the combined comparative figures – see note 1.

The notes on pages F-40 to F-71 are an integral part of these Consolidated Financial Statements.

### Consolidated Statement of Changes in (Invested) Equity

For the six months ended 30 June 2007 and for the year ended 31 December 2006:

	Owners' net investment / Equity attributable to equity holders of the parent	Minority interests	Total equity (invested)
<i>In thousands of PLN</i>			
Balance of combined equity invested in the subsidiaries of Ronson Group at 1 January 2006 .....	4,806	—	4,806
Proceeds from sale of equity in Ronson Group entities and other capital contributions (1) .....	69,333	18,690	88,023
Net profit for the year 2006 .....	31,897	21	31,918
Balance of combined equity invested in the subsidiaries of Ronson Group at 31 December 2006.....	106,036	18,711	124,747
Net loss for the period ended 29 June 2007.....	(226)	34	(192)
Balance of combined equity invested in the subsidiaries of the Ronson Group at 29 June 2007....	105,810	18,745	124,555
Transition as at 29 June 2007 of owners' net investment (see note 1).....	(105,810)	—	(105,810)
	<b>Share capital</b>	<b>Share premium reserve</b>	
Issue of shares upon establishment of the Company (2).....	172	—	172
Net contribution in kind of assets and liabilities (3).....	—	91,878	91,878
<b>Balance at 30 June 2007 ...</b>	<b>172</b>	<b>91,878</b>	<b>92,050</b>
			<b>18,745</b>
			<b>110,795</b>

(1) In November 2006, the Group and its shareholders entered into a participation agreement with a third party whereby the third party became a direct shareholder in 20 of the Group's Polish entities. In connection with the participation agreement, the 20 Polish entities concerned issued new share capital against a cash payment by the third party.

(2) The share capital of Ronson Europe N.V. is PLN 172 thousand. The number of authorized shares of the Company is 225,000 with a par value of EUR 1 per share. The number of issued and paid-up shares as at the date of the Company's incorporation was 45,000. For further details see note 20.

(3) Following the incorporation of the Company, the sole shareholder and founder of the Company, ITR Dori assigned and contributed to the Company, on 29 June 2007, its shares and rights to shares in 36 Polish companies amounted to PLN 105,810 thousand as well as a liability under a loan agreement between ITR Dori and Ronson Development Residential Sp. z o.o., one of the Polish entities in which the shares were transferred to the Company. The principal amount under the loan agreement of which the liability was contributed plus accrued interest as at 29 June 2007, amounted to PLN 13,932 thousand (see note 15). The net Share Premium contributed amounted to PLN 91,878 thousand as reflected in the table above.

The notes on pages F-40 to F-71 are an integral part of these Consolidated Financial Statements.

Ronson Europe N.V.  
Semi-annual Consolidated Financial Statements for the six months ended 30 June 2007

**For the six months ended 30 June 2006:**

	<b>Owners' net investment</b>	<b>Minority interests</b>	<b>Total equity (invested)</b>
	<i>In thousands of PLN</i>		
Balance of equity in Ronson Group at 1 January 2006 .....	4,806	—	4,806
Proceeds from sale of equity in Ronson Group entities and other capital contributions at Ronson Group entities .....	550	—	550
Net profit for the six months ended 30 June 2006	10,386	—	10,386
<b>Balance at 30 June 2006 .....</b>	<b>15,742</b>	<b>—</b>	<b>15,742</b>

The notes on pages F-40 to F-71 are an integral part of these Consolidated Financial Statements.

**Consolidated Statement of Cash Flows**

	<u>Note</u>	<u>For the six months ended</u>	
		<b>30 June 2007 unaudited</b>	<b>30 June 2006 (1) unaudited</b>
		<i>In thousands of PLN</i>	
<b>Cash flows from operating activities</b>			
Profit for the period .....		(192)	10,386
<i>Adjustments to reconcile (loss)/profit for the period to net cash (used in) operating activities:</i>			
Effect of foreign currency exchange differences .....		—	(189)
Depreciation and amortization.....	11, 12	259	9
Interest accrued.....		1,705	2,801
Increase in fair value of Investment property .....	13	—	(6,954)
Decrease/(increase) in finished goods .....		4	(960)
Increase in inventories of residential units .....		(65,245)	(31,066)
Increase in receivables and prepayments .....		(18,369)	(6,100)
Increase/(decrease) in trade and other payables and income tax payable .....		6,701	(6,065)
Increase in provisions and deferred income .....		41,807	23,411
Interest paid .....		(496)	(1,276)
Changes in net deferred taxes .....		(1,568)	1,094
<b>Net cash used in operating activities .....</b>		<b>(35,394)</b>	<b>(14,909)</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, equipment and intangible assets .....		(141)	(111)
<b>Net cash used in investing activities .....</b>		<b>(141)</b>	<b>(111)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares upon the establishment of the Company. ....	20	172	-
Proceeds from sale of equity and capital contributions .....		—	550
Proceeds from bank loans.....		15,380	18,971
Proceeds from related-party loans .....		—	48,279
Repayment of bank borrowings.....		(4,380)	(3,673)
Repayment of related-party loans .....		—	(21,587)
<b>Net cash from financing activities .....</b>		<b>11,172</b>	<b>42,540</b>
<b>Net increase in cash and cash equivalents .....</b>		<b>(24,363)</b>	<b>27,520</b>
Cash and cash equivalents at 1 January .....		39,120	11,757
<b>Cash and cash equivalents at 30 June .....</b>	19	<b>14,757</b>	<b>39,277</b>

(1) For the presentation of the combined comparative figures – see note 1.

The notes on pages F-40 to F-71 are an integral part of these Consolidated Financial Statements.

## Notes to the Consolidated Financial Statements

### 1. Background and business of the Company

Ronson Europe N.V. ("the Company"), a Netherlands limited liability company with statutory seat in Rotterdam, the Netherlands, was incorporated on 18 June 2007, to hold investments in the Ronson Group Polish companies active in the development and sale of units, primarily apartments, in multi-family residential real-estate projects to individual customers. The Polish companies also lease real estate to third parties. All of the Polish Companies conduct their activities in Poland.

The Ronson Group was originally set up in 2000 by a group of investors to develop residential properties primarily in Poland. At the time, Israel Theatres Ltd. and U. Dori Engineering Works Corp Ltd, formed a Dutch holding company called ITR Dori BV ("ITR Dori"), to participate for 50% in the Ronson Group. Each of Israel Theatres Ltd. and U. Dori Engineering Works Corp Ltd. held 50% of the shares in ITR Dori. Within the Ronson Group, for each project a separate company with domicile in Poland has been established. Each of these special purpose vehicles, in which ITR Dori directly owned 50% of the shares, held all the assets and liabilities of the relevant project. The remaining 50% ownership in those vehicles were held by non related parties, accordingly there was no majority control of the Ronson entities.

On 19 January 2006, ITR Dori acquired the remaining 50% of the equity in each of the Ronson companies from the other shareholders, after which ITR Dori became sole shareholder of each Polish company of the Ronson Group.

In November 2006, General Electric Company Inc. through its wholly owned subsidiary, Gator Investments Sp. z o.o., ("Gator") invested in the Ronson Group in cash for 20.9% of the shares in a number of the Polish companies, particularly in those companies that were directly related to the development of residential projects.

Following the incorporation of the Company, the sole shareholder and founder of the Company, ITR Dori assigned and contributed to the Company, on 29 June 2007, its shares and rights to shares in 36 Polish companies (listed in this note below) as well as a liability under a loan agreement between ITR Dori and Ronson Development Residential Sp. z o.o., one of the Polish entities in which the shares were transferred to the Company. The principal amount under the loan agreement of which the liability was contributed plus accrued interest as at 29 June 2007, amounted to PLN 13,932 thousand (see note 15).

The consolidated financial statements of the Ronson Group as of and for the six months ended 30 June 2007 include the accounts of the Company and its subsidiaries taking into account minority interests in the individual entities of the Group. The financial statements of subsidiaries have been included from 1 January 2007 reflecting the fact that control by the Group and its owners effectively existed throughout the six months ended 30 June 2007. All inter-company accounts and transactions are eliminated when preparing the consolidated financial statements. Unrealized gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the subsidiary. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

The combined financial statements of the Ronson Group as of and for the 12 months ended 31 December 2006 and the six months ended 30 June 2006 have been prepared by aggregating the individual income statements of the entities in the group taking into account minority interests in the individual entities of the Group. The financial statements of Ronson Group have been included from 1 January 2006 reflecting the fact that control by the Group and its owners effectively existed starting from 1 January 2006.

All balances and transactions between the entities in the Group as at 31 December 2006 and as at 30 June 2006 and for the periods then ended have been eliminated. As discussed below ITR Dori completed the acquisition of 100% of the Ronson Group on 19 January 2006. The combined balance sheet of the Ronson Group as at 31 December 2006 and 30 June 2006 represents an aggregation of the individual balance sheets of entities in the Group taking into account minority interest in the individual entities of the Group.

## Notes to the Consolidated Financial Statements

Furthermore, the minority interest shown in these consolidated financial statements reflects the ownership of Gator Investments Sp. z o.o. of the shares of those Polish entities in which ITR Dori B.V. held a majority ownership as at 30 June 2007 and as at 31 December 2006.

As the 50% interests in the Polish entities that were acquired by ITR Dori from the Irish Partners on 19 January 2006, were economically acquired with retrospective effect to 1 January 2006, no minority interest in the profit for the period 1 January to 19 January 2006 is accounted for.

Detailed below are 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 by ITR Dori at 30 June 2007.

Entity name	Year of incorporation	Share of ownership & voting rights (end of year)
a. Contributed by ITR Dori on the 29 June 2007 (see above)		
1 Ronson Development Management Sp. z o.o.	1999	100.0%
2 Ronson Development 2000 Sp. z o.o.	2000	79.1%
3 Ronson Development Warsaw Sp. z o.o.	2000	79.1%
4 Ronson Development Investments Sp. z o.o.	2002	79.1%
5 Ronson Development Metropol Sp. z o.o.	2002	79.1%
6 Ronson Development Residential Sp. z o.o.	2003	100.0%
7 Ronson Development Apartments Sp. z o.o.	2003	79.1%
8 Ronson Development Properties Sp. z o.o.	2002	79.1%
9 Ronson Development Enterprise Sp. z o.o.	2004	79.1%
10 Ronson Development Company Sp. z o.o.	2005	79.1%
11 Ronson Development Creations Sp. z o.o.	2005	79.1%
12 Ronson Development Buildings Sp. z o.o.	2005	79.1%
13 Ronson Development Structure Sp. z o.o.	2005	79.1%
14 Ronson Development Poznań Sp. z o.o.	2005	79.1%
15 Ronson Development Innovation Sp. z o.o.*	2006	79.1%
16 Ronson Development Wrocław Sp. z o.o.	2006	79.1%
17 Ronson Development Capital Sp. z o.o.	2006	79.1%
18 EEE Development Sp. z o.o.	2006	79.1%
19 Ronson Development Habitat Sp. z o.o.	2006	79.1%
20 Ronson Development Sp. z o.o. <sup>1</sup>	2006	79.1%
21 Ronson Development Construction Sp. z o.o.	2006	79.1%
22 Ronson Development City Sp. z o.o. (no activities at 30 June 2007)	2006	79.1%
23 Ronson Development Village Sp. z o.o.*	2007	79.1%
24 Ronson Development Conception Sp. z o.o.*	2007	79.1%
25 Ronson Development Architecture Sp. z o.o.*	2007	79.1%
26 Ronson Development Skyline Sp. z o.o.*	2007	79.1%
27 Ronson Development Continental Sp. z o.o.*	2007	79.1%
28 Ronson Development Universal Sp. z o.o.*	2007	79.1%
29 Ronson Development Retreat Sp. z o.o.*	2007	79.1%
30 Ronson Development South Sp. z o.o.*	2007	79.1%
31 Ronson Development West Sp. z o.o.*	2007	79.1%
32 Ronson Development East Sp. z o.o. (no activities at 30 June 2007)*	2007	79.1%
33 Ronson Development North Sp. z o.o. (no activities at 30 June 2007)*	2007	79.1%
34 Ronson Development Providence Sp. z o.o. (no activities at 30 June 2007)*	2007	79.1%
35 Ronson Development Destiny Sp. z o.o. (no activities at 30 June 2007)*	2007	79.1%
36 Ronson Development Millenium Sp. z o.o. (no activities at 30 June 2007)*	2007	79.1%
b. Brighton Tec Sp. z o.o. ( see note 13)	2000	100.0%

<sup>1</sup> Changed its name in 2007. Formerly known as Ronson Development Venture Sp. z o.o.

\* The Company has the power to govern the financial and operating policies of this entity and to obtain benefits from its activities, whereas Jaroslaw Zubrzycki holds the legal title to the shares of this entity.

## Notes to the Consolidated Financial Statements

The projects managed by the Companies are in various stages of development ranging from being in the process of acquiring land for development to projects which are completed or near completion.

### 2. Basis of preparation and measurement

#### (a) Basis of preparation and statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS"). The consolidated financial statements are presented in thousands of Polish Zlotys ("PLN"). The consolidated financial statements were approved by the Board of Directors of Ronson Europe N.V. on 10 September 2007.

The consolidated balance sheet has been prepared by aggregating the individual balance sheets of the entities in the Group as at 30 June 2007, 31 December 2006 and 30 June 2006 taking into account minority interests in the individual entities of the Group.

The consolidated income statements have been prepared by aggregating the individual income statements of the entities in the Group as at 30 June 2007 and 30 June 2006 and for the periods then ended taking into account minority interests in the individual entities of the Group. All balances and transactions between the entities in the Group have been eliminated.

These consolidated financial statements include, in the opinion of management, all adjustments that are considered necessary for a fair presentation of the information in the financial statements in accordance with IFRS as adopted by the EU.

#### (b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for investment property which is measured at fair value. The methods used to measure fair values are discussed further in notes 13 and 25.

#### (c) Functional and presentation 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 Zlotys ("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 income statement.

#### (d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in the following notes:

- Note 13 – valuation of investment property
- Note 14 – leases
- Note 16 – utilization of tax losses
- Note 25 – valuation of financial instruments



## Notes to the Consolidated Financial Statements

### 3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group.

#### (a) Basis of preparation of the consolidated financial statements

##### (i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated statements from the date that control commences until the date that control ceases.

##### (ii) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Ronson group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired under common control are recognized at the historical carrying amounts. Any cash paid for the acquisition is recognized directly in the (invested) equity.

##### (iii) Transactions eliminated on combination

Intra-group balances and transactions, and any unrealized gains and losses arising from intra-group transactions, were eliminated in preparing the consolidated financial statements.

#### (b) Foreign currency

##### (i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions using:

- the purchase or selling rate of the bank whose services are used by the Group – in case of foreign currency sales or purchase transactions, as well as of the debt or liability payment transactions;
- the average rate specified for a given currency by the National Bank of Poland as on the transaction date, unless a customs declaration or other binding document indicates another rate – in case of other transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency differences arising on retranslation are recognized in profit or loss.

#### (c) Financial instruments

##### (i) Non-derivative financial instruments

Non-derivative financial instruments of the Group comprise loans granted, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments recognized initially at cost plus any directly attributable transaction costs, except as described below.

A financial instrument is recognized if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognized if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognized if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash on hand and on-call deposits. Cash equivalents are short-term highly liquid investments that readily convert to a known amount of cash and which are subject to insignificant risk of changes in value.

## Notes to the Consolidated Financial Statements

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

**(ii) Non-derivative financial instruments are classified into one of the following categories:**

- loans and receivables,
- other financial liabilities.

*Loans and receivables*

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are classified as current assets, provided their maturity does not exceed 12 months after the balance sheet date. Loans and receivables with maturities exceeding 12 months from the balance sheet date are classified under non-current assets. After initial measurement loans and receivables are subsequently carried at amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in the income statement when the loans and receivables are derecognized or impaired, as well as, through the amortization process.

*Other financial liabilities*

Other financial liabilities are measured at amortized cost using the effective interest method, less any impairment losses and are valued at amortized cost not later than at the end of the reporting period.

**(d) Property and equipment**

**(i) Recognition and measurement**

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Repairs and renewals are charged to the income statement when the expenditure is incurred; major improvements are capitalized when incurred, providing that they increase the future economic benefits embodied in the item of property and equipment.

When components of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

**(ii) Subsequent costs**

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

**(iii) Depreciation**

Depreciation is calculated on the straight-line basis over the estimated useful life of each component of an item of property and equipment.

The estimated useful life of property and equipment, by significant class of asset, is 3-7 years.

Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Depreciation methods, useful lives and residual values are reassessed at the reporting date. Depreciation is calculated starting from the month following the month in which an asset is brought into use.

## Notes to the Consolidated Financial Statements

### (e) Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any (see accounting policy (k)).

#### (i) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss when incurred.

#### (ii) Amortization

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for intangible assets (software) are 2 years.

### (f) Investment property

Investment property is property held either to earn rental income or for capital appreciation or both. Investment property is measured at fair value with any changes therein recognized in profit and loss.

Fair value is calculated annually by an independent appraiser, having an appropriate recognized professional qualification, based on active market prices, adjusted, if necessary, for any differences in the nature, location or condition of the specific asset. If this information is not available, alternative valuation methods, such as recent prices of less active markets, are applied.

Investment property is de-recognized when disposed of or permanently withdrawn from use and no future benefits are expected from its disposal. Gains or losses on de-recognition of investment property are recognized in the income statement for the year in which such de-recognition took place.

### (g) Leases

#### (i) Finance leases – lessee accounting

Leases in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

#### (ii) Finance leases – lessor accounting

The Group is the lessor of a building to a third party under an agreement that is classified as a finance lease.

The gross investment in the lease equals the sum of minimum lease payments less building maintenance costs to be paid by the Group. The net investment in finance leases represents the difference between the gross investment in the lease and unearned income.

The principal portion of lease payments received subsequently reduces the initial net investment in the finance leases.

### (h) Inventories of residential units

Inventories consist of multi-family residential real estate projects to individual customers. Inventories are measured at the lower of cost and net realizable value. The cost of inventories includes expenditure incurred relating to the construction of a project. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Costs relating to the construction of a project are included in inventories of residential units as follows:

- costs incurred relating to projects or a phase of a project which are not available for sale (work in progress),

## Notes to the Consolidated Financial Statements

- costs incurred relating to units unsold associated with a project or a phase of a project that is available for sale (finished goods).

Project construction costs include:

- a) land or leasehold rights for land,
- b) construction costs paid to subcontractors for the construction of residential units,
- c) planning and design costs,
- d) perpetual usufruct fees and real estate taxes incurred during the period of construction,
- e) selling expenses to the extent they are reasonably expected to be recovered from the sale of the project or from incidental operations,
- f) borrowing costs to the extent they are directly attributable to the development of the project (see accounting policy (n)),
- g) professional fees attributable to the development of the project,
- h) construction overheads and other directly related costs.

### (i) Trade and other receivables

Trade and other receivables are stated at amortized cost less impairment losses.

### (j) (Invested) equity

The (invested) equity balance in these consolidated financial statements of the Company as at 30 June 2007 consists of the Share capital, Share premium reserve (see note 1 and 20) and minority interests.

### (k) Impairment

#### (i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on a individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in profit or loss.

#### (ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, investment property, inventories of residential units and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount or the net realizable value.

The recoverable amount or the net realizable value of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, except for inventories of residential units which consider cost.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or the net realizable value. An impairment loss is reversed only to the extent that the asset's carrying amount does not

## Notes to the Consolidated Financial Statements

exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

### (l) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

### (m) Revenues and cost of sales

Revenue from operations includes:

#### (i) Revenue from the sale of residential units

Revenues from the sale of residential units are recognized upon transfer to the buyer of the significant risks and rewards of ownership of the residential unit (i.e. upon signing of the protocol of technical acceptance and transfer of the key to the residential unit), providing that a valid building occupancy permit has been obtained by the Group.

Advances received related to pre-sales of residential units, which represent deferred income, are deferred to the extent that they do not meet the criteria to be recognized as revenue.

#### (ii) Revenue on finance leases

Finance lease income is recognized based on the annuity method under which total finance lease interest income and the excess of scheduled lease payments over the cost of the related assets is deferred and amortized as income over the lease term by employing the effective interest rate that provides a constant periodic rate of return on the net investment in the lease.

#### (iii) Revenue on operating leases

Payments received under operating leases are recognized in the income statement on a straight-line basis over the term of the lease.

#### (iv) Cost of sales

Cost of sales is recognized as a reduction of total costs capitalized to inventory based on the proportion of residential units sold.

Construction costs relating to unsold units are capitalized as inventory within current assets, either as work in progress or finished goods depending on the stage of completion. An expected loss, if any, on a sale, is recognized as an expense immediately. Inventory relating to units sold is expensed as cost of sales in the same period as the related sale.

### (n) Finance income and expense

Finance income comprises interest income and foreign currency gains. Interest income is recognized on the accrual basis using the effective interest method.

Finance expense comprises interest expense on borrowings and foreign currency losses.

Borrowing costs (including interest and foreign exchange gains and losses) are accrued and capitalized to the value of inventory to the extent they are directly attributable to the construction of residential units. These costs are recognized in the income statement over the estimated duration of the loan, except to the extent that they are directly attributable to construction. Debt issuance expenses, as well as civil activity taxes on loans between sister companies, represent an adjustment to the effective interest rate. Borrowing costs which are not capitalized are recognized in profit and loss using the effective interest method.

### (o) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss.

- Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax expense is calculated according to tax regulations in effect in the jurisdiction in which the individual Companies are domiciled.

## Notes to the Consolidated Financial Statements

- Deferred income tax is provided, using the balance sheet method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, and for tax losses carried forward, except for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

The principal temporary differences arise primarily on differences in the timing of revenue recognition for accounting and tax purposes, fair value adjustments on investment property, accruals and finance income/expense. In addition there are tax losses carry-forwards.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. At each balance sheet date deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### (p) Segment reporting

A segment is a distinguishable component of the Group that is providing products or services within a particular economic environment (geographical segment), or in providing related products or services (business segments), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on geographical segments, while secondary format is business segment.

### (q) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for financial years beginning on or before 1 January 2007, and have not been applied in preparing these consolidated financial statements:

- IFRS 8 *Operating Segments* (effective for annual periods beginning on or after 1 January 2009). The Standard requires that segment information should be presented in disclosure based on the basis of components whose results are reviewed regularly of the entity that management monitors in making business decisions. The Company's management about operating matters. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Group has not yet completed its analysis of the impact of IFRS 8 on the financial statements.
- IFRIC 11 *Share-based Payment – Group and Treasury Share Transactions* (effective from annual periods beginning on or after 1 March 2007) requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity-instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments needed are obtained. It also provides guidance on whether share-based payment arrangements, in which suppliers of goods or services of an entity are provided with equity instruments of the entity's parent, should be accounted for as cash-settled or equity-settled in the entity's financial statements. IFRIC 11 is not relevant to the Group's operations as the Group has not entered into any share-based payment arrangements.
- IFRIC 12 *Service Concession Arrangements* (effective for annual periods beginning on or after 1 January 2008) provides guidance to private sector entities on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12 is not relevant to the Group's operations, as none of the Group entities has entered into any service concession arrangements.
- IAS 23 *Borrowing Costs*, revised (effective from 1 January 2009) The revised Standard will require the capitalization of borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. Revised IAS 23 will not have an impact on the Group's operations as the Group capitalizes borrowing costs to inventory.
- IFRIC 13 *Customer Loyalty Programmes* (effective for annual periods beginning on or after 1 July 2008) The Interpretation explains how entities that grant loyalty award credits to customers who buy other goods or services should account for their obligations to provide free or discounted goods or services ('awards') to customers who redeem those award

## Notes to the Consolidated Financial Statements

credits. Such entities are required to allocate some of the proceeds of the initial sale to the award credits and recognize these proceeds as revenue only when they have fulfilled their obligations. The Group does not expect the Interpretation to have any impact on its financial statements.

- IFRIC 14 IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interactions* (effective for annual periods beginning on or after 1 January 2008) The interpretation addresses 1) when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19; 2) how a MFR might affect the availability of reductions in future contributions; and 3) when a MFR might give rise to a liability. No additional liability needs to be recognized by the employer under IFRIC 14 unless the contributions that are payable under the minimum funding requirement cannot be returned to the company. The Group does not operate in countries that have a minimum funding requirement where there are restrictions on the employer company's ability to get refunds or reduce contributions.

### 4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the methods described in the respective note specific to that asset or liability: investment property (see note 13), non-derivative financial instruments (see note 25).

### 5. Segment reporting

Segment information is presented in respect of the Group's geographical segments (primary segments) and business segments (secondary segments).

Inter-segment pricing is determined on an arm's-length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise of head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property and equipment, and intangible assets other than goodwill.

#### Geographical segments

The Group operates in four geographical segments:

- Warsaw
- Poznań
- Wrocław
- Szczecin

#### Business segments

The Group operates in two business segments within Poland:

- Development and sale of residential units ("Residential")
- Development and rental of office space ("Rental")

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**Notes to the Consolidated Financial Statements**

Data presented in the table below is based on the geographical location of the Group's companies and their assets.

For the six months ended 30 June 2007 unaudited						
Warsaw	Poznań	Wrocław	Szczecin	Unallocated	Eliminations	Total
<i>In thousands of Polish Zloty</i>						
<b>Total external revenues</b>						
Residential.....	15,901	—	—	—	(3,683)	12,218
Rental.....	449	—	—	—	—	449
Inter-segment revenue.....	—	—	—	—	—	—
<b>Total segment revenue.....</b>	<b>16,350</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(3,683)</b>	<b>12,667</b>
<b>Segment result</b>						
Residential.....	3,481	—	—	—	(33)	3,448
Rental.....	(530)	—	—	—	—	(530)
Unallocated expenses.....	—	—	—	(3,361)	—	(3,361)
<b>Result from operating activities.....</b>	<b>2,951</b>	<b>—</b>	<b>—</b>	<b>(3,361)</b>	<b>(33)</b>	<b>(443)</b>
Income tax benefit.....						251
<b>Loss for the period.....</b>						<b>(192)</b>

As at 30 June 2007 unaudited						
Warsaw	Poznań	Wrocław	Szczecin	Unallocated	Eliminations	Total
<i>In thousands of Polish Zloty</i>						
<b>Segment assets</b>						
Residential.....	218,109	54,710	23,522	7,599	(1,720)	302,220
Rental.....	45,985	—	—	—	—	45,985
Unallocated assets	—	—	—	3,829	—	3,829
<b>Total assets</b>	<b>264,094</b>	<b>54,710</b>	<b>23,522</b>	<b>7,599</b>	<b>(1,720)</b>	<b>352,034</b>
<b>Segment liabilities</b>						
Residential.....	174,319	28,206	7,404	312	(2,052)	208,189
Rental.....	24,026	—	—	—	—	24,026
Unallocated liabilities.....	—	—	—	9,024	—	9,024
<b>Total liabilities.....</b>	<b>198,345</b>	<b>28,206</b>	<b>7,404</b>	<b>9,024</b>	<b>(2,052)</b>	<b>241,239</b>
<b>Capital expenditure.....</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>141</b>	<b>141</b>
<b>Depreciation and amortization.....</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>259</b>	<b>259</b>



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**Notes to the Consolidated Financial Statements**

	As at 31 December 2006						
	Warsaw	Poznań	Wrocław	Szczecin	Unallocated	Eliminations	Total
	In thousands of Polish Zloty						
Segment assets							
Residential.....	*246,509	*5,661	*4,930	—	—	*(249)	*256,851
Rental .....	45,930	—	—	—	—	—	45,930
Unallocated assets	—	—	—	—	2,750	—	2,750
Total assets	292,439	5,661	4,930	—	2,750	(249)	305,531
				—			
Segment liabilities				—			
Residential.....	145,214	6,593	321	—	—	611	152,739
Rental .....	16,450	—	—	—	—	—	16,450
Unallocated liabilities.....	—	—	—	—	11,595	—	11,595
Total liabilities .....	161,664	6,593	321	—	11,595	611	180,784
				—			
Capital expenditure .....	—	—	—	—	296	—	296
Depreciation and amortization.....	—	—	—	—	68	—	68
* reclassified for comparison purposes.							

\* reclassified for comparison purposes.

	For the six months ended 30 June 2006						
	unaudited						
	Warsaw	Poznań	Wrocław	Szczecin	Unallocated	Eliminations	Total
	In thousands of Polish Zloty						
<b>Total external revenues</b>							
Residential.....	21,110	—	—	—	—	—	21,110
Rental.....	601	—	—	—	—	—	601
Inter-segment revenue.....	—	—	—	—	—	—	—
<b>Total segment revenue .....</b>	<b>21,711</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>21,711</b>
<b>Segment result</b>							
Residential.....	7,284	—	—	—	—	379	7,663
Rental.....	6,719	—	—	—	—	—	6,719
Unallocated expenses .....	—	—	—	—	(1,473)	—	(1,473)
<b>Result from operating activities .....</b>	<b>14,003</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(1,473)</b>	<b>379</b>	<b>12,909</b>
Income tax expense.....							(2,523)
<b>Profit for the period .....</b>							<b>10,386</b>

## Notes to the Consolidated Financial Statements

As at 30 June 2006 unaudited						
Warsaw	Poznań	Wrocław	Szczecin	Unallocated	Eliminations	Total
<i>In thousands of Polish Zloty</i>						
<b>Segment assets</b>						
Residential.....	135,470	21,579	41	—	372	157,462
Rental .....	31,628	—	—	—	—	31,628
Unallocated assets	—	—	—	1,922	—	1,922
<b>Total assets</b>	<b>167,098</b>	<b>21,579</b>	<b>41</b>	<b>1,922</b>	<b>372</b>	<b>191,012</b>
<b>Segment liabilities</b>						
Residential.....	126,944	18,996	—	—	28	145,968
Rental .....	21,185	—	—	—	—	21,185
Unallocated liabilities.....	—	—	—	8,117	—	8,117
<b>Total liabilities</b> .....	<b>148,129</b>	<b>18,996</b>	<b>—</b>	<b>8,117</b>	<b>28</b>	<b>175,270</b>
<i>Capital expenditure</i> .....	—	—	—	111	—	111
<i>Depreciation and amortization</i> .....	—	—	—	9	—	9

## 6. Revenue

		For the six months ended	
		30 June 2007 unaudited	30 June 2006 unaudited
<i>In thousands of PLN</i>			
Sale of residential units .....		12,218	21,110
Rental revenue .....		449	601
<b>Total revenues</b> .....		<b>12,667</b>	<b>21,711</b>

## 7. Costs by kind

		For the six months ended	
		30 June 2007 unaudited	30 June 2006 unaudited
<i>In thousands of PLN</i>			
<i>Costs of sales</i> .....		<b>8,817</b>	<b>11,856</b>
Depreciation .....		259	9
Materials and energy .....		469	411
External services .....		1,517	1,701
Taxes and charges .....		471	394
Personnel (see note 8).....		1,356	838
Other.....		219	449
<b>Administrative expenses</b> .....		<b>4,291</b>	<b>3,802</b>
<b>Total</b> .....		<b>13,108</b>	<b>15,658</b>

## Notes to the Consolidated Financial Statements

### 8. Personnel expenses

	<b>For the six months ended</b>	
	<b>30 June 2007</b>	<b>30 June 2006</b>
	<b>unaudited</b>	<b>unaudited</b>
	<i>In thousands of PLN</i>	
Wages and salaries .....	1,108	741
Social security .....	248	97
<b>Total</b> .....	<b>1,356</b>	<b>838</b>

### 9. Finance income and expense

	<b>For the six months ended</b>	
	<b>30 June 2007</b>	<b>30 June 2006</b>
	<b>unaudited</b>	<b>unaudited</b>
	<i>In thousands of PLN</i>	
Foreign exchange gain.....	—	650
Interests on granted loans .....	399	—
Interest income on bank deposits .....	329	140
<b>Finance income</b> .....	<b>728</b>	<b>790</b>
Interest expense on financial liabilities measured at amortized cost ..	(701)	(818)
Foreign exchange loss .....	(29)	(70)
<b>Finance expense</b> .....	<b>(730)</b>	<b>(888)</b>
<b>Net finance expense</b> .....	<b>(2)</b>	<b>(98)</b>

**Notes to the Consolidated Financial Statements**

**10. Income tax expense**

	<b>For the six months ended</b>	
	<b>30 June 2007 unaudited</b>	<b>30 June 2006 unaudited</b>
	<i>In thousands of PLN</i>	
<b>Current tax expense</b>		
Current period .....	1,317	1,429
<b>Total current tax expense</b> .....	<b>1,317</b>	<b>1,429</b>
Origination and reversal of temporary differences .....	(1,228)	1,408
Benefit of tax losses recognized .....	(340)	(314)
<b>Total deferred tax (benefit)/expense</b> .....	<b>(1,568)</b>	<b>1,094</b>
<b>Total income tax (benefit)/expense</b> .....	<b>(251)</b>	<b>2,523</b>

**Reconciliation of effective tax rate**

	<b>For the six months ended</b>	
	<b>30 June 2007 unaudited</b>	<b>30 June 2006 unaudited</b>
	<i>In thousands of PLN</i>	
(Loss)/profit for the year .....	(192)	10,386
Total income tax benefit/(expense) .....	(251)	2,523
<b>(Loss)/profit excluding income tax</b> .....	<b>(443)</b>	<b>12,909</b>
Income tax (benefit)/expense, using the Polish tax rate (19%)	<b>(84)</b>	<b>2,453</b>
Tax effect on:		
Timing differences which arose in prior years, for which a deferred tax asset was recognized in the current year .....	(103)	—
Other timing differences .....	(64)	70
<b>Tax calculated at an effective rate of 57% and 20% respectively</b> .....	<b>(251)</b>	<b>2,523</b>

The timing differences which arose in prior years, for which a deferred tax asset was recognized in the current year, relate to an increased likelihood of realization.

## Notes to the Consolidated Financial Statements

### 11. Property and equipment

	Property and equipment		
	For the six months ended 30 June 2007 unaudited	For the year ended 31 December 2006	For the six months ended 30 June 2006 unaudited
	<i>In thousands of PLN</i>		
<b>Cost or deemed cost</b>			
Balance at 1 January .....	416	251	251
Transfer from inventories .....	430	-	-
Additions .....	141	165	24
<b>Closing balance .....</b>	<b>987</b>	<b>416</b>	<b>275</b>
<b>Depreciation and impairment losses</b>			
Balance at 1 January .....	101	74	74
Depreciation for the period .....	164	27	2
<b>Closing balance .....</b>	<b>265</b>	<b>101</b>	<b>76</b>
<b>Carrying amounts</b>			
At 1 January .....	315	177	177
<b>Closing balance .....</b>	<b>722</b>	<b>315</b>	<b>199</b>

#### Impairment loss and subsequent reversal

In the six months ended 30 June 2007 and 2006 and during the year 2006, the Group did not recognize any impairment loss of property and equipment.

## Notes to the Consolidated Financial Statements

### 12. Intangible assets

	Software		
	For the six months ended 30 June 2007 unaudited	For the year ended 31 December 2006	For the six months ended 30 June 2006 unaudited
	<i>In thousands of PLN</i>		
<b>Cost</b>			
Balance at 1 January .....	210	79	79
Additions .....	—	131	87
<b>Closing balance .....</b>	<b>210</b>	<b>210</b>	<b>166</b>
<b>Amortization</b>			
Balance at 1 January .....	41	—	—
Amortization for the period .....	95	41	7
<b>Closing balance .....</b>	<b>136</b>	<b>41</b>	<b>7</b>
<b>Carrying amounts</b>			
At 1 January .....	169	79	79
<b>Closing balance .....</b>	<b>74</b>	<b>169</b>	<b>159</b>

#### Impairment loss and subsequent reversal

In the six months ended 30 June 2007 and 2006 and during the year 2006, the Group did not recognize any impairment loss of intangible assets.

The amortization is allocated to the administrative expenses in the income statement

### 13. Investment property

	For the six months ended 30 June 2007 unaudited	For the year ended 31 December 2006	For the six months ended 30 June 2006 unaudited
	<i>In thousands of PLN</i>		
<b>Cost</b>			
Balance at 1 January .....	7,810	7,810	7,810
<b>Closing balance .....</b>	<b>7,810</b>	<b>7,810</b>	<b>7,810</b>
<b>Fair value adjustment</b>			
Balance at 1 January .....	36,490	14,736	14,736
Increase in fair value .....	—	21,754	6,954
<b>Closing balance .....</b>	<b>36,490</b>	<b>36,490</b>	<b>21,690</b>
<b>Fair value</b>			
Balance at 1 January .....	44,300	22,546	22,546
<b>Closing balance .....</b>	<b>44,300</b>	<b>44,300</b>	<b>29,500</b>

Investment property includes properties held for long-term rental yields and capital appreciation, and not occupied by the Group. At 30 June 2007, Investment property comprises: land in Warsaw (Klobucka Street) possessed based on perpetual usufruct right of land and a number of buildings and warehouses located on this land that in part are leased to third parties under lease agreements with an indefinite term subject to a three-month notice period for termination.

## Notes to the Consolidated Financial Statements

Investment property is valued at fair value determined annually by an independent appraiser, having an appropriate recognized professional qualification, based on current prices on an active market.

On 29 June 2007, the ownership of the investment property was assigned and contributed by ITR Dori B.V. to the Company (see note 1). However, as at 30 June 2007, the legal ownership of the investment property was with Brighton Tec Sp. z. o.o., a wholly-owned subsidiary of ITR Dori B.V., of which the shares were not assigned and contributed to the Company on 29 June 2007. On 27 September 2007, the transfer of the legal ownership of the investment property from Brighton Tec Sp. z. o.o. to Ronson Development Landscape S.k., a limited partnership, part of the Group, was completed.

Revenue recognized and costs incurred relating to the investment property during the six months ended 30 June 2007 and 2006 are summarized in the table below:

	Rental income		Cost	
	Half year 2007 unaudited	Half year 2006 unaudited	Half year 2007 unaudited	Half year 2006 unaudited
	<i>In thousands of PLN</i>			
Klobucka .....	449	601	601	557

Total non-cancelable lease payments as at 30 June 2007 and 30 June 2006 were as follows:

	30 June 2007 unaudited	30 June 2006 unaudited
	<i>In thousands of PLN</i>	
Minimum lease payments (less than 1 year) .....	181	247

### 14. Long-term finance lease receivable

The Group is a party to a finance lease arrangement under which it leases an office building and the land adjacent to the building in Warsaw to a third party. The arrangement expires on 2 March 2024.

Finance lease receivables as per 30 June 2007, non-current and current, and their ageing are presented in the table below:

	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
	<i>In thousands of PLN</i>			
Finance lease payments receivable.....	92	369	1,059	1,520
Unearned interest income .....	(70)	(250)	(533)	(853)
<b>Total.....</b>	<b>22</b>	<b>119</b>	<b>526</b>	<b>667</b>

Finance lease receivables as per 31 December 2006, non-current and current, and their ageing are presented in the table below:

	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
	<i>In thousands of PLN</i>			
Finance lease payments receivable.....	96	383	1,151	1,630
Unearned interest income .....	(73)	(266)	(562)	(901)
<b>Total.....</b>	<b>23</b>	<b>117</b>	<b>589</b>	<b>729</b>

## Notes to the Consolidated Financial Statements

Finance lease receivables as per 30 June 2006, non-current and current, and their ageing are presented in the table below:

	<b>Less than 1 year</b>	<b>Between 1 and 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
	<i>In thousands of PLN</i>			
Finance lease payments receivable.....	105	419	1,309	1,833
Unearned interest income.....	(81)	(298)	(671)	(1,050)
<b>Total.....</b>	<b>24</b>	<b>121</b>	<b>638</b>	<b>783</b>

### 15. Loan granted to related party

On 31 October 2006, the Group granted an unsecured loan to Jerusalem Finance Company B.V. ("JFC") amounting to PLN 13,399 thousand. JFC is a company fully owned by the owners of the (invested) equity of the Group, and provides financing to each of the companies within the Group. The balance as at 31 December 2006 includes principal of PLN 13,399 thousand plus accrued interest of PLN 134 thousand. The loan has a maturity date of 31 October 2011 and an interest rate of 6%. Following the incorporation of the Company in June 2007, the liability under this loan agreement including the accrued interest as at 29 June 2007 amounting to PLN 13,932 thousand were assigned to the Company (see notes 1 and 20). As a result, upon consolidation the amount receivable as at 30 June 2007 has been eliminated against the liability of the Company as at 30 June 2007.

Information regarding the fair value of the loan as at 31 December 2006 is presented in note 25.



## Notes to the Consolidated Financial Statements

### 16. Deferred tax assets and liabilities

#### Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities as at the beginning and as at the end of the financial periods are attributable to the following:

Deferred tax assets	Opening balance 1 January 2007	Recognized in the income statement unaudited	Closing balance 30 June 2007 unaudited
	<i>In thousands of PLN</i>		
<b>Deferred tax assets</b>			
Foreign exchange rate differences .....	6	(6)	—
Interest liabilities .....	89	113	202
Tax loss carry forwards .....	3,836	340	4,176
<b>Total deferred tax assets.....</b>	<b><u>3,931</u></b>	<b><u>447</u></b>	<b><u>4,378</u></b>
<b>Deferred tax liabilities</b>			
Difference in timing of revenue recognition on the sale of residential units for accounting and tax purposes .....	2,161	(1,299)	862
Fair value gain on Investment Property .....	6,933	—	6,933
Foreign exchange differences .....	194	(194)	—
Accrued interest.....	600	301	901
Other.....	56	71	127
<b>Total deferred tax liabilities.....</b>	<b><u>9,944</u></b>	<b><u>(1,121)</u></b>	<b><u>8,823</u></b>
Deferred tax assets.....	3,931		4,378
Deferred tax liabilities .....	9,944		8,823
Offset of deferred tax assets and liabilities for individual companies.....	(1,181)		(721)
<b>Deferred tax assets reported in the balance sheet.....</b>	<b><u>2,750</u></b>		<b><u>3,657</u></b>
<b>Deferred tax liabilities reported in the balance sheet.....</b>	<b><u>8,763</u></b>		<b><u>8,102</u></b>

**Notes to the Consolidated Financial Statements**

Deferred tax assets	Opening balance 1 January 2006	Recognized in the income statement	Closing balance 31 December 2006
		<i>In thousands of PLN</i>	
<b>Deferred tax assets</b>			
Foreign exchange rate differences .....	179	(173)	6
Interest liabilities .....	300	(211)	89
Tax loss carry forwards .....	1,992	1,844	3,836
<b>Total deferred tax assets.....</b>	<b><u>2,471</u></b>	<b><u>1,460</u></b>	<b><u>3,931</u></b>
<b>Deferred tax liabilities</b>			
Difference in timing of revenue recognition on the sale of residential units for accounting and tax purposes .....	3,829	(1,668)	2,161
Fair value gain on Investment Property .....	2,800	4,133	6,933
Foreign exchange differences .....	169	(25)	194
Accrued interest .....	130	470	600
Other .....	24	32	56
<b>Total deferred tax liabilities.....</b>	<b><u>6,952</u></b>	<b><u>2,992</u></b>	<b><u>9,944</u></b>
Deferred tax assets .....	2,471		3,931
Deferred tax liabilities .....	6,952		9,944
Offset of deferred tax assets and liabilities for individual companies.....	(977)		(1,181)
<b>Deferred tax assets reported in the balance sheet.....</b>	<b><u>1,494</u></b>		<b><u>2,750</u></b>
<b>Deferred tax liabilities reported in the balance sheet.....</b>	<b><u>5,975</u></b>		<b><u>8,763</u></b>
 <b>Deferred tax assets</b>	 <b>Opening balance 1 January 2006</b>	 <b>Recognized in the income statement unaudited</b>	 <b>Closing balance 30 June 2006 unaudited</b>
		<i>In thousands of PLN</i>	
<b>Deferred tax assets</b>			
Foreign exchange rate differences .....	179	(179)	—
Interest liabilities .....	300	194	494
Tax loss carry forwards .....	1,992	314	2,306
<b>Total deferred tax assets.....</b>	<b><u>2,471</u></b>	<b><u>329</u></b>	<b><u>2,800</u></b>
<b>Deferred tax liabilities</b>			
Difference in timing of revenue recognition on the sale of residential units for accounting and tax purposes .....	3,829	136	3,965
Fair value gain on Investment Property .....	2,800	1,320	4,120
Foreign exchange differences .....	169	1	170
Accrued interest .....	130	(97)	33
Other .....	24	63	87
<b>Total deferred tax liabilities.....</b>	<b><u>6,952</u></b>	<b><u>1,423</u></b>	<b><u>8,375</u></b>
Deferred tax assets .....	2,471		2,800
Deferred tax liabilities .....	6,952		8,375
Offset of deferred tax assets and liabilities for individual companies.....	(977)		(878)
<b>Deferred tax assets reported in the balance sheet .....</b>	<b><u>1,494</u></b>		<b><u>1,922</u></b>
<b>Deferred tax liabilities reported in the balance sheet .....</b>	<b><u>5,975</u></b>		<b><u>7,497</u></b>

## Notes to the Consolidated Financial Statements

### Unrecognized deferred tax liabilities

There are no unrecognized deferred tax liabilities.

### Unrecognized deferred tax assets

A deferred tax asset is recognized only to the extent that it is more likely than not that future taxable profits will be available against which the asset can be utilized. Unrecognized deferred tax assets relate primarily to tax loss carry-forwards, which are not considered probable of realization prior to their expiration.

### Movement in unrecognized deferred tax assets

During the six months ended 30 June 2007, the unrecognized deferred tax assets decreased by PLN 336 thousand from PLN 5,547 thousand to PLN 5,211 thousand. During the financial year 2006, the unrecognized deferred tax assets increased by PLN 1,394 thousand from PLN 4,153 thousand to PLN 5,547 thousand. During the six months ended 30 June 2006, the unrecognized deferred tax assets increased by PLN 79 thousand from PLN 4,153 thousand to PLN 4,232 thousand.

### Realization of deferred tax assets

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. In order to fully realize the deferred tax asset, the group will need to generate future taxable income of approximately PLN 19,300 thousand. Taxable profit realized by the Group companies amounted to PLN 10,801 thousand for the six months ended 30 June 2007. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Group will realize the benefits of these deductible differences. The amount of the deferred tax asset which is considered realizable, could however, be reduced in the near term if estimates of future taxable income during the tax loss carry-forward period are reduced.

Tax losses are utilizable within the 5 year period following the period in which they originated subject to the limitation that a maximum of 50% of the loss carry-forward can be used in one year.

## 17. Inventories of residential units

	As at		
	30 June 2007 unaudited	31 December 2006	30 June 2006 unaudited
	<i>In thousands of PLN</i>		
Work in progress.....	243,563	178,748	99,638
Finished goods .....	4,168	4,172	5,275
<b>Inventories valued at cost.....</b>	<b>247,731</b>	<b>182,920</b>	<b>104,913</b>
Inventories valued at net realizable value .....	—	—	—

## Notes to the Consolidated Financial Statements

Borrowing costs capitalized to inventory as well as capitalization rates are presented in the table below:

	As at		
	30 June 2007 unaudited	31 December 2006	30 June 2006 unaudited
	<i>In thousands of PLN</i>		
Interest expense .....	9,669	11,601	5,157
Foreign exchange rate (gains)/losses, net.....	(2,501)	(3,142)	(155)
<b>Total .....</b>	<b>7,168</b>	<b>8,459</b>	<b>5,002</b>
Capitalization rate.....	4%	6%	5%

### 18. Trade and other receivables

	As at		
	30 June 2007 unaudited	31 December 2006	30 June 2006 unaudited
	<i>In thousands of PLN</i>		
Trade receivables from related parties (see note 27).....	27	79	27
Value added tax (VAT) receivables.....	5,258	14,875	2,086
Other trade receivables .....	6,931	1,936	<b>640</b>
Prepayments for current assets.....	147	18	365
Advances for inventories of residential units.....	27,763	4,787	11,141
<b>Total .....</b>	<b>40,126</b>	<b>21,695</b>	<b>14,259</b>

As at 30 June 2007 31 December 2006 and as at 30 June 2006: the Group created no allowances for doubtful debts.

As at 30 June 2007, as at 31 December 2006 and as at 30 June 2006, receivables denominated in currencies other than the functional currency were insignificant.

### 19. Cash and cash equivalents

	As at		
	30 June 2007 unaudited	31 December 2006	30 June 2006 unaudited
	<i>In thousands of PLN</i>		
Petty cash.....	12	17	10
Bank balances .....	14,745	39,103	39,267
<b>Cash and cash equivalents.....</b>	<b>14,757</b>	<b>39,120</b>	<b>39,277</b>

As at 30 June 2007 and as at 31 December 2006, the Group held no deposits .As at 30 June 2006, the Group held PLN 2,353 thousand on overnight deposits. The effective interest rate on overnight deposit was 2.5% - 3.0%.

## Notes to the Consolidated Financial Statements

### 20. (Invested) equity

#### Reconciliation of movement in owners' net investment

	Owners' net investment/ Equity attributable to equity holders of the parent	Minority interests	Total equity (invested)
<i>In thousands of PLN</i>			
Balance of combined equity invested in the subsidiaries of Ronson Group at 1 January 2006 .....	4,806	—	4,806
Proceeds from sale of equity in Ronson Group entities and other capital contributions at Ronson Group entities (1).....	69,333	18,690	88,023
Net profit for the year 2006 .....	31,897	21	31,918
Balance of combined equity invested in the subsidiaries of Ronson Group at 31 December 2006...	106,036	18,711	124,747
Net loss for the period ended 29 June 2007 .....	(226)	34	(192)
Balance of combined equity invested in the subsidiaries of the Ronson Group at 29 June 2007.....	105,810	18,745	124,555
Transition as at 29 June 2007 of owners' net investment (see note 1) .....	(105,810)	—	(105,810)

	Share capital	Share premium reserve			
Issue of shares upon establishment of the Company (2).....	172	—	172	—	172
Net contribution in kind of assets and liabilities (3).....	—	91,878	91,878	—	91,878
<b>Balance at 30 June 2007 ...</b>	<b>172</b>	<b>91,878</b>	<b>92,050</b>	<b>18,745</b>	<b>110,795</b>

(1) In November 2006, the Group and its shareholders entered into a participation agreement with a third party whereby the third party became a direct shareholder in 20 of the Group's Polish entities. In connection with the participation agreement, the 20 Polish entities concerned issued new share capital against a cash payment by the third party.

(2) The share capital of Ronson Europe N.V. is PLN 172 thousand. The number of authorized shares of the Company is 225,000 with a par value of EUR 1 per share. The number of issued and paid-up shares as at the date of the Company's incorporation was 45,000.

(3) Following the incorporation of the Company, the sole shareholder and founder of the Company, ITR Dori assigned and contributed to the Company, on 29 June 2007, its shares and rights to shares in 36 Polish companies amounted to PLN 105,810 thousand as well as a liability under a loan agreement between ITR Dori and Ronson Development Residential Sp. z o.o., one of the Polish entities in which the shares were transferred to the Company. The principal amount under the loan agreement of which the liability was contributed plus accrued interest as at 29 June 2007, amounted to PLN 13,932 thousand (see note 15). The net Share Premium contributed amounted to PLN 91,878 thousand as reflected in the table above.

## Notes to the Consolidated Financial Statements

### Composition of owners' net investment as at 30 June 2007

As at 30 June 2007, the owners' net investment is comprised of the following:

<i>In thousands of PLN</i>	<b>Owners' net investments</b>
Share capital (see (2) above) .....	172
Share premium reserve .....	91,878
<b>Balance at 30 June 2007 .....</b>	<b>92,050</b>

### 21. Provisions

*In thousands of PLN*

	<b>Six months ended 30 June 2007 unaudited</b>	<b>Year ended 31 December 2006</b>	<b>Six months ended 30 June 2006 unaudited</b>
Balance as at 1 January .....	501	501	501
Increase /(decrease) .....	—	—	—
<b>Closing balance .....</b>	<b>501</b>	<b>501</b>	<b>501</b>

### 22. Loans and borrowings

Information about the contractual terms of the Group's interest-bearing loans and borrowings is presented in the table below. For more information about the Group's exposure to interest rate and foreign currency risk, see note 25.

	<b>30 June 2007 unaudited</b>	<b>As at 31 December 2006</b>	<b>30 June 2006 unaudited</b>
<i>In thousands of PLN</i>			
<b>Non-current liabilities</b>			
Loans from related parties .....	72,703	71,069	94,784
Secured bank loans .....	33,962	22,988	16,599
<b>Total non-current liabilities .....</b>	<b>106,665</b>	<b>94,057</b>	<b>111,383</b>
<b>Current liabilities .....</b>	<b>10,085</b>	<b>10,085</b>	<b>998</b>

### Terms and debt repayment schedule

Terms and conditions of outstanding loans as at 30 June 2007 are as follows:

- All loans from related parties are unsecured and have as maturity date 31 October 2011 bearing an interest rate of 6%. The loans are all denominated in Polish Zloty.
- Bank loans (non-current and current) are secured loans bearing an interest of WIBOR + 1.1% - 1.6%.

## Notes to the Consolidated Financial Statements

The maturity dates of the bank loans as at 30 June 2007 are as follows:

<b>Maturity date</b>	<b>Total</b>
31 December 2008	13,518
4 July 2009	14,244
5 September 2009	<u>6,200</u>
Non-current	33,962
 30 September 2007	 10,085

For the bank loans the following collaterals are given:

- Ordinary and floating mortgages on land.
- Pledge over bank account in PKO BP up to the amounts/installments due (nil at 30 June 2007).
- Pledge over all bank accounts in Fortis Bank S.A. (PLN 1,236 thousand at 30 June 2007).
- Blank promissory note drawn by the Company with a promissory note declaration up to the amount of the loan plus interest.
- Advance payments of dividends until full repayment of loans are not allowed.

### 23. Deferred income

Deferred income classified as current consists of customer advances for construction work in progress (deferred revenue).

Deferred income comprises of customer advances for the following projects:

	<b>30 June 2007 unaudited</b>	<b>As at 31 December 2006</b>	<b>30 June 2006 unaudited</b>
<i>In thousands of PLN</i>			
Meridan.....	67,631	38,619	15,843
Mistral.....	12,152	348	—
Imaginarium I.....	11,072	567	16
Galileo .....	1,313	1	—
Sloneczny Skwer .....	620	619	122
Klobucka.....	164	95	6
Lazurowa Dolina .....	6	167	15,161
Pegaz 2.....	3	10,733	12,844
Pegaz 1.....	—	—	314
Others .....	—	5	—
<b>Total.....</b>	<b>92,961</b>	<b>51,154</b>	<b>44,306</b>

### 24. Trade and other payables

		<b>30 June 2007 unaudited</b>	<b>As at 31 December 2006</b>	<b>30 June 2006 unaudited</b>
<i>In thousands of PLN</i>				
Trade payables due to related parties.....	27	113	4	472
Other trade payables .....		18,734	10,819	9,414
Non-trade payables and accrued expenses.....		3,156	2,569	80
<b>Total.....</b>		<b>22,003</b>	<b>13,392</b>	<b>9,966</b>

As at 30 June 2007, payables denominated in foreign currencies included payables denominated in Euro amounting to EUR 30 thousand (PLN 113 thousand) and in U.S. Dollars amounting to

## Notes to the Consolidated Financial Statements

USD 147 thousand (PLN 472 thousand). As at 31 December 2006 and as 30 June 2006, the Group had no payables denominated in foreign currencies.

### 25. Financial instruments

Exposure to credit, interest rate and currency risks arises in the normal course of the Group's business.

#### Credit risk

The Group is making significant cash payments as security for preliminary land purchase agreements. At 30 June 2007, payments made under land purchase agreements amounted to PLN 27,763 thousand (see note 18). The Group minimizes its credit risk arising from such payments by registering advance repayment obligations in the mortgage register of the respective property. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Group does not expect any counter parties to fail in meeting their obligations. The carrying amount of trade and other receivables (see note 18) reflects the maximum exposure to the risk.

#### Interest rate risk

The Group's fixed-rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable-rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short-term receivables and payables are not exposed to interest rate risk.

#### Effective interest rates and repricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following tables indicate their average effective interest rates at the reporting date and the periods in which they mature or, if earlier, reprice.



## Notes to the Consolidated Financial Statements

Six months ended 30 June 2007 unaudited								
<i>In thousands of PLN</i>	Note	Average effective interest rate	Total	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
<b>Fixed rate instruments</b>								
Cash and cash equivalents .....	19	2.5% - 3.5%	14,757	14,757	—	—	—	—
Loans from related parties .....	22	6.0%	72,703	—	—	—	72,703	—
<b>Variable rate instruments</b>								
Secured bank loans .....	22	WIBOR + 1.2%	44,047	10,085	—	13,518	20,444	—
Year ended 31 December 2006								
<i>In thousands of PLN</i>	Note	Average effective interest rate	Total	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
<b>Fixed rate instruments</b>								
Loans granted .....	15	6.0%	13,533	—	—	—	13,533	—
Cash and cash equivalents .....	19	2.0%	39,120	39,120	—	—	—	—
Loans from related parties .....	22	6.0%	71,069	—	—	—	71,069	—
<b>Variable rate instruments</b>								
Secured bank loans .....	22	WIBOR + 1.0%	33,073	—	10,085	—	22,988	—
Six months ended 30 June 2006 unaudited								
<i>In thousands of PLN</i>	Note	Average effective interest rate	Total	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
<b>Fixed rate instruments</b>								
Cash and cash equivalents .....	19	2.5% - 3.5%	39,277	39,277	—	—	—	—
Loans from related parties .....	22	7 % - 12 %	95,782	988	—	—	20,109	74,675
<b>Variable rate instruments</b>								
Secured bank loans .....	22	WIBOR + 1.2%	16,599	2,149	—	10,085	4,365	—

### Foreign currency risk

Until 31 October 2006, the Group was exposed to foreign currency risk on borrowings denominated in a currency other than PLN. The currency giving rise to this risk was primarily the US Dollar (USD).

### Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (eg accounts receivables, other financial assets) and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, finance leases and hire purchase contracts.

## Notes to the Consolidated Financial Statements

### Sensitivity analysis

In managing interest rate and currency risks, the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer term, however, permanent changes in foreign exchange and interest rates will have an impact on profit.

At 30 June 2007, it is estimated that a general increase of one percentage point in interest rates would decrease the Group's profit before income tax for the six months ended 30 June 2007 by approximately PLN 149 thousand.

### Fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

<i>In thousands of PLN</i>	<b>Note</b>	<b>Six months ended 30 June 2007</b>	
		<b>unaudited</b>	
		<b>Carrying amount</b>	<b>Fair value</b>
Trade and other receivables.....	18	40,126	40,126
Cash and cash equivalents.....	19	14,757	14,757
Secured bank loans.....	22	44,047	44,047
Loan from related parties .....	22	72,703	72,360
Trade and other payables.....	24	22,003	22,003
<b>Unrecognized gain .....</b>			<b>343</b>

<i>In thousands of PLN</i>	<b>Note</b>	<b>Year ended 31 December 2006</b>	
		<b>Carrying amount</b>	<b>Fair value</b>
Loans granted .....	15	13,533	13,533
Trade and other receivables.....	18	21,695	21,695
Cash and cash equivalents.....	19	39,120	39,120
Secured bank loans.....	22	33,073	33,073
Loan from related parties .....	22	71,069	70,452
Trade and other payables.....	24	13,392	13,392
<b>Unrecognized gain .....</b>			<b>617</b>

<i>In thousands of PLN</i>	<b>Note</b>	<b>Six months ended 30 June 2006</b>	
		<b>unaudited</b>	
		<b>Carrying amount</b>	<b>Fair value</b>
Trade and other receivables.....	18	14,259	14,259
Cash and cash equivalents.....	19	39,277	39,277
Secured bank loans.....	22	16,599	16,599
Loan from related parties .....	22	95,782	96,098
Trade and other payables.....	24	9,966	9,966
<b>Unrecognized loss .....</b>			<b>(316)</b>

### Estimation of fair values

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- trade and other receivables, cash and cash equivalents and trade and other payables: the carrying amounts approximate fair value because of the short maturity of these instruments;
- secured bank loans: carrying amounts approximate fair value as these loans bear variable interest rates which approximate market rates;
- loans from related parties and loans granted: the fair value is estimated by discounting the future cash flows of each instrument at rates currently offered to the Group for similar instruments of comparable maturities by the Group's bankers;

## Notes to the Consolidated Financial Statements

### Interest rates used for determining fair value

The interest rates used to discount estimated cash flows (PLN denominated), where applicable, are based on WIBOR plus margin as at 30 June 2007 and 31 December 2006 and 30 June 2006 plus margin, and are as follows:

<i>In thousands of PLN</i>	<b>As at 30 June 2007 unaudited</b>	<b>As at 31 December 2006</b>	<b>As at 30 June 2006 unaudited</b>
Loans granted .....	6.0 %	6.0 %	N/A
Loans and borrowings .....	6.0 %	6.0 %	6.8 %

### 26. Contingencies and commitments

Contingent commitments relate primarily to contingent consideration for land acquisitions, which are considered probable of being paid. As at 30 June 2007, these contingent commitments amount to PLN 161,201 thousand, the payment of which is contingent upon closing the final agreements conveying ownership of the land and clearance of the mortgage register.

In addition, commitments to the general contractor for construction services to be rendered in the future amount to PLN 69,169 thousand as at 30 June 2007.

Contingent commitments relate primarily to contingent consideration for land acquisitions, which are considered probable of being paid by the following companies:

<b>Company</b>	<b>As at 30 June 2007 unaudited</b>	<b>As at 31 December 2006</b>	<b>As at 30 June 2006 unaudited</b>
<i>In thousands of PLN</i>			
Ronson Development West Sp. z o.o. ....	49,600	—	—
Ronson Development Capital Sp. z o.o. ....	31,500	—	—
Ronson Development Conception Sp. z o.o. ...	20,848	—	—
Ronson Development Continental Sp. z o.o. ....	18,216	—	—
Ronson Development Architecture Sp. z o.o. .	16,810	—	—
Ronson Development Properties Sp. z o.o. ....	14,450	14,450	—
Ronson Development Skyline Sp. z o.o. ....	7,428	—	—
Ronson Development Universal Sp. z o.o. ....	2,349	—	—
Ronson Development 2000 Sp. z o.o. ....	—	—	18,891
Ronson Development Habiato Sp. z o.o. ....	—	12,521	—
<b>Total.....</b>	<b>161,201</b>	<b>26,971</b>	<b>18,891</b>

The payment of the above amounts is contingent upon closing the final agreements conveying property ownership of the land and clearance of the mortgage register.

## Notes to the Consolidated Financial Statements

The amounts in the table below represent commitments to the general contractors for construction services to be rendered in the future:

Company	As at 30 June 2007 unaudited	As at 31 December 2006	As at 30 June 2006 unaudited
<i>In thousands of PLN</i>			
Ronson Company Sp. z o.o. ....	51,203	—	—
Ronson Creation Sp. z o.o. ....	7,257	—	—
Ronson Properties Sp. z o.o. ....	6,960	—	—
Ronson Investment Sp. z o.o. ....	3,749	15,307	32,712
Ronson Residential Sp. z o.o. ....	—	—	200
Ronson Warsaw Sp. z o.o. ....	—	—	4,839
<b>Total.....</b>	<b>69,169</b>	<b>15,307</b>	<b>37,751</b>

### 27. Related parties

#### Parent and ultimate controlling party

For (invested) equity and changes during the six months ended 30 June 2007 and the year ended 31 December 2006, see note 1.

The Group enters into various transactions with its subsidiaries and with its directors and executive officers.

The main related parties transactions arise on:

- loans granted (see note 15),
- loans received (see note 22),
- charges from ITR Dori (see below), and
- transactions with key management personnel (see below).

#### Transactions with key management personnel

The key management personnel of all Group entities include:

Dror Kerem – President and CEO of Ronson Development Management Sp. z o.o.

Ariel Bouskila – Member of Management and CFO of Ronson Development Management Sp. z o.o.

Anna Petrulewicz – President or Member of Management Board

Andrzej Gutowski – Member of Management Board

#### Loans to directors

As at 30 June 2007, as at 31 December 2006 and as at 30 June 2006, there were no loans granted to directors.

## Notes to the Consolidated Financial Statements

### Key management personnel compensation

Apart from the compensation listed below, there were no additional benefits granted to key management personnel in the six months ended 30 June 2007 and 30 June 2006.

Key management personnel compensation can be presented as follows:

<i>In thousands of PLN</i>	<b>Employment agreement</b>	<b>Management salary</b>	<b>Other (bonuses)</b>	<b>Total</b>
Management Board – 30 June 2007	130	141	83	354
Management Board – 30 June 2006	96	113	28	237

### Charges from ITR Dori

During the six months ended 30 June 2007 and 30 June 2006, transactions with ITR Dori comprised consultancy fees in the amount of PLN 684 thousands and PLN 1,046 thousands respectively. The consultancy fees are in respect of management services provided for the benefit of the group companies. As at 30 June 2007, the amount owed by ITR Dori to the group amounted to PLN 27 thousand (see note 18), whereas the amount owed to ITR Dori at the same date was PLN 113 thousand (see note 24).

The group received loans from related parties, Jerusalem Finance Company B.V. (a Dutch entity under control of the owners of the (invested) equity) and Gator. See note 22 for details.

## 28. Subsequent events

On 26 July 2007, R.D. Sp z o.o. Landscape Sp. k., a newly formed Polish subsidiary of Ronson, entered into a preliminary purchase agreement to acquire the assets of Brighton Tec Sp. z o.o. from ITR Dori. The primary asset of Brighton Tec is a plot of land located in Mokotów, Warsaw. Brighton Tec has been seeking zoning approval for construction of a residential project on this site, rather than the commercial project originally contemplated. On 27 September 2007 the asset sale was consummated for EUR11,500,000 in cash, which constituted the appraised fair value of the assets. Following such sale, all of the activity of the Ronson Group prior to the reorganization was transferred to Ronson Europe N.V.

On 27 September 2007 GE Real Estate CE Residential B.V., a Dutch subsidiary of General Electric Real Estate Equities, Inc., contributed its shares in all the Polish Ronson SPVs to Ronson Europe N.V., in exchange for Ronson Europe N.V. issuing to GE Real Estate CE Residential B.V. 20.9% of its shares. Accordingly, ITR Dori holds 79.1% of the equity in Ronson Europe N.V. and GE Real Estate CE Residential B.V. holds the remaining 20.9%.

## ANNEX I DEFINITIONS

Except where the context otherwise requires, the following definitions apply throughout this Prospectus:

<b>% or per cent</b>	Per centum or percentage
<b>Act on Preventing Environmental Damage and the Remediation of Environmental Damage</b>	Act on Preventing Environmental Damage and the Remediation of Environmental Damage adopted on 13 April 2007 (Journal of Law of 2007, No. 75, item 493)
<b>Act on Public Offers</b>	Act on Public Offers and on the Terms of Introducing Financial Instruments to Organized Trading Systems and on Public Companies, dated 29 July 2005 (Dz. U. of 2005, No. 184, item 1539)
<b>Act on Public Trading in Securities</b>	Act on Public Trading in Securities, dated 21 August 1997 (Dz. U. of 2002, No. 49, item 447, as amended)
<b>Act on the Protection of Competition and Consumers</b>	Act on Competition and Consumer Protection, dated 15 December 2000 (Dz. U. of 2003, No. 86, item 804, as amended)
<b>Act on Trading in Financial Instruments</b>	Act on Trading in Financial Instruments, dated 29 July 2005 (Dz. U. of 2005, No. 183, item 1538)
<b>Act on Transfer Tax</b>	Act on Actions under the Civil Law, dated 9 September 2000 (Dz. U. of 2005, No 41, item 339, as amended)
<b>Articles of Association</b>	the articles of association of the Company
<b>Auditors</b>	KPMG Accountants N.V.
<b>CIT Act</b>	Act on the Corporate Income Tax, dated 15 February 1992 (Dz. U. of 2000, No. 54, item 654, as amended)
<b>Civil Code</b>	Act of 23 April 1964 - The Civil Code (Dz. U. of 1964, No. 16, item 93, as amended)
<b>Closing Date</b>	2 November 2007 or on a day around this date on which settlement of the Offering will occur
<b>Co-Lead Manager</b>	ING Securities N.V., London Branch
<b>Combined Financial Statements</b>	Financial Statements of the Ronson Group as of and for the year ended 31 December 2006 prepared in accordance with International Financial Reporting Standards as adopted by the EU
<b>Commercial Companies Code</b>	Act of 15 September 2000 – Commercial Companies Code (Dz. U. of 2000, No. 94, item 1037, as amended)
<b>Company, Ronson or the Issuer</b>	Ronson Europe N.V., a company incorporated in the Netherlands with registered number 24416758
<b>Council Regulation on Concentration</b>	Council Regulation (EC) No. 139/2004 dated 20 January 2004 on the control of concentration between undertakings (Official Journal of the EU, 19 January 2004)

<b>Current Report</b>	Ongoing information provided by the Issuer, prepared in the form and scope set forth in the Regulation of the Minister of Finance of 19 October 2005 on ongoing and periodic information provided by the issuers of securities ((Dz. U. of 2005, No. 209, item 1744)
<b>Customer Service Points</b>	Customer Service Points of the brokerage house which accept subscriptions for Offer Shares in the Retail Investors Tranche
<b>Dz. U.</b>	The Official Journal of the Republic of Poland
<b>EEA or European Economic Area</b>	Zone of economic cooperation between members states of the European Union and the European Free Trade Association (EFTA), which entered into force in 1994. In essence, the EEA extends the benefits of the single European market to the three non-EU EFTA states of Norway, Iceland, and Lichtenstein
<b>EU</b>	The union of countries – members of the European Communities entered into under the Treaty on European Union (signed in 1992 in Maastricht, which entered into force on 1 November 1993); currently comprising 27 member states (since its inception: Belgium, Denmark, France, Greece, Spain, the Netherlands, Ireland, Luxembourg, Germany, Portugal, Italy, Great Britain, since 1995: Austria, Finland and Sweden, since 2004: Cyprus, the Czech Republic, Estonia, Poland, Lithuania, Latvia, Malta, Slovakia, Slovenia and Hungary, and since 2007: Romania and Bulgaria)
<b>EU Merger Regulation</b>	Council Regulation No. 139/2004 of 20 January 2004 on the control of concentration between undertakings
<b>EUR or Euro</b>	The legal tender in twelve countries of the Economic and Monetary Union, i.e. in Austria, Belgium, Finland, France, Greece, Spain, the Netherlands, Ireland, Luxembourg, Germany, Portugal, Italy and Slovenia
<b>Extraordinary General Meeting</b>	The Extraordinary General Meeting of the Company
<b>Gator</b>	Gator Investments Sp. z o.o.
<b>GBP or GBP</b>	Pound Sterling, the legal tender in the United Kingdom
<b>GE Real Estate</b>	GE Real Estate CE Residential B.V., one of the Principal Shareholders
<b>Global Coordinator, Lead Manager and Sole Bookrunner</b>	Bank Austria Creditanstalt AG
<b>Group or Ronson Group</b>	The group of companies comprising the business that was transferred to Ronson on 30 June 2007
<b>GUS</b>	Główny Urząd Statystyczny (Main Statistics Office)
<b>IAS</b>	International Accounting Standards
<b>IbnGR</b>	Instytut Badań nad Gospodarką Rynkową (The Institute for Market Economics)
<b>IFRS</b>	International Financial Reporting Standards promulgated by the International Accounting Standards Board

<b>Institutional Investor Tranche</b>	The portion of the Offering addressed to Institutional Investors
<b>Institutional Investors</b>	Investors entitled to submit subscriptions for the Offer Shares in the Institutional Investors Tranche are investors who received an invitation to submit a subscription for the Offer Shares
<b>Issue Price</b>	Issue price of the Offer Shares
<b>JFC</b>	Jerusalem Finance Company B.V.
<b>KW</b>	Land and Mortgage Register
<b>LSDP</b>	Local spatial development plan ( <i>‘miejskowy plan zagospodarowania przestrzennego’</i> )
<b>Management Board</b>	The Management Board of the Company
<b>Managers</b>	Bank Austria Creditanstalt AG and ING Bank N.V., London Branch
<b>Monetary Policy Council</b>	Rada Polityki Pieniężnej (Monetary Policy Council) – body of the National Bank of Poland
<b>National Court Register</b>	Krajowy Rejestr Sądowy (the Polish National Court Register), which is a data base comprising three separate registers: (i) the register of entrepreneurs, (ii) the register of associations, other social and professional organizations, foundations and public health care units, and (iii) the register of insolvent debtors
<b>National Depository for Securities or the NDS</b>	Krajowy Depozyt Papierów Wartościowych S.A. (The National Depository for Securities) with its registered seat in Warsaw, Poland
<b>NBP</b>	Narodowy Bank Polski (National Bank of Poland)
<b>New Shares</b>	up to 40,000,000 newly-issued ordinary bearer shares of the Company each with a nominal value of EUR0.02
<b>Offering</b>	The offer of up to 60,000,000 Firm Shares, including the subscription offer by the Issuer of up to 40,000,000 New Shares, and the sale offer by the Selling Shareholder of up to 20,000,000 Sale Shares, by way of a public offering to: (i) retail investors in the Republic of Poland and (ii) institutional investors in the Republic of Poland and an offering to (iii) qualified institutional buyers in the United States in reliance on Rule 144A under the U.S. Securities Act, and (iv) institutional investors outside the United States (excluding the Republic of Poland) in reliance on Regulation S under the U.S. Securities Act
<b>Offeror</b>	UniCredit CAIB Polska S.A.
<b>Offer Period</b>	The period commencing on 17 October 2007 and ending on the Closing Date
<b>Offer Price</b>	Price for the Offer Shares that shall be determined in PLN on 23 October 2007
<b>Offer Shares</b>	The New Shares and the Sale Shares



<b>Ordinary Shareholders' Meeting</b>	Ordinary Shareholders' Meeting of the Company
<b>PAS</b>	Polish Accounting Standards
<b>PFSC</b>	Komisja Nadzoru Finansowego (The Polish Financial Supervision Commission)
<b>PIT Act</b>	Act on the Personal Income Tax, dated 26 July 1991 (Dz. U. of 2000, No. 14, item 176, as amended) of Poland
<b>PLN or Polish zloty</b>	The Polish zloty, the legal tender in the Republic of Poland, introduced to monetary trading on 1 January 1995
<b>Portfolio</b>	The Company's portfolio of real estates interests
<b>Principal Shareholders</b>	ITR Dori B.V. and GE Real Estate CE Residential B.V.
<b>Prospectus</b>	This prospectus dated as of 10 October 2007 relating to the Offer
<b>Prospectus Directive</b>	Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading, and amending Directive 2001/34/EC
<b>REAS</b>	REAS Sp. z o.o., a leading Polish real estate consultant
<b>Retail Investors</b>	Investors, being natural persons, organizational units with legal personality (legal persons) and organizational units without legal personality with their seat or residency in Poland, who are entitled to acquire the Offer Shares in the Retail Investors Tranche on the principles set out in the Prospectus
<b>Retail Investors Tranche</b>	The portion of the Offering addressed to Retail Investors
<b>RPU</b>	Right of perpetual usufruct
<b>Sale Shares</b>	up to 20,000,000 ordinary bearer shares of the Company, each with a nominal value of EUR0.02 per share, held by the Selling Shareholder
<b>Selling Shareholder</b>	ITR Dori B.V.
<b>Shareholders</b>	Shareholder or Shareholders of the Company
<b>Shareholders' Meeting</b>	Shareholders Meeting of the Company
<b>Shares</b>	All of Company's existing and future shares, each with a nominal value of EUR0.02
<b>Stock Exchange Bylaws, WSE Bylaws</b>	Bylaws of the WSE adopted by WSE Board resolution No. 1/1110/2006 dated 4 January 2006
<b>Tax Ordinance</b>	Law of 29 August 1997 – Tax Ordinance (uniform text: Journal of Laws of 2005, No. 8, Item 60, as amended)
<b>UOKiK</b>	Office for the Protection of Competition and Consumers
<b>U.S. Securities Act</b>	the U.S. Securities Act of 1933, as amended

<b>WIBOR</b>	Warsaw Interbank Offered Rate; an indication for determining the rate for loans granted on the Warsaw interbank market
<b>WSE</b>	Warsaw Stock Exchange in Warsaw, Poland
<b>WSE Principles of Best Practices</b>	Principles of corporate governance as referred to in resolution No. 44/1062/2004 of the Board of the WSE dated 15 December 2004 concerning acceptance of the principles of corporate governance for joint-stock companies that are issuers of shares, convertibles bonds with or without attached priority rights, and admitted to stock exchange trading on an official market
<b>WSE Rules</b>	Rules of WSE together with the WSE detailed regulations

**ANNEX II**  
**ARTICLES OF ASSOCIATION**

**UNOFFICIAL ENGLISH TRANSLATION OF THE DEED OF AMENDMENT OF THE  
ARTICLES OF ASSOCIATION OF RONSON EUROPE N.V.  
AS APPROVED BY THE GENERAL MEETING OF SHAREHOLDERS ON  
28 SEPTEMBER 2007**

*In this translation, an attempt has been made to be as literal as possible without jeopardizing the overall continuity. Inevitably, differences may occur in the translation and if so, the Netherlands text of the Articles of Association will prevail.*

**CHAPTER I**  
**Definitions**

**Article 1. Definitions**

- 1.1. In these articles of association, the following terms shall mean:
- a. General Meeting: the general meeting of Shareholders;
  - b. Shares: bearer shares in the capital of the Company;
  - c. Company: Ronson Europe N.V.;
  - d. Shareholders: holders of Shares;
  - e. Depositary Receipts: depositary receipts issued for Shares. Unless the context proves otherwise, such receipts include depositary receipts issued with or without the Company's cooperation;
  - f. Depositary Receipt Holders: holders of Depositary Receipts issued with the Company's cooperation. Unless otherwise shown such holders include persons who, as a result of any right of usufruct or right of pledge created on any share, have the rights conferred by law upon the holders of Depositary Receipts issued with the Company's cooperation;
  - g. Annual Accounts: the balance sheet and profit and loss account plus explanatory notes;
  - h. Subsidiary:
    - (i) a legal entity in respect whereof the Company or any of its subsidiaries have, whether or not pursuant to an agreement with other persons entitled to vote, can exercise either individually or collectively, more than one-half of the voting rights at the General Meeting;
    - (ii) a legal entity of which the Company or any of its subsidiaries are members or Shareholders, and in respect of which the Company or any of its subsidiaries have, either individually or collectively, the right to appoint or dismiss more than half of such legal entity's managing directors or supervisory directors, whether or not pursuant to any agreement with other persons having voting rights, and even if all persons having voting rights in fact cast their vote;
  - i. Auditor: a registered accountant or any such other accountant as referred to in article 2:393 of the Netherlands Civil Code, or any organization in which such accountants co-operate;
  - j. Regulated Stock Exchange: the securities exchange, as referred to in article 1.13 of the directive with number 93/22/EC of the European Council dated the fifteenth day of March nineteen hundred ninety three on investment services in the securities field;
  - k. Affiliate:
    - (i) a Subsidiary;
    - (ii) a shareholder holding majority of votes at the General Meeting;

- (iii) a Subsidiary of a shareholder holding majority of votes at the General Meeting;
- 1. ICC: an institutional central custodian being an entity authorized to keep in custody a global share certificate or global share certificates in accordance with the respective laws and regulations of the jurisdiction where the Regulated Stock Exchange, where the Shares are or shall be listed, is located.

## **CHAPTER II**

### **Name. Corporate seat. Objects**

#### ***Article 2. Name and corporate seat***

- 2.1. The name of the Company is: Ronson Europe N.V.
- 2.2. The Company has its corporate seat at Rotterdam.

#### ***Article 3. Objects***

- 3.1. The objects of the Company are:
  - a. to participate in Polish and other European companies with activities in the field of development and trade and other commercial activities involving real estate and anything ancillary thereto;
  - b. to incorporate, participate in, conduct the management of and take any other financial interest in other companies and enterprises;
  - c. to acquire, dispose of, manage and exploit real and personal property, including patents, marks, licenses, permits and other industrial property rights;
  - d. to render administrative, technical, financial, economic or managerial services to other companies, persons or enterprises;
  - e. to borrow and/or lend moneys, act as surety or guarantor in any other manner, and bind itself jointly and severally or otherwise in addition to or on behalf of others,

the foregoing whether or not in collaboration with third parties and inclusive of the performance and promotion of all activities which directly and indirectly relate to those objects, all this in the broadest sense of the terms.

## **CHAPTER III**

### **Capital and Shares. Register of Shareholders**

#### ***Article 4. Authorized capital***

- 4.1. The authorized capital amounts to sixteen million euro (EUR16,000,000) and is divided into eight hundred million (800,000,000) Shares, each with a nominal value of two eurocents (EUR0.02).
- 4.2. All Shares shall be in bearer form.
- 4.3. The Shares are non-divisible.
- 4.4. The Shares shall be embodied in one or more global share certificates. Each global share certificate shall be kept in custody by the ICC to be appointed by the board of managing directors.
- 4.5. The administration of a global share certificate shall irrevocably be placed in charge of the ICC in its capacity as custodian of the global share certificate. The resolution by the board of managing directors to deposit and register Shares with the ICC, shall be subject to the approval of the General Meeting.

The ICC shall be irrevocably authorized to do anything required thereto on behalf of all participants, including the acceptance, transfers, debiting and inclusion of Shares in the global share certificate as kept in custody all in accordance with the applicable laws and regulations of the country in which the Shares of the Company have been admitted to an official listing on a Regulated Stock Exchange.

## **CHAPTER IV**

### **Issue of Shares. Own Shares**

#### ***Article 5. Issue of Shares. Authorized corporate body***

- 5.1. The Company shall, subject to the following paragraph of this article, only issue Shares pursuant to a resolution of General Meeting or of another corporate body designated to do so by a resolution of the General Meeting for a fixed period not exceeding five years. The designation must be accompanied by a stipulation as to the number of Shares that may be issued.  
  
The designation may each time be extended for a period of up to five years. The designation may not be cancelled, unless the designation provides otherwise.
- 5.2. The board of managing directors is, subject to the approval of the board of supervisory directors, authorized to resolve to issue Shares for a period of five years which lapses at 2011 two thousand and eleven for a maximum per issue of Shares of twenty-five percent (25%) of the issued share capital immediately prior to that issue, with an aggregate maximum of all non-issued Shares of the authorized capital as it reads now or shall read at some point in time.
- 5.3. A decision by the General Meeting to issue Shares or to designate another body to issue Shares can only be taken upon the proposal of the board of managing directors. The proposal is subject to the approval of the board of supervisory directors.
- 5.4. Within eight days after the resolution of the General Meeting to issue Shares or to designate a corporate body, the Company shall deposit a full text thereof at the trade register where the Company is registered.
- 5.5. Within eight days after each issue of Shares, the Company shall notify the trade register referred to in the preceding paragraph of this article of such issue, stating the number.
- 5.6. The provisions of paragraph 1 up to and including paragraph 5 of this article shall apply accordingly to the granting of rights to subscribe to Shares, but do not apply to the issue of Shares to someone who exercises a previously acquired right to subscribe to Shares.

#### ***Article 6. Terms and conditions of issue. Pre-emptive rights***

- 6.1. If a resolution to issue Shares is adopted, the issue price of the Shares and the other conditions of the issue shall also be determined.
- 6.2. Each shareholder shall have a pre-emptive right with respect to any further share issue in proportion to the aggregate amount of his Shares, except if Shares are issued for a non-cash consideration or if Shares are issued to employees of the Company or/of a group company of the Company.
- 6.3. The Company shall announce the issue of Shares which are subject to pre-emptive rights and the period of time during which such rights may be exercised, in the Official Gazette ('*Staatscourant*'), as well as by publication thereof in accordance with the provisions of article 33.6.
- 6.4. Pre-emptive rights may be exercised within at least two weeks after the day when the announcement in the Official Gazette ('*Staatscourant*') was published or after the notification was sent to the Shareholders.
- 6.5. Pre-emptive rights may, subject to the following paragraph of this article, be restricted or excluded by a resolution of the General Meeting. A decision by the General Meeting to restrict or to exclude pre-emptive rights can only be taken upon the proposal of the board of managing directors. The proposal is subject to the approval of the board of supervisory directors. The reasons for such proposal and the issue price of the Shares must be given in writing in the proposal thereto. Pre-emptive rights may also be excluded or restricted by the authorized corporate body referred to in article 5.1 if such corporate body is authorized by the resolution of the General Meeting for a fixed period, not exceeding five years, to restrict or exclude the pre-emptive rights. The designation may each time be extended for a period of up to five years.  
  
Unless determined otherwise, the designation can not be cancelled.

Upon termination of the authority of the corporate body to issue Shares, its authority to restrict or exclude pre-emptive rights shall also terminate.

- 6.6. The board of managing directors is, subject to the approval of the board of supervisory directors, authorized to resolve to restrict or exclude pre-emptive rights for the period and the percentage of Shares set out in article 5.2 above.
- 6.7. A resolution of the General Meeting to restrict or exclude pre-emptive rights or to authorize a corporate body for that purpose shall require a majority of at least two-thirds of the votes cast if less than one-half of the issued capital is represented at the General Meeting.

Within eight days after the resolution, the Company shall deposit the full text thereof at the trade register.

- 6.8. If, on the issue of Shares, an announcement is made as to the amount to be issued and only a lesser amount can be placed, such lower amount shall be placed only if the conditions of issue explicitly provide therefore.
- 6.9. At the granting of rights to subscribe to Shares, the Shareholders shall have a pre-emptive right. The provisions of the previous paragraphs of this article shall apply accordingly at the granting of rights to subscribe to Shares.

Shareholders shall have no pre-emptive rights in respect to Shares issued to a person who exercises right to acquire Shares granted to him at an earlier date.

***Article 7. Payment for Shares. Payment in cash. Non-cash Contribution***

- 7.1. Upon the issue of each share, the nominal value must be fully paid up, and, in addition, if the share is subscribed at a higher amount, the difference between such amounts. It may be stipulated that a part, not exceeding three quarters of the nominal value needs only be paid after such part is called up by the Company.
- 7.2. Persons who are professionally engaged in the placing of Shares for their own account may be permitted, by agreement, to pay less than the nominal value for the Shares subscribed by them, provided that no less than ninety-four percent of such amount is paid in cash not later than on the subscription for the Shares.
- 7.3. Payment for Shares shall be made in cash unless a non-cash contribution has been agreed.

Payment in foreign currency may only be made with the Company's approval. If payment is made in foreign currency, the payment obligation shall be considered fulfilled up to the Netherlands currency amount into which the foreign currency can be freely converted. The basis for determination shall be the rate of exchange on the day of payment. If the Shares or Depositary Receipts will without delay, upon issue, be quoted on the price list of a stock exchange outside the Netherlands, the Company may demand that payment is made at the rate of exchange on a fixed day within two months before the last day on which payment must be made.

If payment is made in foreign currency, a banker's statement as referred to in article 2:93a paragraph 2 of the Netherlands Civil Code shall be deposited at the trade register within two weeks after payment.

- 7.4. The board of managing directors is authorized to enter into an agreement relating to payment for Shares other than in cash.

A non-cash contribution shall occur without delay after acceptance of the share or following the day on which an additional payment is called up or agreed upon. In accordance with article 2:94b paragraph 1 of the Netherlands Civil Code, a description shall be drawn up of the contribution to be made. The description shall relate to the situation on a day no less than five months prior to the day the Shares are subscribed for or the additional payment is called up or agreed upon. The managing directors shall sign the description; if the signature of any of them is lacking, this fact shall be recorded and the reasons therefore so noted.

- 7.5. An Auditor as mentioned in article 2:393 paragraph 1 of the Netherlands Civil Code shall issue a statement on the description of the contribution to be made.

- 7.6. The provisions set out in this article relating to the description and Auditor's statement shall not apply to the cases referred to in article 2:94b paragraph 3 or paragraph 5 of the Netherlands Civil Code.

#### **Article 8. Own Shares**

- 8.1. The Company may not subscribe for its own Shares upon the issue thereof.
- 8.2. Any acquisition by the Company of Shares which are not fully paid up in its capital, or Depositary Receipts, shall be null and void.

Fully paid up Shares or Depositary Receipts which the Company acquired in violation of paragraph 3 of this article shall, simultaneously with the acquisition, devolve on the managing directors jointly.

- 8.3. The Company may only acquire its own fully-paid Shares or Depositary Receipts without consideration, or if:

- a. the equity decreased by the acquisition price is not less than the paid and called up part of the capital increased with the reserves which must be maintained by law;
- b. the nominal amount of the Shares or Depositary Receipts for Shares in the Company's capital to be acquired, and all such Shares or Depositary Receipts in its capital already held by the Company and its Subsidiaries collectively does not exceed one-tenth of the issued capital; and
- c. authorization to the acquisition has been granted to the board of managing directors by the General Meeting. Such authorization shall be valid for a period of no longer than eighteen months. The General Meeting must state in the authorization the number of Shares that may be acquired, how the Shares may be acquired and the limits within which the price of the Shares must be set. No authorization shall be required in case the Company acquires Shares in its capital, which are officially listed on a Regulated Stock Exchange, for the purpose of transferring such Shares to employees of the Company or of a group Company, under a scheme applicable to such employees.

- 8.4. Definitive for the validity of the acquisition shall be the value of the Company's equity according to the most recently adopted balance sheet decreased with the acquisition price of Shares in the Company's capital or Depositary Receipts, and any distributions to others out of profits or reserves which became payable by the Company and its Subsidiaries after the date of the balance sheet.

If more than six months have lapsed since the expiration of a financial year without adoption of the Annual Accounts, an acquisition in accordance with the provisions in paragraph 3 of this article is permitted.

- 8.5. The provisions of paragraphs 2 up to and including 4 of this article do not apply to Shares or Depositary Receipts acquired by the Company under universal succession of title (*'onder algemene titel'*) without prejudice of the provisions in article 2:98a paragraph 3 and paragraph 4 of the Netherlands Civil Code.

- 8.6. A decision of the board of managing directors to obtain fully paid Shares or, as the case may be, Depositary Receipts of Shares under onerous title with due observance of the provisions of paragraph 1 of this article requires the prior approval of the board of supervisory directors.

- 8.7. The Company may not with a view to any other party subscribing to or acquiring the Company's Shares or Depositary Receipts, grant loans, provide security or any price guarantee, act as surety in any other manner, or bind itself jointly and severally or otherwise in addition to or on behalf of others. This prohibition shall also apply to its Subsidiaries.

This prohibition shall not apply if Shares or depository receipts are subscribed for or acquired by employees of the Company or a group Company.

- 8.8. Shares in the Company's capital may, upon issue, not be subscribed for by or on behalf of any of its Subsidiaries. The Subsidiaries may acquire or order to acquire such Shares or Depositary Receipts and for their own account only insofar as the Company is permitted to acquire own Shares or Depositary Receipts pursuant to paragraphs 2 up to and including 4 of this article.

- 8.9. Disposal of any own Shares or Depositary Receipts held by the Company shall require a resolution of the General Meeting provided that the General Meeting has not granted this authority to another corporate body.
- 8.10. The Company may not cast votes in respect of own Shares held by the Company or own Shares on which the Company has a right of usufruct or pledge. Nor may any votes be cast by the pledgee or usufructuary of own Shares held by the Company if the right has been created by the Company. No votes may be cast in respect of the Shares whereof Depositary Receipts are held by the Company. The provisions of this paragraph shall also apply to Shares or Depositary Receipts held by any Subsidiary or in respect of which any Subsidiary owns a right of usufruct or pledge.
- 8.11. When determining to what extent the Company's capital is represented, or whether a majority represents a certain part of the capital, the capital shall be reduced by the amount of the Shares for which no votes can be cast.

#### ***Article 9. Capital reduction***

- 9.1. At the proposal of the board of supervisory directors the General Meeting may, with due observance of the relevant statutory provisions, resolve to reduce the issued capital by a cancellation of Shares or by a reduction of the nominal amount of the Shares by amendment of the articles of association.
- 9.2. For a resolution to reduce the capital, a majority of at least two-thirds of the votes cast shall be required if less than one-half of the issued capital is represented at the meeting.
- 9.3. The convening notice calling a General Meeting at which a motion for capital reduction shall be tabled, shall specify the purpose of the capital reduction as well as the method of reduction.

### **CHAPTER V**

#### **Usufruct. Pledge**

#### ***Article 10. Usufruct***

- 10.1. A Shareholder may freely create a right of usufruct on one or more of his Shares.
- 10.2. The Shareholder shall have the voting rights attached to the Shares on which the usufruct has been established.
- 10.3. In deviation of the previous paragraph of this article, the voting rights shall be vested in the usufructuary if such is determined upon the creation of the right of usufruct.
- 10.4. The Shareholder without voting rights and the usufructuary with voting rights shall have the rights conferred by law upon Depositary Receipt Holders. The usufructuary without voting rights shall also have such rights unless these are withheld from him upon the creation or transfer of the usufruct.
- 10.5. Any rights arising from the Share to acquire other Shares, shall vest in the Shareholder on the understanding that he must compensate the usufructuary for the value thereof to the extent the usufructuary is entitled thereto pursuant to his right of usufruct.

#### ***Article 11. Pledge***

- 11.1. A Shareholder may create a right of pledge on one or more of his Shares.
- 11.2. The Shareholder shall have the voting rights attached to the Shares on which the pledge has been established.
- 11.3. In deviation of the previous paragraph of this article, the voting rights shall be vested in the pledgee if such is provided upon the creation of the pledge.
- 11.4. The Shareholder without voting rights and the pledgee with voting rights shall have the rights conferred by law upon Depositary Receipt Holders. Pledgees without voting rights shall also have such rights unless these are withheld from him upon the creation or transfer of the pledge.
- 11.5. A pledge may also be created without acknowledgement by or service on the Company. In that case article 3:239 of the Netherlands Civil Code shall apply accordingly, whereby the



acknowledgement by or service on the Company shall take the place of the notification referred to in paragraph 3 of that article.

- 11.6. If a pledge is created without acknowledgement by or service on the Company, the rights pursuant to the provisions of this article shall vest in the pledgee only after the pledge has been acknowledged by or has been served on the Company.

## **CHAPTER VI**

### **Board of managing directors**

#### ***Article 12. Board of managing directors***

- 12.1. The board of managing directors shall be in charge of managing the Company, subject to the restrictions set forth in these articles of association.

#### ***Article 13. Appointment***

- 13.1. The board of managing directors shall consist of one or more managing directors A and may in addition consist of one or more managing directors B. The board of supervisory directors shall determine the precise number of managing directors and the precise number of managing directors of a specific class.
- 13.2. Managing Directors shall be appointed by the General Meeting from a list of nominees, containing the names of not less than two persons for each vacancy, to be drawn up by the board of supervisory directors of the Company.
- 13.3. A nomination which is drawn up in time shall be binding. However, the General Meeting may deprive the nomination of its binding character by resolution adopted with a majority of not less than two thirds of the votes cast, representing more than half of the issued capital.
- 13.4. Unless the General Meeting explicitly resolves otherwise, a managing director is appointed for a period of four years, it being understood that this period of appointment expires no later than at the end of the following General Meeting of to be held in the fourth year after the year of his appointment, or if applicable on a later pension or other contractual termination date in that year.
- 13.5. Reappointment is possible on each occasion for a period determined in accordance with paragraph 5 of this article.
- 13.6. The General Meeting shall grant to one of the managing directors A the title of “Chief Executive Officer”, who will be the chairman of the board of managing directors. The General Meeting may also grant the title of “Chief Financial Officer” to a managing director A and other titles to managing directors A or managing directors B.

#### ***Article 14. Suspension and dismissal***

- 14.1. The General Meeting shall at all times have the power to suspend or dismiss each managing director. If a resolution to suspend or dismiss a managing director has not been proposed by the board of supervisory directors, the resolution to suspend or dismiss a managing director is adopted with not less than two thirds of the votes cast by shareholders, representing more than half of the issued capital.
- 14.2. Each managing director may at all times be suspended by the board of supervisory directors.  
  
The suspension may at all times be cancelled by the General Meeting by a resolution adopted with not less than two thirds of the votes cast by shareholders, representing more than half of the issued capital.
- 14.3. Any such suspension may be extended several times but the total term of the suspension may not exceed three months. The suspension shall expire on lapse of this period if no resolution has been adopted either to lift the suspension or to dismiss the managing director.

#### ***Article 15. Remuneration***

- 15.1. The Company has a policy regarding the remuneration of the board of managing directors.

The remuneration policy is adopted by the General Meeting upon the proposal of the board of supervisory directors. The remuneration policy contains at least the items as set forth in article 2:383c up to and including article 2:383e Netherlands Civil Code.

- 15.2. The Company is under the obligation to present for information to the works council, if installed pursuant to law, the remuneration policy in written form and simultaneously with the presentation to the General Meeting.
- 15.3. The remuneration and the other terms and conditions of employment of each member of the board of managing directors are determined by the board of supervisory directors, with due observance of the remuneration policy.
- 15.4. Schemes providing for remuneration for managing directors in the form of Shares or rights to acquire Shares shall be submitted by the board of supervisory directors to the General Meeting for approval. The proposal shall at least state the number of Shares or rights to acquire Shares that may be granted to the board of managing directors and the criteria for granting them or changes therein.
- 15.5. The board of supervisory directors shall annually prepare a remuneration report which shall contain an overview of the application of the remuneration policy during the preceding financial year and an overview of the remuneration policy planned by the board of supervisory directors for the next financial years and the subsequent years.

***Article 16. Decision-making. Division of duties***

- 16.1. The board of managing directors shall meet as often as a managing director may deem necessary.
- 16.2. In the meeting of the board of managing directors each managing director has a right to cast one vote. All resolutions by the board of managing directors shall be adopted by an absolute majority, provided, however, resolutions with respect to the purchase of real property shall be adopted by the board of managing directors by unanimous vote.
- 16.3. A managing director may grant another managing director a written proxy to represent him at the meeting.
- 16.4. The board of managing directors may adopt resolutions without holding a meeting, provided that the resolution is adopted in writing and all managing directors have expressed themselves.
- 16.5. With approval of the board of supervisory directors the board of managing directors may adopt rules and regulations governing its decision-making process.
- 16.6. The board of managing directors may make a division of duties, specifying the individual duties of every managing director. Such division of duties shall require the approval of the board of supervisory directors.
- 16.7. Without prejudice to article 18.5, a managing director shall not take part in any discussion or decision-making that involves a subject or transaction in relation to which he has a conflict of interest with the Company.

***Article 17. Representative authority. Conflict of interest***

- 17.1. The board of managing directors shall represent the Company. The authority to represent the Company shall also be vested in:
  - two managing directors acting jointly among whom, if one or more managing directors B are in office, at least one shall be a managing director B.
- 17.2. The board of managing directors may appoint officers and grant them a general or special power of attorney. Every attorney in fact shall represent the Company within the bounds of his authorization. Their title shall be determined by the board of managing directors.
- 17.3. In the event that the Company has a conflict of interest with a managing director, in the sense that the managing director in private enters into an agreement with, or is party in a (legal) proceeding between him and the Company, the Company shall be represented by two of the other managing directors and without prejudice of the provisions in article 19.1. If there are no such other managing directors, the board of supervisory directors shall appoint a person to that

effect. Such person may be the managing director in relation to whom the conflict of interest exists.

In all other cases of a conflict of interest between the Company and a managing director, the Company can also be represented by that managing director without prejudice to the provisions in article 17.1.

The General Meeting shall at all times be authorized to appoint one or more other persons to that effect.

***Article 18. Approval of board resolutions***

- 18.1. At least once per year the board of managing directors shall submit to the board of supervisory directors for approval the strategy designed to achieve the Company's operational and financial objectives and, if necessary, the parameters to be applied in relation to that strategy.
- 18.2. The board of supervisory directors may resolve that specific resolutions by the board of managing directors shall be subject to approval of the board of supervisory directors. All such resolutions shall be clearly described and reported to the board of managing directors in writing. The absence of approval as meant in this paragraph does not affect the representative authority of the board of managing directors or the managing directors.
- 18.3. The board of managing directors must comply with any such instructions outlining the Company's general financial, social, economic (including strategic policy, the general and financial risks and the management and control system) and staffing policy as may be given by the board of supervisory directors.
- 18.4. Without prejudice to the other provisions in these articles of association, the approval of the General Meeting shall be required for decisions by the board of managing directors leading to an important change in the Company's or its business enterprise's identity or character, including in any case:
  - a. the transfer of the business of the Company or almost the entire business of the Company to a third party;
  - b. the entering into or termination of any long-term co-operation of the Company or any Subsidiary of the Company with another legal entity or Company or as a fully liable partner in a limited or general partnership, if such co-operation or termination is of far-reaching significance for the Company; or
  - c. the acquisition or disposal of a participation in the capital of a Company with a value of at least one third of the amount of the assets according to the balance sheet with explanatory notes, or in case the Company prepares a consolidated balance sheet, according to the consolidated balance sheet with explanatory notes, forming part of the most recently adopted Annual Accounts of the Company.
- 18.5. Decisions to enter into transactions in which there are conflicts of interest with supervisory directors and/or managing directors that are of material significance to the Company and/or to the relevant managing director or supervisory director require the approval of the board of supervisory directors. The resolution to grant approval is adopted with an absolute majority of the votes cast, including the affirmative vote of at least one independent supervisory director referred to in article 20.2.

***Article 19. Absence or inability to act***

- 19.1. If a managing director is absent or unable to act, the remaining managing director(s) shall be temporarily charged with the management of the Company. If the sole managing director is or all managing directors are absent or unable to act, a person appointed by the board of supervisory directors shall be temporarily charged with the management of the Company.

**CHAPTER VII**  
**Board of supervisory directors**

***Article 20. Number of members***

- 20.1. The Company shall have a board of supervisory directors, consisting of at least three (3) and at most seven (7) natural persons of which at least two (2) supervisory directors shall be independent.
- 20.2. A supervisory director shall be deemed independent if the following criteria of dependence do not apply to him. The said criteria of dependence are that the supervisory director concerned or his spouse, registered partner or other life companion, foster child or relative by blood or marriage up to the second degree:
  - a. is or has been an employee or member of the management board of the Company (including an Affiliate) in the five years prior to the appointment;
  - b. receives personal financial compensation from the Company, or a Company associated with it, other than the compensation received for the work performed as a supervisory director and in so far as this is not in keeping with the normal course of business;
  - c. has had an important business relationship with the Company, or a Company associated with it, in the year prior to the appointment. This includes the case where the supervisory director, or the firm of which he is a shareholder, partner, associate or adviser, has acted as adviser to the Company (consultant, external advisor, civil law notary and lawyer) and the case where the supervisory director is a management board member or an employee of any bank with which the Company has a lasting and significant relationship;
  - d. is a member of the management board of a Company in which a member of the managing board of the Company which he supervises is a supervisory board member;
  - e. holds at least five percent of the Shares in the Company (including the Shares held by natural persons or legal entities which cooperate with him under an express or tacit, oral or written agreement);
  - f. is a member of the management board or supervisory board – or is a representative in some other way – or employee of a legal entity which holds at least five percent of the Shares in the Company;
  - g. has temporarily managed the Company during the previous twelve months where managing directors have been absent or unable to discharge their duties.

***Article 21. Appointment***

- 21.1. The supervisory directors shall be appointed by the General Meeting from a list of nominees, containing the names of not less than two persons for each vacancy, to be drawn up by the board of supervisory directors of the Company with due observance of the profile referred to in paragraph 3 of this article.
- 21.2. A nomination which is drawn up in time shall be binding. However, the General Meeting may deprive the nomination of its binding character by a resolution adopted with a majority of not less than two thirds of the votes cast by shareholders, representing more than half of the issued capital.
- 21.3. The board of supervisory directors shall prepare a profile of its size and composition, taking account of the nature of the business, its activities and the desired expertise and background of the supervisory directors.
- 21.4. Unless the General Meeting explicitly resolves otherwise a supervisory director is appointed for a period of four years, it being understood that this period of appointment expires no later than at the end of the following General Meeting to be held in the fourth year after the year of his appointment, or if applicable on a later pension or other contractual termination date in that year.

- 21.5. After held office for the first period of four years, supervisory directors are eligible for re-election only twice for a full period of four years, as referred to in article 21.4.
- 21.6. In case a recommendation is made for the appointment of a supervisory director, the following information will be provided of a candidate: his age, his profession, the amount of Shares in the capital of the Company held by him and his current or past occupations in so far as they are of interest for the fulfillment of a supervisory director's duties. Legal persons of which he is already a supervisory director shall also be mentioned; if these include legal persons belonging to the same group, it is sufficient to name the group.
- Motivation must be given with regard to the recommendation for the appointment or reappointment. Upon reappointment the past functioning of the candidate as supervisory director will be taken into account.
- 21.7. The board of supervisory directors may appoint one of its members to be a delegated director and in doing so determine the period of such appointment. The appointment shall be of a temporary nature only. The delegated director remains a director of the board of supervisory directors.
- 21.8. Without prejudice to the duties and responsibilities of the board of supervisory directors and of its individual members, the delegated director shall, on behalf of the board of supervisory directors, maintain more frequent contact with the board of managing directors with regard to the general course of affairs. In doing so, the delegated director shall assist the board of managing directors with advice.
- 21.9. The board of supervisory directors may, without prejudice to its responsibilities, designate one or more committees from among its directors, who shall be entrusted with the tasks specified by the board of supervisory directors.
- 21.10. The board of supervisory directors shall appoint from their members a chairman and may appoint a vice-chairman.
- 21.11. The Company secretary shall, whether or not on the initiative of the board of supervisory directors or otherwise, be appointed and dismissed by the board of managing directors, after the approval of the board of supervisory directors has been obtained.

***Article 22. Suspension and dismissal. Retirement***

- 22.1. A supervisory director can at any time be suspended and dismissed by the General Meeting. If a resolution to suspend or dismiss a supervisory director has not been proposed by the board of supervisory directors, the resolution to suspend or dismiss a supervisory director is adopted with not less than two thirds of the votes cast by shareholders, representing more than half of the issued capital.
- 22.2. The supervisory directors shall periodically retire in accordance with a schedule drawn up by the General Meeting. A retiring supervisory director can be reappointed.

***Article 23. Remuneration***

- 23.1. Upon a proposal made by the board of supervisory directors, the General Meeting shall determine the remuneration of the supervisory directors. The remuneration of the supervisory directors shall not depend on the results of the Company, and shall not consist of Shares or rights to acquire Shares.
- 23.2. The General Meeting may choose to additionally remunerate the members of the committee(s) for their services.

***Article 24. Duties and powers***

- 24.1. The duty of the board of supervisory directors shall be to supervise the policies of the board of managing directors and the general course of affairs of the Company and its Affiliated business.

It shall give advice to the board of managing directors. When performing their duties, the supervisory directors shall be guided by the interests of the Company and its Affiliated business.

- 24.2. The board of supervisory directors shall be assisted by the Company secretary. The Company secretary shall see to it that correct procedures are followed and that actions are taken in accordance with statutory obligations and obligations under the articles of association. He shall assist the chairman of the board of supervisory directors in the actual organization of the affairs of the board of supervisory directors (information, agenda, evaluation, training program, et cetera).
- 24.3. The board of supervisory directors may make a division of duties, specifying the individual duties of every supervisory director.
- 24.4. The board of managing directors shall timely provide the board of supervisory directors with any such information as may be necessary for the board of supervisory directors to perform its duties.
- 24.5. At least once per year the board of managing directors shall inform the board of supervisory directors in writing of the outline of the Company's general financial, social, economic (including strategic policy, the general and financial risks and the management and control system) and staffing policy.
- 24.6. The board of supervisory directors shall have access to the buildings and grounds of the Company and be authorized to inspect the books, records and other carriers of data of the Company. The board of supervisory directors may appoint one or more persons from their midst or any expert to exercise such powers. The board of supervisory directors may also seek assistance of experts in other cases.

***Article 25. Decision-making***

- 25.1. The board of supervisory directors shall meet as often as a supervisory director or the board of managing directors may deem necessary.
- 25.2. In the meeting of the board of supervisory directors each supervisory director has a right to cast one vote. All resolutions by the board of supervisory directors shall be adopted by an absolute majority of the votes cast.  
  
In case the votes are equally divided the chairman does not have a decisive vote.
- 25.3. Without prejudice to article 18.5 a supervisory director shall not take part in any discussion or decision-making that involves a subject or transaction in relation to which he has a conflict of interest with the Company.
- 25.4. A supervisory director may grant another supervisory director a written proxy to represent him at the meeting.
- 25.5. The board of supervisory directors may pass resolutions outside a meeting, provided that the resolution is adopted in writing and all supervisory directors have expressed themselves.
- 25.6. The board of supervisory directors may adopt rules and regulations governing its decision making process.
- 25.7. The board of supervisory directors shall have a meeting with the board of managing directors as often as the board of supervisory directors or the board of managing directors deems necessary.
- 25.8. The meetings of the board of supervisory directors shall be chaired by the chairman of the board of supervisory directors.

**CHAPTER VIII**

**Annual Accounts. Profits**

***Article 26. Financial year. Drawing up the Annual Accounts***

- 26.1. The Company's financial year shall correspond with the calendar year.
- 26.2. Within five months of the end of the Company's financial year, the board of managing directors shall draw up the Annual Accounts unless, in special circumstances, an extension of this term by not more than six months is approved by the General Meeting.

- 26.3. The Annual Accounts shall be signed by all the managing directors and supervisory directors; if the signature of any of them is missing, this fact and the reason for such omission shall be stated.
- 26.4. The board of supervisory directors may submit to the General Meeting a preliminary advice on the Annual Accounts.

***Article 27. Auditor***

- 27.1. The external Auditor is appointed by the General Meeting. If the General Meeting fails to do so, the board of supervisory directors is authorized, or if the board of supervisory directors fails to do so, the board of managing directors.
- 27.2. The board of supervisory directors shall nominate a candidate for this appointment, for which purpose the board of managing directors and the audit committee, if installed, advise the board of supervisory directors.
- 27.3. The remuneration of the external Auditor, and instructions to the external Auditor to provide non-audit services, shall be approved by the board of supervisory directors on the recommendation of the audit committee, if installed, and after consultation with the board of managing directors.
- 27.4. The Auditor shall report his findings to the board of supervisory directors and the board of managing directors.
- 27.5. The Auditor shall record his findings in a report commenting on the true and fair nature of the Annual Accounts.
- 27.6. The external Auditor may be questioned by the General Meeting in relation to his statement on the fairness of the Annual Accounts. The external Auditor shall therefore attend and be entitled to address this meeting.

***Article 28. Presentation to the Shareholders. Availability. Adoption***

- 28.1. The Annual Accounts shall be deposited at the Company's office for inspection by the Shareholders and Depositary Receipt Holders within the period of time specified in article 26.2. The board of managing directors shall also submit the annual report within the same term.
- 28.2. The Company shall ensure that the Annual Accounts, the annual report, the preliminary advice of the board of supervisory directors, if any, and the additional data to be added pursuant to article 2:392 paragraph 1 of the Netherlands Civil Code shall be available at its office from the day notice is sent out of the annual meeting. Shareholders and Depositary Receipt Holders may inspect these documents at the Company's office and may obtain a complimentary copy thereof.
- 28.3. The documents, insofar as the same must be published after adoption, may also be inspected by any third party who may obtain a copy thereof at no more than cost. This right shall lapse as soon as the said documents have been deposited with the trade register.
- 28.4. The General Meeting shall adopt the Annual Accounts. The Annual Accounts cannot be adopted if the General Meeting has not been able to examine the Auditor's report referred to in article 27.4, unless under the additional data a lawful ground has been stated for the absence of the Auditor's report.
- 28.5. The provisions set out in these articles of association regarding the annual report and the additional data to be added under article 2:392 paragraph 1 of the Netherlands Civil Code shall not apply if the Company is a member of a group and article 2:396 paragraph 6, first sentence or article 2:403 of the Netherlands Civil Code applies to the Company.

***Article 29. Publication***

- 29.1. The Company shall be required to publish its Annual Accounts within eight days of their adoption. Publication shall be accomplished by depositing the Netherlands text of the accounts, or if no Netherlands text has been drawn up, a French, German or an English version, at the trade register. The date of adoption must be indicated on the accounts so deposited. Publication

is also required in each country in which the Shares of the Company have been admitted to an official listing on a Regulated Stock Exchange.

- 29.2. If the Annual Accounts are not adopted within two months after the end of the requisite term in conformity with the statutory requirements, the board of managing directors shall immediately publish the Annual Accounts in the manner prescribed in paragraph 1 of this article; the Annual Accounts must state that they have not yet been adopted.
- 29.3. A copy of the annual report and the additional data required to be added under article 2:392 of the Netherlands Civil Code shall also be published, along with and in the same manner and language as the Annual Accounts. This shall, except for the information referred to in article 2:392 paragraph 1 under (a), (c), (f) and (g) of the Netherlands Civil Code, not apply if the documents are deposited at the Company's registered office for public inspection and full or partial copies shall be supplied upon request at cost; the Company shall file this fact with the trade register.

### **Article 30. Profits**

- 30.1. The board of managing directors, with prior approval of the board of supervisory directors, shall determine which portion of the profits - the positive balance of the profit and loss account - shall be reserved. The profit remaining after application of the previous sentence, if any, shall be at the disposal of the General Meeting. The General Meeting may resolve to partially or totally reserve such remaining profit. A resolution to pay a dividend shall be dealt with as a separate agenda item at the General Meeting.
- 30.2. The Company can only make profit distributions to the extent its equity exceeds the paid and called up part of the capital increased with the reserves which must be maintained pursuant to the law.
- 30.3. Dividends shall be paid after the adoption of the Annual Accounts evidencing that the payment of dividends is lawful. The General Meeting shall, upon a proposal of the board of managing directors, which proposal must be approved by the board of supervisory directors, at least determine (i) the method of payment in case payments are made in cash (ii) the date and (iii) the address or addresses on which the dividends shall be payable.
- 30.4. The board of managing directors may resolve to pay interim dividends, upon prior approval of the board of supervisory directors, and if the requirement of paragraph 2 of this article has been met as evidenced by an interim statement of assets and liabilities.

Such interim statement shall relate to the condition of such assets and liabilities on a date no earlier than the first day of the third month preceding the month in which the resolution to distribute is published.

It shall be prepared on the basis of generally acceptable valuation methods. The amounts to be reserved under law shall be included in such statement of assets and liabilities. The interim statement of assets and liabilities shall be signed by the managing directors, if the signature of one of them is missing, this fact and the reason for such omission shall be stated.

The Company shall deposit the statement of assets and liabilities with the trade register within eight days after the day on which the resolution to distribute is published.

- 30.5. The General Meeting may, with due observance of paragraph 2 of this article and upon a proposal of the board of managing directors, which proposal has been approved by the board of supervisory directors, resolve to make distributions out of a reserve which need not be kept by law.
- 30.6. Cash payments in relation to Shares if and in as far as the distributions are payable outside the Netherlands, shall be made in the currency of the country where the Shares are listed and in accordance with the applicable laws and regulations of the country in which the Shares of the Company have been admitted to an official listing on a Regulated Stock Exchange. If such currency is not the same as the legal tender in the Netherlands the amount shall be calculated against the exchange rate determined by the board of managing directors at the end of the day prior to the day on which the General Meeting shall resolve to make the distributions in accordance with article 30.1. If and in as far as the Company on the first day on which the



distribution is payable, pursuant to governmental measures or other extraordinary circumstances beyond its control is not able to pay on the place outside the Netherlands or in the relevant foreign currency, the board of managing directors is authorized to determine to that extent that the payments shall be made in Netherlands currency and on one or more places in the Netherlands. In such case the provisions of the first sentence of this paragraph shall not apply.

- 30.7. The General Meeting may upon a proposal of the board of managing directors, which proposal was approved by the board of supervisory directors, resolve to pay dividends or make distributions out of a reserve which need not be kept by law, wholly or partially, in the form of Shares in the capital of the Company.
- 30.8. A claim of a Shareholder to receive a distribution expires after five years.
- 30.9. For the calculation of the amount of the profit distribution, the Shares held by the Company in its own capital shall be excluded.

## **CHAPTER IX**

### **General Meetings**

#### ***Article 31. Annual General Meeting***

- 31.1. Within six months of the end of the Company's financial year the annual General Meeting shall be held.
- 31.2. The agenda of that meeting shall, among other matters, contain the following items:
  - a. the annual report;
  - b. adoption of the Annual Accounts;
  - c. discussion of any substantial changes in corporate governance;
  - d. discussion of remuneration policy board of managing directors;
  - e. discharge of the board of managing directors for the management over the past financial year;
  - f. discussion of remuneration supervisory board;
  - g. discharge of the board of supervisory directors for the supervision over the past financial year;
  - h. policy on additions to reserves and dividends
  - i. adoption of the profit appropriation;
  - j. filling of any vacancies;
  - k. any such other motions as the board of supervisory directors, the board of managing directors, or the Shareholders or any other persons representing solely or jointly at least one-hundredth of the issued capital or holding Shares of the Company, may file and notify with due observance of the provisions of article 33.

#### ***Article 32. Other General Meetings***

- 32.1. Within three months after the board of managing directors has considered it plausible that the equity of the Company has decreased to an amount equal to or less than half of the paid and called up part of the capital, a General Meeting shall be held to discuss the measures to be taken, if necessary.
- 32.2. Without prejudice of the provisions of article 31.1 and 32.1 General Meetings shall be held as often as the board of managing directors, the board of supervisory directors, or Shareholders and Depositary Receipt Holders together representing at least one-tenth of the issued capital, hereinafter referred to as the "requesting Shareholders", deem necessary.

### ***Article 33. Convocation. Agenda***

- 33.1. General Meetings shall be called by the board of managing directors, the board of supervisory directors, or by the requesting Shareholders.

The requesting Shareholders are only authorized to call the General Meeting themselves if it is evidenced that the requesting Shareholders have requested the board of managing directors to call a General Meeting in writing, exactly stating the matters to be discussed, and the board of managing directors has not taken the necessary steps so that the General Meeting could be held within six weeks after the request.

- 33.2. Convocation shall take place not later than on the fifteenth day prior to the day of the meeting.
- 33.3. The convening notice shall specify the items to be discussed. Items which have not been specified in the convening notice may be announced with due observance of the requirements of this article.
- 33.4. The agenda shall contain such business as may be placed thereon by the board of managing directors and/or the board of supervisory directors. Furthermore, the agenda shall contain such items as requested in writing by one or more persons entitled to attend the General Meeting, representing solely or jointly at least one-hundredth of the issued capital or holding Shares or Depositary Receipts of the Company which represent a value of at least fifty million euros (EUR50,000,000.--), at least sixty days before the date of the meeting. The board of managing directors and the board of supervisory directors may resolve not to place such proposed items proposed on the agenda if they are of the opinion that such request would be detrimental to the serious interest of the Company. The meeting shall not adopt resolutions on matters other than those that have been placed on the agenda.
- 33.5. The board of managing directors and the board of supervisory directors shall inform the General Meeting by means of a Shareholder circular of all facts and circumstances relevant to the approval, delegation or authorization to be granted if a right of approval is granted to the General Meeting.
- 33.6. All convocations for the General Meetings and all notifications to Shareholders and Depositary Receipt holders shall be given by publication in at least one daily newspaper which is nationally distributed in the Netherlands as well as publication in each country in which the Shares or Depositary Receipts have been admitted to an official listing on a Regulated Stock Exchange in accordance with the applicable laws and regulations, as well as by means of any additional publications as the board of managing directors deems necessary.
- 33.7. Holders of Shares or Depositary Receipts may be convened for General Meetings by means of an announcement that has electronically been made available and which has been directly and permanently accessible until the date of the respective General Meeting.

### ***Article 34. Place of the meetings***

- 34.1. General Meetings shall be held in Amsterdam, Rotterdam or Haarlemmermeer (Schiphol). In a meeting held elsewhere, valid resolutions can only be taken if the entire issued capital is represented.

The convening notice shall state the place where the General Meeting shall be held.

### ***Article 35. Imperfect convocation General Meeting***

- 35.1. Valid resolutions in respect of matters which were not mentioned on the agenda in the convocation letter or which have not been published in the same manner and with due observance of the period set for convocation, can only be taken by unanimous votes in a meeting where the entire issued capital is represented.
- 35.2. If the period for convocation mentioned in article 33.2 was shorter or if no convocation has taken place, valid resolutions can only be taken by unanimous votes in a meeting where the entire issued capital is represented.

### ***Article 36. Chairman***

- 36.1. The General Meetings shall be chaired by a chairman to be appointed by the supervisory board.

- 36.2. If no chairman for a meeting has been appointed in accordance with paragraph 1 of this article, the meeting shall appoint its chairman itself.

**Article 37. Minutes**

- 37.1. Minutes shall be taken of the matters discussed at every General Meeting by a secretary to be appointed by the chairman.
- 37.2. The minutes of the General Meeting shall be made available, on request, to Shareholders no later than three months after the end of the meeting, after which the Shareholders shall have the opportunity to react to the report in the following three months.
- 37.3. The minutes shall be adopted by the chairman and the secretary and signed by them to that effect.
- 37.4. The chairman, or the person who requested the meeting, may decide that an official notarial report should be drawn up of the matters discussed at the meeting. This report must be co-signed by the chairman.

**Article 38. Rights exercisable during a meeting. Admission**

- 38.1. Every person entitled to vote and every usufructuary and pledgee having voting rights shall be authorized to attend the General Meeting, address the meeting and exercise their voting rights.
- 38.2. If the voting right attached to a Share is vested in the usufructuary or pledgee instead of the Shareholder, also the Shareholder shall be authorized to attend the General Meeting and to address the meeting.
- 38.3. Furthermore, Depositary Receipt Holders shall be authorized to attend and address the General Meeting.
- 38.4. Before being allowed into a meeting, a Shareholder or his proxy must sign an attendance register, stating his name and the number of votes which he has at the meeting and, if the attendant is a proxy, the name (names) of the person(s) whom he is representing.
- 38.5. Notwithstanding the above, the board of managing directors may determine that the persons who are entitled to vote and to attend the General Meeting, regardless who will be Shareholder at the time of the General Meeting, are those who: (i) at a moment to be determined by the board of managing directors are Shareholders or are deemed Shareholders, such moment hereinafter referred to as: "record date"; and (ii) as such are registered in a register indicated by the board of managing directors (or one or more parts of such register), hereinafter referred to as: "register", unless, (iii) the holder of the register on the request of the relevant Shareholder or deemed Shareholder has before the General Meeting notified the Company in writing that such a person has the intention to attend the General Meeting, regardless who is Shareholder or deemed Shareholder at the moment of the General Meeting. The notice shall include the name of the person referred to above and the number of Shares for which he is entitled to attend the General Meeting, and to the extent applicable accompanied by a written statement of an ICC associated financial institution stating that the number of Shares mentioned in the statement belongs to its global Share certificate as kept in custody and that the person mentioned in the statement is a joint owner of its global Share certificate as kept in custody for the said Shares.

The provisions of paragraph (iii) above regarding the notice to the Company apply mutatis mutandis to a proxy holder of a Shareholders or a deemed Shareholders as the case may be.

- 38.6. The record date referred to in paragraph 5 of this article cannot be determined earlier than on a certain time on the thirtieth day [and not later than on the third day] prior to the date of the General Meeting. The convocation of the General Meeting will contain those times, the place of meeting and the proceedings for registration.
- 38.7. If the board of managing directors does not use the authority mentioned above in paragraph 5 of this article, the Company shall, with regard to the voting rights and/or meeting rights of holders of Shares, deem as Shareholder the person mentioned in a written statement by an ICC associated Affiliated institution declaring that the number of Shares referred to in the statement belongs to its global Share certificate as kept in custody and that the person mentioned in the statement is a participant in its global Share certificate as kept in custody for the said ordinary

Shares and will remain a participant until after the meeting, provided that the statement in question has been deposited in time at the office of the Company or at some other location determined by the board of managing directors.

The provisions of the preceding sentence apply mutatis mutandis to a person who has a right of usufruct or pledge over one or more Shares and who has the rights conferred by law upon Depositary Receipt Holders.

In the notice for the General Meeting, the location where the statement of an ICC associated Affiliated institution should be filed shall be stipulated, as well as the latest day on which the notice to the board of managing directors or the filing of the statement of an ICC associated Affiliated institution should occur; this day may not be earlier than the seventh day prior to the General Meeting.

- 38.8. The notice for a General Meeting will always set out the provisions referred to in paragraph 7 of this article.
- 38.9. Every Share shall give the right to cast one vote.
- 38.10. The rights referred to in the previous paragraphs of this article may be exercised by a person acting upon a written power of attorney. A power of attorney shall mean any power of attorney transmitted via standard means of communication and received in written form. The attorney shall be admitted to the General Meeting on presentation of the power of attorney.
- 38.11. The supervisory directors and the managing directors shall have an advisory vote at the General Meeting.
- 38.12. Admission to the General Meeting of persons other than those referred to these articles shall be decided by the board of managing directors.

#### ***Article 39. Decision making General Meeting***

- 39.1. The board of managing directors and the board of supervisory directors shall provide the General Meeting with all information that it requires, unless this would be contrary to an overriding interest of the Company. In the event of such an overriding interest, the board of managing directors and the board of supervisory directors shall give its motivation.
- 39.2. Resolutions shall be passed by an absolute majority of the votes cast, unless the law or the articles of association prescribe a greater majority.
- 39.3. If no absolute majority is reached by a vote taken with respect to the election of persons, a second vote shall be taken whereby the voters are not required to vote for the previous candidates. If, again, no one has gained an absolute majority of the votes, new votes shall be held until either one person has gained an absolute majority or, if the vote was between two persons, the votes are equally divided. Such new votes (except for the second vote) shall only take place between the candidates who were voted for in the previous vote, except for the person who received the least number of votes. If in the previous vote two or more persons have the least number of votes, it shall be decided by lot who cannot be voted for at the new vote. If, in the event of an election between two candidates, the votes are equally divided, it shall be decided by lot who has been elected.
- 39.4. If a vote is taken in respect of matters other than in relation to election of persons and the votes are equally divided, the relevant motion shall be considered rejected.
- 39.5. All votes shall take place orally unless the chairman decides or any person entitled to vote requests a voting in writing. A voting in writing shall take place by means of unsigned ballot papers.
- 39.6. Abstentions and invalid votes shall be deemed not to have been cast.
- 39.7. Votes by acclamation shall be allowed unless one of the persons present and entitled to vote objects.
- 39.8. The chairman's view at the meeting expressing that the General Meeting has passed a resolution shall be decisive. The same shall apply to the contents of the resolution so passed, provided that the relevant motion was not put down in writing. However, if the chairman's

view is challenged immediately after it is expressed, a new vote shall be taken when the majority of the persons present and entitled to vote so require or, if the original vote was not by call or by ballot, when one person present and entitled to vote so requires. The new vote shall nullify the legal consequences of the original vote.

## **CHAPTER X**

### **Amendment to the articles of association and dissolution. Liquidation**

#### ***Article 40. Amendment to the articles of association and dissolution***

- 40.1. A decision to amend the articles of association or to dissolve the Company can only be taken at the proposal of the board of managing directors, which has been approved by the board of supervisory directors.
- 40.2. If a proposal to amend the articles of association or to dissolve the Company is to be submitted to the General Meeting, the convening notice must state this fact. At the same time, if the proposal is for an amendment to the articles of association, a copy of the motion containing a verbatim text of the proposed amendment must be deposited at the Company's office for inspection by the Shareholders and Depositary Receipt Holders until the meeting is adjourned.

#### ***Article 41. Liquidation***

- 41.1. If the Company is dissolved pursuant to a resolution by the General Meeting, the managing directors shall be the liquidators of the dissolved Company, unless the General Meeting appoints other persons to that effect. The board of supervisory directors shall supervise the liquidation.
- 41.2. The provisions of these articles of association shall, to the fullest extent possible, continue to be in force during the liquidation.
- 41.3. The surplus remaining after payment of the debts shall be paid to the Shareholders in proportion to the total value of their individual Shareholdings.
- 41.4. After the Company has ceased to exist the books, records and other carriers of data shall be kept by the person designated thereto by the liquidators for seven years.

## **Chapter XI**

### **Indemnity**

#### ***Article 42. Indemnity for members of the board of managing directors and board of supervisory directors***

- 42.1. The Company will, except in the event of an act or failure to act as referred to under Clause 42.3, indemnify any person appointed by the General Meeting and who is or has been a managing director, for the losses, including liabilities, damages, costs (including reasonable legal costs and reasonable experts' and consultants' fees), charges, expenses, actions, fines (whether civil, administrative or criminal in nature), amounts paid in settlement, claims (including third party claims) and demands, that arise from a claim or proceedings related to the fulfillment of the duties of a managing director or to the fulfillment of any other duties for subsidiaries or other enterprises with which the Company is affiliated in a group or to duties that are fulfilled elsewhere on the request of the Company or by virtue of his position.
- 42.2. On first request and upon submission of evidence of indebtedness the Company will enable the member of the board of managing directors to pay his debts.
- 42.3. No indemnification will be given if it has been determined by a judgment which is no longer subject to appeal, that the act or failure to act of the member of the board of managing directors is characterized as willful misconduct or gross negligence, or that the act or failure to act of the member of the board of managing directors is characterized as conduct that is in violation with the standards set out in article 2:9 DCC and that the member of the board of managing directors is not entitled to indemnification as a result of such characterization, or if and to the extent the just losses are or can be refunded by an insurer under an insurance policy.

- 42.4. In the event that it has been established in such final judgment that the act or failure to act of the member of the board of managing directors is characterized as willful misconduct or gross negligence, or that the act or failure to act of the member of the board of managing directors is characterized as conduct that is in violation with the standards set out in article 2:9 DCC and except in the event that it also has been established by judgment that the member of the board of managing directors is not obliged to refund payments, all payments that the Company has made in this matter will be considered to be just as many advance payments and the member of the board of managing directors in question will refund such advance payments to the Company plus the statutory interest from the date when each advance payment must be deemed to have been provided.
- 42.5. The Company will, except in the event that it has been determined by a judgment which is no longer subject to appeal, that the act or failure to act of the member of the board of supervisory directors is characterized as willful misconduct or gross negligence, or that the act or failure to act of the member of the board of supervisory directors is characterized as conduct that is in violation with the standards set out in article 2:9 DCC, indemnify any person appointed by the General Meeting and who is or has been a supervisory director, for the losses, including liabilities, damages, costs (including reasonable legal costs and reasonable experts' and consultants' fees), charges, expenses, actions, fines (whether civil, administrative or criminal in nature), amounts paid in settlement, claims (including third party claims) and demands, that arise from a claim or proceedings related to the fulfillment of the duties of a supervisory director or to the fulfillment of any other duties that are fulfilled elsewhere on the request of the Company or by virtue of his position.
- 42.6. The paragraphs 2, 3 and 4 of this article are applicable mutatis mutandis to the indemnification of supervisory directors.
- 42.7. Notwithstanding articles 17.3 and 18.5 of the Company's articles of association, a committee made up of two supervisory directors will be charged with the implementation of the provisions in the preceding paragraphs, which committee will be appointed by the board of supervisory directors for each specific event. Supervisory directors with a direct personal interest in the resolution to be taken shall not be a member of the committee. The Company is bound by the resolution of this committee.
- 42.8. Resolutions to award the indemnification as laid down in the articles of association, are to be stated in the annual accounts. Adoption of the annual accounts will be considered to be the approval (and, if necessary, ratification) of such resolutions, unless the General Meeting decides otherwise.
- 42.9. The Company may take out liability insurance for the benefit of the persons concerned.

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