

# **Ronson Europe N.V.**

Interim Financial Report  
for the six months  
ended  
30 June 2015

**Interim Financial Report for the six months ended 30 June 2015**

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## Directors' report

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# Directors' Report

## General

### Introduction

Ronson Europe N.V. ('the Company') is a Dutch public company with its statutory seat in Rotterdam, the Netherlands, and was incorporated on 18 June 2007.

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

The shares of the Company are traded on the Warsaw Stock Exchange since 5 November 2007. As at 30 June 2015, 39.78% of the outstanding shares are controlled by I.T.R. 2012 B.V., which is an indirect subsidiary of Global City Holdings N.V. ('ITR 2012') (32.11% through a jointly controlled partnership formed under Dutch law between ITR 2012 and ITR Dori B.V. and 7.67% through a jointly controlled company formed under Dutch law between ITR 2012 and U. Dori Group) and 39.78% of the outstanding shares are controlled by U. Dori Group Ltd. ('U Dori Group') (32.11% through a jointly controlled partnership formed under Dutch law between ITR 2012 and ITR Dori B.V. (of which it holds 50% of the shares) and 7.67% through a jointly controlled company formed under Dutch law between ITR 2012 and U. Dori Group). The remaining 20.44% of the outstanding shares are held by other investors including Metlife Otworthy Fundusz Emerytalny holding between 3% and 5% and ING Otworthy Fundusz Emerytalny holding between 5% and 10% of the outstanding shares as of the date of this report. For major shareholders of the Company reference is made to page 21. On 4 August 2015, the market price was PLN 1.3 per share giving the Company a market capitalization of PLN 354.1 million.

### Company overview

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

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

As at 30 June 2015, the Group has 1,051 units available for sale in twelve locations, of which 950 units are available for sale in ten projects that are ongoing as at 30 June 2015 and the remaining 101 units are in completed projects. The ten ongoing projects comprise a total of 1,719 units, with a total area of 99,800 m<sup>2</sup>. The constructions of 530 units with a total area of 32,700 m<sup>2</sup> are expected to be completed during the remainder of 2015, while 1,189 units, with a total area of 67,100 m<sup>2</sup> are expected to be completed during 2016 and 2017. Moreover the group has one project under construction for it the sales processes was not commenced comprises 178 units with a total area of 7,900 m<sup>2</sup>.

In addition, the Group has a pipeline of 18 projects in different stages of preparation, representing approximately 4,056 residential units with a total area of approximately 287,000 m<sup>2</sup> for future development in Warsaw, Poznań, Wrocław and Szczecin. During the remainder of 2015, the Group is considering commencement of another stage of the currently running project comprising 34 units with a total area of 2,200 m<sup>2</sup>, and the first phases of three new projects comprising 350 units with a total area of 21,800 m<sup>2</sup> (in total of 384 units with a total area of 24,000 m<sup>2</sup>).

During the six months ended 30 June 2015, the Company realized sales of 410 units with the total value PLN 155.1 million, which compares to sales of 416 units with a total value of PLN 161.6 million during the six months ended 30 June 2014.

## Directors' report

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### Market overview

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

The trend observed in 2010 and in 2011, when increasing activities of developers resulted in an increased offer of apartments available for sale on the market, slowed down in 2012, as many developers faced difficulties in finding customers for their products. In 2012, the construction of 142 thousand new apartments was commenced in Poland (a decrease of 12% compared to 2011) and during 2013 this number decreased by a further 10%. Even as construction continued to decrease through 2013, the overall market appeared to turn around during that year. Notably, demand in 2013 increased in comparison to 2012. As a result, the number of new construction sites increased during 2014 by 16%. It is important to note that the number of new projects built by developers increased during 2014 by 36%, while the activity of individual investors increased by 2%. The market data suggest that leading residential developers (such as the Company) were able to overcome many factors that otherwise tempered rapid growth in the market during 2013, with the main impediment to growth related to new regulations and banking restrictions that came into effect in 2012 that limited the developers' ability to secure financing for new investments.

Meanwhile, a number of external factors have contributed to recent market growth. First, a governmental program that subsidized young couples purchasing their first apartments, called "Rodzina na Swoim" ("Family on its own") that expired at the end of 2012 was replaced with a new governmental program called "Mieszkanie dla Młodych" ("Apartment for young") that came into effect in the beginning of 2014 and supports the residential market in those cities where the maximum price of apartment qualifying to subsidies is close to the market price. For instance in Gdańsk, Łódź and Poznań nearly 30% of clients buying their first apartments in 2014 were supported by this program, which was also important to the Company, which is active with 3 projects in Poznań. Second, in the last few quarters, the National Bank of Poland has kept interest rates at record low levels (2.5% from July 2013 through September 2014 and lowered to 2.0% in October 2014). These historically low interest rates in 2013 and in 2014 positively impacted the residential market for two reasons. First, mortgage loans became more affordable to the potential residential purchasers and second, more customers are purchasing apartments for cash, as they consider real estate investment as an attractive alternative to the very low interest earned on banking deposits.

Taking into consideration all these factors, the increase in demand for residential units noted in 2013 and in 2014 has caught up with supply. The improving market environment has encouraged developers to expand their residential development activities. During 2014 developers introduced more new apartments in major Polish metropolitan areas to their offer than they were able to sell in this period (47,500 new apartments in six major Polish metropolitan areas, including Warsaw, were added on offer by developers during 2014 which compares to total sales of 43,000 apartments during 2014). The number of total new apartments sold in Warsaw during 2014 amounted to 17,000 which were 16% higher than in 2013. The number of new apartments sold in the five major Polish metropolitan areas (other than Warsaw) increased in 2013 by 16% over 2012, while during 2014 this increase amounted to 22% compared to 2013. The continuing positive market trends in 2014 translated into ongoing improved sales results and an overall increase in market share for the most established Polish residential developers. Specifically, the overall sales results during 2014 reported by the nine largest residential developers listed on the Warsaw Stock Exchange were 35% higher than during 2013.

## Directors' report

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### Market overview (cont'd)

The first half of 2015 seems to confirm a continuation of the trends observed during 2014, which are supported by a further decrease of interest rates (from 2.00% to 1.50% in March 2015) and a further stabilization in the Polish economy. Despite the more stringent requirement by the banks offering mortgage loans to private individuals whereby the obligatory equity input by mortgage applicants has been raised to 10% of purchased flat value, the sales results in the first half of 2015 in six major Polish cities increased to 24,200 units, i.e. improving by 13% when compared to the same period in 2014. It is interesting however that despite record low interest rates the number and value of mortgage loans stabilized, which suggests that the most recent growth of the residential market is driven mainly by the buyers not using the mortgage loan. Simultaneously, according to the Polish Statistical Office, the number of newly started construction sites by developers increased in Poland by 26% year over year. Moreover, the number of building permits obtained by developers in Poland in this period was higher by 15% in comparison to the first half of 2014. Simultaneously, according to REAS (real estate agency analyzing residential market) the total number of units offered for sale in major six Polish cities increased during first six months of 2015 to 48,500 as end of June from 47,000 as end of December 2014, which suggests that the offer increased only by 3% and confirms that the developers adjust their activities to the market dynamics and expand their offer reasonably. The market environment is favorable to market leaders expanding their activities and increasing their market share. Leading developers listed in the Warsaw Stock Exchange improved their sales results during first half of 2015 by 31% if compared to the first half of 2014.

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

## Directors' report

### Business highlights during the six months ended 30 June 2015

#### A. Projects completed

The table below presents information on the projects that were completed (i.e. completing all construction works and receiving occupancy permit) during six months ended 30 June 2015:

Project name	Location	Number of units	Area of units (m <sup>2</sup> )
Verdis III (*)	Warsaw	146	7,700
Sakura III (*)	Warsaw	145	7,300
<b>Total</b>		<b>291</b>	<b>15,000</b>

(\*) For additional information see section 'B. Results breakdown by project' below.

#### B. Results breakdown by project

Revenue from the sale of residential units is recognized upon the transfer to the buyer of significant risks and rewards of the ownership of the residential unit, i.e. upon signing of the protocol of technical acceptance and the transfer of the key to the buyer of the residential unit. Total revenue of the Group recognized during the six months ended 30 June 2015 amounted to PLN 94.2 million, whereas cost of sales before write-down adjustment amounted to PLN 77.1 million and after write-down adjustment amounted to PLN 77.3 million, which resulted in a gross profit before write-down adjustment amounting to PLN 17.1 million (and a gross margin of 18.1%) and after write-down adjustment amounting to PLN 16.9 million (and a gross margin of 17.9%).

The following table specifies revenue, cost of sales, gross profit and gross margin during the six months ended 30 June 2015 on a project by project basis:

Project name	Information on the delivered units		Revenue (*)		Cost of sales (**)		Gross profit	Gross margin
	Number of units	Area of units (m <sup>2</sup> )	PLN (thousand)	%	PLN (thousand)	%	PLN (thousand)	%
Sakura I & II	4	386	3,508	3.7%	3,227	4.2%	281	8.0%
Sakura III	109	5,192	36,558	38.8%	32,321	41.9%	4,237	11.6%
Verdis I & II	1	64	544	0.6%	421	0.5%	123	22.6%
Verdis III	119	6,282	42,133	44.7%	30,732	39.8%	11,401	27.1%
Chilli I, II & III	23	1,430	5,790	6.1%	5,556	7.2%	234	4.0%
Naturalis I, II & III	9	523	2,706	2.9%	2,466	3.2%	240	8.9%
Młody Grunwald I	5	385	2,047	2.2%	1,969	2.6%	78	3.8%
Espresso I	-	-	171	0.2%	133	0.2%	38	22.2%
Other	N.A.	N.A.	757	0.8%	302	0.4%	455	60.1%
<b>Total / Average</b>	<b>270</b>	<b>14,262</b>	<b>94,214</b>	<b>100.0%</b>	<b>77,127</b>	<b>100.0%</b>	<b>17,087</b>	<b>18.1%</b>
Write-down adjustment	N.A.	N.A.	N.A.	N.A.	226	N.A.	(226)	N.A.
<b>Results after write-down adjustment</b>	<b>270</b>	<b>14,262</b>	<b>94,214</b>	<b>100.0%</b>	<b>77,353</b>	<b>100.0%</b>	<b>16,861</b>	<b>17.9%</b>

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

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

**Directors' report**

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**Business highlights during the six months ended 30 June 2015 (cont'd)*****B. Results breakdown by project (cont'd)******Sakura I, II & III***

The construction of the Sakura I, Sakura II and Sakura III projects was completed in May 2012, May 2013 and January 2015, respectively. The Sakura I, Sakura II and Sakura III projects were developed on a land strip of 16,300 m<sup>2</sup> located in Warsaw at Kłobucka Street. The Sakura I project comprises an eleven-storey, multi-family residential building with a total of 99 apartments and 21 commercial units and an aggregate floor space of 8,100 m<sup>2</sup>. The Sakura II project comprises a seven and eleven-storey, multi-family residential building with a total of 136 apartments and an aggregate floor space of 8,300 m<sup>2</sup>. The Sakura III project comprises a six-and-seven-storey, multi-family residential building with a total of 145 apartments and an aggregate floor space of 7,300 m<sup>2</sup>.

***Verdis I, II & III***

The construction of the Verdis I, Verdis II and III projects was completed in December 2012, December 2013 March 2015, respectively. The Verdis I, Verdis II and Verdis III projects were developed on a land strip of 13,200 m<sup>2</sup> located in the Wola district in Warsaw at Sowińskiego Street. The Verdis I project comprises 3 seven, eight and ten-storey, multi-family residential buildings with a total of 128 apartments and 11 commercial units and an aggregate floor space of 9,400 m<sup>2</sup>. The Verdis II project comprises 2 seven-storey, multi-family residential buildings with a total of 72 apartments and 6 commercial units and an aggregate floor space of 4,900 m<sup>2</sup>. The Verdis III project comprises 2 seven-and-eleven-storey, multi-family residential buildings with a total of 140 apartments and 6 commercial units and an aggregate floor space of 7,700 m<sup>2</sup>.

***Chilli I, II & III***

The construction of the Chilli I, II and III projects was completed in July 2012, in July 2013 and in November 2014, respectively. The Chilli I, II and III projects were developed on a land strip of 12,400 m<sup>2</sup> located in Tulce near Poznań. The Chilli I, II and III projects comprise 30 units with an aggregate floor space of 2,100 m<sup>2</sup>, 20 units with an aggregate floor space of 1,600 m<sup>2</sup> and 38 units with an aggregate floor space of 2,300 m<sup>2</sup>, respectively.

***Naturalis I, II & III***

The construction of the Naturalis I, II and III projects was completed in December 2012, August 2012 and August 2013, respectively. The Naturalis I, II and III projects were developed on a land strip of 11,800 m<sup>2</sup> located in Łomianki near Warsaw. The Naturalis I, II and III projects comprise 1 four-storey, multi-family residential building with a total of 52 apartments and an aggregate floor space of 2,900 m<sup>2</sup> and 2 four-storey, multi-family residential buildings, each with a total of 60 apartments and an aggregate floor space of 3,400 m<sup>2</sup>.

***Młody Grunwald I***

The construction of the Młody Grunwald I project was completed in May 2014. The Młody Grunwald I project was developed on a land strip of 5,600 m<sup>2</sup> located in Grunwald district in Poznań at Jeleniogórska Street. The Młody Grunwald I project comprises 3 six-storey, multi-family residential buildings with a total of 136 apartments and 12 commercial units and an aggregate floor space of 8,500 m<sup>2</sup>.

***Espresso I***

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

**Directors' report****Business highlights during the six months ended 30 June 2015 (cont'd)****B. Results breakdown by project (cont'd)***Other*

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

*Write-down adjustment*

During the six months ended 30 June 2015, as a result of the Net Realizable Value (NRV) analysis and review, a write-down adjustment for some of the Company's projects was made in the amount of PLN 226 thousand.

**C. Units sold during the year**

The table below presents information on the total units sold (i.e. total number of units for which the Company signed the preliminary sale agreements with the clients), during the six months ended 30 June 2015:

<b>Project name</b>	<b>Location</b>	<b>Units sold until 31 December 2014</b>	<b>Units sold during the six months ended 30 June 2015</b>	<b>Units for sale as at 30 June 2015</b>	<b>Total</b>
Verdis I & II <sup>(*)</sup>	Warsaw	209	1	7	217
Verdis III <sup>(*)</sup>	Warsaw	135	6	5	146
Verdis IV <sup>(**)</sup>	Warsaw	41	28	9	78
Sakura I & II <sup>(*)</sup>	Warsaw	245	3	8	256
Sakura III <sup>(*)</sup>	Warsaw	101	22	22	145
Sakura IV <sup>(**)</sup>	Warsaw	46	28	40	114
Naturalis I, II & III <sup>(*)</sup>	Warsaw	129	13	30	172
Impressio II <sup>(**)</sup>	Wrocław	38	35	63	136
Chilli I, II & III <sup>(*)</sup>	Poznań	74	10	4	88
Panoramika II <sup>(**)</sup>	Szczecin	15	14	78	107
Espresso I <sup>(*)</sup>	Warsaw	207	-	3	210
Espresso II <sup>(**)</sup>	Warsaw	74	22	56	152
Espresso III <sup>(**)</sup>	Warsaw	-	13	142	155
Młody Grunwald I <sup>(*)</sup>	Poznań	125	5	18	148
Młody Grunwald II <sup>(**)</sup>	Poznań	35	23	79	137
Tamka <sup>(**)</sup>	Warsaw	37	5	23	65
Moko I <sup>(**)</sup>	Warsaw	89	26	63	178
Moko II <sup>(**)</sup>	Warsaw	-	46	121	167
Kamienica Jeżyce I <sup>(**)</sup>	Poznań	45	64	35	144
Kamienica Jeżyce II <sup>(**)</sup>	Poznań	-	6	145	151
City Link I <sup>(**)/(***)</sup>	Warsaw	-	39	96	135
Old projects		-	1	4	5
<b>Total</b>		<b>1,645</b>	<b>410</b>	<b>1,051</b>	<b>3,106</b>

(\*) For information on the completed projects see "Business highlights during the six months ended 30 June 2015 – B. Results breakdown by project" (pages 4-6).

(\*\*) For information on current projects under construction and/or on sale, see "Outlook for the remainder of 2015 – B. Current projects under construction and/or on sale" (pages 15-18).

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



**Directors' report****Business highlights during the six months ended 30 June 2015 (cont'd)****D. Commencements of new projects**

The table below presents information on the projects for which the construction and/or sales process commenced during the six months ended 30 June 2015:

<b>Project name</b>	<b>Location</b>	<b>Number of units</b>	<b>Area of units (m<sup>2</sup>)</b>
Espresso III <sup>(*)</sup>	Warsaw	155	8,500
Moko II <sup>(*)</sup>	Warsaw	167	12,500
Kamienica Jeżyce II <sup>(*)</sup>	Poznań	151	7,400
City Link I <sup>(*)(**)</sup>	Warsaw	135	6,200
City Link II <sup>(*)(**)(***)</sup>	Warsaw	178	7,900
<b>Total</b>		<b>786</b>	<b>42,500</b>

(\*) For information on current projects under construction and/or on sale, see "Outlook for the remainder of 2015 – B. Current projects under construction and/or on sale" (pages 15-18).

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

(\*\*\*) As at 30 June 2015 the sales process of City Link II was not commenced, the Company is considering commencing the sales during the second half of 2015.

**E. Land purchase**

In June 2015, the Group entered into a sale-purchase agreement in respect of plot of land located at Wolska Street in Warsaw with the total area of 7.2 thousand m<sup>2</sup>. According to the valid zoning conditions, the plot is dedicated for development of residential multifamily project. The purchase price was agreed at PLN 21.3 million, of which 15% has been already pre-paid during first half of 2015 and the remaining part of the price was settled in July 2015.

**Financial information**

The Interim Condensed Consolidated Financial Statements as included in this Interim Financial Report on pages 23 through 48 have been prepared in accordance with IAS 34 "Interim financial reporting".

The Interim Condensed Consolidated Financial Statements do not include all the information and disclosures required in annual consolidated financial statements prepared in accordance with International Financial Reporting Standards as endorsed by the European Union ("IFRS") and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2014 which have been prepared in accordance with IFRS. At the date of authorization of these Interim Condensed Consolidated Financial Statements, in light of the current process of IFRS endorsement in the European Union and the nature of the Group's activities, there is no difference between the full IFRSs and the IFRSs endorsed by the European Union. IFRSs comprise standards and interpretations accepted by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC"). For additional information, see Note 3 of the Interim Condensed Consolidated Financial Statements.

**Directors' report****Overview of results**

The net profit attributable to the equity holders of the parent company for the six months ended 30 June 2015 was PLN 2,440 thousand and can be summarized as follows:

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2015</b>	<b>2014</b>
	<b>PLN</b>	
	<b>(thousands, except per share data)</b>	
Revenue	94,214	112,994
Cost of sales	(77,353)	(91,859)
<b>Gross profit</b>	<b>16,861</b>	<b>21,135</b>
Selling and marketing expenses	(3,541)	(3,664)
Administrative expenses	(8,932)	(9,138)
Share of profit/(loss) of associates	(243)	(275) *
Other expense	(1,028)	(1,538)
Other income	2,188	167
<b>Result from operating activities</b>	<b>5,305</b>	<b>6,687</b>
Finance income	808	1,042 *
Finance expense	(3,422)	(2,024)
<b>Net finance expense</b>	<b>(2,614)</b>	<b>(982)</b>
<b>Profit before taxation</b>	<b>2,691</b>	<b>5,705</b>
Income tax expenses	(410)	(158)
<b>Net profit for the period before non-controlling interests</b>	<b>2,281</b>	<b>5,547</b>
Non-controlling interests loss/(profit)	159	(1,334)
<b>Net profit for the period attributable to the equity holders of the parent</b>	<b>2,440</b>	<b>4,213</b>
<b>Earnings per share attributable to the equity holders of the parent (basic and diluted)</b>	<b>0.009</b>	<b>0.015</b>

\* Reclassified (PLN 275 thousand) offsetting net results of the joint venture with intercompany interest during the period.

## Directors' report

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### Overview of results (cont'd)

#### *Revenue*

Total revenue decreased by PLN 18.8 million (16.6%) from PLN 113.0 million during the six months ended 30 June 2014 to PLN 94.2 million during the six months ended 30 June 2015, which is primarily explained by a decrease in apartments delivered to the customers in terms of area size (in m<sup>2</sup>). The decrease is offset in part by a slight increase in the average selling price per m<sup>2</sup>.

#### *Cost of sales*

Cost of sales decreased by PLN 14.5 million (15.8%) from PLN 91.9 million during the six months ended 30 June 2014 to PLN 77.4 million during the six months ended 30 June 2015, which is primarily explained by a decrease in apartments delivered to the customers in terms of area size (in m<sup>2</sup>). The decrease is offset in part by a slight increase in the average cost of sale per m<sup>2</sup>.

#### *Gross margin*

The gross margin during the six months ended 30 June 2015 was 17.9% which compares to a gross margin during the six months ended 30 June 2014 of 18.7%.

#### *Selling and marketing expenses*

Selling and marketing expenses decreased by PLN 0.1 million (3.4%) from PLN 3.7 million during the six months ended 30 June 2014 to PLN 3.6 million during the six months ended 30 June 2015.

#### *Administrative expenses*

Administrative expenses decreased by PLN 0.2 million (2.3%) from PLN 9.1 million during the six months ended 30 June 2014 to PLN 8.9 million during the six months ended 30 June 2015.

#### *Other income*

Other income increased by PLN 2.0 million from PLN 0.2 million during the six months ended 30 June 2014 to PLN 2.2 million during the six months ended 30 June 2015, which is primarily explained by reversing costs expensed in previous periods with respect to reparation of defects in one of the Company's completed projects. Based on recent settlements with the contractors, the management of the Company believes that all reparation costs will be covered by the Company's contractors responsible for the identified defects.

#### *Result from operating activities*

As a result of the factors described above, the Company's operating result decreased by PLN 1.4 million, from an operating profit of PLN 6.7 million for the six months ended 30 June 2014 to an operating profit of PLN 5.3 million for the six months ended 30 June 2015.

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

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

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

	<b>For the six months ended 30 June 2015</b>		
	<b>PLN (thousands)</b>		
	<b><u>Total amount</u></b>	<b><u>Amount capitalized</u></b>	<b><u>Recognized as profit or loss</u></b>
Finance income	808	-	808
Finance expense	(8,532)	5,110	(3,422)
<b>Net finance income/(expense)</b>	<b>(7,724)</b>	<b>5,110</b>	<b>(2,614)</b>

	<b>For the six months ended 30 June 2014</b>		
	<b>PLN (thousands)</b>		
	<b><u>Total amount</u></b>	<b><u>Amount capitalized</u></b>	<b><u>Recognized as profit or loss</u></b>
Finance income	1,048	(6)	1,042
Finance expense	(7,331)	5,307	(2,024)
<b>Net finance income/(expense)</b>	<b>(6,283)</b>	<b>5,301</b>	<b>(982)</b>

Net finance expenses before capitalization increased by PLN 1.4 million (22.9%) from PLN 6.3 million during the six months ended 30 June 2014 to PLN 7.7 million during the six months ended 30 June 2015, which was a result of increase in the average net debt position during the period from PLN 114.0 million during the six months ended 30 June 2014 to PLN 180.9 million during the six months ended 30 June 2015. The increase is offset in part by a decrease in reference rates (WIBOR).

*Income tax benefit/(expenses)*

During the six months ended 30 June 2015, the income tax expenses amounted to PLN 410 thousand in comparison to a tax expense of PLN 158 thousand during the six months ended 30 June 2014. The low effective tax rate for both periods is explained by the recognition of tax assets. The recognition of the tax assets took place after an organizational restructuring of the Group, which allowed the Company to utilize certain tax losses that in prior periods were deemed not to be usable.

*Non-controlling interests*

Non-controlling interests comprise the share of minority shareholders in profit and losses from subsidiary that is not 100% owned by the Company. During the six months ended 30 June 2015 the minority shareholders share in the loss amounted to PLN 159 thousand (positively impacting equity attributable to the holders of the parent), as compared to share in profit amounting to PLN 1,334 thousand (negative impact) during the six months ended 30 June 2014. The change in the non-controlling interest is explained by the decrease in the profit recognized from the Espresso project which is due to a decrease in apartments delivered to customers.

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

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

	<b>As at 30 June 2015</b>	<b>As at 31 December 2014</b>
	<b>PLN (thousands)</b>	
Inventory	<u>766,550</u>	<u>706,501</u>
Advances received	<u>119,419</u>	<u>99,013</u>
Loans and borrowings	<u>264,980</u>	<u>236,190</u>

***Inventory***

The balance of inventory is PLN 766.6 million as of 30 June 2015 compared to PLN 706.5 million as of 31 December 2014. The increase in inventory is primarily explained by the Group's expenditures in connection with direct construction costs for a total amount of PLN 103.9 million and an increase in land and related expense for a total amount of PLN 23.5 million. The increase is offset in part by cost of sales recognized for a total amount of PLN 76.7 million.

***Advances received***

The balance of advances received is PLN 119.4 million as of 30 June 2015 compared to PLN 99.0 million as of 31 December 2014. The increase is a result of advances received from clients regarding sales of residential units for a total amount PLN 114.6 million and is offset in part by revenues recognized from the sale of residential units for a total amount of PLN 94.2 million.

***Loans and borrowings***

The total of short-term and long-term loans and borrowings is PLN 265.0 million as of 30 June 2015 compared to PLN 236.2 million as of 31 December 2014. The increase in loans and borrowings is primarily explained by the effect of proceeds from bank loans net of bank charges for a total amount of PLN 46.7 million and proceeds from bond loans net of issue costs for a total amount of PLN 29.4 million. The increase is offset in part by repayment of bank loans for the total amount PLN 48.8 million. Of the mentioned PLN 265.0 million, an amount of PLN 35.7 million comprises facilities maturing no later than 30 June 2016.

The maturity structure of the loans and borrowings reflects the Company's recent activities related to bonds issued in 2013-2015 as well as the maturity of the banking loans that were obtained by the Company to finance construction costs of the projects developed by the Company.

**Directors' report****Overview of selected details from the Interim Consolidated Statement of Financial Position (cont'd)***Loans and borrowings (cont'd)*

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

Floating rate bond loans as at 30 June 2015 amounted to PLN 190.0 million comprising a loan principal amount of PLN 191.3 million plus accrued interest of PLN 1.2 million minus one-time costs directly attributed to the bond issuances which are amortized based on the effective interest method (PLN 2.5 million). For additional information see Note 10 of the Interim Condensed Consolidated Financial Statements.

The bank loans supporting completed projects or projects under construction are tailored to the pace of construction works and of sales. As at 30 June 2015, loans in this category amounted to PLN 61.3 million.

The bank loans granted to finance the land purchases as at 30 June 2015 amounted to PLN 10.8 million in total.

Loans from third parties as at 30 June 2015 amounted to PLN 2.8 million.

**Overview of cash flow results**

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

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

	<b>For the six months ended 30 June</b>	
	<b>2015</b>	<b>2014</b>
	<b>PLN (thousands)</b>	
Cash flow from/(used in) operating activities	<u>(21,876)</u>	<u>(26,673)</u>
Cash flow from/(used in) investing activities	<u>(3,913)</u>	<u>(299)</u>
Cash flow from/(used in) financing activities	<u>27,247</u>	<u>34,249</u>

*Cash flow from/(used in) operating activities*

The Company's net cash outflow used in operating activities for the six months ended 30 June 2015 amounted to PLN 21.9 million which compares to a net cash outflow used in operating activities during the six months ended 30 June 2014 amounting to PLN 26.7 million. The increase is principally explained by:

- a cash inflow from advances received from clients regarding sales of residential units amounting to PLN 114.6 million during the six months ended 30 June 2015, which were only in part offset by revenue recognized for a total amount of PLN 94.2 million, in comparison to a cash inflow from advances received in the amount of PLN 103.0 million during the six months ended 30 June 2014, which were more than offset by revenue recognized for a total amount of PLN 113.0 million.

This effect was offset in part by:

- a net cash outflow used in inventory amounting to PLN 33.5 million during the six months ended 30 June 2015 as compared to a net cash outflow used in inventory amounting to PLN 21.5 million during the six months ended 30 June 2014.

## Directors' report

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### Overview of cash flow results (cont'd)

#### *Cash flow from/(used in) investing activities*

The Company's net cash outflow used in investing activities amounting to PLN 3.9 million during the six months ended 30 June 2015 compared to a net cash outflow used in investing activities totaling PLN 0.3 million during the six months ended 30 June 2014. The increase is primarily explained by:

- a net cash outflow used in collateralized short-term bank deposits amounting to PLN 3.6 million during the six months ended 30 June 2015 compared to a net cash inflow from collateralized short-term bank deposits of PLN 0.4 million during the six months ended 30 June 2014.

#### *Cash flow from/(used in) financing activities*

The Company's net cash inflow from financing activities amounted to PLN 27.2 million during the six months ended 30 June 2015 compared to a net cash inflow from financing activities amounted to PLN 34.2 million in the six months ended 30 June 2014. The decrease is primarily due to:

- a repayment of secured bank loans amounting to PLN 48.8 million during the six months ended 30 June 2015 compared to a repayment of secured bank loans amounting to PLN 23.2 million during the six months ended 30 June 2014;
- the proceeds from issuance of new bond loans amounting to PLN 29.4 million (net of issue costs) during the six months ended 30 June 2015 compared to PLN 44.1 million (net of issue costs) during the six months ended 30 June 2014.

The above mentioned effects were offset in part by:

- the effects of the proceeds from bank loans net of bank charges amounting to PLN 46.7 million during the six months ended 30 June 2015 compared to PLN 18.3 million during the six months ended 30 June 2014;
- a repayment of bond loans amounting to PLN nil during the six months ended 30 June 2015 compared to a repayment of bond loans amounting to PLN 5.0 million during the six months ended 30 June 2014.

### Quarterly reporting by the Company

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

## Directors' report

### Selected financial data

PLN/EUR	Exchange rate of Euro versus the Polish Zloty			
	Average exchange rate	Minimum exchange rate	Maximum exchange rate	Period end exchange rate
2015 (6 months)	4.141	3.982	4.334	4.194
2014 (6 months)	4.177	4.100	4.238	4.161

Source: National Bank of Poland ("NBP")

Selected financial data	EUR*		PLN	
	(thousands, except per share data and number of shares)			
	For the six months ended 30 June or as at 30 June			
	2015	2014	2015	2014
Revenues	22,752	27,051	94,214	112,994
Gross profit	4,072	5,060	16,861	21,135
Profit before taxation	650	1,366	2,691	5,705
Net profit for the period attributable to the equity holders of the parent	589	1,009	2,440	4,213
Cash flows from/(used in) operating activities	(5,283)	(6,386)	(21,876)	(26,673)
Cash flows from/(used in) investing activities	(945)	(72)	(3,913)	(299)
Cash flows from/(used in) financing activities	6,580	8,199	27,247	34,249
Increase/(decrease) in cash and cash equivalents	352	1,742	1,458	7,277
Inventory	182,773	158,757	766,550	660,586
Total assets	219,200	188,246	919,324	783,292
Advances received	28,474	14,550	119,419	60,541
Long term liabilities	56,976	44,518	238,958	185,240
Short term liabilities (including advances received)	54,064	30,269	226,744	125,949
Equity attributable to the equity holders of the parent	107,697	112,686	451,682	468,886
Share capital	5,054	5,054	20,762	20,762
Average number of equivalent shares (basic)	272,360,000	272,360,000	272,360,000	272,360,000
Net earnings per share (basic and diluted)	0.002	0.004	0.009	0.015

\* Information is presented in EUR solely for presentation purposes. Due to changes in the Polish Zloty against the Euro exchange rate over the past period, the Statement of Financial Position data may not accurately reflect the actual comparative financial position of the Company. The reader should consider changes in the PLN / EUR exchange rate from 1 January 2014 to 30 June 2015, when reviewing this data.

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

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

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



## Directors' report

## Outlook for the remainder of 2015

## A. Completed projects

The table below presents information on the total residential units in the completed projects/stages that the Company expects to sell and deliver during the remainder of 2015 and 2016:

Project name	Location	Number of units delivered (*)			Number of residential units expected to be delivered (*)			Total project
		Until 31 December 2014	During the six months ended 30 June 2015	Total units delivered	Sold until 30 June 2015	Units for sale at 30 June 2015	Total units expected to be delivered	
Młody Grunwald I (**)	Poznań	124	5	129	1	18	19	148
Espresso I (**)	Warsaw	206	-	206	1	3	4	210
Naturalis I,II & III (**)	Warsaw	124	9	133	9	30	39	172
Sakura I & II (**)	Warsaw	244	4	248	-	8	8	256
Sakura III (**)	Warsaw	-	109	109	14	22	36	145
Verdis I & II (**)	Warsaw	208	1	209	1	7	8	217
Verdis III (**)	Warsaw	-	119	119	22	5	27	146
Chilli I, II & III (**)	Poznań	58	23	81	3	4	7	88
Old projects		-	-	-	2	4	6	6
<b>Total</b>		<b>964</b>	<b>270</b>	<b>1,234</b>	<b>53</b>	<b>101</b>	<b>154</b>	<b>1,388</b>

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

(\*\*) For information on the completed projects see "Business highlights during the six months ended 30 June 2015 – B. Results breakdown by project" (pages 4 to 6).

## B. Current projects under construction and/or on sale

The table below presents information on projects for which completion is scheduled in the remainder of 2015, 2016 and 2017.

Project name	Location	Units sold until 30 June 2015	Units for sale as at 30 June 2015	Total units	Total area of units (m <sup>2</sup> )	Expected completion of construction
Sakura IV	Warsaw	74	40	114	6,600	2015
Verdis IV	Warsaw	69	9	78	4,000	2015
Impressio II	Wrocław	73	63	136	8,400	2015
Młody Grunwald II	Poznań	58	79	137	8,200	2015
Tamka	Warsaw	42	23	65	5,500	2015
Espresso II	Warsaw	96	56	152	7,600	2016
Espresso III	Warsaw	13	142	155	8,500	2016
Panoramika II	Szczecin	29	78	107	5,900	2016
Moko I	Warsaw	115	63	178	11,200	2016
Moko II	Warsaw	46	121	167	12,500	2016
Kamienica Jeżyce I	Poznań	109	35	144	7,800	2016
Kamienica Jeżyce II	Poznań	6	145	151	7,400	2016
City Link I (*)	Warsaw	39	96	135	6,200	2017
<b>Subtotal - projects under construction and on sale</b>		<b>769</b>	<b>950</b>	<b>1,719</b>	<b>99,800</b>	
CityLink II (*)(**)	Warsaw	n.a.	n.a.	178	7,900	2017
<b>Total</b>		<b>769</b>	<b>950</b>	<b>1,897</b>	<b>107,700</b>	

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

(\*\*) As at 30 June 2015 the sales process of City Link II was not yet commenced. The Company is considering commencing sales during the second half of 2015.

## Directors' report

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### Outlook for the remainder of 2015 (cont'd)

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

##### *Sakura IV*

###### *Description of project*

The fourth (and last) phase of the Sakura project was developed on a land strip of 4,700 m<sup>2</sup> located in Warsaw at Kłobucka Street and is a continuation of Sakura I, Sakura II and Sakura III, which were completed during 2012, 2013 and (the first quarter of) 2015, respectively. The fourth phase of this project comprise a seven-storey, multi-family residential building with a total of 108 apartments and 6 commercial units and an aggregate floor space of 6,600 m<sup>2</sup>.

###### *Stage of development*

The construction of the Sakura IV project commenced in March 2014. The project was completed in July 2015.

##### *Verdis IV*

###### *Description of project*

The fourth phase (and last) phase of the Verdis project is being developed on a land strip of 2,700 m<sup>2</sup> located in the Wola district in Warsaw at Sowińskiego Street and is a continuation of Verdis I and Verdis II Verdis III, which were completed during 2012, 2013 and (the first quarter of) 2015. The fourth phase of this project will comprise 1 seven - storey, multi-family residential building with a total of 78 apartments with an aggregate floor space of 4,000 m<sup>2</sup>.

###### *Stage of development*

The construction of the Verdis IV project commenced in June 2014, while completion is expected in the fourth quarter of 2015.

##### *Impressio II*

###### *Description of project*

The second (and last) phase of the Impressio project was developed on a part of a land strip of 7,850 m<sup>2</sup> located in the Grabiszyn district in Wrocław at Rymarska Street, and is a continuation of Impressio I, which was completed during 2012. The last phase of this project comprise 5 four-storey, multi-family residential buildings with a total of 136 units with an aggregate floor space of 8,400 m<sup>2</sup>.

###### *Stage of development*

The construction of the Impressio II project commenced in November 2013. The project was completed in July 2015.

##### *Młody Grunwald II*

###### *Description of project*

The second phase of the Młody Grunwald project is being developed on a land strip of 5,000 m<sup>2</sup> located in Grunwald district in Poznań at Jeleniogórska Street, and is a continuation of Młody Grunwald I which was completed during 2014. The second phase of this project will comprise 3 six-storey, multi-family residential buildings with a total of 132 apartments and 5 commercial units and an aggregate floor space of 8,200 m<sup>2</sup>.

###### *Stage of development*

The construction of the Młody Grunwald II project commenced in April 2014, while completion is expected in the fourth quarter of 2015.

## Directors' report

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### Outlook for the remainder of 2015 (cont'd)

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

##### *Tamka*

###### *Description of project*

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

###### *Stage of development*

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

##### *Espresso II and III*

###### *Description of project*

The second phase and the third phase of the Espresso project are being developed on a land strip of 8,400 m<sup>2</sup> located in Wola district in Warsaw at Jana Kazimierza Street, and are a continuation of Espresso I project which was completed in 2014. The second and the third phase of this project will comprise 2 seven-and-eight-storey, multi-family residential buildings with a total of 142 apartments and 10 commercial units and an aggregate floor space of 7,600 m<sup>2</sup> and 1 six-seven-and-eight-storey, multi-family residential building with a total of 147 apartments and 8 commercial units and an aggregate floor space of 8,500 m<sup>2</sup>, respectively.

###### *Stage of development*

The construction of the Espresso II project commenced in August 2013, while completion is expected in the second quarter of 2016. The construction of the Espresso III project commenced in February 2015, while completion is expected in the fourth quarter of 2016.

##### *Panoramika II*

###### *Description of project*

The second phase of the Panoramika project is being developed on a land strip of 12,200 m<sup>2</sup> located in Szczecin at Duńska Street, and is a continuation of Panoramika I, which was completed during 2012. The second phase of this project will comprise 1 nine-storey, multi-family residential building with a total of 107 apartments and an aggregate floor space of 5,900 m<sup>2</sup>.

###### *Stage of development*

The sale of units in the Panoramika II project commenced in June 2014 and the construction work is commenced September 2014, while completion is expected in the third quarter of 2016.

## Directors' report

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### Outlook for the remainder of 2015 (cont'd)

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

##### *Moko I and II*

###### *Description of project*

The first phase and the second (and last) phase of the Moko project are being developed on a land strip of 12,200 m<sup>2</sup> located in Mokotów district in Warsaw at Magazynowa Street. The first and the second phase of this project will comprise 2 seven and eight-storey, multi-family residential buildings with a total of 166 apartments and 12 commercial units and an aggregate floor space of 11,200 m<sup>2</sup> and 2 seven and eight-storey, multi-family residential buildings with a total of 160 apartments and 7 commercial units and an aggregate floor space of 12,500 m<sup>2</sup>, respectively.

###### *Stage of development*

The construction of the Moko I project commenced in September 2014, while completion is expected in the second quarter of 2016. The construction of the Moko II project commenced in February 2015, while completion is expected in the fourth quarter of 2016.

##### *Kamienica Jeżyce I and II*

###### *Description of project*

The first phase and the second (and last) phase of the Kamienica Jeżyce project are being developed on a land strip of 9,715 m<sup>2</sup> located in Jeżyce district in Poznań at Kościelna Street. The first and second phase of this project will comprise 4 five and six-storey, multi-family residential buildings with a total of 139 apartments and 5 commercial units with an aggregate floor space of 7,800 m<sup>2</sup>, and 5 five and six-storey, multi-family residential buildings with a total of 151 apartments with an aggregate floor space of 7,400 m<sup>2</sup>, respectively.

###### *Stage of development*

The construction of the Kamienica Jeżyce I project commenced in September 2014, while completion is expected in the third quarter of 2016. The construction of the Kamienica Jeżyce II project commenced in May 2015, while completion is expected in the fourth quarter of 2016.

##### *City Link I and II*

###### *Description of project*

The first phase and the second phase is being developed on a land strip of 8,893 m<sup>2</sup> located in the Wola district in Warsaw at Skierniewicka street. The first and second phase of this project will comprise 1 six to ten-storey, multi-family residential building with a total of 127 apartments and 8 commercial units with an aggregate floor space of 6,200 m<sup>2</sup>, and 174 apartments and 4 commercial units with an aggregate floor space of 7,900 m<sup>2</sup>, respectively.

###### *Stage of development*

The construction of the City Link I and City Link II projects commenced in April 2015, while completion is expected in the second quarter of 2017. As at 30 June 2015 the sales process of City Link II was not yet commenced. The Company is considering commencing sales for this project during the second half of 2015.

**Directors' report**

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**Outlook for the remainder of 2015 (cont'd)*****C. Projects for which construction work is planned to commence during the remainder of 2015***

As the Company is aware of the increasing competition in the market, the Company has been careful to manage the number of new projects and the makeup of such projects in order to best satisfy consumer demand. During the remainder of 2015, the Company is considering the commencement of development of another stage of currently running project and the first phases of three new projects, which management believes are well-suited to current customer requirements, including smaller apartments at more economical prices. Furthermore, in order to minimize market risk, the Company's management breaks down the new projects into relatively smaller stages. In the event of any market deterioration or difficulties with securing financing by the banks for the considered projects, management may further delay some of those plans.

***a) New Projects******Nova Królikarnia I***

The Nova Królikarnia project will be developed on a land strip of 82,000 m<sup>2</sup> located in the Mokotów district in Warsaw at Jaśminowa Street. The project will comprise 340 units with an aggregate floor space of 32,000 m<sup>2</sup>. The first stage is to comprise 116 units with an aggregate floor space of 10,900 m<sup>2</sup>. The Company is considering commencing construction of the first phase of this project during the remainder of 2015.

***Picasso I***

The Picasso project will be developed on a land strip of 8,121 m<sup>2</sup> located in Wrocław at Na Grobli Street. The project will comprise 151 units with an aggregate floor space of 6,100 m<sup>2</sup>. The first stage is to comprise 95 units with an aggregate floor space of 3,700 m<sup>2</sup>. The Company is considering commencing construction of the first phase of this project during the remainder of 2015.

***Van Gogh I***

The Van Gogh project will be developed on a land strip of 18,461 m<sup>2</sup> located in the Jutrzenki district in Wrocław at Buraczana and Ogórkowa Streets. The project will comprise 295 units with an aggregate floor space of 16,500 m<sup>2</sup>. The first stage is to comprise 139 units with an aggregate floor space of 7,200 m<sup>2</sup>. The Company is considering commencing construction of the first phase of this project during the remainder of 2015.

***b) New stages of running projects******Chilli IV***

The Chilli IV project is a continuation of Chilli I, II and III projects. The project will comprise 34 units with an aggregate floor space of 2,200 m<sup>2</sup>. The Company is considering commencing construction of this project during the remainder of 2015.

## Directors' report

### Outlook for the remainder of 2015 (cont'd)

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

The current volume and value of the preliminary sales agreements signed with the clients do not impact the Condensed Consolidated Statement of Comprehensive Income account immediately but only after final settlement of the contracts with the customers (for more details see under "A – Completed projects" above on page 15). The table below presents the value of the preliminary sales agreements executed with the Company's clients in particular for units that have not been recognized in the Condensed Consolidated Statement of Comprehensive Income:

<b>Project name</b>	<b>Location</b>	<b>Value of the preliminary sales agreements signed with clients in thousands of PLN</b>	<b>Completed / expected completion of construction</b>
Verdis I & II <sup>(*)</sup>	Warsaw	442	Completed
Verdis III <sup>(*)</sup>	Warsaw	7,105	Completed
Sakura I & II <sup>(*)</sup>	Warsaw	303	Completed
Sakura III <sup>(*)</sup>	Warsaw	5,536	Completed
Naturalis I, III & III <sup>(*)</sup>	Warsaw	2,842	Completed
Espresso I <sup>(*)</sup>	Warsaw	388	Completed
Młody Grunwald I <sup>(*)</sup>	Poznań	458	Completed
Chilli I,II & III <sup>(*)</sup>	Poznań	725	Completed
Old projects		2,071	Completed
<b><i>Subtotal completed projects</i></b>		<b><i>19,870</i></b>	
Młody Grunwald II <sup>(**)</sup>	Poznań	15,799	2015
Sakura IV <sup>(**)</sup>	Warsaw	29,637	2015
Verdis IV <sup>(**)</sup>	Warsaw	24,113	2015
Impressio II <sup>(**)</sup>	Wrocław	25,784	2015
Tamka <sup>(**)</sup>	Warsaw	44,811	2015
Espresso II <sup>(**)</sup>	Warsaw	30,336	2016
Espresso III <sup>(**)</sup>	Warsaw	5,641	2016
Panoramika II <sup>(*)</sup>	Szczecin	6,525	2016
Moko I <sup>(**)</sup>	Warsaw	54,257	2016
Moko II <sup>(**)</sup>	Warsaw	19,798	2016
Kamienica Jeżyce I <sup>(**)</sup>	Poznań	31,138	2016
Kamienica Jeżyce II <sup>(**)</sup>	Poznań	1,269	2016
<b><i>Subtotal ongoing projects</i></b>		<b><i>289,108</i></b>	
City Link I <sup>(**)/(***)</sup>	Warsaw	14,449	2017
<b><i>Subtotal project run through joint venture</i></b>		<b><i>14,449</i></b>	
<b>Total</b>		<b>323,427</b>	

<sup>(\*)</sup> For information on the completed projects see "Business highlights during the six months ended 30 June 2015 – B. Results breakdown by project" (pages 4-6).

<sup>(\*\*)</sup> For information on current projects under construction and/or on sale, see under "B" above (pages 15-18).

<sup>(\*\*\*)</sup> This project is presented in the Interim Condensed Consolidated Financial Statements under Investment in joint venture. The Company's share in this project is 50%.

## Directors' report

### Outlook for the remainder of 2015 (cont'd)

#### E. Main risks and uncertainties during the remainder of 2015

While the improving market in 2014, that appeared to accelerate in the second half of the year and for the first half of 2015, potentially bodes well for the Company for the remainder of 2015 and in 2016, the overall economic and geopolitical situation in Europe and in Poland and the ongoing uncertainties in the housing market make it very difficult to predict with precision the anticipated results for the remainder of 2015. The level of development of the Polish economy, the performance of the banking industry and consumers' interest in new housing projects, as well as increasing competition in the market are considered to be the most significant uncertainties for the remainder of the financial year ending 31 December 2015.

### Additional information to the report

To the best of the Company's knowledge, as of the date of preparation of this short report for the six months ended 30 June 2015 (5 August 2015), the following shareholders are entitled to exercise over 3% of the voting rights at the General Meeting of Shareholders in the Company:

#### Shares

	As of 5 August 2015 Number of shares / % of shares	Change in number of shares	As of 30 June 2015 Number of shares / % of shares	Change in number of shares	As of 31 December 2014 Number of shares / % of shares
<i>Shares issued</i>	272,360,000	-	272,360,000	-	272,360,000
<i>Major shareholders:</i>					
I.T.R. 2012 B.V. (*)	87,449,187 32.1%	-	87,449,187 32.1%	-	87,449,187 32.1%
I.T.R. Dori B.V. (*)	87,449,187 32.1%	-	87,449,187 32.1%	-	87,449,187 32.1%
RN Residential B.V. (**)	41,800,000 15.3%	-	41,800,000 15.3%	-	41,800,000 15.3%
Metlife Otworthy Fundusz Emerytalny (***)	N/A Between 3% -5%.	N/A	N/A Between 3% -5%.	N/A	N/A Between 3% -5%.
ING Otworthy Fundusz Emerytalny	N/A Between 5% -10%.	N/A	N/A Between 5% -10%.	N/A	N/A Between 5% -10%.

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

I.T.R. 2012 B.V. is an indirect subsidiary of Global City Holdings N.V. and I.T.R. Dori B.V. is a subsidiary of U. Dori Group Ltd.

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

(\*\*\*) Formerly Amplico Otworthy Fundusz Emerytalny.

#### Changes in the Management Board in the six months ended 30 June 2015 and until the date of publication of the report

The Annual General Meeting of Shareholders held on 24 June 2015 approved the appointment of Mr Aharon Soffer as member of the Management Board and managing director B for a term of four years. His appointment came into force as of the day of the adoption of the resolution. Mr Soffer replaced Mr Ronen Ashkenazi, who stepped down as managing director B effective on the day of the Annual General Meeting of Shareholders (24 June 2015).

## Directors' report

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### Additional information to the report (cont'd)

#### *Changes in ownership of shares and rights to shares by Management Board members in the six months ended 30 June 2015 and until the date of publication of this report*

None

#### *Changes in ownership of shares and rights to shares by Supervisory Board members in the six months ended 30 June 2015 and until the date of publication of the report*

None

#### *Other*

As of 30 June 2015, the Company has issued guarantees for bank loans granted to subsidiaries amounting to a total of PLN 21,900 thousand.

As of 30 June 2015, the Group had no litigations for claims or liabilities that in total would exceed 10% of the Group's equity.

The following net movements in the Group's main provisions took place during the six months ended 30 June 2015:

- a decrease in the provision for deferred tax liabilities of PLN 313 thousand (a decrease of PLN 191 thousand during the six months ended 30 June 2014);
- a decrease in the provision for expected necessary costs in respect of guarantees for construction works of PLN 52 thousand (nil during the six months ended 30 June 2014).

#### *Responsibility statement*

The Management Board confirms that, to the best of its knowledge, these Interim Condensed Consolidated Financial Statements have been prepared in accordance with IAS 34 "Interim financial reporting". At the date of authorization of these Interim Condensed Consolidated Financial Statements, in light of the current process of IFRS endorsement in the European Union and the nature of the Group's activities, there is no difference between the IFRSs applied by the Group and the IFRSs endorsed by the European Union. IFRSs comprise standards and interpretations accepted by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC"). The Interim Condensed Consolidated Financial Statements give a true and fair view of the state of affairs of the Group at 30 June 2015 and of the net result for the period then ended.

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

### The Management Board

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**Shraga Weisman**  
Chief Executive Officer

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**Tomasz Łapiński**  
Chief Financial Officer

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**Andrzej Gutowski**  
Sales and Marketing Director

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**Peter Dudolenski**

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**Aharon Soffer**

**Rotterdam, 5 August 2015**



## Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2015

### Interim Condensed Consolidated Statement of Financial Position

As at		30 June 2015 (Reviewed/ Unaudited)	31 December 2014 (Audited)
<i>In thousands of Polish Zlotys (PLN)</i>	<i>Note</i>		
<b>Assets</b>			
Property and equipment		9,141	9,424
Investment property		9,217	9,217
Loans granted to third parties		-	1,623
Investment in joint ventures		16,966	16,022
Deferred tax assets		13,552	14,213
<b>Total non-current assets</b>		<b>48,876</b>	<b>50,499</b>
Inventory	9	766,550	706,501
Trade and other receivables and prepayments		18,435	8,659
Income tax receivable		428	475
Loans granted to third parties		949	-
Short-term bank deposits - collateralized		5,623	2,031
Other current financial assets		6,415	2,722
Cash and cash equivalents		72,048	70,590
<b>Total current assets</b>		<b>870,448</b>	<b>790,978</b>
<b>Total assets</b>		<b>919,324</b>	<b>841,477</b>
<b>Equity</b>			
Share capital		20,762	20,762
Share premium		282,873	282,873
Retained earnings		148,047	145,607
<b>Equity attributable to equity holders of the parent</b>		<b>451,682</b>	<b>449,242</b>
Non-controlling interests		1,940	2,099
<b>Total equity</b>		<b>453,622</b>	<b>451,341</b>
<b>Liabilities</b>			
Floating rate bond loans	10	165,233	158,825
Secured bank loans	11	61,266	73,699
Loans from third parties		2,825	2,737
Share based payment liabilities	12	507	702
Deferred tax liability		9,127	9,440
<b>Total non-current liabilities</b>		<b>238,958</b>	<b>245,403</b>
Trade and other payables and accrued expenses		70,626	43,711
Floating rate bond loans	10	24,812	924
Secured bank loans	11	10,844	5
Advances received		119,419	99,013
Income tax payable		17	2
Provisions	17	1,026	1,078
<b>Total current liabilities</b>		<b>226,744</b>	<b>144,733</b>
<b>Total liabilities</b>		<b>465,702</b>	<b>390,136</b>
<b>Total equity and liabilities</b>		<b>919,324</b>	<b>841,477</b>

The notes included on pages 28 to 48 are an integral part of these interim condensed consolidated financial statements

## Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2015

## Interim Condensed Consolidated Statement of Comprehensive Income

	Note	For the 6	For the 3	For the 6	For the 3
		months	months	months	months
		ended 30	ended 30	ended 30	ended 30
		June	June	June	June
		2015	2015	2014	2014
		(Reviewed) /	(Reviewed) /	(Reviewed) /	(Reviewed) /
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
<i>PLN (thousands, except per share data and number of shares)</i>					
Revenue		94,214	53,818	112,994	47,079
Cost of sales		(77,353)	(41,551)	(91,859)	(39,345)
<b>Gross profit</b>		<b>16,861</b>	<b>12,267</b>	<b>21,135</b>	<b>7,734</b>
Selling and marketing expenses		(3,541)	(1,846)	(3,664)	(1,756)
Administrative expenses		(8,932)	(4,440)	(9,138)	(3,990)
Share of profit/(loss) in joint ventures		(243)	(202)	(275)*	(141)**
Other expenses		(1,028)	(114)	(1,538)	(737)
Other income		2,188	1,994	167	102
<b>Result from operating activities</b>		<b>5,305</b>	<b>7,659</b>	<b>6,687</b>	<b>1,212</b>
Finance income		808	359	1,042*	513**
Finance expense		(3,422)	(1,871)	(2,024)	(1,091)
<b>Net finance expense</b>		<b>(2,614)</b>	<b>(1,512)</b>	<b>(982)</b>	<b>(578)</b>
<b>Profit before taxation</b>		<b>2,691</b>	<b>6,147</b>	<b>5,705</b>	<b>634</b>
Income tax benefit/(expense)	13	(410)	(1,057)	(158)	115
<b>Profit for the period</b>		<b>2,281</b>	<b>5,090</b>	<b>5,547</b>	<b>749</b>
Other comprehensive income		-	-	-	-
<b>Total comprehensive income for the period, net of tax</b>		<b>2,281</b>	<b>5,090</b>	<b>5,547</b>	<b>749</b>
<b>Total profit/(loss) for the period attributable to:</b>					
equity holders of the parent		2,440	5,184	4,213	47
Non-controlling interests		(159)	(94)	1,334	702
<b>Total profit for the period, net of tax</b>		<b>2,281</b>	<b>5,090</b>	<b>5,547</b>	<b>749</b>
<b>Total comprehensive income attributable to:</b>					
equity holders of the parent		2,440	5,184	4,213	47
Non-controlling interests		(159)	(94)	1,334	702
<b>Total comprehensive income for the period, net of tax</b>		<b>2,281</b>	<b>5,090</b>	<b>5,547</b>	<b>749</b>
Weighted average number of ordinary shares (basic)		272,360,000	272,360,000	272,360,000	272,360,000
<i>In Polish Zlotys (PLN)</i>					
<b>Net earnings per share attributable to the equity holders of the parent (basic and diluted)</b>		<b>0.009</b>	<b>0.019</b>	<b>0.015</b>	<b>-</b>

\* Reclassified (PLN 275 thousand) offsetting net results of the joint venture with intercompany interest during the six months ended 30 June 2014.

\*\* Reclassified (PLN 141 thousand) offsetting net results of the joint venture with intercompany interest during the three months ended 30 June 2014.

The notes included on pages 28 to 48 are an integral part of these interim condensed consolidated financial statements

## Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2015

### Interim Condensed Consolidated Statement of Changes in Equity

<i>In thousands of Polish Zlotys (PLN)</i>	<u>Attributable to the Equity holders of parent</u>				Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Total		
<b>Balance at 1 January 2015</b>	<b>20,762</b>	<b>282,873</b>	<b>145,607</b>	<b>449,242</b>	<b>2,099</b>	<b>451,341</b>
<b>Comprehensive income:</b>						
Profit for the six months ended 30 June 2015	-	-	2,440	2,440	(159)	2,281
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>2,440</b>	<b>2,440</b>	<b>(159)</b>	<b>2,281</b>
<b>Balance at 30 June 2015 (Reviewed/ Unaudited)</b>	<b>20,762</b>	<b>282,873</b>	<b>148,047</b>	<b>451,682</b>	<b>1,940</b>	<b>453,622</b>

<i>In thousands of Polish Zlotys (PLN)</i>	<u>Attributable to the Equity holders of parent</u>				Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Total		
<b>Balance at 1 January 2014</b>	<b>20,762</b>	<b>282,873</b>	<b>161,038</b>	<b>464,673</b>	<b>1,883</b>	<b>466,556</b>
<b>Comprehensive income:</b>						
Profit for the six months ended 30 June 2014	-	-	4,213	4,213	1,334	5,547
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>4,213</b>	<b>4,213</b>	<b>1,334</b>	<b>5,547</b>
<b>Balance at 30 June 2014 (Reviewed/ Unaudited)</b>	<b>20,762</b>	<b>282,873</b>	<b>165,251</b>	<b>468,886</b>	<b>3,217</b>	<b>472,103</b>

The notes included on pages 28 to 48 are an integral part of these interim condensed consolidated financial statements

**Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2015****Interim Condensed Consolidated Statement of Cash Flows**

	<b>For the 6 months ended 30 June 2015</b>	<b>For the 6 months ended 30 June 2014</b>
	<b>(Reviewed) / (unaudited)</b>	<b>(Reviewed/ Unaudited)</b>
<i>In thousands of Polish Zlotys (PLN)</i>		
<b>Cash flows from/(used in) operating activities</b>		
Profit for the period	2,281	5,547
<b>Adjustments to reconcile profit for the period to net cash used in operating activities</b>		
Depreciation	347	301
Write-down of inventory	226	-
Finance expense	3,422	2,024
Finance income	(808)	(1,042)*
Profit on sale of property and equipment	(28)	(44)
Share of loss/(profit) from joint ventures	243	275*
Share-based payment	12 (195)	590
Income tax expense	410	158
<b>Subtotal</b>	<b>5,898</b>	<b>7,809</b>
Decrease/(increase) in inventory	(33,511)	(21,526)
Decrease/(increase) in trade and other receivables and prepayments	(9,776)	(2,376)
Decrease/(increase) in other current financial assets	(3,693)	(1,997)
Increase/(decrease) in trade and other payables and accrued expenses	5,261	(131)
Increase/(decrease) in provisions	(52)	6,643
Increase/(decrease) in advances received	20,406	(10,024)
<b>Subtotal</b>	<b>(15,467)</b>	<b>(21,602)</b>
Interest paid	(6,989)	(5,763)
Interest received	580	700
Income tax paid	-	(8)
<b>Net cash from/(used in) operating activities</b>	<b>(21,876)</b>	<b>(26,673)</b>

\* Reclassified (PLN 275 thousand) offsetting net results of the joint venture with intercompany interest during the period.

**Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2015****Interim Condensed Consolidated Statement of Cash Flows (cont'd)**

	<b>For the 6 months ended 30 June 2015</b>	<b>For the 6 months ended 30 June 2014</b>
	<b>(Reviewed) / (unaudited)</b>	<b>(Reviewed/ Unaudited)</b>
<i>In thousands of Polish Zlotys (PLN)</i>		
<b>Cash flows from/(used in) investing activities</b>		
Acquisition of property and equipment	(64)	(429)
Proceeds from loans granted to third parties	627	-
Investment in joint ventures	(912)	(275)
Short-term bank deposits – collateralized	(3,592)	361
Proceeds from sale of property and equipment	28	44
<b>Net cash from/(used in) investing activities</b>	<b>(3,913)</b>	<b>(299)</b>
<b>Cash flows from/(used in) financing activities</b>		
Proceeds from bank loans, net of bank charges	46,691	18,283
Repayment of bank loans	(48,847)	(23,152)
Proceeds from bond loans, net of issue costs	29,403	44,118
Repayment of bond loans	-	(5,000)
<b>Net cash from/(used in) financing activities</b>	<b>27,247</b>	<b>34,249</b>
<b>Net change in cash and cash equivalents</b>	<b>1,458</b>	<b>7,277</b>
Cash and cash equivalents at beginning of period	70,590	52,153
<b>Cash and cash equivalents at end of period</b>	<b>72,048</b>	<b>59,430</b>

*The notes included on pages 28 to 48 are an integral part of these interim condensed consolidated financial statements*

**Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2015**

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

Ronson Europe N.V. (hereinafter “the Company”), a Dutch public company with its registered office located in Rotterdam, the Netherlands, was incorporated on 18 June 2007. The Company (together with its Polish subsidiaries, “the Group”) is active in the development and sale of residential units, primarily apartments, in multi-family residential real-estate projects to individual customers in Poland. Moreover, the Group leases real estate to third parties.

The shares of the Company are traded on the Warsaw Stock Exchange since 5 November 2007. As at 30 June 2015, 39.78% of the outstanding shares are controlled by I.T.R. 2012 B.V., which is an indirect subsidiary of Global City Holdings N.V. (‘ITR 2012’) (32.11% through a jointly controlled partnership formed under Dutch law between ITR 2012 and ITR Dori B.V. and 7.67% through a jointly controlled company formed under Dutch law between ITR 2012 and U. Dori Group) and 39.78% of the outstanding shares are controlled by U. Dori Group Ltd (‘U Dori Group’) (32.11% through a jointly controlled partnership formed under Dutch law between ITR 2012 and ITR Dori B.V. (of which it holds 50% of the shares) and 7.67% through a jointly controlled company formed under Dutch law between ITR 2012 and U. Dori Group). The remaining 20.44% of the outstanding shares are held by other investors including Metlife Otworthy Fundusz Emerytalny holding between 3% and 5% and ING Otworthy Fundusz Emerytalny holding between 5% and 10% of the outstanding shares. The number of shares held by the investors is equal to the number of votes, as there are no privileged shares issued by the Company.

The Interim Condensed Consolidated Financial Statements of the Group have been prepared for the six months ended 30 June 2015 and contain comparative data for the six months ended 30 June 2014 and as at 31 December 2014. The Interim Condensed Consolidated Financial Statements of the Company for the six months ended 30 June 2015 with all its comparative data have been reviewed by the Company’s external auditors.

As at 30 June 2015, the Groups' market capitalization was below the value of net assets. The Management took appropriate steps to review the accounts in respect if there is any additional impairment required and found no basis for it. The Management verified that the forecast margin potential in respect of the inventory is significantly positive.

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

The Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2015 were authorized for issuance by the Management Board on 5 August 2015.

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

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

The Interim Condensed Consolidated Financial Statements do not include all the information and disclosures required in annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2014 prepared in accordance with International Financial Reporting Standards (“IFRS”) as endorsed by the European Union. At the date of authorization of these Interim Condensed Consolidated Financial Statements, in light of the current process of IFRS endorsement in the European Union and the nature of the Group’s activities, there is no difference between the full IFRSs and the IFRSs endorsed by the European Union. IFRSs comprise standards and interpretations accepted by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”). The Consolidated Financial Statements of the Group for the year ended 31 December 2014 are available upon request from the Company’s registered office at Weena 210-212, 3012 NJ Rotterdam, the Netherlands or at the Company’s website: [www.ronson.pl](http://www.ronson.pl)

These Interim Condensed Consolidated Financial Statements have been prepared on the assumption that the Group is a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the normal course of its operations.

**Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2015**

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

Except as described below, the accounting policies applied by the Company in these Interim Condensed Consolidated Financial Statements are the same as those applied by the Company in its consolidated financial statements for the year ended 31 December 2014.

The following standards and amendments became effective as of 1 January 2015:

- IAS 19 – *Defined Benefits Plan – Employee Contributions – Amendments to IAS 19*
- IFRIC 21 – *Levies*
- Annual Improvements to IFRSs 2010-2012 (*issued on 12 December 2013*)
- Annual Improvements to IFRSs 2011-2013 (*issued on 12 December 2013*)

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

**Note 4 – The use of estimates and judgments**

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

In preparing these Interim Condensed Consolidated Financial Statements, the significant judgments made by the Management Board in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2014.

**Note 5 – Functional and reporting currency**

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

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

**Note 6 – Seasonality**

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

## Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2015

### Notes to the Interim Condensed Consolidated Financial Statements

#### Note 7 – Composition of the Group

The details of the Polish companies whose financial statements have been included in these Consolidated Financial Statements, the year of incorporation and the percentage of ownership and voting rights directly held or indirectly by the Company as at 30 June 2015, are presented below and on the following page.

Entity name	Year of incorporation	Share of ownership & voting rights at the end of	
		30 June 2015	31 December 2014
<b>a. held directly by the Company :</b>			
1. Ronson Development Management Sp. z o.o.	1999	100.0%	100.0%
2. Ronson Development 2000 Sp. z o.o.	2000	100.0%	100.0%
3. Ronson Development Warsaw Sp. z o.o.	2000	100.0%	100.0%
4. Ronson Development Investment Sp. z o.o.	2002	100.0%	100.0%
5. Ronson Development Metropol Sp. z o.o.	2002	100.0%	100.0%
6. Ronson Development Properties Sp. z o.o.	2002	100.0%	100.0%
7. Ronson Development Apartments Sp. z o.o.	2003	100.0%	100.0%
8. Ronson Development Enterprise Sp. z o.o.	2004	100.0%	100.0%
9. Ronson Development Company Sp. z o.o.	2005	100.0%	100.0%
10. Ronson Development Creations Sp. z o.o.	2005	100.0%	100.0%
11. Ronson Development Buildings Sp. z o.o.	2005	100.0%	100.0%
12. Ronson Development Structure Sp. z o.o.	2005	100.0%	100.0%
13. Ronson Development Poznań Sp. z o.o.	2005	100.0%	100.0%
14. E.E.E. Development Sp. z o.o.	2005	100.0%	100.0%
15. Ronson Development Innovation Sp. z o.o.	2006	100.0%	100.0%
16. Ronson Development Wrocław Sp. z o.o.	2006	100.0%	100.0%
17. Ronson Development Capital Sp. z o.o.	2006	100.0%	100.0%
18. Ronson Development Sp. z o.o.	2006	100.0%	100.0%
19. Ronson Development Construction Sp. z o.o.	2006	100.0%	100.0%
20. City 2015 Sp. z o.o. (previously named Ronson Development City Sp. z o.o.)	2006	100.0%	100.0%
21. Ronson Development Village Sp. z o.o. <sup>(1)</sup>	2007	100.0%	100.0%
22. Ronson Development Conception Sp. z o.o.	2007	100.0%	100.0%
23. Ronson Development Architecture Sp. z o.o.	2007	100.0%	100.0%
24. Ronson Development Skyline Sp. z o.o.	2007	100.0%	100.0%
25. Ronson Development Continental Sp. z o.o.	2007	100.0%	100.0%
26. Ronson Development Universal Sp. z o.o. <sup>(1)</sup>	2007	100.0%	100.0%
27. Ronson Development Retreat Sp. z o.o.	2007	100.0%	100.0%
28. Ronson Development South Sp. z o.o.	2007	100.0%	100.0%
29. Ronson Development West Sp. z o.o.	2007	100.0%	100.0%
30. Ronson Development Partner 4 Sp. z o.o. (previously named Ronson Development East Sp. z o.o.)	2007	100.0%	100.0%
31. Ronson Development North Sp. z o.o.	2007	100.0%	100.0%
32. Ronson Development Providence Sp. z o.o.	2007	100.0%	100.0%
33. Ronson Development Finco Sp. z o.o.	2009	100.0%	100.0%
34. Ronson Development Partner 2 sp. z o.o.	2010	100.0%	100.0%
35. Ronson Development Skyline 2010 Sp. z o.o. w likwidacji	2010	100.0%	100.0%
36. Ronson Development Partner 3 Sp. z o.o.	2012	100.0%	100.0%
<b>b. held indirectly by the Company:</b>			
37. AGRT Sp. z o.o.	2007	100.0%	100.0%
38. Ronson Development Partner 4 Sp. z o.o. (previously named Panoramika Sp.k.( Ronson Development Partner 2 Sp. z o.o.)-	2007	100.0%	100.0%
39. Ronson Development Sp z o.o. - Estate Sp.k.	2007	100.0%	100.0%
40. Ronson Development Sp. z o.o. - Home Sp.k.	2007	100.0%	100.0%
41. Ronson Development Sp z o.o - Horizon Sp.k.	2007	100.0%	100.0%
42. Ronson Development Partner 3 Sp. z o.o- Sakura Sp.k.	2007	100.0%	100.0%
43. Ronson Development Sp z o.o -Town Sp.k.	2007	100.0%	100.0%
44. Destiny Sp. z o.o. (previously named Ronson Development Destiny Sp. z o.o.)	2007	100.0%	100.0%
45. Ronson Development Millenium Sp. z o.o.	2007	100.0%	100.0%
46. Ronson Development Sp. z o.o. - EEE 2011 Sp.k.	2009	100.0%	100.0%
47. Ronson Development Sp. z o.o. - Apartments 2011 Sp.k.	2009	100.0%	100.0%

(1) The Company has the power to govern the financial and operating policies of this entity and to obtain benefits from its activities, whereas Kancelaria Radcy Prawnego Jarosław Zubrzycki holds the legal title to the shares of this entity.



## Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2015

### Notes to the Interim Condensed Consolidated Financial Statements

#### Note 7 – Composition of the Group (cont'd)

Entity name	Year of incorporation	Share of ownership & voting rights at the end of	
		30 June 2015	31 December 2014
<b>b. held indirectly by the Company (cont'd):</b>			
48. Ronson Development Sp. z o.o. - Idea Sp.k.	2009	100.0%	100.0%
49. Ronson Development Partner 2 Sp. z o.o. -Destiny 2011 Sp.k. (previously named Ronson Development Sp. z o.o. - Destiny 2011)§ Sp.k.)	2009	100.0%	100.0%
50. Ronson Development Partner 2 Sp. z o.o. - Enterprise 2011 Sp.k.	2009	100.0%	100.0%
51. Ronson Development Partner 2 Sp. z o.o. - Retreat 2011 Sp.k.	2009	100.0%	100.0%
52. Ronson Development Sp. z o.o. - Wrocław 2011 Sp.k.	2009	100.0%	100.0%
53. Ronson Development Sp. z o.o. - 2011 Sp.k.	2009	100.0%	100.0%
54. Ronson Development Sp. z o.o. - Gemini 2 Sp.k.	2009	100.0%	100.0%
55. Ronson Development Sp. z o.o. - Verdis Sp.k.	2009	100.0%	100.0%
56. Ronson Espresso Sp. z o.o.	2006	82%	82%
57. Ronson Development Apartments 2010 Sp. z o.o.	2010	100.0%	100.0%
58. RD 2010 Sp. z o.o. (previously named Ronson Development 2010 Sp. z o.o.)	2010	100.0%	100.0%
59. Retreat Sp. z o.o. (previously named Ronson Development Retreat 2010 Sp. z o.o.)	2010	100.0%	100.0%
60. Ronson Development Enterprise 2010 Sp. z o.o.	2010	100.0%	100.0%
61. Ronson Development Wrocław 2010 Sp. z o.o.	2010	100.0%	100.0%
62. E.E.E. Development 2010 Sp. z o.o.	2010	100.0%	100.0%
63. Ronson Development Nautica 2010 Sp. z o.o.	2010	100.0%	100.0%
64. Gemini 2010 Sp. z o.o. (previously named Ronson Development Gemini 2010 Sp. z o.o.)	2010	100.0%	100.0%
65. Ronson Development Sp. z o.o. - Naturalis Sp.k.	2011	100.0%	100.0%
66. Ronson Development Sp. z o.o. - Impressio Sp.k.	2011	100.0%	100.0%
67. Ronson Development Sp. z o.o. - Continental 2011 Sp.k.	2011	100.0%	100.0%
68. Ronson Development Sp. z o.o. - Providence 2011 Sp.k.	2011	100.0%	100.0%
69. Ronson Development Partner 2 Sp. z o.o. - Capital 2011 Sp. k.	2011	100.0%	100.0%
70. Ronson Development Sp. z o.o. - Architecture 2011 Sp.k.	2011	100.0%	100.0%
71. Ronson Development Sp. z o.o. - City 1 Sp.k.	2012	100.0%	100.0%
72. Ronson Development Sp. z o.o. - City 2 Sp.k.	2012	100.0%	100.0%
73. Ronson Development Sp. z o.o. - City 3 Sp.k.	2012	100.0%	100.0%
74. District 20 Sp. z o.o.	2015	100.0%	n.a.
75. Królikarnia 2015 Sp. z o.o.	2015	100.0%	n.a.
76. Pod Skocznią Projekt Sp. z o.o.	2015	100.0%	n.a.
77. Tras Sp. z o.o.	2015	100.0%	n.a.
78. Arkadia Development Sp. z o.o.	2015	100.0%	n.a.

## Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2015

### Notes to the Interim Condensed Consolidated Financial Statements

#### Note 8 – Segment reporting

The Group's operating segments are defined as separate entities developing particular residential projects, which for reporting purposes were aggregated. The aggregation for reporting purpose is based on geographical locations (Warsaw, Poznań, Wrocław and Szczecin) and type of activity (development of apartments, development of houses). Moreover, for two particular assets the reporting was based on type of income: rental income from investment property.

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

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

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

		As at 30 June 2015 (Reviewed)/(unaudited)										
		Warsaw			Poznań		Wrocław		Szczecin		Unallocated	Total
		Apartments	Houses	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses		
<b>Segment assets</b>	509,744	33,285	9,217	138,022	-	104,516	2,614	66,087	7,744	-	871,229	
Unallocated assets	-	-	-	-	-	-	-	-	-	48,095	48,095	
<b>Total assets</b>	<b>509,744</b>	<b>33,285</b>	<b>9,217</b>	<b>138,022</b>	<b>-</b>	<b>104,516</b>	<b>2,614</b>	<b>66,087</b>	<b>7,744</b>	<b>48,095</b>	<b>919,324</b>	
<b>Segment liabilities</b>	177,086	1,021	-	44,215	-	37,082	-	4,443	-	-	263,847	
Unallocated liabilities	-	-	-	-	-	-	-	-	-	201,855	201,855	
<b>Total liabilities</b>	<b>177,086</b>	<b>1,021</b>	<b>-</b>	<b>44,215</b>	<b>-</b>	<b>37,082</b>	<b>-</b>	<b>4,443</b>	<b>-</b>	<b>201,855</b>	<b>465,702</b>	

		As at 31 December 2014 (Audited)										
		Warsaw			Poznań		Wrocław		Szczecin		Unallocated	Total
		Apartments	Houses	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses		
<b>Segment assets</b>	479,849	33,513	9,217	115,975	-	93,522	2,612	58,293	7,710	-	800,691	
Unallocated assets	-	-	-	-	-	-	-	-	-	40,786	40,786	
<b>Total assets</b>	<b>479,849</b>	<b>33,513</b>	<b>9,217</b>	<b>115,975</b>	<b>-</b>	<b>93,522</b>	<b>2,612</b>	<b>58,293</b>	<b>7,710</b>	<b>40,786</b>	<b>841,477</b>	
<b>Segment liabilities</b>	162,784	1,134	-	23,436	-	25,622	-	4,758	-	-	217,734	
Unallocated liabilities	-	-	-	-	-	-	-	-	-	172,402	172,402	
<b>Total liabilities</b>	<b>162,784</b>	<b>1,134</b>	<b>-</b>	<b>23,436</b>	<b>-</b>	<b>25,622</b>	<b>-</b>	<b>4,758</b>	<b>-</b>	<b>172,402</b>	<b>390,136</b>	

## Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2015

### Notes to the Interim Condensed Consolidated Financial Statements

#### Note 8 - Segment reporting (cont'd)

	For the six months ended 30 June 2015 (Reviewed)/(unaudited)										Total
	Warsaw			Poznań		Wrocław		Szczecin		Unallocated	
	Apartments	Houses	Rental	Apartments	Houses	Apartments	Houses	apartments	Houses		
<b>Revenue</b>	85,965	-	376	7,837	-	4	-	32	-	-	94,214
<b>Segment result</b>	13,379	(228)	218	1,177	-	(248)	(6)	(94)	(6)	-	14,192
Unallocated result	-	-	-	-	-	-	-	-	-	(8,887)	(8,887)
<b>Result from Operating activities*</b>	<b>13,379</b>	<b>(228)</b>	<b>218</b>	<b>1,177</b>	<b>-</b>	<b>(248)</b>	<b>(6)</b>	<b>(94)</b>	<b>(6)</b>	<b>(8,887)</b>	<b>5,305</b>
Net finance income/(expense)	(199)	(3)	-	(20)	-	(30)	-	21	-	(2,383)	(2,614)
<b>Profit/(loss) before taxation</b>	<b>13,180</b>	<b>(231)</b>	<b>218</b>	<b>1,157</b>	<b>-</b>	<b>(278)</b>	<b>(6)</b>	<b>(73)</b>	<b>(6)</b>	<b>(11,270)</b>	<b>2,691</b>
Income tax expense											(410)
<b>Profit for the period</b>											<b>2,281</b>
<b>Capital expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>64</b>	<b>64</b>

	For the six months ended 30 June 2014 (Reviewed)/(unaudited)										Total
	Warsaw			Poznań		Wrocław		Szczecin		Unallocated	
	Apartments	Houses	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses		
<b>Revenue</b>	94,388	3,070	421	9,779	-	1,065	-	4,271	-	-	112,994
<b>Segment result</b>	16,355	(130)	254	(162)	-	(378)	(2)	70	(2)	-	16,005
Unallocated result	-	-	-	-	-	-	-	-	-	(9,318)	(9,318)
<b>Result from operating activities*</b>	<b>16,355</b>	<b>(130)</b>	<b>254</b>	<b>(162)</b>	<b>-</b>	<b>(378)</b>	<b>(2)</b>	<b>70</b>	<b>(2)</b>	<b>(9,318)</b>	<b>6,687</b>
Net finance income/(expense)	220	(245)	-	(74)	-	10	-	(2)	-	(891)	(982)
<b>Profit/(loss) before taxation</b>	<b>16,575</b>	<b>(375)</b>	<b>254</b>	<b>(236)</b>	<b>-</b>	<b>(368)</b>	<b>(2)</b>	<b>68</b>	<b>(2)</b>	<b>(10,209)</b>	<b>5,705</b>
Income tax expense											(158)
<b>Profit for the period</b>											<b>5,547</b>
<b>Capital expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>429</b>	<b>429</b>

\* Results from operating activities including share of loss in joint venture (developing project in Warsaw), that amounted to PLN 243 thousands (expenses) during the six months ended 30 June 2015 and PLN 275 thousands (expenses) during the six months ended 30 June 2014.

## Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2015

### Notes to the Interim Condensed Consolidated Financial Statements

#### Note 8 - Segment reporting (cont'd)

	<i>In thousands of Polish Zlotys (PLN)</i>										
	For the three months ended 30 June 2015 (Reviewed)/(unaudited)										
	Warsaw			Poznań		Wrocław		Szczecin		Unallocated	Total
	Apartments	Houses	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses		
Revenue	50,227	-	193	3,398	-	-	-	-	-	-	53,818
Segment result	10,591	(239)	113	1,848	-	(83)	(1)	(58)	(1)	-	12,170
Unallocated result	-	-	-	-	-	-	-	-	-	(4,511)	(4,511)
<b>Result from operating activities *</b>	<b>10,591</b>	<b>(239)</b>	<b>113</b>	<b>1,848</b>	<b>-</b>	<b>(83)</b>	<b>(1)</b>	<b>(58)</b>	<b>(1)</b>	<b>(4,511)</b>	<b>7,659</b>
Net finance income/(expense)	(116)	(1)	-	(22)	-	(59)	-	25	-	(1,339)	(1,512)
<b>Profit/(loss) before taxation</b>	<b>10,475</b>	<b>(240)</b>	<b>113</b>	<b>1,826</b>	<b>-</b>	<b>(142)</b>	<b>(1)</b>	<b>(33)</b>	<b>(1)</b>	<b>(5,850)</b>	<b>6,147</b>
Income tax expense											(1,057)
<b>Profit for the period</b>											<b>5,090</b>
Capital expenditure	-	-	-	-	-	-	-	-	-	51	51

	<i>In thousands of Polish Zlotys (PLN)</i>										
	For the three months ended 30 June 2014 (Reviewed)/(unaudited)										
	Warsaw			Poznań		Wrocław		Szczecin		Unallocated	Total
	Apartments	Houses	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses		
Revenue	34,652	1,895	206	9,106	-	415	-	805	-	-	47,079
Segment result	5,249	(25)	128	125	-	(204)	(1)	(45)	(1)	-	5,226
Unallocated result	-	-	-	-	-	-	-	-	-	(4,014)	(4,014)
<b>Result from operating activities *</b>	<b>5,249</b>	<b>(25)</b>	<b>128</b>	<b>125</b>	<b>-</b>	<b>(204)</b>	<b>(1)</b>	<b>(45)</b>	<b>(1)</b>	<b>(4,014)</b>	<b>1,212</b>
Net finance income/(expense)	167	(113)	-	13	-	6	-	(2)	-	(649)	(578)
<b>Profit/(loss) before taxation</b>	<b>5,416</b>	<b>(138)</b>	<b>128</b>	<b>138</b>	<b>-</b>	<b>(198)</b>	<b>(1)</b>	<b>(47)</b>	<b>(1)</b>	<b>(4,663)</b>	<b>634</b>
Income tax benefit											115
<b>Profit for the period</b>											<b>749</b>
Capital expenditure	-	-	-	-	-	-	-	-	-	324	324

\* Results from operating activities including share of loss in joint venture (developing project in Warsaw), that amounted to PLN 202 thousands (expenses) during the three months ended 30 June 2015 and PLN 141 thousands (expenses) during the three months ended 30 June 2014.

## Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2015

### Notes to the Interim Condensed Consolidated Financial Statements

#### Note 9 – Inventory

Movements in Inventory during the six months ended 30 June 2015 were as follows:

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 01 January 2015	Transferred to finished goods	Additions	Closing balance 30 June 2015
Land and related expense	393,499	(18,628)	23,516	398,387
Construction costs	155,134	(53,876)	103,933	205,191
Planning and permits	27,317	(3,182)	2,912	27,047
Borrowing costs <sup>(1)</sup>	82,639	(6,969)	5,110	80,780
Other	5,381	(1,074)	1,456	5,763
<b>Work in progress</b>	<b>663,970</b>	<b>(83,729)</b>	<b>136,927</b>	<b>717,168</b>

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 01 January 2015	Transferred from work in progress	Recognized in the statement of comprehensive income	Closing balance 30 June 2015
<b>Finished goods</b>	<b>55,209</b>	<b>83,729</b>	<b>(76,668)</b>	<b>62,270</b>

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 01 January 2015	Revaluation write down recognized in statement of comprehensive income		Closing balance 30 June 2015
		Increase	Utilization	
<b>Write-down</b>	<b>(12,678)</b>	<b>(226)</b>	<b>16</b>	<b>(12,888)</b>
<b>Total inventories at the lower of cost or net realizable value</b>	<b>706,501</b>			<b>766,550</b>

(1) Borrowing costs are capitalized to the value of inventory with 6.39% average effective capitalization interest rate.

## Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2015

### Notes to the Interim Condensed Consolidated Financial Statements

#### Note 9 – Inventory (cont'd)

Movements in Inventory during the year ended 31 December 2014 were as follows:

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 01 January 2014	Transferred to finished units	Additions	Closing balance 31 December 2014
Land and related expense	336,695	(22,606)	79,410	393,499
Construction costs	86,733	(74,717)	143,118	155,134
Planning and permits	24,174	(3,244)	6,387	27,317
Borrowing costs <sup>(1)</sup>	77,502	(5,002)	10,139	82,639
Other	3,772	(1,141)	2,750	5,381
<b>Work in progress</b>	<b>528,876</b>	<b>(106,710)</b>	<b>241,804</b>	<b>663,970</b>

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 01 January 2014	Transferred from work in progress	Recognized in the statement of comprehensive income	Closing balance 31 December 2014
<b>Finished goods</b>	<b>76,439</b>	<b>106,710</b>	<b>(127,940)</b>	<b>55,209</b>

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 01 January 2014	Revaluation write down recognized in statement of comprehensive income		Closing balance 31 December 2014
		Increase	Utilization	
<b>Write-down</b>	<b>(525)</b>	<b>(12,471)</b>	<b>318</b>	<b>(12,678)</b>
<b>Total inventories at the lower of cost or net realizable value</b>	<b>604,790</b>			<b>706,501</b>

(1) Borrowing costs were capitalized to the value of inventory with 7.24% average effective capitalization interest rate.

## Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2015

### Notes to the Interim Condensed Consolidated Financial Statements

#### Note 9 – Inventory (cont'd)

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

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

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 01 January 2014	Transferred from work in progress	Recognized in the statement of comprehensive income	Closing balance 30 June 2014
<b>Finished goods</b>	<b>76,439</b>	<b>97,789</b>	<b>(91,740)</b>	<b>82,488</b>

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

(1) Borrowing costs are capitalized to the value of inventory with 7.66% average effective capitalization interest rate.

**Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2015****Notes to the Interim Condensed Consolidated Financial Statements****Note 10 – Floating rate bond loans**

The table below presents the movement in Floating rate bond loans during the six months ended 30 June 2015, during the year ended 31 December 2014 and during the six months ended 30 June 2014:

<i>In thousands of Polish Zlotys (PLN)</i>	<b>For the six months ended 30 June 2015 (Reviewed/ Unaudited)</b>	<b>For the year ended 31 December 2014 (Audited)</b>	<b>For the six months ended 30 June 2014 (Reviewed/ Unaudited)</b>
<b>Opening balance</b>	<b>159,749</b>	<b>119,366</b>	<b>119,366</b>
Repayment of bond loans	-	(5,000)	(5,000)
Proceeds from bond loans	30,000	45,000	45,000
Issue cost	(597)	(882)	(882)
Issue cost amortization	556	1,013	493
Accrued interest	5,163	9,645	4,327
Interest repayment	(4,826)	(9,393)	(4,048)
<b>Total closing balance</b>	<b>190,045</b>	<b>159,749</b>	<b>159,256</b>
<b>Closing balance includes:</b>			
Current liabilities	24,812	924	951
Non-current liabilities	165,233	158,825	158,305
<b>Total closing balance</b>	<b>190,045</b>	<b>159,749</b>	<b>159,256</b>

**New Floating rate bond loans issued during the six month ended 2015:**

On 23 January 2015, the Company issued 100,000 series I bonds with a total nominal value of PLN 10,000 thousand. The nominal value of one bond amounts to PLN 100 and is equal to its issue price. The series I bonds shall be redeemed on 25 January 2019. The bonds carry an interest rate composed of a base rate equal to 6 months Wibor plus a margin. Interest is payable semi-annually in January and July until redemption date.

On 21 April 2015, the Company issued 15,500 series J bonds with a total nominal value of PLN 15,500 thousand. The nominal value of one bond amounts to PLN 1,000 and is equal to its issue price. The series J bonds shall be redeemed on 19 April 2019. The bonds carry an interest rate composed of a base rate equal to 6 months Wibor plus a margin. Interest is payable semi-annually in April and October until redemption date.

On 18 June 2015, the Company issued 45,000 series K bonds with a total nominal value of PLN 4,500 thousand. The nominal value of one bond amounts to PLN 100 and is equal to its issue price. The series K bonds shall be redeemed on 18 June 2019. The bonds carry an interest rate composed of a base rate equal to 6 months Wibor plus a margin. Interest is payable semi-annually in June and December until redemption date.

The terms and conditions of the issuance of the I, J and K bonds include provisions regarding early redemption at a bondholder's request to be made prior to 25 January 2019 or 19 April 2019, or 18 June 2019, respectively, in case of the occurrence of certain events covering a number of obligations and restrictions applicable to the Company, including the obligation to maintain its financial ratios at certain levels and restrictions on related party transactions.

The series I, J and K bonds are not secured.



**Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2015****Notes to the Interim Condensed Consolidated Financial Statements****Note 10 – Floating rate bond loans (cont'd)****Floating rate bond loans issued before 31 December 2014:**

The maturity dates and the conditions of the floating rate bonds loans series C, D, E, F, G and H have been presented in the annual consolidated financial statements for the year ended 31 December 2014.

The series D, E, G, and H bonds are not secured. The series C bonds are secured by joint mortgage up to PLN 100,200 thousand established by the Company's Polish subsidiaries. Moreover, the ratio between the value of the pledged properties and the total nominal value of the Bonds issued shall not decrease below 90%. The series F bonds are secured by a mortgage up to PLN 42,000 thousand established by one of the Company's Polish subsidiaries on the plots situated in Warsaw at Jaśminowa Street.

**Financial ratio covenants for series C, D and E:**

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

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

*Net debt* - shall mean the total consolidated balance sheet value of loans and borrowings less the consolidated value of cash and cash equivalents and short-term bank deposits - collateralized.

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

*Reporting period* - shall mean the quarterly reporting period with respect to which the Group Net Indebtedness Ratio will be tested, while a "Reporting period" shall mean a single reporting period, i.e. each calendar quarter.

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

<b>As at</b>	<b>30 June 2015</b>
<i>In thousands of Polish Zlotys (PLN)</i>	<i>(Reviewed/ Unaudited)</i>
Net debt	187,309
Equity	447,257
<b>Net Indebtedness Ratio</b>	<b>41.9%</b>

**Financial ratio covenants for series F and H:**

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

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

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

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

*Check date* – last day of each calendar quarter.

**Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2015****Notes to the Interim Condensed Consolidated Financial Statements****Note 10 – Floating rate bond loans (cont'd)****Financial ratio covenants for series F and H (cont'd):**

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

<b>As at</b>	<b>30 June 2015</b>
<i>In thousands of Polish Zlotys (PLN)</i>	<i>(Reviewed/ Unaudited)</i>
Net debt	192,932
Equity	451,682
<b>Net Indebtedness Ratio</b>	<b>42.7%</b>

**Financial ratio covenants for series G, I, J and K:**

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

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

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

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

*Check date* – last day of each calendar quarter.

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

<b>As at</b>	<b>30 June 2015</b>
<i>In thousands of Polish Zlotys (PLN)</i>	<i>(Reviewed/ Unaudited)</i>
Net debt	186,517
Equity	451,682
<b>Net Indebtedness Ratio</b>	<b>41.3%</b>

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

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

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

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

*Check date* – last day of each calendar quarter.

**Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2015****Notes to the Interim Condensed Consolidated Financial Statements****Note 10 – Floating rate bond loans (cont'd)****Financial ratio covenants for series G, I, J and K (cont'd):**

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

<b>As at</b>	<b>30 June 2015</b>
<i>In thousands of Polish Zlotys (PLN)</i>	<i>(Reviewed/ Unaudited)</i>
Net debt	186,517
Inventory	647,131
<b>Net Debt to Inventory Ratio</b>	<b>28.8%</b>

**Note 11 – Secured bank loans**

The following non-current and current Secured bank loans were issued and repaid during the six months ended 30 June 2015, during the six months ended 30 June 2014 and during the year ended 31 December 2014:

<i>In thousands of Polish Zloty (PLN)</i>	<b>For the six months ended 30 June 2015 (Reviewed/ Unaudited)</b>	<b>For the year ended 31 December 2014 (Audited)</b>	<b>For the six months ended 30 June 2014 (Reviewed/ Unaudited)</b>
<b>Opening balance</b>	<b>73,704</b>	<b>41,978</b>	<b>41,978</b>
New bank loan drawdown	47,345	69,819	19,072
Bank loans repayments	(48,847)	(38,413)	(23,152)
Bank charges	(654)	(789)	(789)
Bank charges amortization	523	1,104	727
Accrued interest/(interest repayment) on bank loans, net	39	5	-
<b>Total closing balance</b>	<b>72,110</b>	<b>73,704</b>	<b>37,836</b>
<b>Closing balance includes:</b>			
Current liabilities	10,844	5	24,648
Non-current liabilities	61,266	73,699	13,188
<b>Total Closing balance</b>	<b>72,110</b>	<b>73,704</b>	<b>37,836</b>

The maturity dates of the loans have been presented in the annual consolidated financial statements for the year ended 31 December 2014. For more details please see Note 18 Events during the period (Bank Loans) and Note 19 Subsequent events (Bank Loans).

As at 30 June 2015, 31 December 2014 and 30 June 2014, the Company has not breached any loan covenant, which would expose the Company for risk of obligatory and immediate repayment of any loan and has been able to extend all expiring loan facilities.

**Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2015****Notes to the Interim Condensed Consolidated Financial Statements****Note 12 – Share based payments under the Company’s employee incentive plan**

In February 2014 the Company implemented a long-term incentive plan (the ‘Plan’), addressed to selected key employees, which is based on the price performance of the Company’s shares (the “Phantom Stock Plan”). The Phantom Stock Plan, which does not assume any new issue of shares and which will not result in any new shares supply is based on the following key assumptions and includes the settlement mechanism. For additional information see note 35 of the Consolidated Financial Statements for the year ended 31 December 2014.

As 30 June 2015, the total number of options granted is 2,705,000, the weighted average fair value of these options using the Black-Scholes valuation model is approximately PLN 0.2 per option. The significant inputs into the model were a weighted average share price of PLN 1.25, the exercise price mentioned above, volatility of 44.9%, dividend yield of 3%, an option life of 2 years and an annual risk free rate of 6%.

The fair value of these options, as at 30 June 2015 and 31 December 2014, amounting to PLN 507 thousand and PLN 702 thousands, respectively, has been included in the Company’s consolidated balance sheet under Share based payment liabilities. The change in fair value for the six months period ended 30 June 2015 and 30 June 2014, resulting from vesting of the subsequent tranches as well as changes in the inputs into the Black-Scholes valuation model, amounting to PLN 195 thousand (negative) and PLN 590 thousand (positive), respectively is recognized in employee benefits expense.

As of 30 June 2015, no options have been exercised.

**Note 13 – Income tax**

	<b>For the 6 months ended 30 June 2015 (Reviewed/ Unaudited)</b>	<b>For the 3 months ended 30 June 2015 (Reviewed/ Unaudited)</b>	<b>For the 6 months ended 30 June 2014 (Reviewed/ Unaudited)</b>	<b>For the 3 months ended 30 June 2014 (Reviewed/ Unaudited)</b>
<i>In thousands of Polish Zlotys (PLN)</i>				
<b>Current tax expense/(benefit)</b>	<b>62</b>	<b>20</b>	<b>68</b>	<b>30</b>
<b>Deferred tax expense/(benefit)</b>				
Origination and reversal of temporary differences	1,698	1,125	1,846	(198)
Expense/(benefit) of tax losses recognized	(1,350)	(88)	(1,756)	53
<b>Total deferred tax expense/(benefit)</b>	<b>348</b>	<b>1,037</b>	<b>90</b>	<b>(145)</b>
<b>Total income tax expense/(benefit)</b>	<b>410</b>	<b>1,057</b>	<b>158</b>	<b>(115)</b>

The low effective tax rate during the six months ended 30 June 2015 and 2014 explained by the recognition of tax assets. The recognition of the tax assets took place after an organizational restructuring of the Group, which allowed the Company to utilize certain tax losses that in prior periods were deemed not to be usable.

**Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2015****Notes to the Interim Condensed Consolidated Financial Statements****Note 14 – Investment commitments, Contracted proceeds not yet received and Contingencies****(i) Investment commitments:**

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

<i>In thousands of Polish Zlotys (PLN)</i>	<b>As at 30 June 2015 (Reviewed/ Unaudited)</b>	<b>As at 31 December 2014 (Audited)</b>
Moko I	21,635	35,301
Moko II	29,878	-
Kamienica Jeżyce I	21,419	28,109
Kamienica Jeżyce II	24,413	-
Panoramika II	14,887	20,280
Tamka	2,957	13,684
Młody Grunwald II	5,595	14,796
Espresso II	13,172	18,472
Espresso III	30,018	-
Impressio II	926	9,677
Sakura IV	791	7,608
Verdis IV	3,074	9,325
Verdis III	-	3,312
Sakura III	-	937
<b>Total</b>	<b>168,765</b>	<b>161,501</b>

**(ii) Unutilized construction loans:**

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

<i>In thousands of Polish Zlotys (PLN)</i>	<b>As at 30 June 2015 (Reviewed/ Unaudited)</b>	<b>As at 31 December 2014 (Audited)</b>
Espresso II	23,615	22,305
Espresso III	28,150	-
Sakura III	-	4,415
Sakura IV	-	13,012
Impressio II	6,162	20,314
Moko	12,419	42,450
Młody Grunwald II	8,604	15,142
Kamienica Jeżyce I	22,156	28,671
Panoramika II	19,992	-
<b>Total</b>	<b>121,098</b>	<b>146,309</b>

**Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2015****Notes to the Interim Condensed Consolidated Financial Statements****Note 14 – Investment commitments, Contracted proceeds not yet received and Contingencies (cont'd)****(iii) Contracted proceeds not yet received:**

The table below presents amounts to be received from the customers having bought apartments from the Group and which are based on the value of the sale and purchase agreements signed with the clients until 30 June 2015 after deduction of payments received at the reporting date (such payments being presented in the Interim Consolidated Statement of Financial Position as Advances received):

<i>In thousands of Polish Zlotys (PLN)</i>	<b>As at 30 June 2015 (Reviewed/ Unaudited)</b>	<b>As at 31 December 2014 (Audited)</b>
Moko I	34,901	34,255
Tamka	25,503	26,153
Kamienica Jeżyce I	22,847	10,893
Kamienica Jeżyce II	1,230	-
Espresso II	22,525	16,271
Sakura IV	14,497	11,017
Verdis III	1,519	22,045
Verdis IV	12,718	10,747
Moko II	16,679	-
Impressio II	10,562	7,706
Młody Grunwald II	8,883	6,519
Panoramika II	4,713	3,046
Espresso III	4,639	-
Sakura III	3,249	9,098
Sakura I & II	135	987
Młody Grunwald I	451	28
Chilli I, II & III	394	1,596
Espresso I	333	686
Naturalis I, II & III	2,133	1,513
Verdis I & II	424	117
Old projects	1,717	830
<b>Total</b>	<b>190,052</b>	<b>163,507</b>

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

The Group's activities expose it to a variety of financial risks: market risk (including real estate market risk and fair value interest rate risk), credit risk and liquidity risk. The Interim Condensed Consolidated Financial Statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the group's annual financial statements as at 31 December 2014 (Note 40). There have been no changes in the risk management department since year end or in any risk management policies.

**(ii) Liquidity risk**

Compared to year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities, except for the assumption of new loans and redemption of existing loans during the six months period ended 30 June 2015 as described in Notes 10 and 11.

**Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2015**

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## **Notes to the Interim Condensed Consolidated Financial Statements**

### **Note 15 – Financial risk management (cont'd)**

#### **(iii) Market (price) risk**

The Group's exposure to marketable and non-marketable securities price risk did not exist because the Group had not invested in securities during the six months period ended 30 June 2015.

#### **(iv) Fair value estimation**

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

During the six months ended 30 June 2015 there were no significant changes in the business or economic circumstances that affect the fair value of the group's financial assets, investment property and financial liabilities.

#### **(v) Interest rate risk**

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

### **Note 16 – Related party transactions**

There were no transactions and balances with related parties during six months ended 30 June 2015 other than remuneration of Management and Supervisory Board, share based payment (for reference please refer to note 12), loans granted to related parties and reimbursement of audit review costs. All these transactions were already disclosed in the 2014 annual accounts.

### **Note 17 – Impairment losses and provisions**

The following net movements in the Group's main provisions took place during the six months ended 30 June 2015 and during the six months ended 30 June 2014:

- *Provision for deferred tax liabilities*: during the six months ended 30 June 2015 a decrease of PLN 313 thousand (during the six months ended 30 June 2014 a decrease of PLN 191 thousand).
- *Provision for expected necessary costs in respect of guarantees for construction works*: during the six months ended 30 June 2015 a decrease of PLN 52 thousand (nil during the six months ended 30 June 2014).

**Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2015**

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**Notes to the Interim Condensed Consolidated Financial Statements****Note 18 – Events during the period****Bonds loans**

On 23 January 2015, the Company issued 100,000 series I bonds with a total nominal value of PLN 10,000 thousand. The nominal value of one bond amounts to PLN 100 and is equal to its issue price. The series I bonds shall be redeemed on 25 January 2019. The bonds carry an interest rate composed of a base rate equal to 6 months Wibor plus a margin. Interest is payable semi-annually in January and July until redemption date.

On 21 April 2015, the Company issued 15,500 series J bonds with a total nominal value of PLN 15,500 thousand. The nominal value of one bond amounts to PLN 1000 and is equal to its issue price. The series J bonds shall be redeemed on 19 April 2019. The bonds carry an interest rate composed of a base rate equal to 6 months Wibor plus a margin. Interest is payable semi-annually in April and October until redemption date.

On 18 June 2015, the Company issued 45,000 series K bonds with a total nominal value of PLN 4,500 thousand. The nominal value of one bond amounts to PLN 100 and is equal to its issue price. The series K bonds shall be redeemed on 18 June 2019. The bonds carry an interest rate composed of a base rate equal to 6 months Wibor plus a margin. Interest is payable semi-annually in June and December until redemption date.

For additional information see note 10.

**Bank loans**

In March 2015, the Company executed a loan agreement with mBank Hipoteczny S.A. related to the second stage of the Panoramika project in Szczecin. Under this loan agreement mBank Hipoteczny S.A. is to provide financing to cover the costs of construction up to a total amount of PLN 20.7 million. Under the loan agreement, the final repayment date of the loan facility is February 2018.

In June 2015, the Company executed an annex to the loan agreement with Alior Bank S.A. related to the second stage of the Espresso project in Warsaw. Under this annex the total amount of the loan was increased from PLN 35.0 million to PLN 36.3 million and repayment date was postponed until October 2016.

In June 2015, the Company executed a loan agreement with Alior Bank S.A. related to the third stage of the Espresso project in Warsaw. Under this loan agreement Alior Bank S.A. is to provide financing to cover the Company's funding needs related to development costs of the project up to a total amount of PLN 28.2 million. Under the loan agreement, the final repayment date of the loan facility is July 2017.

In June 2015, the Company executed a loan agreement with Alior Bank S.A. related to financing development costs of the Moko project in Warsaw (both, first and second stage of this project). The loan was also dedicated to refinancing of all previous loan facilities of the Company related to Moko project. Under this loan agreement Alior Bank S.A. is to provide financing to cover the Company's funding needs related to development of the Moko project up to a total amount of PLN 25.0 million. Under the loan agreement, the final repayment date of the loan facility is July 2017.

**Commencements of new projects**

In February 2015, the Company commenced the construction work and the sales of the Espresso III project, which will comprise 155 units with an aggregate floor space of 8,500 m<sup>2</sup>.

In February 2015, the Company commenced the construction work and the sales of the Moko II project, which will comprise 167 units with an aggregate floor space of 12,500 m<sup>2</sup>.

In April 2015, the Company commenced the construction work and the sales of the City Link projects which will comprise 135 units with an aggregate floor space of 6,200 m<sup>2</sup>.

In April 2015, the Company commenced the construction work of the City Link II project, which will comprise 178 units with an aggregate floor space of 7,900 m<sup>2</sup>. The Company is considering commencing the sales during the second half of 2015.



**Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2015**

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**Notes to the Interim Condensed Consolidated Financial Statements****Note 18 – Events during the period (cont'd)****Commencements of new projects (cont'd)**

In May 2015, the Company commenced the construction work and the sales of the Kamienica Jezyce II project, which will comprise 151 units with an aggregate floor space of 7,400 m<sup>2</sup>.

**Completions of projects**

In January 2015, the Company completed the construction of the Sakura III project comprising 145 units with a total area of 7,300 m<sup>2</sup>.

In March 2015, the Company completed the construction of the Verdis III project comprising 146 units with a total area of 7,700 m<sup>2</sup>.

**Land purchase**

In June 2015, the Group entered into a sale-purchase agreement in respect of plot of land located at Wolska Street in Warsaw with the total area of 7.2 thousand m<sup>2</sup>. According to the valid zoning conditions, the plot is dedicated for development of residential multifamily project. The purchase price was agreed at PLN 21.3 million, of which 15% has been already pre-paid during first half of 2015 and the remaining part of the price was settled in July 2015.

**Other income**

Other income amounted to PLN 2.2 million during the six months ended 30 June 2015, which is primarily explained by reversing costs expensed in previous periods with respect to reparation of defects in one of the Company's completed projects. Based on recent settlements with the contractors, the management of the Company believes that all reparation costs will be covered by the Company's contractors responsible for the identified defects.

**Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2015**

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**Notes to the Interim Condensed Consolidated Financial Statements**

**Note 19 – Subsequent events**

**Bond loans**

Since 30 June 2015, the Group has not issued nor redeemed any of the bond loans.

**Bank loans**

Since 30 June 2015, the Group did not sign, nor amended any loan agreement.

**Commencements of new projects**

None

**Completions of projects**

In July 2015, the Company completed the construction of the Impressio II project comprising 136 units with a total area of 8,400 m<sup>2</sup>.

In July 2015, the Company completed the construction of the Sakura IV project comprising 114 units with a total area of 6,600 m<sup>2</sup>.

**The Management Board**

\_\_\_\_\_  
**Shraga Weisman**  
Chief Executive Officer

\_\_\_\_\_  
**Tomasz Łapiński**  
Chief Financial Officer

\_\_\_\_\_  
**Andrzej Gutowski**  
Sales and Marketing Director

\_\_\_\_\_  
**Peter Dudolenski**

\_\_\_\_\_  
**Aharon Soffer**

**Rotterdam, 5 August 2015**

**Independent Auditors' Review Report on the Interim Condensed Consolidated Financial Statements**

## **Review report**

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

### *Introduction*

We have reviewed the accompanying interim condensed consolidated financial statements of Ronson Europe N.V., Rotterdam (the "Company") as at 30 June 2015, which comprise the interim consolidated statement of financial position as at 30 June 2015 and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the six months period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting as adopted by the European Union. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

### *Scope*

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

### *Opinion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

Amsterdam, 5 August 2015

Ernst & Young Accountants LLP

signed by J.H. de Prie