

Ronson Europe N.V.

Interim Financial Report
for the three months
ended
31 March 2016

Interim Financial Report for the three months ended 31 March 2016

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Directors' report

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 31 March 2016, 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 Nationale Nederlanden 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 5 May 2016, the market price was PLN 1.58 per share giving the Company a market capitalization of PLN 430.3 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 Middle East refugee 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 31 March 2016, the Group has 919 units available for sale in twelve locations, of which 804 units are available for sale in seven projects that are ongoing as at 31 March 2016, and the remaining 115 units are in completed projects. The seven ongoing projects comprise a total of 1,759 units, with a total area of 97,400 m². The construction of 1,053 units with a total area of 60,900 m² is expected to be completed during the remainder of 2016, while 706 units, with a total area of 36,500 m² are expected to be completed during 2017.

In addition, the Group has a pipeline of 16 projects in different stages of preparation, representing approximately 3,652 residential units with a total area of approximately 266,300 m² for future development in Warsaw, Poznań, Wrocław and Szczecin. The Group is considering commencement of another five stages of the currently running projects comprising 449 units with a total area of 23,300 m², and three new projects (including one project where the Company is not an owner of the land yet) comprising 491 units with a total area of 28,900 m² (in total 940 units with a total area of 52,200 m²), during the remainder of 2016.

During the three months ended 31 March 2016, the Company realized sales of 206 units with the total value PLN 81.3 million which compares to sales of 186 units with a total value of PLN 71.9 million during the three months ended 31 March 2015.

Directors' report

Market overview

The Polish economy has proven to be 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 nine years. Management believes the Company is well positioned to adapt to changing market conditions. The Company's sales results during the past seven years seem to confirm that the Company has consistently adapted appropriately to 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. The number of commenced construction sites decreased during 2012 (by 12%) and also during 2013 (by a further 10%) reaching less than 128 thousand units commenced that year. The market conditions improved during 2013 and since 2014 the scale of residential activities has been constantly increasing. The number of units commenced during 2015 reached 168 thousand, which was 14% higher than 2014 (and 31% higher than 2013). It is important to note that the number of new projects built by developers increased during 2015 by 24% after a 36% increase during 2014, while the activity of individual investors increased by 6% and 2%, respectively. 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 since 2013, with the main impediment to growth related to new regulations and banking restrictions that came into effect in 2012, which 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 (including for instance cities such as Gdańsk, Łódź or Poznań). Second, in the last few years, the National Bank of Poland has kept interest rates at record low levels (2.5% from July 2013 through September 2014 and 2.0% from October 2014 until March 2015, when the rate was further decreased to 1.5%). These historically low interest rates since 2013 positively impacted the residential market for two reasons. First, mortgage loans became more affordable to 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, 2014 and 2015 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). Despite the number of new apartments introduced to these markets increased to nearly 52,000 during 2015, the total offer of developers as end of year nearly has not changed as similar number of apartments were sold during that period. The total number of new apartments sold in Warsaw during 2015 amounted to 19,300 which was 14% higher than during 2014. Also, the number of new apartments sold in the five major Polish metropolitan areas (other than Warsaw) significantly increased in 2015 compared to 2014, i.e. by 25% (from 26,100 to 32,500). Despite sales results having reached relatively high levels compared with previous years, such robust sales have not translated into any increase in the overall price of apartments as the concomitant increase in development activity has resulted in supply balancing with demand. Moreover, the price limits imposed by the governmental program MDM plays a role as an incentive to many developers to shape their development activity to offer apartments at relatively low prices to allow purchasers to qualify for the government subsidies.

Directors' report

Market overview (cont'd)

The first quarter of 2016 confirmed continuation of the trends observed for 2014 and 2015. According to REAS (real estate agency analyzing the Polish residential market) the pre-sales volume at six major Polish metropolitan areas amounted to 14,300 units during first three months of 2016, which was by nearly 25% higher y/y and only by 1% lower than during record-high fourth quarter of 2015. The number of units added on offer during the same period was 13,700 which resulted in the overall offer of developers being very stable. The total number of units offered for sale in the six largest Polish cities amounted to 48,300 at end of March 2016 compared to 48,700 at end of 2015 and to 47,000 at end of December 2014. This confirms that developers are adjusting their activities to market dynamics and are expanding their supply on a reasonable basis. Simultaneously – according to Polish Statistical Office – the number of units introduced for construction during first quarter of 2016 was by 8% higher than in the same period in 2015, however this dynamics was much more positive in case of houses built individually (increase by 12%) than in case of apartments built for sale by developers (increase by only 0.5%).

Anticipating continuation of stability of interest rates in relatively low levels in the next quarters, as well as stabilized situation in the economy, the not precise and not published yet plans of the Polish government related to future programs supporting sales of apartments seem to be the main source of uncertainty in the Polish residential market in short term. Currently binding program called MdM presumably will not be continued and details of new program that may enter into force as the replacement are still not known. Moreover it is worth noting that pre-sales volume during first quarter of 2016 was to the great extent supported by subsidies within MdM program. As the funds reserved under this program for 2016 have been already fully exploited it may occur that sales of lower-end apartments may slow down in coming months or quarters, until the details of new potential plan are released by the Polish government.

Notwithstanding the above the Management believes that all those factors, particularly taking into account the significantly improving sales results reported during 2014, 2015 and in first quarter of 2016 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 three months ended 31 March 2016

A. Projects completed

During the three months ended 31 March 2016, none of the Company's projects have been recorded as completed.

B. Results breakdown by project

Revenue from the sale of residential units is recognized upon the transfer to the buyer of significant risks and rewards of the ownership of the residential unit, i.e. upon signing of the protocol of technical acceptance and the transfer of the key to the buyer of the residential unit. Total revenue of the Group recognized during the three months ended 31 March 2016 amounted to PLN 41.9 million, whereas cost of sales amounted to PLN 37.9 million, which resulted in a gross profit amounting to PLN 4.0 million with a gross margin of 9.5%.

The following table specifies revenue, cost of sales, gross profit and gross margin during the three months ended 31 March 2016 on a project by project basis:

Project name	Information on the delivered units		Revenue ^(*)		Cost of sales ^(**)		Gross profit	Gross margin
	Number of units	Area of units (m ²)	PLN (thousand)	%	PLN (thousand)	%	PLN (thousand)	%
Sakura	10	581	4,167	10.0%	3,614	9.6%	553	13.3%
Verdis	3	190	1,589	3.8%	1,261	3.3%	328	20.6%
Tamka	7	449	5,462	13.0%	3,547	9.4%	1,915	35.1%
Impressio	11	793	5,036	12.0%	5,088	13.4%	(52)	-1.0%
Młody Grunwald I & II	67	3,833	21,359	51.0%	20,907	55.2%	452	2.1%
Naturalis I, II & III	6	399	2,078	5.0%	1,891	5.0%	187	9.0%
Other	1	260	2,171	5.2%	1,559	4.1%	612	28.2%
Total / Average	105	6,505	41,862	100.0%	37,867	100.0%	3,995	9.5%

(*) 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.

Sakura

The construction of the last stage of Sakura project was completed in July 2015. The project was developed on a land strip of 21,000 m² located in Warsaw at Kłobucka Street. The project comprises 4 six-storey up to eleven-storey, multi-family residential buildings with a total of 488 apartments and 27 commercial units and an aggregate floor space of 30,300 m².

Verdis

The construction of the last stage of Verdis project was completed in October 2015. The project was developed on a land strip of 16,400 m² located in the Wola district in Warsaw at Sowińskiego Street. The project comprises 8 seven-storey up to eleven-storey, multi-family residential buildings with a total of 418 apartments and 23 commercial units and an aggregate floor space of 26,100 m².

Tamka

The construction of the Tamka project was completed in September 2015. The Tamka project was developed on a land strip of 2,500 m² located in the Śródmieście district in Warsaw at Tamka Street (Warsaw city center). The Tamka project comprises 1 eight-storey, multi-family residential building with a total of 60 apartments and 5 commercial units with an aggregate floor space of 5,500 m².

Directors' report

Business highlights during the three months ended 31 March 2016 (cont'd)

B. Results breakdown by project (cont'd)

Impressio

The construction of the last stage of Impressio project was completed in July 2015. The project was developed on a land strip of 14,500 m² located in the Grabiszyn district in Wrocław at Rymarska Street. The project comprises 8 four-storey, multi-family residential buildings with a total of 202 apartments and 4 commercial units and an aggregate floor space of 12,900 m².

Młody Grunwald I & II

The construction of the Młody Grunwald I project and the Młody Grunwald II project were completed in May 2014 and November 2015, respectively. The Młody Grunwald I and II projects were developed on a land strip of 10,600 m² 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 m². The Młody Grunwald II project comprises 3 six-storey, multi-family residential buildings with a total of 132 apartments and 5 commercial units and an aggregate floor space of 8,200 m².

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 m² located in Łomianki near Warsaw. The Naturalis I, II and III projects comprise 1 four-storey, multi-family residential building with a total of 52 apartments and an aggregate floor space of 2,900 m² and 2 four-storey, multi-family residential buildings, each with a total of 60 apartments and an aggregate floor space of 3,400 m².

Other

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

Directors' report

Business highlights during the three months ended 31 March 2016 (cont'd)

C. Units sold during the period

The table below presents information on the total units sold (i.e. total number of units for which the Company signed the preliminary sale agreements with the clients), during the three months ended 31 March 2016:

Project name	Location	Units sold until 31 December 2015	Units sold during the period ended 31 March 2016	Units for sale as at 31 March 2016	Total
Verdis ^(*)	Warsaw	428	-	13	441
Sakura ^(*)	Warsaw	486	8	21	515
Naturalis I, II & III ^(*)	Warsaw	158	4	10	172
Impressio ^(*)	Wrocław	185	7	14	206
Panoramika II ^(**)	Szczecin	60	12	35	107
Espresso II ^(**)	Warsaw	139	7	5	151
Espresso III ^(**)	Warsaw	65	52	38	155
Espresso IV ^(**)	Warsaw	-	-	146	146
Młody Grunwald I-II ^(*)	Poznań	227	15	43	285
Młody Grunwald III ^(**)	Poznań	-	-	108	108
Tamka ^(*)	Warsaw	49	6	10	65
Moko I ^(**)	Warsaw	124	14	40	178
Moko II ^(**)	Warsaw	89	12	66	167
Kamienica Jeżyce I ^(**)	Poznań	122	3	19	144
Kamienica Jeżyce II ^(**)	Poznań	68	33	50	151
City Link I ^{(**)/(***)}	Warsaw	122	33	158	313
Vitalia I ^(**)	Wrocław	-	-	139	139
Other (old) projects		-	-	4	4
Total		2,322	206	919	3,447

(*) For information on the completed projects see "Business highlights during the three months ended 31 March 2016 – B. Results breakdown by project" (pages 4 to 5).

(**) For information on current projects under construction, see "Outlook for the remainder of 2016– B. Current projects under construction" (pages 15 to 17).

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

Directors' report**Business highlights during the three months ended 31 March 2016 (cont'd)****C. Units sold during the period (cont'd)**

The table below presents further information on the units sold (i.e. total number of units for which the Company signed the preliminary sale agreements with the clients), including net saleable area (in m²) of the units sold and net value (exclusive of VAT) of the preliminary sales agreements (including also parking places and storages) executed by the Company, during the three months ended 31 March 2016:

Project name	Location	Sold During the 3 months ended 31 March 2016		
		Number of units	Net saleable area (m ²)	Value of the preliminary sales agreements (in PLN thousands)
Verdis ^(*)	Warsaw	-	-	163
Sakura ^(*)	Warsaw	8	466	3,301
Naturalis I, II & III ^(*)	Warsaw	4	248	1,299
Impressio ^(*)	Wrocław	7	493	3,267
Panoramika II ^(**)	Szczecin	12	662	2,999
Espresso II ^(**)	Warsaw	7	396	2,977
Espresso III ^(**)	Warsaw	52	2,318	16,598
Młody Grunwald I-II ^(*)	Poznań	15	946	5,247
Tamka ^(*)	Warsaw	6	513	6,692
Moko I ^(**)	Warsaw	14	992	8,053
Moko II ^(**)	Warsaw	12	947	7,340
Kamienica Jeżyce I ^(**)	Poznań	3	189	1,164
Kamienica Jeżyce II ^(**)	Poznań	33	1,452	8,726
City Link I ^{(**)/(***)}	Warsaw	33	1,443	13,228
Other (old) projects		-	-	263
Total		206	11,065	81,317

(*) For information on the completed projects see "Business highlights during the three months ended 31 March 2016 – B. Results breakdown by project" (pages 4 to 5).

(**) For information on current projects under construction, see "Outlook for the remainder of 2016– B. Current projects under construction" (pages 15 to 17).

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

D. Commencements of new projects

The table below presents information on the projects for which the construction and/or sales process commenced during the three months ended 31 March 2016:

Project name	Location	Number of units	Area of units (m ²)
Espresso IV ^(*)	Warsaw	146	8,100
Młody Grunwald III ^(*)	Poznań	108	7,100
Total		254	15,200

(*) For information on current projects under construction and/or on sale, see "Outlook for the remainder of 2016 – B. Current projects under construction and/or on sale" (pages 15-17).

Directors' report

Financial information

The Interim Condensed Consolidated Financial Statements as included in this Interim Financial Report on pages 23 through 46 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 2015 which have been prepared in accordance with IFRS. At the date of authorization of these Interim Condensed Consolidated Financial Statements, in light of the nature of the Group's activities, the IFRSs applied by the Group are not different from the IFRSs endorsed by the European Union. IFRSs comprise standards and interpretations accepted by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC"). For additional information, see Note 3 of the Interim Condensed Consolidated Financial Statements.

Overview of results

The net loss attributable to the equity holders of the parent company for the three months ended 31 March 2016 was PLN 4,242 thousand and can be summarized as follows:

	For the three months ended	
	31 March	
	2016	2015
	PLN	
	(thousands, except per share data)	
Revenue	41,862	40,396
Cost of sales	(37,867)	(35,802)
Gross profit	3,995	4,594
Selling and marketing expenses	(1,734)	(1,695)
Administrative expenses	(5,221)	(4,492)
Share of profit/(loss) of associates	(219)	(41)
Other expense	(902)	(914)
Other income	121	194
Result from operating activities	(3,960)	(2,354)
Finance income	550	449
Finance expense	(2,122)	(1,551)
Net finance income/(expense)	(1,572)	(1,102)
Profit/(loss) before taxation	(5,532)	(3,456)
Income tax benefit/(expenses)	1,117	647
Net profit/(loss) for the period before non-controlling interests	(4,415)	(2,809)
Non-controlling interests	173	65
Net profit/(loss) for the period attributable to the equity holders of the parent	(4,242)	(2,744)
Net earnings per share attributable to the equity holders of the parent (basic and diluted)	(0.016)	(0.010)

Directors' report

Overview of results (cont'd)

Revenue

Total revenue increased by PLN 1.5 million (3.6%) from PLN 40.4 million during the three months ended 31 March 2015 to PLN 41.9 million during the three months ended 31 March 2016, which is primarily explained by a slight increase in apartments delivered to the customers in terms of area size (in m²). The increase is offset in part by a slight decrease in the average selling price per m².

Cost of sales

Cost of sales increased by PLN 2.1 million (5.8%) from PLN 35.8 million during the three months ended 31 March 2015 to PLN 37.9 million during the three months ended 31 March 2016, which is primarily explained by a slight increase in apartments delivered to the customers in terms of area size (in m²), as well as a slight increase in the average cost of sale per m².

Gross margin

The gross margin during the three months ended 31 March 2016 was 9.5% which compares to a gross margin during the three months ended 31 March 2015 of 11.4%. The majority of revenues and costs of sales (and therefore also gross profit margin) recognized during the three months ended 31 March 2016 was related to projects which were less profitable than the projects delivered to the customers during three months ended 31 March 2015.

Selling and marketing expenses

No material change.

Administrative expenses

Administrative expenses increased by PLN 0.7 million (16.2%) from PLN 4.5 million for the three months ended 31 March 2015 to PLN 5.2 million for the three months ended 31 March 2016. The increase is primarily explained by the impact the Company's incentive plan (for additional information see note 12 to the Interim Condensed Consolidated Financial Statements).

Result from operating activities

As a result of the factors described above, the Company's operating result decreased by PLN 1.6 million, from an operating loss of PLN 2.4 million for three months ended 31 March 2015 to an operating loss of PLN 4.0 million for three months ended 31 March 2016.

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

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

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

	For the three months ended 31 March 2016		
	PLN (thousands)		
	<u>Total amount</u>	<u>Amount capitalized</u>	<u>Recognized as profit or loss</u>
Finance income	550	-	550
Finance expense	(4,222)	2,100	(2,122)
Net finance income/(expense)	(3,672)	2,100	(1,572)

	For the three months ended 31 March 2015		
	PLN (thousands)		
	<u>Total amount</u>	<u>Amount capitalized</u>	<u>Recognized as profit or loss</u>
Finance income	449	-	449
Finance expense	(4,175)	2,624	(1,551)
Net finance income/(expense)	(3,726)	2,624	(1,102)

Net finance expenses before capitalization decreased by only PLN 0.05 million (1.4%) from PLN 3.73 million during the three months ended 31 March 2015 to PLN 3.67 million during the three months ended 31 March 2016. Simultaneously the average net debt position decreased from PLN 174.9 million during the three months ended 31 March 2015 to PLN 131.7 million during the three months ended 31 March 2016.

Income tax benefit/(expenses)

During the three months ended 31 March 2016 the income tax benefit amounted to PLN 1.1 million, in comparison to income tax benefit of PLN 0.6 million for the three months ended 31 March 2015.

Non-controlling interests

Non-controlling interests comprise the share of minority shareholders in profit and losses from subsidiaries that are not 100% owned by the Company and amounted to PLN 173 thousand (positive) for the three months ended 31 March 2016, as compared to PLN 65 thousand (positive) for the three months ended 31 March 2015.

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

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

	As at 31 March 2016	As at 31 December 2015
	PLN (thousands)	
Inventory	<u>698,867</u>	<u>701,287</u>
Advances received	<u>153,885</u>	<u>116,881</u>
Loans and borrowings	<u>218,718</u>	<u>250,110</u>

Inventory

The balance of inventory is PLN 698.9 million as of 31 March 2016 compared to PLN 701.3 million as of 31 December 2015. The decrease in inventory is primarily explained by cost of sales recognized for a total amount of PLN 37.1 million. The decrease is offset in part by the Group's investments associated with direct construction costs for a total amount of PLN 31.1 million and a net finance expense capitalized for a total amount of PLN 2.1 million.

Advances received

The balance of advances received is PLN 153.9 million as of 31 March 2016 compared to PLN 116.9 million as of 31 December 2015. The increase is a result of advances received from clients regarding sales of residential units for a total amount PLN 78.9 million and is offset in part by revenues recognized from the sale of residential units for a total amount of PLN 41.9 million.

Loans and borrowings

The total of short-term and long-term loans and borrowings is PLN 218.7 million as of 31 March 2016 compared to PLN 250.1 million as of 31 December 2015. The decrease in loans and borrowings is primarily explained by the effect of repayment of bank loans for a total amount of PLN 75.6 million. The decrease is offset in part by the effect of proceeds from bank loans net of bank charges for a total amount of PLN 21.6 million and proceeds from bond loans, net of issue costs for a total amount of PLN 19.6 million. Of the mentioned PLN 218.7 million, an amount of PLN 25.2 million comprises facilities maturing no later than 31 March 2017.

The maturity structure of the loans and borrowings reflects the Company's recent activities related to bonds issued from 2013 through the three months ended 31 March 2016 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.

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) loans from third parties.

Floating rate bond loans as at 31 March 2016 amounted to PLN 212.6 million comprising a loan principal amount of PLN 211.3 million plus accrued interest of PLN 3.5 million minus one-time costs directly attributed to the bond issuances which are amortized based on the effective interest method (PLN 2.2 million). For additional information see Note 10 of the Interim Condensed Consolidated Financial Statements.

The bank loans supporting completed projects or projects under construction are tailored to the pace of construction works and of sales. As at 31 March 2016, loans in this category amounted to PLN 3.2 million.

Loans from third parties as at 31 March 2016 amounted to PLN 3.0 million.

Directors' report**Overview of cash flow results**

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

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

	For the three months ended 31 March	
	2016	2015
	PLN (thousands)	
Cash flow from/(used in) operating activities	<u>40,778</u>	<u>(11,847)</u>
Cash flow from/(used in) investing activities	<u>34</u>	<u>(4,124)</u>
Cash flow from/(used in) financing activities	<u>(34,439)</u>	<u>(1,251)</u>

Cash flow from/(used in) operating activities

The Company's net cash inflow from operating activities for the three months ended 31 March 2016 amounted to PLN 40.8 million which compares to a net cash outflow used in operating activities during the three months ended 31 March 2015 amounting to PLN 11.9 million. The increase is principally explained by:

- a net cash inflow from advances received from clients regarding sales of residential units from cash inflow PLN 78.9 million during the three months ended 31 March 2016, which were offset by revenue recognized for a total amount of PLN 41.9 million, to advances received in the amount of PLN 50.7 million during the three months ended 31 March 2015, which were offset by revenue recognized for a total amount of PLN 40.4 million.
- a net cash inflow from inventory amounting to PLN 4.5 million during the three months ended 31 March 2016 compared to a net cash outflow used in inventory amounting to PLN 15.2 million during the three months ended 31 March 2015.

Cash flow from/(used in) investing activities

The Company's net cash inflow from investing activities amounting to PLN 34 thousand during the three months ended 31 March 2016 compared to a net cash outflow used in investing activities totaling PLN 4.1 million during the three months ended 31 March 2015. The increase is primarily explained by:

- a net cash inflow from collateralized short-term bank deposits amounting to PLN 34 thousand during the three months ended 31 March 2016 compared to a net cash outflow used in collateralized short-term bank deposits of PLN 3.8 million during the three months ended 31 March 2015.

Directors' report

Overview of cash flow results (cont'd)

Cash flow from/(used in) financing activities

The Company's net cash outflow used in financing activities amounted to PLN 34.4 million during the three months ended 31 March 2016 compared to a net cash outflow totaling PLN 1.3 million in the three months ended 31 March 2015. The increase is primarily due to:

- a repayment of secured bank loans amounting to PLN 75.6 million during the three months ended 31 March 2016 compared to a repayment of secured bank loans amounting to PLN 32.7 million during the three months ended 31 March 2015.

This effect was offset in part by:

- the effects of the proceeds from bond loans, net of issue costs which amounted to PLN 19.6 million during the three months ended 31 March 2016 compared to net proceeds from bond loans amounting to PLN 9.8 million during the three months ended 31 March 2015.

Quarterly reporting by the Company

As a result of requirements (indirectly) pertaining to I.T.R. Dori B.V., one of the Company's two largest 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 Polish Zloty versus Euro			
	Average exchange rate	Minimum exchange rate	Maximum exchange rate	Period end exchange rate
2016 (3 months)	4.365	4.245	4.499	4.268
2015 (3 months)	4.193	4.089	4.334	4.089

Source: National Bank of Poland ("NBP")

Selected financial data	EUR*		PLN	
	(thousands, except per share data and number of shares)			
	For the three months ended 31 March or as at 31 March			
	2016	2015	2016	2015
Revenues	9,590	9,634	41,862	40,396
Gross profit	915	1,096	3,995	4,594
Profit/(loss) before taxation	(1,267)	(824)	(5,532)	(3,456)
Net profit/(loss) for the period attributable to the equity holders of the parent	(972)	(654)	(4,242)	(2,744)
Cash flows from/(used in) operating activities	9,342	(2,825)	40,778	(11,847)
Cash flows from/(used in) investing activities	8	(984)	34	(4,124)
Cash flows from/(used in) financing activities	(7,890)	(298)	(34,439)	(1,251)
Increase/(decrease) in cash and cash equivalents	1,460	(4,107)	6,373	(17,222)
Inventory	163,746	177,138	698,867	724,316
Total assets	205,030	209,032	875,068	854,731
Advances received	36,056	26,736	153,885	109,325
Long term liabilities	47,221	55,984	201,538	228,917
Short term liabilities (including advances received)	51,201	43,356	218,524	177,282
Equity attributable to the equity holders of the parent	106,246	109,195	453,456	446,498
Share capital	5,054	5,054	20,762	20,762
Average number of equivalent shares (basic)	272,360,000	272,360,000	272,360,000	272,360,000
Net earnings per share (basic and diluted)	(0.004)	(0.002)	(0.016)	(0.010)

* 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 2015 to 31 March 2016, 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 2016

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 2016:

Project name	Location	Number of units delivered (*)			Number of residential units expected to be delivered (*)			Total project
		Until 31 December 2015	During the three months ended 31 March 2016	Total units delivered	Sold until 31 March 2016	Units for sale at 31 March 2016	Total units expected to be delivered	
Młody Grunwald I-II (**)	Poznań	166	67	233	9	43	52	285
Naturalis I,II & III (**)	Warsaw	150	6	156	6	10	16	172
Sakura (**)	Warsaw	479	10	489	5	21	26	515
Verdis (**)	Warsaw	423	3	426	2	13	15	441
Tamka (**)	Warsaw	42	7	49	6	10	16	65
Impressio (**)	Wrocław	172	11	183	9	14	23	206
Other (old) projects		-	1	1	1	4	5	6
Total		1,432	105	1,537	38	115	153	1,690

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

(**) For information on the completed projects see "Business highlights during the three months ended 31 March 2016 – B. Results breakdown by project" (pages 4-5).

B. Current projects under construction and/or on sale

The table below presents information on projects for which completion is scheduled during the remainder of 2016 and in 2017. The Company has obtained construction permits for all projects/stages and has commenced construction.

Project name	Location	Units sold until 31 March 2016	Units for sale as at 31 March 2016	Total units	Net saleable area (m ²)	Expected completion of construction
Espresso II	Warsaw	146	5	151	7,600	2016
Espresso III	Warsaw	117	38	155	8,500	2016
Panoramika II	Szczecin	72	35	107	5,900	2016
Moko I	Warsaw	138	40	178	11,200	2016
Moko II	Warsaw	101	66	167	12,500	2016
Kamienica Jeżyce I	Poznań	125	19	144	7,800	2016
Kamienica Jeżyce II	Poznań	101	50	151	7,400	2016
City Link I (*)	Warsaw	155	158	313	14,100	2017
Vitalia I	Wrocław	-	139	139	7,200	2017
Espresso IV	Warsaw	-	146	146	8,100	2017
Młody Grunwald IV	Poznań	-	108	108	7,100	2017
Total		955	804	1,759	97,400	

(*) The project is presented in the Consolidated Financial Statements under Investment in joint ventures, the Company's share in the project is 50%.

Directors' report

Outlook for the remainder of 2016 (cont'd)

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

Espresso II, III and IV

Description of project

The second, the third and the fourth (and last) phases of the Espresso project are being developed on a land strip of 12,200 m² 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, the third and the fourth phase of this project will comprise 2 seven-and-eight-storey, multi-family residential buildings with a total of 141 apartments and 10 commercial units and an aggregate floor space of 7,600 m² 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 m², and 1 six-eight-storey, multi-family residential building with a total of 135 apartments and 11 commercial units and an aggregate floor space of 8,100 m², 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. The construction of the Espresso IV project commenced in March 2016, while completion is expected in the fourth quarter of 2017.

Panoramika II

Description of project

The second phase of the Panoramika project is being developed on a part of land strip of 10,600 m² located in Szczecin at Duńska Street, and is a continuation of Panoramika I, which was completed during 2012. The second phase of this project will comprise 1 nine-storey, multi-family residential building with a total of 107 apartments and an aggregate floor space of 5,900 m².

Stage of development

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

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 m² 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 m² 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 m², 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.

Directors' report

Outlook for the remainder of 2016 (cont'd)

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

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 9,700 m² 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 m², and 5 five and six-storey, multi-family residential buildings with a total of 151 apartments with an aggregate floor space of 7,400 m², 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

Description of project

The first phase of this project is being developed on a land strip of 8,900 m² located in the Wola district in Warsaw at Skierniewicka street. The first phase of this project will comprise 1 six to ten-storey, multi-family residential building with a total of 301 apartments and 12 commercial units with an aggregate floor space of 14,100 m².

Stage of development

The construction of the City Link I project commenced in April 2015, while completion is expected in the second quarter of 2017.

Vitalia I

Description of project

The first phase of this project will be developed in phases on a part of land strip of 18,500 m² located in Krzyki district in Wrocław at Jutrzenki Street. The first phase of this project will comprise 2 three to four-storey, multi-family residential buildings with a total of 139 apartments with an aggregate floor space of 7,200 m².

Stage of development

The construction of the Vitalia I project commenced in December 2015, while completion is expected in the second quarter of 2017.

Młody Grunwald III

Description of project

The third and last phase of the Młody Grunwald project is being developed on a part of land strip of 4,800 m² located in Grunwald district in Poznań at Jeleniogórska Street, and is a continuation of the Młody Grunwald I and II projects, which were completed in 2014 and 2015, respectively. The third phase of this project will comprise 3 six-storey, multi-family residential buildings with a total of 104 apartments and 4 commercial units with an aggregate floor space of 7,100 m².

Stage of development

The construction of the Młody Grunwald III project commenced in March 2016, while completion is expected in the third quarter of 2017.

Directors' report

Outlook for the remainder of 2016 (cont'd)

C. Projects for which construction work is planned to commence during the remainder of 2016

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 2016, the Company is considering the commencement of development of the five 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 m² located in the Mokotów district in Warsaw at Jaśminowa Street. The project will comprise 320 units with an aggregate floor space of 32,000 m². The first stage is to comprise up to 106 units with an aggregate floor space of 10,600 m², which will be developed in smaller sections, that may be completed separately. The Company is considering commencing construction of the first phase of this project during the remainder of 2016.

Marina Miasto

The Marina Miasto project will be developed on a land strip of 8,100 m² located in Wrocław at Na Grobli Street. The project will comprise 152 units with an aggregate floor space of 6,100 m². The Company is considering commencing construction of this project during the remainder of 2016.

Marywilska I

The Marywilska project will be developed on a land strip of 76,300 m² located in the Białołęka district in Warsaw at Marywilska Street. The project will comprise 1,490 units with an aggregate floor space of 75,000 m². The first stage is to comprise 233 units with an aggregate floor space of 12,200 m². The Company is considering commencing construction of the first phase of this project during 2016. The Company has not yet acquired all rights to the land allowing for a development of the project. The preliminary agreement that was signed in November 2015 assumes final settlement of the price and transfer of title to the plot during the first half of 2016. In March 2016, the Company entered also into a conditional sale agreement with the seller, in which all parameters of the preliminary agreement were confirmed and the transfer of the title to the plot became conditional only to a pre-emption right of the municipality, the city of Warsaw. Moreover, the Company issued a corporate guarantee securing the payment of the purchase price for the plot by its subsidiary (up to an amount of PLN 40 million, which includes the remaining part of the purchase price (including VAT)). The Company and the seller anticipate finalization of this transaction in May 2016.

Notwithstanding the above, the Company is entitled to proceed with all necessary preparation works, including architectural planning of the project.

Directors' report

Outlook for the remainder of 2016 (cont'd)***C. Projects for which construction work is planned to commence during the remainder of 2016 (cont'd)******b) New stages of running projects******Chilli IV***

The Chilli IV project is a continuation of the Chilli I, II and III projects. The project will comprise 45 units with an aggregate floor space of 3,000 m². The Company is considering commencing construction of this project during the remainder of 2016.

Panoramika III

The Panoramika III project is a continuation of the Panoramika I and II projects. The project will comprise 122 units with an aggregate floor space of 5,800 m². The Company is considering commencing construction of this project during the remainder of 2016.

Vitalia II

The Vitalia II project is a continuation of the Vitalia I project. The project will comprise 36 units with an aggregate floor space of 2,500 m². The Company is considering commencing construction of this project during the remainder of 2016.

Naturalis IV

The Naturalis IV project is a continuation of the Naturalis I, II and III projects. The project will comprise 57 units with an aggregate floor space of 3,200 m². The Company is considering commencing construction of this project during the remainder of 2016.

City Link II

The City Link II project is a continuation of the City Link I project. The project will comprise 189 units with an aggregate floor space of 8,800 m². The Company is considering commencing construction of this project during the remainder of 2016.

Directors' report**Outlook for the remainder of 2016 (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:

Project name	Location	Value of the preliminary sales agreements signed with clients in thousands of PLN	Completed / expected completion of construction
Tamka ^(*)	Warsaw	6,830	Completed
Impressio ^(*)	Wrocław	3,980	Completed
Verdis ^(*)	Warsaw	849	Completed
Sakura ^(*)	Warsaw	2,517	Completed
Młody Grunwald I, II ^(*)	Poznań	2,521	Completed
Naturalis I, II & III ^(*)	Warsaw	1,921	Completed
Other (old) projects		1,188	Completed
<i>Subtotal completed projects</i>		<i>19,806</i>	
Espresso II ^(**)	Warsaw	50,815	2016
Espresso III ^(**)	Warsaw	41,530	2016
Panoramika II ^(*)	Szczecin	15,702	2016
Moko I ^(**)	Warsaw	66,028	2016
Moko II ^(**)	Warsaw	45,158	2016
Kamienica Jeżyce I ^(**)	Poznań	37,246	2016
Kamienica Jeżyce II ^(**)	Poznań	25,033	2016
<i>Subtotal ongoing projects</i>		<i>281,512</i>	
City Link I ^{(**)/(***)}	Warsaw	60,272	2017
<i>Subtotal project held by joint venture</i>		<i>60,272</i>	
Total		361,590	

^(*) For information on the completed projects see "Business highlights during the three months ended 31 March 2016 – B. Results breakdown by project" (pages 4-5).

^(**) For information on current projects under construction and/or on sale, see under "B" above (pages 15-17).

^(***) This project is presented in the Consolidated Financial Statements under Investment in joint ventures, the Company's share in this project is 50%.

E. Main risks and uncertainties during the remainder of 2016

While the improving market in 2014, 2015 and the first quarter of 2016 potentially bodes well for the Company in the remainder of 2016 and in 2017, 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 2016. 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 2016.

Directors' report

Additional information to the report

To the best of the Company's knowledge, as of the date of preparation of this short report for the three months ended 31 March 2016 (5 May 2016), 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 May 2016 Number of shares / % of shares	Change in number of shares	As of 31 March 2016 Number of shares / % of shares	Change in number of shares	As of 31 December 2015 Number of shares / % of shares
<i>Shares issued</i>	<i>272,360,000</i>	-	<i>272,360,000</i>	-	<i>272,360,000</i>
<i>Major shareholders:</i>					
I.T.R. 2012 B.V. ⁽¹⁾	87,449,187 32.1%	-	87,449,187 32.1%	-	87,449,187 32.1%
I.T.R. Dori B.V. ⁽¹⁾	87,449,187 32.1%	-	87,449,187 32.1%	-	87,449,187 32.1%
RN Residential B.V. ⁽²⁾	41,800,000 15.3%	-	41,800,000 15.3%	-	41,800,000 15.3%
Metlife Otworthy Fundusz Emerytalny ⁽³⁾	N/A Between 3%-5%.	N/A	N/A Between 3%-5%.	N/A	N/A Between 3%-5%.
Nationale Nederlanden Otworthy Fundusz Emerytalny ⁽⁴⁾	N/A Between 5%-10%.	N/A	N/A Between 5%-10%.	N/A	N/A Between 5%-10%.

- (1) 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.
- (2) 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.
- (3) Formerly Amplico Otworthy Fundusz Emerytalny.
- (4) Formerly ING Otworthy Fundusz Emerytalny.

Changes in the Management Board in the three months ended 31 March 2016 and until the date of publication of this report

The Annual General Meeting of Shareholders held on 20 April 2016 approved the appointment of Mr Roy Vishnovizki 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 Vishnovizki replaced Mr Yosef Shaked, who stepped down as managing director B effective on the day of the Annual General Meeting of Shareholders (20 April 2016).

Changes in the Supervisory Board in the three months ended 31 March 2016 and until the date of publication of this report

The Annual General Meeting of Shareholders held on 20 April 2016 approved the appointment of Mr Amos Luzon as member of the Supervisory Board for a term of four years. His appointment came into force as of the day of the adoption of the resolution. Mr Luzon replaced Mr Arie Mientkavich, who stepped down as Supervisory Board director effective on the day of the Annual General Meeting of Shareholders (20 April 2016).

Directors' report

Additional information to the report (cont'd)

Changes in ownership of shares and rights to shares by Supervisory Board members in the three months ended 31 March 2016 and until the date of publication of this report

Mr Amos Luzon as at 31 March 2016 and as at the day of publishing this report held 78.04 % of the shares and voting rights in U.Dori. and as a result, thus indirectly held a 31.05% interest in the Company.

Other

As of 31 March 2016, the Company has issued guarantees for bank loans granted to subsidiaries amounting to a total of PLN 46.6 million.

As of 31 March 2016, the Group had no litigations for claims or liabilities that in total would exceed 10% of the Group's equity.

Responsibility statement

The Management Board confirms that, to the best of its knowledge, these Interim Condensed Consolidated Financial Statements have been prepared in accordance with IAS 34 "Interim financial reporting". At the date of authorization of these Interim Condensed Consolidated Financial Statements, in light of the current process of IFRS endorsement in the European Union and the nature of the Group's activities, there is no difference between the IFRSs applied by the Group and the IFRSs endorsed by the European Union. IFRSs comprise standards and interpretations accepted by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC"). The Interim Condensed Consolidated Financial Statements give a true and fair view of the state of affairs of the Group at 31 March 2016 and of the net result for the period then ended.

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

The Management Board

Shraga Weisman
 Chief Executive Officer

Tomasz Łapiński
 Chief Financial Officer

Andrzej Gutowski
 Sales and Marketing Director

Erez Yoskovitz

Roy Vishnovizki

Rotterdam, 5 May 2016

Interim Condensed Consolidated Financial Statement for the three months ended 31 March 2016**Interim Condensed Consolidated Statement of Financial Position**

As at		31 March 2016 (Reviewed/ Unaudited)	31 December 2015 (Audited)
<i>In thousands of Polish Zlotys (PLN)</i>	<i>Note</i>		
Assets			
Property and equipment		8,694	8,872
Investment property		8,743	8,743
Investment in joint ventures		17,353	17,438
Deferred tax assets		11,563	11,303
Total non-current assets		46,353	46,356
Inventory	9	698,867	701,287
Trade and other receivables and prepayments		13,766	18,493
Income tax receivable		489	428
Short-term bank deposits - collateralized		4,059	4,093
Loans granted to third parties		470	458
Other current financial assets		5,160	4,198
Cash and cash equivalents		105,904	99,531
Total current assets		828,715	828,488
Total assets		875,068	874,844
Equity			
Share capital		20,762	20,762
Share premium		282,873	282,873
Retained earnings		149,821	154,063
Equity attributable to equity holders of the parent		453,456	457,698
Non-controlling interests		1,550	1,723
Total equity		455,006	459,421
Liabilities			
Floating rate bond loans	10	191,386	171,538
Secured bank loans	11	2,163	42,099
Loans from third parties		-	906
Share based payment liabilities	12	1,089	630
Deferred tax liability		6,900	7,780
Total non-current liabilities		201,538	222,953
Trade and other payables and accrued expenses		38,022	38,574
Floating rate bond loans	10	21,197	18,759
Secured bank loans	11	1,020	14,803
Loans from third parties		2,952	2,005
Advances received		153,885	116,881
Income tax payable		7	7
Provisions		1,441	1,441
Total current liabilities		218,524	192,470
Total liabilities		420,062	415,423
Total equity and liabilities		875,068	874,844

The notes included on pages 28 to 46 are an integral part of these interim condensed consolidated financial statements

Interim Condensed Consolidated Financial Statement for the three months ended 31 March 2016**Interim Condensed Consolidated Statement of Comprehensive Income**

<i>PLN (thousands, except per share data and number of shares)</i>	<i>Note</i>	For the 3 months ended 31 March 2016 (Reviewed/ Unaudited)	For the 3 months ended 31 March 2015 (Reviewed/ Unaudited)
Revenue		41,862	40,396
Cost of sales		(37,867)	(35,802)
Gross profit		3,995	4,594
Selling and marketing expenses		(1,734)	(1,695)
Administrative expenses		(5,221)	(4,492)
Share of profit/(loss) in joint ventures		(219)	(41)
Other expenses		(902)	(914)
Other income		121	194
Result from operating activities		(3,960)	(2,354)
Finance income		550	449
Finance expense		(2,122)	(1,551)
Net finance expense		(1,572)	(1,102)
Profit/(loss) before taxation		(5,532)	(3,456)
Income tax benefit/(expense)	13	1,117	647
Profit/(loss) for the period		(4,415)	(2,809)
Other comprehensive income		-	-
Total comprehensive income for the period, net of tax		(4,415)	(2,809)
Total profit/(loss) for the year attributable to:			
Equity holders of the parent		(4,242)	(2,744)
Non-controlling interests		(173)	(65)
Total profit/(loss) for the year		(4,415)	(2,809)
Total comprehensive income attributable to:			
Equity holders of the parent		(4,242)	(2,744)
Non-controlling interests		(173)	(65)
Total comprehensive income/(expense) for the period, net of tax		(4,415)	(2,809)
Weighted average number of ordinary shares (basic and diluted)		272,360,000	272,360,000
<i>In Polish Zlotys (PLN)</i>			
Earnings per share attributable to the equity holders of the parent (basic and diluted)		(0.016)	(0.010)

The notes included on pages 28 to 46 are an integral part of these interim condensed consolidated financial statements

Interim Condensed Consolidated Financial Statement for the three months ended 31 March 2016**Interim Condensed Consolidated Statement of Changes in Equity**

<i>In thousands of Polish Zlotys (PLN)</i>	<u>Attributable to the Equity holders of parent</u>				Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Total		
Balance at 1 January 2016	20,762	282,873	154,063	457,698	1,723	459,421
<i>Comprehensive income:</i>						
Loss for the three months ended 31 March 2016	-	-	(4,242)	(4,242)	(173)	(4,415)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income/(expense)	-	-	(4,242)	(4,242)	(173)	(4,415)
Balance at 31 March 2016 (Reviewed/Unaudited)	20,762	282,873	149,821	453,456	1,550	455,006

<i>In thousands of Polish Zlotys (PLN)</i>	<u>Attributable to the Equity holders of parent</u>				Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Total		
Balance at 1 January 2015	20,762	282,873	145,607	449,242	2,099	451,341
<i>Comprehensive income:</i>						
Loss for the three months ended 31 March 2015	-	-	(2,744)	(2,744)	(65)	(2,809)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income/(expense)	-	-	(2,744)	(2,744)	(65)	(2,809)
Balance at 31 March 2015 (Reviewed/Unaudited)	20,762	282,873	142,863	446,498	2,034	448,532

The notes included on pages 28 to 46 are an integral part of these interim condensed consolidated financial statements

Interim Condensed Consolidated Financial Statement for the three months ended 31 March 2016**Interim Condensed Consolidated Statement of Cash Flows**

	For the 3 months ended 31 March 2016	For the 3 months ended 31 March 2015
	(Reviewed) / (unaudited)	(Reviewed/ Unaudited)
<i>In thousands of Polish Zlotys (PLN)</i>		
Cash flows from/(used in) operating activities		
Profit/(loss) for the period	(4,415)	(2,809)
Adjustments to reconcile profit for the period to net cash used in operating activities		
Depreciation	178	173
Finance expense	2,122	1,551
Finance income	(550)	(449)
Profit on sale of property and equipment	-	(28)
Share of loss /(profit) from joint ventures	219	41
Share-based payment	12 459	(85)
Income tax benefit/(expense)	(1,117)	(647)
Subtotal	(3,104)	(2,253)
Decrease/(increase) in inventory	4,520	(15,191)
Decrease/(increase) in trade and other receivables and prepayments	4,727	(6,157)
Decrease/(increase) in other current financial assets	(962)	(2,052)
Increase/(decrease) in trade and other payables and accrued expenses	(552)	4,779
Increase/(decrease) in provisions	-	(168)
Increase/(decrease) in advances received	37,004	10,312
Subtotal	41,633	(10,730)
Interest paid	(1,174)	(1,501)
Interest received	403	373
Income tax received/(paid)	(84)	11
Net cash from/(used in) operating activities	40,778	(11,847)

The notes included on pages 28 to 46 are an integral part of these interim condensed consolidated financial statements

Interim Condensed Consolidated Financial Statement for the three months ended 31 March 2016**Interim Condensed Consolidated Statement of Cash Flows (cont'd)**

	For the 3 months ended 31 March 2016	For the 3 months ended 31 March 2015
	(Reviewed) / (unaudited)	(Reviewed/ Unaudited)
<i>In thousands of Polish Zlotys (PLN)</i>		
Cash flows from/(used in) investing activities		
Acquisition of property and equipment	-	(13)
Proceeds from loans granted to third parties	-	310
Investment in joint ventures	-	(600)
Short-term bank deposits – collateralized	34	(3,849)
Proceeds from sale of property and equipment	-	28
Net cash from/(used in) investing activities	34	(4,124)
Cash flows from/(used in) financing activities		
Proceeds from bank loans, net of bank charges	21,553	21,636
Proceeds from bond loans issued, net of issue costs	19,591	9,801
Repayment of bank loans	(75,583)	(32,688)
Net cash from/(used in) financing activities	(34,439)	(1,251)
Net change in cash and cash equivalents	6,373	(17,222)
Cash and cash equivalents at beginning of period	99,531	70,590
Cash and cash equivalents at end of period	105,904	53,368

The notes included on pages 28 to 46 are an integral part of these interim condensed consolidated financial statements

Interim Condensed Consolidated Financial Statement for the three months ended 31 March 2016

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

Ronson Europe N.V. ('the Company'), a Dutch public company with its statutory seat in Rotterdam, the Netherlands, was incorporated on 18 June 2007. The registered office is located at Weena 210-212, Rotterdam, the Netherlands. The Company (together with its Polish subsidiaries 'the Group'), is active in the development and sale of units, primarily apartments, in multi-family residential real-estate projects to individual customers in Poland.

The shares of the Company are traded on the Warsaw Stock Exchange since 5 November 2007. As at 31 March 2016, 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 Nationale Nederlanden 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 three months ended 31 March 2016 and contain comparative data for the three months ended 31 March 2015 and as at 31 December 2015. The Interim Condensed Consolidated Financial Statements of the Company for the three months ended 31 March 2016 with all its comparative data have been reviewed by the Company's external auditors.

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

The Interim Condensed Consolidated Financial Statements for the three months ended 31 March 2016 were authorized for issuance by the Management Board on 5 May 2016.

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 2015 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 nature of the Group's activities, the IFRSs applied by the Group are not different from 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 2015 are available upon request from the Company's registered office at Weena 210-212, 3012 NJ Rotterdam, the Netherlands or at the Company's website: www.ronson.pl.

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

Interim Condensed Consolidated Financial Statement for the three months ended 31 March 2016

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 2015.

The following standards and amendments became effective as of 1 January 2016:

- Amendments to IAS 27: Equity Method in Separate Financial Statements (issued on 12 August 2014)
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation (issued on 12 May 2014)
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (issued on 6 May 2014)
- Amendments to IAS 16 and IAS 41: Bearer Plants (issued on 30 June 2014)

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 2015.

Note 5 – Functional and reporting currency

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

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

Note 6 – Seasonality

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

Interim Condensed Consolidated Financial Statement for the three months ended 31 March 2016

Notes to the Interim Condensed Consolidated Financial Statements

Note 7 – Composition of the Group

The details of the Polish companies whose financial statements have been included in these Consolidated Financial Statements, the year of incorporation and the percentage of ownership and voting rights directly held or indirectly by the Company as at 31 March 2016, are presented below and on the following page.

Entity name	Year of incorporation	Share of ownership & voting rights at the end of	
		31 March 2016	31 December 2015
a. held directly by the Company :			
1. Ronson Development Management Sp. z o.o.	1999	100.0%	100.0%
2. Ronson Development 2000 Sp. z o.o.	2000	100.0%	100.0%
3. Ronson Development Warsaw Sp. z o.o.	2000	100.0%	100.0%
4. Ronson Development Investment Sp. z o.o.	2002	100.0%	100.0%
5. Ronson Development Metropol Sp. z o.o.	2002	100.0%	100.0%
6. Ronson Development Properties Sp. z o.o.	2002	100.0%	100.0%
7. Ronson Development Apartments Sp. z o.o.	2003	100.0%	100.0%
8. Ronson Development Enterprise Sp. z o.o.	2004	100.0%	100.0%
9. Ronson Development Company Sp. z o.o.	2005	100.0%	100.0%
10. Ronson Development Creations Sp. z o.o.	2005	100.0%	100.0%
11. Ronson Development Buildings Sp. z o.o.	2005	100.0%	100.0%
12. Ronson Development Structure Sp. z o.o.	2005	100.0%	100.0%
13. Ronson Development Poznań Sp. z o.o.	2005	100.0%	100.0%
14. E.E.E. Development Sp. z o.o.	2005	100.0%	100.0%
15. Ronson Development Innovation Sp. z o.o.	2006	100.0%	100.0%
16. Ronson Development Wrocław Sp. z o.o.	2006	100.0%	100.0%
17. Ronson Development Capital Sp. z o.o.	2006	100.0%	100.0%
18. Ronson Development Sp. z o.o.	2006	100.0%	100.0%
19. Ronson Development Construction Sp. z o.o.	2006	100.0%	100.0%
20. 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. (*)	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. (*)	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. held indirectly by the Company:			
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.)	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%

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

Interim Condensed Consolidated Financial Statement for the three months ended 31 March 2016

Notes to the Interim Condensed Consolidated Financial Statements

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

Entity name	Year of incorporation	Share of ownership & voting rights at the end of	
		31 March 2016	31 December 2015
b. held indirectly by the Company (cont'd):			
48. Ronson Development Sp. z o.o. - Idea Sp.k.	2009	100.0%	100.0%
49. Ronson Development 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	82.0%	82.0%
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%	100.0%
75. Królikarnia 2015 Sp. z o.o.	2015	100.0%	100.0%
76. Pod Skocznią Projekt Sp. z o.o.	2015	100.0%	100.0%
77. Tras Sp. z o.o.	2015	100.0%	100.0%
78. Arkadia Development Sp. z o.o.	2015	100.0%	100.0%

Interim Condensed Consolidated Financial Statement for the three months ended 31 March 2016

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 31 March 2016 (Reviewed)/(unaudited)										
	Warsaw			Poznań		Wrocław		Szczecin		Unallocated	Total
	Apartments	Houses	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses		
Segment assets	450,499	31,965	8,743	128,428	-	75,616	2,604	75,110	7,733	-	780,698
Unallocated assets	-	-	-	-	-	-	-	-	-	94,370	94,370
Total assets	450,499	31,965	8,743	128,428	-	75,616	2,604	75,110	7,733	94,370	875,068
Segment liabilities	136,350	962	-	43,874	-	4,311	-	11,097	-	-	196,594
Unallocated liabilities	-	-	-	-	-	-	-	-	-	223,468	223,468
Total liabilities	136,350	962	-	43,874	-	4,311	-	11,097	-	223,468	420,062

	As at 31 December 2015 (Audited)										
	Warsaw			Poznań		Wrocław		Szczecin		Unallocated	Total
	Apartments	Houses	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses		
Segment assets	456,454	33,357	8,743	136,475	-	73,065	2,607	71,173	7,736	-	789,610
Unallocated assets	-	-	-	-	-	-	-	-	-	85,234	85,234
Total assets	456,454	33,357	8,743	136,475	-	73,065	2,607	71,173	7,736	85,234	874,844
Segment liabilities	152,459	1,014	-	44,660	-	4,064	-	10,262	-	-	212,459
Unallocated liabilities	-	-	-	-	-	-	-	-	-	202,964	202,964
Total liabilities	152,459	1,014	-	44,660	-	4,064	-	10,262	-	202,964	415,423

Interim Condensed Consolidated Financial Statement for the three months ended 31 March 2016

Notes to the Interim Condensed Consolidated Financial Statements

Note 8 - Segment reporting (cont'd)

	For the three months ended 31 March 2016 (Reviewed)/(unaudited)										
	Warsaw			Poznań		Wrocław		Szczecin		Unallocated	Total
	Apartments	Houses	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses		
Revenue	13,910	1,331	226	21,359	-	5,036	-	-	-	-	41,862
Segment result	801	(34)	152	(540)	-	(298)	(1)	(51)	(1)	-	28
Unallocated result	-	-	-	-	-	-	-	-	-	(3,988)	(3,988)
Result from operating activities *	801	(34)	152	(540)	-	(298)	(1)	(51)	(1)	(3,988)	(3,960)
Net finance income/(expense)	(81)	(1)	-	19	-	18	-	(4)	-	(1,523)	(1,572)
Profit/(loss) before taxation	720	(35)	152	(521)	-	(280)	(1)	(55)	(1)	(5,511)	(5,532)
Income tax benefit											1,117
Profit/(Loss) for the period											(4,415)
Capital expenditure	-	-	-	-	-	-	-	-	-	-	-

	For the three months ended 31 March 2015 (Reviewed)/(unaudited)										
	Warsaw			Poznań		Wrocław		Szczecin		Unallocated	Total
	Apartments	Houses	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses		
Revenue	35,738	-	183	4,439	-	4	-	32	-	-	40,396
Segment result	2,788	11	105	(671)	-	(165)	(5)	(36)	(5)	-	2,022
Unallocated result	-	-	-	-	-	-	-	-	-	(4,376)	(4,376)
Result from operating activities *	2,788	11	105	(671)	-	(165)	(5)	(36)	(5)	(4,376)	(2,354)
Net finance income/(expense)	(83)	(2)	-	2	-	29	-	(4)	-	(1,044)	(1,102)
Profit/(loss) before taxation	2,705	9	105	(669)	-	(136)	(5)	(40)	(5)	(5,420)	(3,456)
Income tax benefit											647
Profit/(Loss) for the period											(2,809)
Capital expenditure	-	-	-	-	-	-	-	-	-	13	13

* Results from operating activities including share of loss in joint ventures (which are developing apartments project in Warsaw), that amounted to PLN 219 thousands (expenses) during the three months ended 31 March 2016 and PLN 41 thousands (expenses) during the three months ended 31 March 2015.

Interim Condensed Consolidated Financial Statement for the three months ended 31 March 2016

Notes to the Interim Condensed Consolidated Financial Statements

Note 9 – Inventory

Movements in Inventory during the three months ended 31 March 2016 were as follows:

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 1 January 2016	Transferred to finished goods	Additions	Closing balance 31 March 2016
Land and related expense	342,699	-	518	343,217
Construction costs	154,067	-	31,072	185,139
Planning and permits	22,629	-	452	23,081
Borrowing costs ⁽¹⁾	65,533	-	2,100	67,633
Other	5,261	-	573	5,834
Work in progress	590,189	-	34,715	624,904

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 1 January 2016	Transferred from work in progress	Recognized in the statement of comprehensive income	Closing balance 31 March 2016
Finished goods	122,511	-	(37,684)	84,827

<i>In thousands of Polish Zlotys (PLN)</i>	Closing balance 1 January 2016	Revaluation write down recognized in statement of comprehensive income		Closing balance 31 March 2016
		Increase	Utilization	
Write-down	(11,413)	-	549	(10,864)
Total inventories at the lower of cost or net realizable value	701,287			698,867

(1) Borrowing costs are capitalized to the value of inventory with 6.58% average effective capitalization interest rate.

Interim Condensed Consolidated Financial Statement for the three months ended 31 March 2016

Notes to the Interim Condensed Consolidated Financial Statements

Note 9 – Inventory (cont'd)

Movements in Inventory during the year ended 31 December 2015 were as follows:

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 1 January 2015	Transferred to finished units	Additions	Closing balance 31 December 2015
Land and related expense	393,499	(75,985)	25,185	342,699
Construction costs	155,134	(181,220)	180,153	154,067
Planning and permits	27,317	(10,195)	5,507	22,629
Borrowing costs ⁽¹⁾	82,639	(26,517)	9,411	65,533
Other	5,381	(3,695)	3,575	5,261
Work in progress	663,970	(297,612)	223,831	590,189

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 1 January 2015	Transferred from work in progress	Recognized in the statement of comprehensive income	Closing balance 31 December 2015
Finished goods	55,209	297,612	(230,310)	122,511

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 1 January 2015	Revaluation write down recognized in statement of comprehensive income		Closing balance 31 December 2015
		Increase	Utilization	
Write-down	(12,678)	(226)	1,491	(11,413)
Total inventories at the lower of cost or net realizable value	706,501			701,287

(1) Borrowing costs were capitalized to the value of inventory with 6.38% average effective capitalization interest rate.

Interim Condensed Consolidated Financial Statement for the three months ended 31 March 2016**Notes to the Interim Condensed Consolidated Financial Statements****Note 9 – Inventory (cont'd)**

Movements in Inventory during the three months ended 31 March 2015 were as follows:

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 1 January 2015	Transferred to finished goods	Additions	Closing balance 31 March 2015
Land and related expense	393,499	(18,628)	1,359	376,230
Construction costs	155,134	(53,876)	46,978	148,236
Planning and permits	27,317	(3,182)	1,649	25,784
Borrowing costs ⁽¹⁾	82,639	(6,969)	2,624	78,294
Other	5,381	(1,074)	817	5,124
Work in progress	663,970	(83,729)	53,427	633,668

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 1 January 2015	Transferred from work in progress	Recognized in the statement of comprehensive income	Closing balance 31 March 2015
Finished goods	55,209	83,729	(35,612)	103,326

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 1 January 2015	Revaluation write down recognized in statement of comprehensive income		Closing balance 31 March 2015
		Increase	Utilization	
Write-down	(12,678)	-	-	(12,678)
Total inventories at the lower of cost or net realizable value	706,501			724,316

(1) Borrowing costs are capitalized to the value of inventory with 6.43% average effective capitalization interest rate.

Interim Condensed Consolidated Financial Statement for the three months ended 31 March 2016**Notes to the Interim Condensed Consolidated Financial Statements****Note 10 – Floating rate bond loans**

The table below presents the movement in Floating rate bond loans during the three months ended 31 March 2016, during the year ended 31 December 2015 and during the three months ended 31 March 2015:

<i>In thousands of Polish Zlotys (PLN)</i>	For the three months ended 31 March 2016 (Reviewed/ Unaudited)	For the year ended 31 December 2015 (Audited)	For the three months ended 31 March 2015 (Reviewed/ Unaudited)
Opening balance	190,297	159,749	159,749
Repayment of bond loans	-	(15,000)	-
Proceeds from bond loans	20,000	45,000	10,000
Issue cost	(409)	(757)	(199)
Issue cost amortization	318	1,157	267
Accrued interest	2,741	10,611	2,479
Interest repayment	(364)	(10,463)	(337)
Total closing balance	212,583	190,297	171,959
Closing balance includes:			
Current liabilities	21,197	18,759	2,480
Non-current liabilities	191,386	171,538	169,479
Total closing balance	212,583	190,297	171,959

New Floating rate bond loans issued during the three months ended 31 March 2016:

On 25 February 2016, the Company issued 10,000 series M bonds with a total nominal value of PLN 10,000 thousand. The nominal value of one bond amounts to PLN 1,000 and is equal to its issue price. The series M bonds shall be redeemed on 25 February 2020. The bonds carry an interest rate composed of a base rate equal to 6 months Wibor plus 3.65% margin. Interest is payable semi-annually in February and August until redemption date.

On 17 March 2016, the Company issued 10,000 series N bonds with a total nominal value of PLN 10,000 thousand. The nominal value of one bond amounts to PLN 1,000 and is equal to its issue price. The series N bonds shall be redeemed on 14 September 2019. The bonds carry an interest rate composed of a base rate equal to 6 months Wibor plus 3.60% margin. Interest is payable semi-annually in March and September until redemption date.

The terms and conditions of the issuance of the series M and N bonds include provisions regarding early redemption at a bondholder's request to be made prior to 25 February 2020 and 14 September 2019, 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 M and N bonds are not secured.

Floating rate bond loans issued before 31 December 2015:

The maturity dates and the conditions of the floating rate bonds loans series C, D, E, F, G, H, I, J, K and L have been presented in the annual consolidated financial statements for the year ended 31 December 2015.

The series D, E, G, H, I, J, K and L 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.

Interim Condensed Consolidated Financial Statement for the three months ended 31 March 2016**Notes to the Interim Condensed Consolidated Financial Statements****Note 10 – Floating rate bond loans (cont'd)****Financial ratio covenants for series C, D and E:**

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

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

Net debt - shall mean the total consolidated balance sheet value of loans and borrowings (as well as payment guarantees) 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:

As at	31 March 2016
<i>In thousands of Polish Zlotys (PLN)</i>	(Reviewed/ Unaudited)
Net debt	155,339
Equity	448,793
Net Indebtedness Ratio	34.6%

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 “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 (as well as payment guarantees) less the consolidated value of cash and cash equivalents.

Equity - shall mean the consolidated balance sheet value of the equity.

Check date – last day of each calendar quarter.

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

As at	31 March 2016
<i>In thousands of Polish Zlotys (PLN)</i>	(Reviewed/ Unaudited)
Net debt	159,398
Equity	455,006
Net Indebtedness Ratio	35.0%

Interim Condensed Consolidated Financial Statement for the three months ended 31 March 2016**Notes to the Interim Condensed Consolidated Financial Statements****Note 10 – Floating rate bond loans (cont'd)****Financial ratio covenants (cont'd):***Series G, I J, K, L, M and N:*

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

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

Net debt - shall mean the total consolidated balance sheet value of all interest bearing liabilities (as well as payment guarantees) 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.

Check date – last day of each calendar quarter.

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

As at	31 March 2016
<i>In thousands of Polish Zlotys (PLN)</i>	(Reviewed/ Unaudited)
Net debt	154,238
Equity	455,006
Net Indebtedness Ratio	33.9%

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

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

Net debt - shall mean the total consolidated balance sheet value of all interest bearing liabilities (as well as payment guarantees) 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.

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

As at	31 March 2016
<i>In thousands of Polish Zlotys (PLN)</i>	(Reviewed/ Unaudited)
Net debt	154,238
Inventory	544,982
Net Debt to Inventory Ratio	28.3%

Interim Condensed Consolidated Financial Statement for the three months ended 31 March 2016**Notes to the Interim Condensed Consolidated Financial Statements****Note 11 – Secured bank loans**

The following non-current and current Secured bank loans were issued and repaid during the three months ended 31 March 2016, during the three months ended 31 March 2015 and during the year ended 31 December 2015:

<i>In thousands of Polish Zlotys (PLN)</i>	For the three months ended 31 March 2016 (Reviewed/ Unaudited)	For the year ended 31 December 2015 (Audited)	For the three months ended 31 March 2015 (Reviewed/ Unaudited)
Opening balance	56,902	73,704	73,704
New bank loan drawdown	21,721	133,383	21,918
Bank loans repayments	(75,583)	(150,125)	(32,688)
Bank charges	(168)	(930)	(282)
Bank charges amortization	311	870	178
Accrued interest/(interest repayment) on bank loans, net	-	-	42
Total closing balance	3,183	56,902	62,872
Closing balance includes:			
Current liabilities	1,020	14,803	16,033
Non-current liabilities	2,163	42,099	46,839
Total closing balance	3,183	56,902	62,872

The maturity dates of the loans have been presented in the annual consolidated financial statements for the year ended 31 December 2015. For more details, see Note 18 Events during the period (Bank Loans) and Note 19 Subsequent events (Bank Loans).

As at 31 March 2016, 31 December 2015 and 31 March 2015, 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.

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 2015.

On 24 March 2016, the Company executed annexes to the Phantom Stock Plan as approved by the Remuneration Committee of the Company’s Supervisory Board. The annexes comprised the following changes:

- i. the exercise price of one option originally assumed the conditions of the Phantom Stock Plan in the amount of PLN 1.60 shall be adjusted by dividends paid out by the Company during vesting and exercise periods. The adjustment mechanism applies only to options that are not exercised as of date of dividend payment (being the basis for adjustment) and applies until the last day of exercise period;
- ii. in addition to the options vested by employees until the end of 2015, additional new options shall be offered, which may be vested at the end of 2016. The number of the additional options is equal to 25% of the options vested until the end of 2015 (resulting in an increase of the total number of options from 2,705,000 to 3,381,250); each of the employees received the same proportion of the new options, i.e. 25% of the options that were vested by such employee based on the original agreement;

Interim Condensed Consolidated Financial Statement for the three months ended 31 March 2016**Notes to the Interim Condensed Consolidated Financial Statements****Note 12 – Share based payments under the Company’s employee incentive plan (cont’d)**

iii. all options granted within the Phantom Stock Plan – both the ones that have been vested until the end of 2015 as well as the new options that may be vested by the end of 2016 – expire as of the end of June 2019 or within 18 months since the departure of the employee, depending which occurs first.

Out of the total 676,250 new options added to the plan, 237,500 were allocated to Tomasz Łapiński and 168,750 were allocated to Andrzej Gutowski, while 270,000 options were allocated to other key employees of the Company (who joined the incentive plan in February 2014).

As 31 March 2016, the total number of options granted is 3,381,250, the weighted average fair value of these options using the Black-Scholes valuation model is approximately PLN 0.4 per option. The significant inputs into the model were a weighted average share price of PLN 1.65, exercise price PLN 1.53, volatility of 41%, dividend yield of 3%, an option life of 1.75 years and an annual risk free rate of 6%.

The fair value of these options, as at 31 March 2016 and 31 December 2015, amounting to PLN 1,089 thousand and PLN 630 thousand, respectively, has been included in the Company’s consolidated balance sheet under Share based payment liabilities. The change in fair value for the 3 months period ended 31 March 2016 and 2015, resulting from vesting of the subsequent tranches as well as changes in the inputs into the Black-Scholes valuation model, amounting to PLN 459 thousand (negative) and PLN 85 thousand (negative), respectively is recognized in employee benefits expense.

As of 31 March 2016, no options have been exercised.

Note 13 – Income tax

	For the 3 months ended 31 March 2016 (Reviewed/ Unaudited)	For the 3 months ended 31 March 2015 (Reviewed/ Unaudited)
<i>In thousands of Polish Zlotys (PLN)</i>		
Current tax expense/(benefit)	23	42
Deferred tax expense/(benefit)		
Origination and reversal of temporary differences	(481)	573
Expense/(benefit) of tax losses recognized	(659)	(1,262)
Total deferred tax expense/(benefit)	(1,140)	(689)
Total income tax expense/(benefit)	(1,117)	(647)

Interim Condensed Consolidated Financial Statement for the three months ended 31 March 2016**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>	As at 31 March 2016 (Reviewed/ Unaudited)	As at 31 December 2015 (Audited)
Moko I	2,961	8,115
Moko II	12,216	16,293
Kamienica Jeżyce I	11,164	15,461
Kamienica Jeżyce II	15,514	20,004
Panoramika II	5,770	9,466
Vitalia I	22,807	25,350
Espresso II	1,669	3,409
Espresso III	19,848	22,890
Espresso IV	32,400	-
Młody Grunwald III	23,545	-
Total	147,894	120,988

(ii) Contingent commitments:

The Company issued a corporate guarantee securing the payment of the purchase price for the plot by its subsidiary up to an amount of PLN 40.0 million, which includes the remaining part of the purchase price (including VAT) for the plot at Marywilska Street in Warsaw. The Company and the seller anticipate finalization of this transaction in May 2016.

In addition to the above pursuant to the Project Support Agreement, the Company agreed to provide financial support to Ronson IS (JV in which the Company holds 50%) in its performance of the project to the amount equal to value of secured receivables (i.e. the Bank's receivables with respect to Ronson IS under the Loan Facility Agreement between Ronson IS sp. z o.o. sp.k. and Bank Polska Kasa Opieki S.A. assuming a loan facility in total amount of no more than PLN 86.15 million). As at end of March 2016 the balance of the loan supported by the mentioned guarantee amounts to PLN 6.0 million.

Interim Condensed Consolidated Financial Statement for the three months ended 31 March 2016**Notes to the Interim Condensed Consolidated Financial Statements****Note 14 – Investment commitments, Contracted proceeds not yet received and Contingencies (cont'd)****(iii) Unutilized construction loans:**

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

<i>In thousands of Polish Zlotys (PLN)</i>	As at 31 March 2016 (Reviewed/ Unaudited)	As at 31 December 2015 (Audited)
Espresso II	4,498	9,615
Espresso III	25,506	20,374
Moko I-II	25,963	6,391
Młody Grunwald II	-	7,450
Kamienica Jeżyce I	-	22,026
Kamienica Jeżyce II	24,938	24,938
Panoramika II	9,450	12,703
Vitalia I	27,949	-
Total	118,304	103,497

(iv) Contracted proceeds not yet received:

The table below presents amounts to be received from the customers having bought apartments from the Group and which are based on the value of the sale and purchase agreements signed with the clients until 31 March 2016 after deduction of payments received at the reporting date (such payments being presented in the Interim Consolidated Statement of Financial Position as Advances received):

<i>In thousands of Polish Zlotys (PLN)</i>	As at 31 March 2016 (Reviewed/ Unaudited)	As at 31 December 2015 (Audited)
Moko I	22,916	24,404
Tamka	4,458	4,251
Kamienica Jeżyce I	13,370	18,270
Kamienica Jeżyce II	16,292	11,665
Espresso II	20,431	28,847
Sakura	1,949	2,436
Verdis	423	948
Moko II	26,281	24,869
Impressio I,II	3,219	3,271
Młody Grunwald II	1,312	5,981
Panoramika II	7,456	8,176
Espresso III	27,705	19,110
Młody Grunwald I	4	1,448
Naturalis I, II & III	1,525	2,502
Other (old) projects	856	1,728
Total	148,197	157,906

Interim Condensed Consolidated Financial Statement for the three months ended 31 March 2016

Notes to the Interim Condensed Consolidated Financial Statements**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 2015 (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 three months period ended 31 March 2016 as described in Notes 10 and 11.

(iii) Market (price) risk

The Group's exposure to marketable and non-marketable securities price risk did not exist because the Group had not invested in securities during the three months period ended 31 March 2016.

(iv) Fair value estimation

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

During the three months ended 31 March 2016 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 three months ended 31 March 2016 other than remuneration of Management 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 2015 annual accounts.

Note 17 – Impairment losses and provisions

During the three months ended 31 March 2016 and 2015, the Group did not recognize any impairment, nor created any significant provision.

Interim Condensed Consolidated Financial Statement for the three months ended 31 March 2016

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

On 25 February 2016, the Company issued 10,000 series M bonds with a total nominal value of PLN 10,000 thousand. The nominal value of one bond amounts to PLN 1,000 and is equal to its issue price. The series M bonds shall be redeemed on 25 February 2020. The bonds carry an interest rate composed of a base rate equal to 6 months Wibor plus 3.65% margin. Interest is payable semi-annually in February and August until redemption date.

On 17 March 2016, the Company issued 10,000 series N bonds with a total nominal value of PLN 10,000 thousand. The nominal value of one bond amounts to PLN 1,000 and is equal to its issue price. The series N bonds shall be redeemed on 14 September 2019. The bonds carry an interest rate composed of a base rate equal to 6 months Wibor plus 3.60% margin. Interest is payable semi-annually in March and September until redemption date.

Bank loans

During the three months ended 31 March 2016, the Company redeemed bank loans for a total amount of PLN 75.6 million.

In March 2016, the Company executed a loan agreement with Alior Bank S.A. related to the first phase of the Vitalia project in Wrocław. Under this loan agreement Alior Bank is to provide financing to cover the costs of construction up to a total amount of PLN 27.9 million. Under the loan agreement, the final repayment date of the loan facility is March 2019.

Commencements of new projects

In March 2016, the Company commenced the construction work of the Espresso IV project, which will comprise 146 units with an aggregate floor space of 8,100 m².

In March 2016, the Company commenced the construction work of the Młody Grunwald III project, which will comprise 108 units with an aggregate floor space of 7,100 m².

Completions of projects

During the three months ended 31 March 2016, the Group did not complete the construction of any project.

Land purchase

During the three months ended 31 March 2016, the Group did not purchase any land.

Interim Condensed Consolidated Financial Statement for the three months ended 31 March 2016

Notes to the Interim Condensed Consolidated Financial Statements

Note 19 – Subsequent events

Bond loans

On 8 April 2016, the Company issued 10,000 series O bonds with a total nominal value of PLN 10,000 thousand. The nominal value of one bond amounts to PLN 1,000 and is equal to its issue price. The series O bonds shall be redeemed on 8 April 2019. The bonds carry an interest rate composed of a base rate equal to 6 months Wibor plus 3.50% margin. Interest is payable semi-annually in April and October until redemption date.

Bank loans

Since 31 March 2016, the Group did not sign, nor amended any loan agreement.

Commencements of new projects

In April 2016, the Company commenced pre-sales of the City Link II project, which will comprise 189 units with an aggregate floor space of 8,900 m².

Completions of projects

Since 31 March 2016, the Group did not complete the construction of any project.

The Management Board

Shraga Weisman
Chief Executive Officer

Tomasz Łapiński
Chief Financial Officer

Andrzej Gutowski
Sales and Marketing Director

Erez Yoskovitz

Roy Vishnovizki

Rotterdam, 5 May 2016

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

Review report

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Ronson Europe N.V., with its registered seat in Rotterdam (the "Company") as at 31 March 2016, which comprise the interim consolidated statement of financial position as at 31 March 2016 and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the three month period then ended and the notes, comprising a summary of the significant accounting policies and other explanatory information.

Management is responsible for the preparation and presentation of these consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim consolidated financial information based on our review.

Scope

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information for the three month period ended 31 March 2016 are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

Zwolle, 5 May 2016

Ernst & Young Accountants LLP

M. Rooks