Ronson Europe N.V.

Interim Financial Report
for the three months
ended
31 March 2017

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Directors' Report

General

Introduction

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

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

The shares of the Company are traded on the Warsaw Stock Exchange since 5 November 2007.

As at 31 March 2017, following the cancellation of 108,349,187 treasury shares held by the Company on 1 March 2017, 66.06% of the outstanding shares are controlled by Amos Luzon Development and Energy Group Ltd. ('A. Luzon Group'). The remaining 33.94% of the outstanding shares are held by Nationale Nederlanden Otwarty Fundusz Emerytalny holding 14.6% and by other investors including Metlife Otwarty Fundusz Emerytalny and Aviva OFE BZWBK. 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. For major shareholders of the Company reference is made to page 20.

On 8 May 2017, the market price was PLN 1.71 per share giving the Company a market capitalization of PLN 280.5 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.

As at 31 March 2017, the Group has 671 units available for sale in thirteen locations, of which 521 units are available for sale in seven projects that are ongoing as at 31 March 2017, and the remaining 150 units are in completed projects. The seven ongoing projects comprise a total of 1,276 units, with a total area of 65,500 m^2. The construction of 736 units with a total area of 37,700 m^2 is expected to be completed during the remainder of 2017, while 540 units, with a total area of 27,800 m^2 are expected to be completed during 2018.

In addition, the Group has a pipeline of 15 projects in different stages of preparation, representing approximately 4,505 units with a total area of approximately 285,900 m^2 for future development in Warsaw, Poznań, Wrocław and Szczecin. The Group is considering commencement of another four stages of the currently running projects comprising 377 units with a total area of 20,800 m^2, and three new projects comprising 783 units with a total area of 38,900 m^2 (in total 1,160 units with a total area of 59,700 m^2), during the remainder of 2017. Moreover the Group is actively seeking for new lands for residential projects. After signing preliminary agreement related to the project in Warsaw (Ursus district) dedicated for 1,600 apartments, the Company already prepares commencement of this project during 2018.

During the three months ended 31 March 2017, the Company realized sales of 259 units with the total value PLN 100.7 million (in addition the Group sold 14 units with the total value of 10.7 million, in project that is being managed by the Group) which compares to sales of 206 units with a total value of PLN 81.3 million during the three months ended 31 March 2016.

Dividend

On 1 March 2017, during an extra-ordinary General Meeting of Shareholders, the shareholders of the Company accepted a distribution of an interim dividend for the financial year 2016 as proposed by the Board of Managing Directors and the Board of Supervisory Directors. The dividend in a total amount of PLN 14,760,974 or PLN 0.09 per ordinary share, was paid on 23 March 2017.

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 despite 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 years (even despite weakened dynamics during 2016) seem to confirm that the Company has consistently adapted appropriately to volatile market conditions.

After rapid changes in the real estate markets in 2008-2009 the activities of residential developers slowed down until 2013, when the development of only 128,000 units was commenced in the Polish market during that year. The market conditions started improving already during 2013 and since 2014 the scale of residential activities has been constantly increasing. The number of units commenced to be developed during 2016 reached nearly 173,000 which was 3% higher than in 2015. It is important to note that the number of newly opened projects built by developers (nearly 85,500) decreased by 1% during 2016 after a 24% increase during 2015 and a 36% increase during 2014, while the activity of individual investors increased by 6%.

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" (hereinafter "MDM") 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 the past four years has caught up with supply. The improving market environment has encouraged developers to expand their residential development activities. According to REAS (real estate agency analyzing the Polish residential market) developers introduced during 2016 more new apartments in major Polish metropolitan areas to their offer than they were able to sell in this period (65,000 new apartments in six major Polish metropolitan areas, including Warsaw, were added on offer by developers during 2016 which compares to total sales of 62,000 apartments during that year). Simultaneously, the number of apartments offered by developers increased as end of 2016 to nearly 53,000 units, which corresponded to 85% of the annual sales during the previous year. Despite the constant increase of the number of apartments on offer during past four years, this increase has been slower than the pace of sales (as of end of 2013 the total number of apartments on sale in six major Polish metropolitan areas amounted to 41,000 units which was by 15% higher than the number of apartments sold by developers during that year). This confirms that developers are adjusting their activities to market dynamics and are expanding their supply on a measured basis.

Market overview (cont'd)

Warsaw continued to be the most significant market in Poland in 2016 with over 24,000 units sold in this period. The number of apartments sold in Warsaw was by nearly 26% higher than during 2015. Sales dynamics in other major Polish metropolitan areas were slower in 2016 than in Warsaw and amounted to nearly 16%, contrary to 2015 when the sales in Warsaw increased by 14% compared to 2014 and by 25% in the five major Polish metropolitan areas (compared to 2014 results).

Despite sales results having reached relatively high levels compared with previous years, such robust sales have almost 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 played 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.

The first quarter of 2017 confirmed continuation of the trends observed for 2015 and 2016. According to REAS the pre-sales volume at six major Polish metropolitan areas amounted to 18,600 units during first three months of 2017, which was by 29% higher y/y and by 3% higher than during record-high fourth quarter of 2016. The number of units added on offer during the same period was 16,000 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 50,200 at end of March 2017 compared to 52,700 at end of 2016 and to 48,700 at end of December 2015. 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 2017 was by 29% higher than in the same period in 2016. This dynamics was even more positive in case of apartments built for sale by developers (increase by 41%) than in case houses built individually (increase by 19%).

An anticipated continuation of stability of interest rates at relatively low levels in the next quarters, as well as the continuation in Poland of a stable economy may be still supportive to the positive situation in residential markets, even though the government is not going to support buyers of first apartments in such way as it used to through programs such as Rodzina na Swoim or MDM (which is to expire in 2018). The recently announced new program "Mieszkanie Plus" will be addressed to those young people, who do not qualify for mortgage loans due to insufficient income. Moreover, new residential projects are planned by the government (at least in initial phase of this program) in the medium sized and small towns, i.e. in those markets which are not interesting to the largest residential developers. It seems therefore that on the one hand the new governmental program will not support those individuals interested in buying their first apartment in leading Polish agglomerations, but on the other hand shall not be a source (especially during the coming few years) of direct competition for the leading market players.

Another source of potential uncertainty in the residential real estate market is related to other plans of the Polish government with respect to contemplated new regulations potentially affecting, among others, construction legislation and regulations related to perpetual usufruct. Despite announced good faith aimed at increased simplicity of the construction process in Poland, the introduction of new regulations may result – especially temporary – in turbulences and delays in commencing new projects by all developers.

Notwithstanding the above, Management continues to believe that considering all the above factors, it is likely that a continuous strengthening in the Polish residential market is foreseen for at least the following several quarters.

Business highlights during the three months ended 31 March 2017

A. Projects completed

During the three months ended 31 March 2017, 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 2017 amounted to PLN 110.1 million, whereas cost of sales amounted to PLN 91.5 million, which resulted in a gross profit amounting to PLN 18.6 million with a gross margin of 16.9%.

The following table specifies revenue, cost of sales, gross profit and gross margin during the three months ended 31 March 2017 on a project by project basis:

	Information on the delivered units		Revenue (*)		Cost of sales (**)		Gross profit	Gross margin
Project	**Number of units**	**Area of units (m2)**	**PLN thousands**	**%**	**PLN thousands**	**%**	**PLN thousands**	**%**
Espresso II & III	120	6,169	43,537	39.5%	35,948	39.3%	7,589	17.4%
Kamienica Jeżyce	138	6,581	39,199	35.6%	36,337	39.7%	2,862	7.3%
Moko	20	1,873	14,530	13.2%	10,092	11.0%	4,438	30.5%
Młody Grunwald I & II	1	70	417	0.4%	412	0.5%	5	1.2%
Panoramika II	6	412	1,827	1.7%	1,803	2.0%	24	1.3%
Impressio	4	283	1,753	1.6%	1,808	2.0%	(55)	-3.1%
Sakura	2	153	1,269	1.2%	1,180	1.3%	89	7.0%
Tamka	2	169	2,574	2.3%	1,777	1.9%	797	31.0%
Verdis	2	113	847	0.8%	658	0.7%	189	22.3%
Naturalis I, II & III	4	321	1,575	1.4%	1,398	1.5%	177	11.2%
Other	-	-	2,596	2.3%	123	0.1%	2,473	N.A
Total / Average	**299**	**16,144**	**110,124**	**100.0%**	**91,536**	**100.0%**	**18,588**	**16.9%**

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

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

Espresso II & III

The construction of the second and third stage Espresso project was completed in May 2016 and December 2016, respectively. The second and third stage phase of this project were developed on a land strip of 8,400 m^2 located in Wola district in Warsaw at Jana Kazimierza Street. The Espresso II project comprises 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 m^2. The Espresso III project comprises 1 six-seven-and-eight-storey, multi-family residential building with a total of 147 apartments and 8 commercial units and an aggregate floor space of 8,500 m^2.

Kamienica Jeżyce

The construction of the first and second stage of the Kamienica Jeżyce project was completed in September 2016 and December 2016, respectively. The first and second phase of this project were developed on a land strip of 9,600 m^2 located in Jeżyce district in Poznań at Kościelna Street. The Kamienica Jeżyce I project comprises 4 five and six-storey, multi-family residential buildings with a total of 139 apartments and 5 commercial units with an aggregate floor space of 7,800 m^2. The Kamienica Jeżyce II project comprises 5 five and six-storey, multi-family residential buildings with a total of 151 apartments with an aggregate floor space of 7,400 m^2.

Business highlights during the three months ended 31 March 2017 (cont'd)

B. Results breakdown by project (cont'd)

Moko

The construction of first and second stage of the Moko project was completed in June 2016 and October 2016, respectively. The first and second phases of this project were developed on a land strip of 12,200 m^2 located in Mokotów district in Warsaw at Magazynowa Street. The Moko I project comprises 2 seven and eight-storey, multi-family residential buildings with a total of 166 apartments and 12 commercial units and an aggregate floor space of 11,200 m^2. The Moko II project comprises 2 seven and eight-storey, multi-family residential buildings with a total of 160 apartments and 7 commercial units and an aggregate floor space of 12,500 m^2.

Młody Grunwald I & II

The construction of the Młody Grunwald I project and the Młody Grunwald II project was completed in May 2014 and November 2015, respectively. The Młody Grunwald I and II projects were developed on a land strip of 10,600 m^2 located in Grunwald district in Poznań at Jeleniogórska Street. The Młody Grunwald I project comprises 3 six-storey, multi-family residential buildings with a total of 136 apartments and 12 commercial units and an aggregate floor space of 8,500 m^2. 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 m^2.

Panoramika II

The construction of the second stage of the Panoramika project was completed in July 2016. The second phase of this project was developed on a part of land strip of 4,800 m^2 located in Szczecin at Duńska Street, and is a continuation of the Panoramika I project. The project comprises 1 nine-storey, multi-family residential building with a total of 107 apartments and an aggregate floor space of 5,900 m^2.

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 m^2 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 m^2.

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 m^2 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 m^2.

Tamka

The construction of the Tamka project was completed in September 2015. The Tamka project was developed on a land strip of 2,500 m^2 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 m^2.

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 m^2 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 m^2.

Business highlights during the three months ended 31 March 2017 (cont'd)

B. Results breakdown by project (cont'd)

Naturalis I, II & III

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

Other

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

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 2017:

Project name	Location	Units sold until 31 December 2016	Units sold during the period ended 31 March 2017	Units for sale as at 31 March 2017	Total
Espresso II & III (*)	Warsaw	284	15	7	306
Espresso IV (**)	Warsaw	64	28	54	146
City Link I (**)/(***)	Warsaw	264	34	24	322
City Link II (**)/(***)	Warsaw	95	55	39	189
Miasto Moje I (**)	Warsaw	39	35	131	205
Młody Grunwald I & II (*)	Poznań	251	4	30	285
Młody Grunwald III (**)	Poznań	33	16	59	108
Vitalia I (**)	Wrocław	29	23	87	139
Chilli IV (**)	Poznań	6	1	38	45
Panoramika II (*)	Szczecin	90	2	15	107
Panoramika III (**)	Szczecin	14	19	89	122
Moko (*)	Warsaw	276	11	58	345
Kamienica Jeżyce (*)	Poznań	274	10	11	295
Tamka (*)	Warsaw	64	1	-	65
Verdis (*)	Warsaw	430	1	10	441
Sakura (*)	Warsaw	498	6	11	515
Naturalis I, II & III (*)	Warsaw	171	-	1	172
Impressio (*)	Wrocław	204	(1)	3	206
Other (old) projects		-	(1)	4	3
Total		**3,086**	**259**	**671**	**4,016**

(*) For information on the completed projects see "Business highlights during the three months ended 31 March 2017 – B. Results breakdown by project" (pages 4 to 6).

(**) For information on current projects under construction, see "Outlook for the remainder of 2017– B. Current projects under construction" (pages 15 to 17).

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

Business highlights during the three months ended 31 March 2017 (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 m^2) 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 2017:

		Sold During the 3 months ended 31 March 2017		
Project name	**Location**	**Number of units**	**Net saleable area (m^2)**	**Value of the preliminary sales agreements** *(in PLN thousands)*
Espresso II & III (*)	Warsaw	15	1,145	8,066
Espresso IV (**)	Warsaw	28	1,492	11,162
City Link I (**)/(***)	Warsaw	34	1,604	14,655
City Link II (**)/(***)	Warsaw	55	2,307	22,147
Miasto Moje I (**)	Warsaw	35	1,706	9,328
Młody Grunwald I & II (*)	Poznań	4	310	1,812
Młody Grunwald III (**)	Poznań	16	865	4,971
Vitalia I (**)	Wrocław	23	1,128	6,088
Chilli IV (**)	Poznań	1	64	257
Panoramika II (*)	Szczecin	2	141	620
Panoramika III (**)	Szczecin	19	818	3,700
Moko (*)	Warsaw	11	1,099	9,220
Kamienica Jeżyce (*)	Poznań	10	781	4,511
Tamka (*)	Warsaw	1	60	939
Verdis (*)	Warsaw	1	58	532
Sakura (*)	Warsaw	6	460	3,399
Naturalis I, II & III (*)	Warsaw	-	-	84
Impressio (*)	Wrocław	(1)	(50)	(276)
Other (old) projects		(1)	(47)	(558)
Total		**259**	**13,941**	**100,657**

(*) For information on the completed projects see "Business highlights during the three months ended 31 March 2017 – B. Results breakdown by project" (pages 4 to 6).

(**) For information on current projects under construction, see "Outlook for the remainder of 2017– B. Current projects under construction" (pages 15 to 17).

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

D. Commencements of new projects

During the three months ended 31 March 2017, the Company did not commence the construction and/or sales process of any project.

E. Land purchase

In January 2017, the Company entered into conditional sale agreements concerning the acquisition of real properties located in Warsaw, Ursus district, and into certain cooperation agreements. The Properties are covered by a local zoning plan which allows for the development of multi-family housing projects on the properties. It is envisaged that the properties will allow for development of approximately 1,600 apartments. The total sales price for the acquisition of the properties plus the value of the work which must be performed to allow the Company to carry out the housing projects (such work being the responsibility of the sellers) has been agreed at PLN 82 million net. The individual final agreements covered by the transaction are planned to be concluded in stages by December 2019. The Company paid a portion of the price amounting to PLN 45 million net plus applicable VAT. Subsequent payments towards the total price will be made in accordance with the schedule adopted by the Company and the sellers for the years 2017-2019. The Company expects that the first stage of the housing project to be developed on the properties will commence in the first quarter of 2018.

Financial information

The Interim Condensed Consolidated Financial Statements as included in this Interim Financial Report on pages 22 through 45 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 2016 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 profit attributable to the equity holders of the parent company for the three months ended 31 March 2017 was PLN 5,862 thousand and can be summarized as follows:

	For the three months ended 31 March	
	2017	**2016**
	PLN (thousands, except per share data)	
Revenue	110,124	41,862
Cost of sales	(91,536)	(37,867)
Gross profit	**18,588**	**3,995**
Selling and marketing expenses	(1,169)	(1,734)
Administrative expenses	(4,820)	(5,221)
Share of profit/(loss) of associates	(601)	(219)
Other expense	(1,447)	(902)
Other income	201	121
Result from operating activities	**10,752**	**(3,960)**
Finance income	290	550
Finance expense	(2,178)	(2,122)
Net finance income/(expense)	**(1,888)**	**(1,572)**
Profit/(loss) before taxation	**8,864**	**(5,532)**
Income tax benefit/(expenses)	(1,452)	1,117
Net profit/(loss) for the period before non-controlling interests	**7,412**	**(4,415)**
Non-controlling interests	(1,550)	173
Net profit/(loss) for the period attributable to the equity holders of the parent	**5,862**	**(4,242)**
Net earnings per share attributable to the equity holders of the parent (basic and diluted)	**0.036**	**(0.016)**

Overview of results (cont'd)

Revenue

Total revenue increased by PLN 68.3 million (163.1%) from PLN 41.9 million during the three months ended 31 March 2016 to PLN 110.1 million during the three months ended 31 March 2017, which is primarily explained by an increase in apartments delivered to the customers in terms of area size (in m^2), as well as a slight increase in the average selling price per m^2.

Cost of sales

Cost of sales increased by PLN 53.7 million (141.7%) from PLN 37.9 million during the three months ended 31 March 2016 to PLN 91.5 million during the three months ended 31 March 2017, which is primarily explained by an increase in apartments delivered to the customers in terms of area size (in m^2). The increase is offset in part by slight decrease in the average cost of sale per m^2.

Gross margin

The gross margin during the three months ended 31 March 2017 was 16.9% which compares to a gross margin during the three months ended 31 March 2016 of 9.5%. The majority of revenues and costs of sales (and therefore also gross profit margin) recognized during the three months ended 31 March 2017 was related to projects which were more profitable than the projects delivered to the customers during three months ended 31 March 2016.

Selling and marketing expenses

Selling and marketing expenses decreased by PLN 0.6 million (32.6%) from PLN 1.7 million for the three months ended 31 March 2016 to PLN 1.1 million for the three months ended 31 March 2017, which is related to the fact that during three months ended 31 March 2016 the Company did not commence the construction of any new project compared to 2 projects with 254 units that were commenced during three months ended 31 March 2016.

Administrative expenses

Administrative expenses decreased by PLN 0.4 million (7.7%) from PLN 5.2 million for the three months ended 31 March 2016 to PLN 4,8 million for the three months ended 31 March 2017. The decrease is primarily explained by decrease in the costs related to remuneration.

Result from operating activities

As a result of the factors described above, the Company's operating result increased by PLN 14.7 million, from an operating loss of PLN 4.0 million for three months ended 31 March 2016 to an operating profit of PLN 10.7 million for three months ended 31 March 2017.

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 2017 PLN (thousands)		
	Total amount	**Amount capitalized**	**Recognized as profit or loss**
Finance income	290	-	290
Finance expense	(3,811)	1,633	(2,178)
Net finance income/(expense)	**(3,521)**	**1,633**	**(1,888)**

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

Net finance expenses before capitalization decreased by only PLN 0.2 million (4.1%) from PLN 3.7 million during the three months ended 31 March 2016 to PLN 3.5 million during the three months ended 31 March 2017.

Income tax benefit/(expenses)

During the three months ended 31 March 2017 the income tax expense amounted to PLN 1.4 million, in comparison to an income tax benefit of PLN 1.1 million for the three months ended 31 March 2016.

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. During the three months ended 31 March 2017, the minority shareholders share in the profit amounted to PLN 1,550 thousand (negatively impacting equity attributable to the holders of the parent), as compared to share in loss amounting to PLN 173 thousand (positive impact) during the three months ended 31 March 2016. The change in the non-controlling interest is explained by the revenue and income recognized from the Espresso III project that was completed in December 2016.

Overview of selected details from the Interim Condensed Consolidated Statement of Financial Position

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

	As at 31 March 2017	As at 31 December 2016
	PLN (thousands)	
Inventory	508,122	574,098
Advances received	45,769	100,607
Loans and borrowings	237,198	226,092

Inventory

The balance of inventory is PLN 508.1 million as of 31 March 2017 compared to PLN 574.1 million as of 31 December 2016. The decrease in inventory is primarily explained by cost of sales recognized for a total amount of PLN 91.8 million. The decrease is offset in part by the Group's investments associated with direct construction costs for a total amount of PLN 22.1 million.

Advances received

The balance of advances received is PLN 45.8 million as of 31 March 2017 compared to PLN 100.6 million as of 31 December 2016. The decrease is a result of revenues recognized from the sale of residential units for a total amount of PLN 110.1 million and is offset in part by advances received from clients regarding sales of residential units for a total amount PLN 55.3 million.

Loans and borrowings

The total of short-term and long-term loans and borrowings is PLN 237.2 million as of 31 March 2017 compared to PLN 226.1 million as of 31 December 2016. The increase in loans and borrowings is primarily explained by the effect of proceeds from bank loans net of bank charges for a total amount of PLN 13.4 million. The increase is offset in part by the effect repayment of bank loans for a total amount of PLN 4.4 million. Of the mentioned PLN 237.2 million, an amount of PLN 105.4 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 2017 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 three categories: 1) Bond loans, 2) banking loans related to residential projects which are completed or under construction, 3) loans from third parties.

Bond loans as at 31 March 2017 amounted to PLN 224.6 million comprising a loan principal amount of PLN 222.6 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 1.5 million). For additional information see Note 11 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 2017, loans in this category amounted to PLN 11.0 million.

Loans from third parties as at 31 March 2017 amounted to PLN 1.6 million.

Overview of cash flow results

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

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

	For the three months ended 31 March	
	2017	**2016**
	PLN (thousands)	
Cash flow from/(used in) operating activities	10,511	40,778
Cash flow from/(used in) investing activities	5,474	34
Cash flow from/(used in) financing activities	(5,746)	(34,439)

Cash flow from/(used in) operating activities

The Company's net cash inflow from operating activities for the three months ended 31 March 2017 amounted to PLN 10.5 million which compares to a net cash inflow from operating activities during the three months ended 31 March 2016 amounting to PLN 40.8 million. The decrease is principally explained by:

- a net cash outflow used in advances received from clients regarding sales of residential units from cash inflow PLN 55.3 million during the three months ended 31 March 2017, which were more than offset by revenue recognized for a total amount of PLN 110.1 million, compared to advances received in the amount of PLN 78.9 million during the three months ended 31 March 2016, which were only in part offset by revenue recognized for a total amount of PLN 41.9 million.

This effect was offset in part by:

- a net cash inflow from inventory amounting to PLN 67.8 million during the three months ended 31 March 2017 compared to a net cash inflow from inventory amounting to PLN 4.5 million during the three months ended 31 March 2016.

Cash flow from/(used in) investing activities

The Company's net cash inflow from investing activities amounting to PLN 5.5 million during the three months ended 31 March 2017 compared to a net cash inflow from investing activities totaling PLN 34 thousand during the three months ended 31 March 2016. The increase is primarily explained by:

- a cash inflow in connection with investments in joint ventures amounting to PLN 5.5 million (net proceeds from repayment of loans granted) during the three months ended 31 March 2017 compared to nil proceeds during the three months ended 31 March 2016.

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 5.7 million during the three months ended 31 March 2017 compared to a net cash outflow totaling PLN 34.4 million in the three months ended 31 March 2016. The decrease is primarily due to:

- a repayment of secured bank loans amounting to PLN 4.4 million during the three months ended 31 March 2017 compared to a repayment of secured bank loans amounting to PLN 75.6 million during the three months ended 31 March 2016;

This effect was offset in part by:

- a payment of dividend amounting to PLN 14.8 million during the three months ended 31 March 2017 whereas no dividends were paid during the three months ended 31 March 2016;
- the effects of the proceeds from bond loans, which were nil during the three months ended 31 March 2017 compared to proceeds from bond loans, net of issuance costs, amounting to PLN 19.6 million during the three months ended 31 March 2016;
- the effects of the proceeds from bank loans, net of bank charges amounting to PLN 13.4 million during the three months ended 31 March 2017 compared to net proceeds from bank loans, net of bank charges amounting to PLN 21.6 million during the three months ended 31 March 2016.

Quarterly reporting by the Company

As a result of requirements (indirectly) pertaining to I.T.R. Dori B.V., the Company's largest shareholder, 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 shared between the Company and its shareholder. The Company considers having its first and third quarter report provided with a review report a benefit to all of its shareholders.

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
2017 (3 months)	**4.322**	**4.220**	**4.416**	**4.220**
2016 (3 months)	4.365	4.245	4.499	4.268

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			
	2017	**2016**	**2017**	**2016**
Revenues	**25,480**	9,590	**110,124**	41,862
Gross profit	**4,301**	915	**18,588**	3,995
Profit/(loss) before taxation	**2,051**	(1,267)	**8,864**	(5,532)
Net profit/(loss) for the period attributable to the equity holders of the parent	**1,356**	(972)	**5,862**	(4,242)
Cash flows from/(used in) operating activities	**2,432**	9,342	**10,511**	40,778
Cash flows from/(used in) investing activities	**1,267**	8	**5,474**	34
Cash flows from/(used in) financing activities	**(1,329)**	(7,890)	**(5,746)**	(34,439)
Increase/(decrease) in cash and cash equivalents	**2,369**	1,460	**10,239**	6,373
Inventory	**120,408**	163,746	**508,122**	698,867
Total assets	**162,995**	205,030	**687,837**	875,068
Advances received	**10,846**	36,056	**45,769**	153,885
Long term liabilities	**34,231**	47,221	**144,454**	201,538
Short term liabilities (including advances received)	**44,752**	51,201	**188,855**	218,524
Equity attributable to the equity holders of the parent	**83,101**	106,246	**350,688**	453,456
Share capital	**3,043**	5,054	**12,503**	20,762
Average number of equivalent shares (basic)	**164,010,813**	272,360,000	**164,010,813**	272,360,000
Net earnings per share (basic and diluted)	**0.008**	(0.004)	**0.036**	(0.016)

* *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 2016 to 31 March 2017, when reviewing this data.*
Selected financial data were translated from PLN into EUR in the following way:
(i) Statement of financial position data were translated using the period end exchange rate published by the National Bank of Poland for the last day of the period.
(ii) Statement of comprehensive income and cash flows data were translated using the arithmetical average of average exchange rates published by the National Bank of Poland.

Outlook for the remainder of 2017

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 2017:

		Number of units delivered (*)			Number of residential units expected to be delivered (*)			
Project name	**Location**	**Until 31 December 2016**	**During the three months ended 31 March 2017**	**Total units delivered**	**Sold until 31 March 2017**	**Units for sale at 31 March 2017**	**Total units expected to be delivered**	**Total project**
Espresso II & III (**)	Warsaw	153	120	273	26	7	33	306
Kamienica Jeżyce (**)	Poznań	123	138	261	23	11	34	295
Moko (**)	Warsaw	256	20	276	11	58	69	345
Młody Grunwald I & II (**)	Poznań	250	1	251	4	30	34	285
Panoramika II (**)	Szczecin	85	6	91	1	15	16	107
Naturalis I,II & III (**)	Warsaw	166	4	170	1	1	2	172
Sakura (**)	Warsaw	495	2	497	7	11	18	515
Verdis (**)	Warsaw	425	2	427	4	10	14	441
Tamka (**)	Warsaw	62	2	64	1	-	1	65
Impressio (**)	Wrocław	197	4	201	2	3	5	206
Other (old) projects		1	-	1	1	4	5	6
Total		**2,213**	**299**	**2,512**	**81**	**150**	**231**	**2,743**

(*) 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 2017 – B. Results breakdown by project" (pages 4-6).

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 2017 and in 2018. The Company has obtained construction permits for all projects/stages and has commenced construction.

Project name	**Location**	**Units sold until 31 March 2017**	**Units for sale as at 31 March 2017**	**Total units**	**Net saleable area (m^2)**	**Expected completion of construction**
Chilli IV	Poznań	7	38	45	2,900	2017
Vitalia I	Wrocław	52	87	139	7,200	2017
Panoramika III	Szczecin	33	89	122	5,800	2017
Młody Grunwald III	Poznań	49	59	108	7,100	2017
City Link I (*)	Warsaw	298	24	322	14,700	2017
City Link II (*)	Warsaw	150	39	189	8,800	2018
Espresso IV	Warsaw	92	54	146	8,100	2018
Miasto Moje I	Warsaw	74	131	205	10,900	2018
Total		**755**	**521**	**1,276**	**65,500**	

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

Outlook for the remainder of 2017 (cont'd)

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

Chilli IV

Description of project

The fourth phase of the Chilli project is being developed on a part of land strip of 5,500 m^2 located in Tulce near Poznań, and is a continuation of the Chilli I, II and III projects, which were completed in 2012, 2013 and 2014, respectively. The fourth phase of this project will comprise 45 apartments units with an aggregate floor space of 2,900 m^2.

Stage of development

The construction of the Chilli IV project commenced in June 2016, while completion is expected in the third quarter of 2017.

Vitalia I

Description of project

The first phase of this project is being developed on a land strip of 7,200 m^2 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 m^2.

Stage of development

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

Panoramika III

Description of project

The third phase of the Panoramika project is being developed on a part of land strip of 5,800 m^2 located in Szczecin at Duńska Street, and is a continuation of the Panoramika I and II projects, which were completed in 2012 and 2016, respectively. The third phase of this project will comprise 1 nine-storey, multi-family residential building with a total of 122 apartments and an aggregate floor space of 5,800 m^2.

Stage of development

The construction of the Panoramika III project commenced in May 2016, while completion is expected in the fourth 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 m^2 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 m^2.

Stage of development

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

Outlook for the remainder of 2017 (cont'd)

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

City Link I and II

Description of project

The first and second (and last) phases of this project are being developed on a land strip of 8,900 m^2 located in the Wola district in Warsaw at Skierniewicka street. The first and second phase of this project will comprise 1 six to ten-storey, multi-family residential building with a total of 301 apartments and 21 commercial units with an aggregate floor space of 14,700 m^2 and 1 seventeen-storey, multi-family residential building with a total of 184 apartments and 5 commercial units with an aggregate floor space of 8,800 m^2.

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. The pre-sales of the City Link II project commenced in April 2016, while the construction commenced in November 2016. Completion of the City Link II project is expected in the fourth quarter of 2018.

Espresso IV

Description of project

The fourth (and last) phase of the Espresso project is being developed on a land strip of 3,600 m^2 located in Wola district in Warsaw at Jana Kazimierza Street, and is a continuation of Espresso I, II and III projects which were completed in 2014, in May and in December 2016, respectively. The fourth phase of this project will comprise a 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 m^2.

Stage of development

The construction of the Espresso IV project commenced in March 2016, while completion is expected in the first quarter of 2018.

Miasto Moje I

Description of project

The first stage of the Miasto Moje project is being developed on a land strip of 12,700 m^2 located in the Białołęka district in Warsaw at Marywilska Street. In May 2016, the Company completed the acquisition of all rights to the land following a waiver to the pre-emption right by the municipality, the city of Warsaw. The first stage of this project will comprise 191 apartments and 14 commercial units with an aggregate floor space of 10,900 m^2.

Stage of development

The construction of the Miasto Moje I project commenced in June 2016 and the sales progress commenced in September 2016, while completion is expected in the first quarter of 2018.

Outlook for the remainder of 2017 (cont'd)

C. Projects for which construction work is planned to commence during the remainder of 2017

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 2017, 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

Marina Miasto

The Marina Miasto project will be developed on a land strip of 8,100 m^2 located in Wrocław at Na Grobli Street. The project will comprise 151 units with an aggregate floor space of 6,100 m^2. The Company is considering commencing construction of this project during 2017.

Bulgarska

The Bulgarska project will be developed on a land strip of 6,700 m^2 located in Poznań at Świerzawska Street. The project will comprise 264 units with an aggregate floor space of 14,300 m^2. The Company is considering commencing construction of this project during 2017.

Skierniewicka bis

The Skierniewicka bis project will be developed on a land strip of 7,200 m^2 located in the Wola district in Warsaw at Skierniewicka Street (nearby City Link project). The project will comprise 368 units with an aggregate floor space of 18,500 m^2. The Company is considering commencing construction of this during 2017.

b) New stages of running projects

Chilli V

The Chilli V project is a continuation of the Chilli I - IV projects. The project will comprise 39 units with an aggregate floor space of 2,400 m^2. The Company is considering commencing construction of this project during 2017.

Panoramika IV

The Panoramika IV project is a continuation of the Panoramika I - III projects. The project will comprise 107 units with an aggregate floor space of 5,700 m^2. The Company is considering commencing construction of this project during 2017.

Vitalia II

The Vitalia II project is a continuation of the Vitalia I project. The project will comprise 84 units with an aggregate floor space of 4,700 m^2. The Company is considering commencing construction of this project during 2017.

Miasto Moje II

The Miasto Moje II project is a continuation of the Miasto Moje I project. The project will comprise 147 units with an aggregate floor space of 8,000 m^2. The Company is considering commencing construction of this project during 2017.

Outlook for the remainder of 2017 (cont'd)

D. Value of the preliminary sales agreements signed with clients for which revenue has not been recognized in the Interim 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 Interim 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
Moko (*)	Warsaw	8,232	Completed
Espresso II & III (*)	Warsaw	12,996	Completed
Tamka (*)	Warsaw	1,624	Completed
Impressio (*)	Wrocław	919	Completed
Verdis (*)	Warsaw	1,987	Completed
Sakura (*)	Warsaw	3,819	Completed
Młody Grunwald I, II (*)	Poznań	1,799	Completed
Naturalis I, III & III (*)	Warsaw	434	Completed
Kamienica Jeżyce (*)	Poznań	8,138	Completed
Panoramika II (*)	Szczecin	294	Completed
Other (old) projects		1,065	Completed
Subtotal completed projects		***41,307***	
Młody Grunwald III (**)	Poznań	15,964	2017
Panoramika III (**)	Szczecin	6,817	2017
Vitalia I (**)	Wrocław	15,075	2017
Chilli IV (**)	Poznań	1,755	2017
Espresso IV (**)	Warsaw	36,030	2018
Miasto Moje I	Warsaw	21,120	2018
Subtotal ongoing projects		***96,761***	
City Link I (**)/(***)	Warsaw	112,804	2017
City Link II (**)/(***)	Warsaw	63,348	2018
Subtotal project held by joint venture		***176,152***	
Total		**314,220**	

(*) *For information on the completed projects see "Business highlights during the three months ended 31March 2017 – B. Results breakdown by project" (pages 4-6).*

(**) *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 2017

While the improving market in 2014, 2015, 2016 and the first quarter of 2017 potentially bodes well for the Company in the remainder of 2017 and in 2018, 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 2017. 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 2017.

Additional information to the report

To the best of the Company's knowledge, as of the date of publication of this annual report (8 May 2017), 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 8 May 2017 Number of shares / % of shares	Change in number of shares	As of 31 March 2017 Number of shares / % of shares	Change in number of shares	As of 31 December 2016 Number of shares / % of shares
Shares issued:	***164,010,813***	**-**	***164,010,813***	***(108,349,187)***	***272,360,000***
Major shareholders:					
Ronson Europe N.V. (treasury shares: redeemed as per 1 March 2017)	-	-	-	(108,349,187)	108,349,187 39.78%
I.T.R. Dori B.V. [(1)]	87,449,187 53.32%	-	87,449,187 53.32%	-	87,449,187 32.11%
RN Residential B.V. [(2)]	20,900,000 12.74%	-	20,900,000 12.74%	-	20,900,000 7.67%
Nationale Nederlanden Otwarty Fundusz Emerytalny	23,884,091 14,6%	-	23,884,091 14,6%	N/A	N/A Between 5%-10%
Metlife Otwarty Fundusz Emerytalny	N/A Between 5%-10%	N/A	N/A Between 5%-10%	N/A	N/A Between 3%-5%
AVIVA OFE Aviva BZWBK	N/A Between 3%-5%	N/A	N/A Between 3%-5%	N/A	N/A Below 3%

(1) I.T.R. Dori B.V. is a subsidiary of A. Luzon Group.
(2) RN Residential B.V. is a subsidiary of A. Luzon Group.
As of the date of the redemption of the treasury shares held by Ronson Europe N.V (1 March 2017) and as at 31 March 2017 and the date of publication of this report, A. Luzon Group indirectly controls 66.06% of the Company's outstanding shares.

Changes in the Management Board in the three months ended 31 March 2017 and until the date of publication of this report

The Extraordinary General Meeting of Shareholders held on 1 March 2017 approved the appointment of Mr Erez Tik and Mr Alon Haver as members of the Management Board and managing directors B for a term of four years. Their appointment came into force as of the day of the adoption of the resolution. Mr Erez Tik and Mr Alon Haver replaced Mr Erez Yoskovitz, who stepped down as managing director B effective on the day of the Extraordinary General Meeting of Shareholders (1 March 2017) and Mr Roy Vishnovizki, who submitted his resignation as managing director B on 18 January 2017 with immediate effect.

On 27 April 2017, Mr Shraga Weisman submitted his resignation from his function as member of the Management Board and CEO of the Company with effect from that same date. During the upcoming general meeting of shareholders of the Company, it will be proposed that Mr Tomasz Łapiński, currently holding a position as member of the Management Board and CFO of the Company, be appointed CEO of the Company and that Mr Rami Geris, currently Financial Controller of the Company be appointed member of the Management Board and managing director A and to hold the position of the Company's CFO.

Additional information to the report (cont'd)

Changes in the Supervisory Board in the three months ended 31 March 2017 and until the date of publication of this report

The Extraordinary General Meeting of Shareholders held on 1 March 2017 approved the appointment of Ms Mikhal Shapira, Mr Ofer Kadouri and Mr Alon Kadouri as members of the Supervisory Board for a term of four years. Their appointment came into force as of the day of the adoption of the resolution. Ms Mikhal Shapira, Mr Ofer Kadouri and Mr Alon Kadouri replaced Mr Mark Segall, Mr Yair Shilhav and Mr Reuben Sharoni, who stepped down as Supervisory Board directors effective on the day of the Extraordinary General Meeting of Shareholders (1 March 2017).

Changes in ownership of shares and rights to shares by Supervisory Board members in the three months ended 31 March 2017 and until the date of publication of this report

Mr Amos Luzon as at 31 March 2017 and as at the day of publishing this report held 78.04 % of the shares and voting rights in A. Luzon Group and as a result, thus indirectly held a 51.55% interest in the Company.

Other

As of 31 March 2017, the Company has issued guarantees for bank loans granted to subsidiaries amounting to a total of PLN 99 thousand.
As of 31 March 2017, 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 2017 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

Tomasz Łapiński Chief Financial Officer	**Andrzej Gutowski** Sales and Marketing Director
Erez Tik	**Alon Haver**

Rotterdam, 8 May 2017

Interim Condensed Consolidated Statement of Financial Position

As at *In thousands of Polish Zlotys (PLN)*	***Note***	**31 March 2017 (Reviewed/ Unaudited)**	**31 December 2016 (Audited)**
Assets			
Property and equipment		8,597	8,823
Investment property		8,743	8,743
Investment in joint ventures	*19*	-	744
Deferred tax assets		3,687	3,616
Total non-current assets		**21,027**	**21,926**
Inventory	*9*	508,122	574,098
Trade and other receivables and prepayments		65,965	47,045
Income tax receivable		496	492
Loans granted to third parties		521	508
Loans granted to joint ventures	*19*	10,694	15,906
Receivable from former shareholder		-	9,900
Other current financial assets		1,717	4,480
Cash and cash equivalents		79,295	69,056
Total current assets		**666,810**	**721,485**
Total assets		**687,837**	**743,411**
Equity			
Share capital	*10*	12,503	20,762
Share premium	*10*	150,278	282,873
Treasury shares	*10*	-	(140,854)
Retained earnings		187,907	196,805
Equity attributable to equity holders of the parent		**350,688**	**359,586**
Non-controlling interests		3,840	2,290
Total equity		**354,528**	**361,876**
Liabilities			
Bond loans	*11*	120,791	137,538
Secured bank loans	*12*	11,050	1,941
Share based payment liabilities	*13*	-	978
Deferred tax liability		12,613	11,114
Total non-current liabilities		**144,454**	**151,571**
Trade and other payables and accrued expenses		36,057	40,882
Bond loans	*11*	103,772	85,053
Loans from third parties		1,585	1,560
Advances received		45,769	100,607
Income tax payable		573	763
Provisions		1,099	1,099
Total current liabilities		**188,855**	**229,964**
Total liabilities		**333,309**	**381,535**
Total equity and liabilities		**687,837**	**743,411**

The notes included on pages 27 to 45 are an integral part of these interim condensed consolidated financial statements

Interim Condensed Consolidated Statement of Comprehensive Income

PLN (thousands, except per share data and number of shares)	*Note*	**For the 3 months ended 31 March 2017 (Reviewed/ Unaudited)**	**For the 3 months ended 31 March 2016 (Reviewed/ Unaudited)**
Revenue		110,124	41,862
Cost of sales		(91,536)	(37,867)
Gross profit		**18,588**	**3,995**
Selling and marketing expenses		(1,169)	(1,734)
Administrative expenses		(4,820)	(5,221)
Share of profit/(loss) in joint ventures	*19*	(601)	(219)
Other expenses		(1,447)	(902)
Other income		201	121
Result from operating activities		**10,752**	**(3,960)**
Finance income		290	550
Finance expense		(2,178)	(2,122)
Net finance expense		**(1,888)**	**(1,572)**
Profit/(loss) before taxation		**8,864**	**(5,532)**
Income tax benefit/(expense)	*14*	(1,452)	1,117
Profit/(loss) for the period		**7,412**	**(4,415)**
Other comprehensive income		-	-
Total comprehensive income for the period, net of tax		**7,412**	**(4,415)**
Total profit/(loss) for the year attributable to:			
Equity holders of the parent		5,862	(4,242)
Non-controlling interests		1,550	(173)
Total profit/(loss) for the year		**7,412**	**(4,415)**
Total comprehensive income attributable to:			
Equity holders of the parent		5,862	(4,242)
Non-controlling interests		1,550	(173)
Total comprehensive income/(expense) for the period, net of tax		**7,412**	**(4,415)**
Weighted average number of ordinary shares (basic and diluted)		**164,010,813**	**272,360,000**
In Polish Zlotys (PLN)			
Earnings per share attributable to the equity holders of the parent (basic and diluted)		**0.036**	**(0.010)**

The notes included on pages 27 to 45 are an integral part of these interim condensed consolidated financial statements

Interim Condensed Consolidated Statement of Changes in Equity

In thousands of Polish Zlotys (PLN)	Share capital	Share premium	Treasury shares	Retained earnings	Total	Non-controlling interests	Total equity
	Attributable to the Equity holders of parent						
Balance at 1 January 2017	**20,762**	**282,873**	**(140,854)**	**196,805**	**359,586**	**2,290**	**361,876**
Comprehensive income:							
Profit for the three months ended 31 March 2017	-	-	-	5,862	5,862	1,550	7,412
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income/(expense)	**-**	**-**	**-**	**5,862**	**5,862**	**1,550**	**7,412**
Cancellation of treasury shares (see Note 10)	**(8,259)**	**(132,595)**	**140,854**	**-**	**-**	**-**	**-**
Dividend paid (see Note 19)	**-**	**-**	**-**	**(14,760)**	**(14,760)**	**-**	**(14,760)**
Balance at 31 March 2017 (Reviewed/ Unaudited)	**12,503**	**150,278**	**-**	**187,907**	**350,688**	**3,840**	**354,528**

In thousands of Polish Zlotys (PLN)	Share capital	Share premium	Treasury shares	Retained earnings	Total	Non-controlling interests	Total equity
	Attributable to the Equity holders of parent						
Balance at 1 January 2016	**20,762**	**282,873**	**-**	**154,063**	**457,698**	**1,723**	**459,421**
Comprehensive income:							
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**

The notes included on pages 27 to 45 are an integral part of these interim condensed consolidated financial statements

Interim Condensed Consolidated Statement of Cash Flows

In thousands of Polish Zlotys (PLN)	Note	For the 3 months ended 31 March 2017 (Reviewed) / (unaudited)	For the 3 months ended 31 March 2016 (Reviewed/ Unaudited)
Cash flows from/(used in) operating activities			
Profit/(loss) for the period		7,412	(4,415)
Adjustments to reconcile profit for the period to net cash used in operating activities			
Depreciation		252	178
Finance expense		2,178	2,122
Finance income		(290)	(550)
Share of loss /(profit) from joint ventures		601	219
Share-based payment	*13*	(978)	459
Income tax benefit/(expense)		1,452	(1,117)
Subtotal		***10,627***	***(3,104)***
Decrease receivables from former shareholder		9,900	-
Decrease/(increase) in inventory		67,811	4,520
Decrease/(increase) in trade and other receivables and prepayments		(19,122)	4,727
Decrease/(increase) in other current financial assets		2,763	(962)
Increase/(decrease) in trade and other payables and accrued expenses		(4,825)	(552)
Increase/(decrease) in advances received		(54,838)	37,004
Subtotal		***12,316***	***41,633***
Interest paid		(1,719)	(1,174)
Interest received		132	403
Income tax received/(paid)		(218)	(84)
Net cash from/(used in) operating activities		**10,511**	**40,778**

The notes included on pages 27 to 45 are an integral part of these interim condensed consolidated financial statements

Interim Condensed Consolidated Statement of Cash Flows (cont'd)

In thousands of Polish Zlotys (PLN)		For the 3 months ended 31 March 2017 (Reviewed) / (unaudited)	For the 3 months ended 31 March 2016 (Reviewed/ Unaudited)
Cash flows from/(used in) investing activities			
Acquisition of property and equipment		(26)	-
Net proceeds from loans granted to joint ventures		5,500	-
Short-term bank deposits – collateralized		-	34
Net cash from/(used in) investing activities		**5,474**	**34**
Cash flows from/(used in) financing activities			
Proceeds from bank loans, net of bank charges	*12*	13,392	21,553
Repayment of bank loans	*12*	(4,378)	(75,583)
Proceeds from bond loans issued, net of issue costs	*11*	-	19,591
Dividends paid to equity holders of the parent	*19*	(14,760)	-
Net cash from/(used in) financing activities		**(5,746)**	**(34,439)**
Net change in cash and cash equivalents		**10,239**	**6,373**
Cash and cash equivalents at beginning of period		69,056	99,531
Cash and cash equivalents at end of period		**79,295**	**105,904**

The notes included on pages 27 to 45 are an integral part of these interim condensed consolidated financial statements

Notes to the Interim Condensed Consolidated Financial Statements

Note 1 – General and principal activities

Ronson Europe N.V. ('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 2017, following the cancellation of 108,349,187 treasury shares held by the Company on 1 March 2017, 66.06% of the outstanding shares are controlled by Amos Luzon Development and Energy Group Ltd. ('A. Luzon Group'). The remaining 33.94% of the outstanding shares are held by Nationale Nederlanden Otwarty Fundusz Emerytalny holding 14.6% and by other investors including Metlife Otwarty Fundusz Emerytalny and Aviva OFE BZWBK. 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 2017 and contain comparative data for the three months ended 31 March 2016 and as at 31 December 2016. The Interim Condensed Consolidated Financial Statements of the Company for the three months ended 31 March 2017 with all its comparative data have been reviewed by the Company's external auditors.

As at 31 March 2017, the Groups' market capitalization was below the value of net assets. Management took appropriate steps to review the accounts in respect if there is any additional impairment required and found no basis for it. The Management verified that the forecast margin potential in respect of the inventory is significantly positive.

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

The Interim Condensed Consolidated Financial Statements for the three months ended 31 March 2017 were authorized for issuance by the Management Board on 8 May 2017.

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 2016 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 2016 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.

Further explanation and analyzes on significant changes in financial position and performance of the Company during the 3 months ended 31 March 2017 are included in the Directors' Report on pages 1 through 21.

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 2016.
The following standards and amendments became effective as of 1 January 2017:

- Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses* (issued on 19 January 2016) ;
- Amendments to IAS 7 *Disclosure Initiative* (issued on 29 January 2016);
- Annual Improvements to IFRS Standards 2014-2016 Cycle (issued on 8 December 2016) – Amendments to IFRS 12.

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 2016.

Note 5 – Functional and reporting currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in thousands of Polish Zloty ("PLN"), which is the Group's functional and presentation currency.
Transactions in currencies other than the functional currency are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in currencies other than the functional currency are recognized in the statement of comprehensive income.

Note 6 – Seasonality

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

Notes to the Interim Condensed Consolidated Financial Statements

Note 7 – Composition of the Group

The details of the Polish companies whose financial statements have been included in these Consolidated Financial Statements, the year of incorporation and the percentage of ownership and voting rights directly held or indirectly by the Company as at 31 March 2017, are presented below and on the following page.

	Entity name	Year of incorporation	Share of ownership & voting rights at the end of	
			31 March 2017	31 December 2016
a.	**held directly by the Company :**			
1.	Ronson Development Management Sp. z o.o.	1999	100%	100%
2.	Ronson Development 2000 Sp. z o.o.	2000	100%	100%
3.	Ronson Development Warsaw Sp. z o.o.	2000	100%	100%
4.	Ronson Development Investment Sp. z o.o.	2002	100%	100%
5.	Ronson Development Metropol Sp. z o.o.	2002	100%	100%
6.	Ronson Development Properties Sp. z o.o.	2002	100%	100%
7.	Apartments Projekt Sp. z o.o.	2003	100%	100%
8.	Ronson Development Enterprise Sp. z o.o.	2004	100%	100%
9.	Ronson Development Company Sp. z o.o.	2005	100%	100%
10.	Ronson Development Creations Sp. z o.o.	2005	100%	100%
11.	Ronson Development Buildings Sp. z o.o.	2005	100%	100%
12.	Ronson Development Structure Sp. z o.o.	2005	100%	100%
13.	Ronson Development Poznań Sp. z o.o.	2005	100%	100%
14.	E.E.E. Development Sp. z o.o.	2005	100%	100%
15.	Ronson Development Innovation Sp. z o.o.	2006	100%	100%
16.	Ronson Development Wrocław Sp. z o.o.	2006	100%	100%
17.	Ronson Development Capital Sp. z o.o.	2006	100%	100%
18.	Ronson Development Sp. z o.o.	2006	100%	100%
19.	Ronson Development Construction Sp. z o.o.	2006	100%	100%
20.	City 2015 Sp. z o.o.	2006	100%	100%
21.	Ronson Development Village Sp. z o.o. (*)	2007	100%	100%
22.	Ronson Development Conception Sp. z o.o.	2007	100%	100%
23.	Ronson Development Architecture Sp. z o.o.	2007	100%	100%
24.	Ronson Development Skyline Sp. z o.o.	2007	100%	100%
25.	Continental Development Sp. z o.o.	2007	100%	100%
26.	Ronson Development Universal Sp. z o.o. (*)	2007	100%	100%
27.	Ronson Development Retreat Sp. z o.o.	2007	100%	100%
28.	Ronson Development South Sp. z o.o.	2007	100%	100%
29.	Ronson Development Partner 5 Sp. z o.o.	2007	100%	100%
30.	Ronson Development Partner 4 Sp. z o.o.	2007	100%	100%
31.	Ronson Development North Sp. z o.o.	2007	100%	100%
32.	Ronson Development Providence Sp. z o.o.	2007	100%	100%
33.	Ronson Development Finco Sp. z o.o.	2009	100%	100%
34.	Ronson Development Partner 2 Sp. z o.o.	2010	100%	100%
35.	Ronson Development Skyline 2010 Sp. z o.o. w likwidacji	2010	100%	100%
36.	Ronson Development Partner 3 Sp. z o.o.	2012	100%	100%
b.	**held indirectly by the Company:**			
37	AGRT Sp. z o.o.	2007	100%	100%
38	Ronson Development Partner 4 Sp. z o.o.	2007	100%	100%
39	Ronson Development Sp z o.o. - Estate Sp.k.	2007	100%	100%
40	Ronson Development Sp. z o.o. - Home Sp.k.	2007	100%	100%
41	Ronson Development Sp z o.o. - Horizon Sp.k.	2007	100%	100%
42	Ronson Development Partner 3 Sp. z o.o. - Sakura Sp.k.	2007	100%	100%
43	Ronson Development Sp z o.o. -Town Sp.k.	2007	100%	100%
44	Destiny Sp. z o.o.	2007	100%	100%
45	Ronson Development Millenium Sp. z o.o.	2007	100%	100%
46	Ronson Development Sp. z o.o. - EEE 2011 Sp.k.	2009	100%	100%
47	Ronson Development Sp. z o.o. - Apartments 2011 Sp.k.	2009	100%	100%

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

Notes to the Interim Condensed Consolidated Financial Statements

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

	Entity name	Year of incorporation	Share of ownership & voting rights at the end of	
			31 March 2017	31 December 2016
b.	held indirectly by the Company (cont'd):			
48	Ronson Development Sp. z o.o. - Idea Sp.k.	2009	100%	100%
49	Ronson Development Partner 2 Sp. z o.o. –Destiny 2011 Sp.k.	2009	100%	100%
50	Ronson Development Partner 2 Sp. z o.o. - Enterprise 2011 Sp.k.	2009	100%	100%
51	Ronson Development Partner 2 Sp. z o.o. - Retreat 2011 Sp.k.	2009	100%	100%
52	Ronson Development Partner 5 Sp. z o.o. - Vitalia Sp.k.	2009	100%	100%
53	Ronson Development Sp. z o.o. - 2011 Sp.k.	2009	100%	100%
54	Ronson Development Sp. z o.o. - Gemini 2 Sp.k.	2009	100%	100%
55	Ronson Development Sp. z o.o. - Verdis Sp.k.	2009	100%	100%
56	Ronson Espresso Sp. z o.o.	2006	82%	82%
57	Ronson Development Apartments 2010 Sp. z o.o.	2010	100%	100%
58	RD 2010 Sp. z o.o.	2010	100%	100%
59	Retreat Sp. z o.o.	2010	100%	100%
60	Enterprise 2010 Sp. z o.o.	2010	100%	100%
61	Wrocław 2010 Sp. z o.o.	2010	100%	100%
62	E.E.E. Development 2010 Sp. z o.o.	2010	100%	100%
63	Ronson Development Nautica 2010 Sp. z o.o.	2010	100%	100%
64	Gemini 2010 Sp. z o.o.	2010	100%	100%
65	Ronson Development Sp. z o.o. - Naturalis Sp.k.	2011	100%	100%
66	Ronson Development Sp. z o.o. - Impressio Sp.k.	2011	100%	100%
67	Ronson Development Sp. z o.o. - Continental 2011 Sp.k.	2011	100%	100%
68	Ronson Development Sp. z o.o. - Providence 2011 Sp.k.	2011	100%	100%
69	Ronson Development Partner 2 Sp. z o.o. - Capital 2011 Sp. k.	2011	100%	100%
70	Ronson Development Sp. z o.o. - Architecture 2011 Sp.k.	2011	100%	100%
71	Ronson Development Sp. z o.o. - City 1 Sp.k.	2012	100%	100%
72	Ronson Development Sp. z o.o. - City 2 Sp.k.	2012	100%	100%
73	Ronson Development Sp. z o.o. - City 4 Sp.k.	2016	100%	100%
74	Ronson Development Sp. z o.o. - City 5 Sp.k.	2016	100%	100%
75	Ronson Development Sp. z o.o. - Projekt 1 Sp.k.	2017	100%	n.a.
76	Ronson Development Sp. z o.o. - Projekt 2 Sp.k.	2017	100%	n.a.
77	Ronson Development Sp. z o.o. - Projekt 3 Sp.k.	2017	100%	n.a.

Notes to the Interim Condensed Consolidated Financial Statements

Note 8 – Segment reporting

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

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 Bond loans.

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

In thousands of Polish Zlotys (PLN) — **As at 31 March 2017**

	Warsaw				Poznań		Wrocław		Szczecin		Unallocated	IFRS adjustments	Total
	Apartments	Houses	Joint venture	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses			
Segment assets	316,019	31,696	125,133	8,743	106,480	-	85,072	-	69,125	7,786	-	(115,136)	634,918
Unallocated assets	-	-	-	-	-	-	-	-	-	-	52,919	-	52,919
Total assets	**316,019**	**31,696**	**125,133**	**8,743**	**106,480**	**-**	**85,072**	**-**	**69,125**	**7,786**	**52,919**	**(115,136)**	**687,837**
Segment liabilities	45,385	679	122,412	-	28,905	-	10,940	-	4,813	14	-	(123,109)	90,039
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	243,270	-	243,270
Total liabilities	**45,385**	**679**	**122,412**	**-**	**28,905**	**-**	**10,940**	**-**	**4,813**	**14**	**243,270**	**(123,109)**	**333,309**

In thousands of Polish Zlotys (PLN) — **As at 31 December 2016**

	Warsaw				Poznań		Wrocław		Szczecin		Unallocated	IFRS adjustments	Total
	Apartments	Houses	Joint venture	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses			
Segment assets	334,363	31,762	110,712	8,743	137,117	-	76,271	328	68,313	7,725	-	(94,062)	681,272
Unallocated assets	-	-	-	-	-	-	-	-	-	-	62,139	-	62,139
Total assets	**334,363**	**31,762**	**110,712**	**8,743**	**137,117**	**-**	**76,271**	**328**	**68,313**	**7,725**	**62,139**	**(94,062)**	**743,411**
Segment liabilities	79,117	819	99,503	-	49,051	-	6,188	-	5,278	-	-	(99,503)	140,453
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	241,082	-	241,082
Total liabilities	**79,117**	**819**	**99,503**	**-**	**49,051**	**-**	**6,188**	**-**	**5,278**	**-**	**241,082**	**(99,503)**	**381,535**

Notes to the Interim Condensed Consolidated Financial Statements

Note 8 - Segment reporting (cont'd)

In thousands of Polish Zlotys (PLN) — **For the three months ended 31 March 2017**

	Warsaw				Poznań		Wrocław		Szczecin		Unallocated	IFRS adjustments	Total
	Apartments	Houses	Joint venture	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses			
Revenue	66,377	-	-	201	39,616	-	1,753	-	1,827	-	350		110,124
Segment result	14,177	(4)	(688)	103	2,360	-	(166)	-	(58)	(1)	-	87	15,810
Unallocated result		-		-	-	-	-	-	-	-	(5,058)		(5,058)
Result from operating activities	**14,177**	**(4)**	**(688)**	**103**	**2,360**	**-**	**(166)**	**-**	**(58)**	**(1)**	**(5,058)**	**87**	**10,752**
Net finance income/ (expenses)	2	(2)	15	-	(5)	-	1	-	(3)	-	(1,881)	(15)	(1,888)
Profit/(loss) before tax	**14,179**	**(6)**	**(673)**	**103**	**2,355**	**-**	**(165)**	**-**	**(61)**	**(1)**	**(6,939)**	**72**	**8,864**
Income tax expenses													(1,452)
Profit/(loss) for the year													**7,412**
Capital expenditure	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**26**	**-**	**26**

In thousands of Polish Zlotys (PLN) — **For the three months ended 31 March 2016**

	Warsaw				Poznań		Wrocław		Szczecin		Unallocated	IFRS adjustments	Total
	Apartments	Houses	Joint venture	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses			
Revenue	13,910	1,331	-	226	21,359	-	5,036	-	-	-	-	-	41,862
Segment result	1,020	(34)	(152)	152	(540)	-	(298)	(1)	(51)	(1)	-	(67)	28
Unallocated result	-	-		-	-	-	-	-	-	-	(3,988)		(3,988)
Result from operating activities	**1,020**	**(34)**	**(152)**	**152**	**(540)**	**-**	**(298)**	**(1)**	**(51)**	**(1)**	**(3,988)**	**(67)**	**(3,960)**
Net finance income/ (expenses)	(81)	(1)	5	-	19	-	18	-	(4)	-	(1,523)	(5)	(1,572)
Profit/(loss) before tax	**939**	**(35)**	**(147)**	**152**	**(521)**	**-**	**(280)**	**(1)**	**(55)**	**(1)**	**(5,511)**	**(72)**	**(5,532)**
Income tax expenses													1,117
Profit/(loss) for the year													**(4,415)**
Capital expenditure	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Notes to the Interim Condensed Consolidated Financial Statements

Note 9 – Inventory

Movements in Inventory during the three months ended 31 March 2017 were as follows:

In thousands of Polish Zlotys (PLN)	Opening balance 1 January 2017	Transferred to Trade and other receivables and prepayments	Transferred to finished units	Additions	Closing balance 31 March 2017
Land and related expense	260,851	(2,315)	-	596	259,132
Construction costs	51,783	-	-	22,102	73,885
Planning and permits	14,437	-	-	1,270	15,707
Borrowing costs (*)	41,142	(151)	-	1,633	42,624
Other	2,805	(5)	-	313	3,113
Work in progress	**371,018**	**(2,471)**	**-**	**25,914**	**394,461**

In thousands of Polish Zlotys (PLN)	Opening balance 1 January 2017		Transferred from work in progress	Recognized in the statement of comprehensive income	Closing balance 31 March 2017
Finished goods	**215,582**	**-**	**-**	**(91,797)**	**123,785**

In thousands of Polish Zlotys (PLN)	Opening balance 1 January 2017	Transferred to Trade and other receivables and prepayments	Revaluation write down recognized in statement of comprehensive income		Closing balance 31 March 2017
			Increase	Utilization	
Write-down	**(12,502)**	**2,269**	**-**	**109**	**(10,124)**
Inventory, valued at lower of - cost and net realisable value	**574,098**				**508,122**

(*) Borrowing costs are capitalized to the value of inventory with 6.19% average effective capitalization interest rate.

During the three months ended 31 March 2017, a plot of land with a carrying amount of PLN 202 thousand has been transferred from Inventory to another asset category under Trade and other receivables and prepayments, as the Company has currently no plans of using this plot of land for development.

Notes to the Interim Condensed Consolidated Financial Statements

Note 9 – Inventory (cont'd)

For the year ended 31 December 2016:

In thousands of Polish Zlotys (PLN)	Opening balance 1 January 2016	Sale of project to (former) shareholder (*)	Transferred to finished units	Additions	Closing balance 31 December 2016
Land and related expense	342,699	(88,549)	(61,644)	68,345	260,851
Construction costs	154,067	(18,755)	(232,849)	149,320	51,783
Planning and permits	22,629	(2,513)	(11,037)	5,358	14,437
Borrowing costs (**)	65,533	(2,567)	(28,855)	7,031	41,142
Other	5,261	(1,221)	(4,481)	3,246	2,805
Work in progress	**590,189**	**(113,605)**	**(338,866)**	**233,300**	**371,018**

In thousands of Polish Zlotys (PLN)	Opening balance 1 January 2016		Transferred from work in progress	Recognized in the statement of comprehensive income	Closing balance 31 December 2016
Finished goods	**122,511**	**-**	**338,866**	**(245,795)**	**215,582**

In thousands of Polish Zlotys (PLN)	Opening balance 1 January 2016	Revaluation write-down recognized in statement of comprehensive income		Closing balance 31 December 2016
		Increase	Utilization	
Write-down	**(11,413)**	**(2,269)**	**1,180**	**(12,502)**
Total inventories at the lower of cost or net realizable value	**701,287**			**574,098**

(*) See Note 39 to the Consolidated Financial Statements for the year ended 31 December 2016

(**) Borrowing costs are capitalized to the value of inventory with 6.51% average effective capitalization interest rate.

Notes to the Interim Condensed Consolidated Financial Statements

Note 9 – Inventory (cont'd)

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

In thousands of Polish Zlotys (PLN)	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 (*)	65,533	-	2,100	67,633
Other	5,261	-	573	5,834
Work in progress	**590,189**	**-**	**34,715**	**624,904**

In thousands of Polish Zlotys (PLN)	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**

In thousands of Polish Zlotys (PLN)	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**

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

Notes to the Interim Condensed Consolidated Financial Statements

Note 10 – Share capital

The number of issued and outstanding ordinary shares as at 31 March 2017 amounts to 164,010,813 (as at 31 December 2016: 272,360,000 shares). On 1 March 2017, 108,349,187 shares which the Company held in treasury since 23 December 2016, were cancelled. The cancelled shares were purchased by the Company from one of its shareholders at the time. This transaction is disclosed in the Company's annual consolidated financial statements for the year ended 31 December 2016.

Note 11 –Bond loans

The table below presents the movement in Bond loans during the three months ended 31 March 2017, during the year ended 31 December 2016 and during the three months ended 31 March 2016:

In thousands of Polish Zlotys (PLN)	**For the three months ended 31 March 2017 (Reviewed/ Unaudited)**	**For the year ended 31 December 2016 (Audited)**	**For the three months ended 31 March 2016 (Reviewed/ Unaudited)**
Opening balance	**222,591**	**190,297**	**190,297**
Repayment of bond loans	-	(23,684)	-
Proceeds from bond loans	-	55,000	20,000
Issue cost	-	(1,061)	(409)
Issue cost amortization	320	1,303	318
Accrued interest	3,018	11,861	2,741
Interest repayment	(1,366)	(11,125)	(364)
Total closing balance	**224,563**	**222,591**	**212,583**
Closing balance includes:			
Current liabilities	103,772	85,053	21,197
Non-current liabilities	120,791	137,538	191,386
Total closing balance	**224,563**	**222,591**	**212,583**

New Bond loans issued during the three months ended 31 March 2017:

During the three months ended 31 March 2017, the Company did not issue any bonds loans.

Bond loans issued before 31 December 2016:

The maturity dates and the conditions of the Bonds loans series C, F, G, H, I, J, K, L, M, N, O, P and Q have been presented in the annual consolidated financial statements for the year ended 31 December 2016.

The series G, H, I, J, K, L, M, N, O, P and Q 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 Skierniewicka Street.

Notes to the Interim Condensed Consolidated Financial Statements

Note 11 – Bond loans (cont'd)

Financial ratio covenants for series C:

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 *In thousands of Polish Zlotys (PLN)*	**31 March 2017** **(Reviewed/ Unaudited)**
Net debt	158,002
Equity	349,991
Net Indebtedness Ratio	**45.1%**

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 *In thousands of Polish Zlotys (PLN)*	**31 March 2017** **(Reviewed/ Unaudited)**
Net debt	158,002
Equity	353,831
Net Indebtedness Ratio	**44.7%**

Notes to the Interim Condensed Consolidated Financial Statements

Note 11 – Bond loans (cont'd)

Financial ratio covenants (cont'd):

Series G, I, J, K, L, M, N, O, P and Q:

Based on the conditions of bonds G, I, J, K, L, M, N, O, P and Q 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 *In thousands of Polish Zlotys (PLN)*	**31 March 2017** **(Reviewed/ Unaudited)**
Net debt	156,285
Equity	353,831
Net Indebtedness Ratio	**44.2%**

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 *In thousands of Polish Zlotys (PLN)*	**31 March 2017** **(Reviewed/ Unaudited)**
Net debt	156,285
Inventory	462,353
Net Debt to Inventory Ratio	**33.8%**

Notes to the Interim Condensed Consolidated Financial Statements

Note 12 – Secured bank loans

The following non-current and current Secured bank loans were issued and repaid during the three months ended 31 March 2017, during the three months ended 31 March 2016 and during the year ended 31 December 2016:

In thousands of Polish Zlotys (PLN)	**For the three months ended 31 March 2017 (Reviewed/ Unaudited)**	**For the year ended 31 December 2016 (Audited)**	**For the three months ended 31 March 2016 (Reviewed/ Unaudited)**
Opening balance	**1,941**	**56,902**	**56,902**
New bank loan drawdown	13,392	45,134	21,721
Bank loans repayments	(4,378)	(100,024)	(75,583)
Bank charges	-	(1,331)	(168)
Bank charges amortization	113	928	311
Accrued interest/(interest repayment) on bank loans, net	(18)	13	-
Bank charges allocated to Nova Królikarnia (*)	-	319	-
Total closing balance	**11,050**	**1,941**	**3,183**
Closing balance includes:			
Current liabilities	-	-	1,020
Non-current liabilities	11,050	1,941	2,163
Total closing balance	**11,050**	**1,941**	**3,183**

(*) See Note 39 to the Consolidated Financial Statements for the year ended 31 December 2016

The maturity dates of the loans have been presented in the consolidated financial statements for the year ended 31 December 2016. For more details, see Note 19 Events during the period (Bank Loans) and Note 20 Subsequent events (Bank Loans).

As at 31 March 2017, 31 December 2016 and 31 March 2016, 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.

Notes to the Interim Condensed Consolidated Financial Statements

Note 13 – 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"). 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 Phantom Stock Plan including annexes did not assume any new issue of shares and which did not result in any new shares supply. The key assumptions and the settlement mechanism are presented in the consolidated financial statements for the year ended 31 December 2016.

Out of the total 3,381,250 options granted, 1,187,500 options have been allocated to Tomasz Łapiński, and 843,750 options to Andrzej Gutowski while the remaining 1,350,000 options have been allocated to other key employees of the Company. Of the total 3,381,500 options 40%, i.e. 1,352,500 options, were granted and vested on 3 February 2014.

During March 2017, all 3,381,250 options were exercised for PLN 0.39 per option, for the total amount of PLN 1.3 million. As at 31 December 2016, the estimated fair value of these options amounted to PLN 1.0 million and was included in Company's consolidated balance sheet under Share based payment liabilities. The movement between the estimated liability per 31 December 2016 and the actual payment in March 2017, amounting to PLN 0.3 million was recognized in employee benefits expense (under position of administrative expenses) during the three months ended 31 March 2017.

Note 14 – Income tax

In thousands of Polish Zlotys (PLN)	**For the 3 months ended 31 March 2017 (Reviewed/ Unaudited)**	**For the 3 months ended 31 March 2016 (Reviewed/ Unaudited)**
Current tax expense/(benefit)	**24**	**23**
Deferred tax expense/(benefit)		
Origination and reversal of temporary differences	509	(481)
Expense/(benefit) of tax losses recognized	919	(659)
Total deferred tax expense/(benefit)	**1,428**	**(1,140)**
Total income tax expense/(benefit)	**1,452**	**(1,117)**

Notes to the Interim Condensed Consolidated Financial Statements

Note 15 – 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:

In thousands of Polish Zlotys (PLN)	**As at 31 March 2017 (Reviewed/ Unaudited)**	**As at 31 December 2016 (Audited)**
Panoramika III	9,534	12,171
Chilli IV	5,525	6,490
Miasto Moje I (*)	27,063	33,114
Vitalia I	4,529	10,319
Espresso IV	20,802	23,301
Młody Grunwald III	12,853	15,450
Total	**80,306**	**100,845**

(*) *The Company signed a construction agreement with a general contractor for the Miasto Moje II project for a total amount of PLN 26,507 thousand. The construction of this project is planned to commence during the 2017.*

(ii) Unutilized construction loans:

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

In thousands of Polish Zlotys (PLN)	**As at 31 March 2017 (Reviewed/ Unaudited)**	**As at 31 December 2016 (Audited)**
Panoramika III	19,400	-
Miasto Moje I	36,252	36,252
Espresso IV	28,704	31,391
Młody Grunwald III	12,715	23,130
Vitalia I	27,949	27,949
Total	**125,020**	**118,722**

(iii) Contingent commitments:

The Company provided financial support to Ronson IS (JV in which the Company holds 50%) in its performance of the project (City Link) 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 54.1 million). As at 31 March 2017, the balance of the loan supported by the mentioned guarantee amounts to PLN 0.1 million.

Notes to the Interim Condensed Consolidated Financial Statements

Note 15 – Investment commitments, Contracted proceeds not yet received and Contingencies (cont'd)

(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 2017 after deduction of payments received at the reporting date (such payments being presented in the Interim Consolidated Statement of Financial Position as Advances received):

In thousands of Polish Zlotys (PLN)	**As at 31 March 2017 (Reviewed/ Unaudited)**	**As at 31 December 2016 (Audited)**
Moko	6,134	6,161
Tamka	818	2,662
Kamienica Jeżyce	3,053	8,112
Espresso I, II & III	6,625	8,372
Sakura	2,128	790
Verdis	1,493	2,035
Impressio	308	2,276
Młody Grunwald I & II	1	22
Młody Grunwald III	12,591	8,520
Panoramika II	33	733
Panoramika III	4,342	2,234
Espresso IV	26,054	18,475
Naturalis I, II & III	406	1,404
Vitalia	9,563	7,156
Chilli IV	1,146	1,173
Miasto Moje	17,668	10,672
Other (old) projects	811	811
Total	**93,174**	**81,608**

Notes to the Interim Condensed Consolidated Financial Statements

Note 16 – 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 2016 (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 2017 as described in Notes 11 and 12.

(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 2017.

(iv) Fair value estimation

The Investment property is valued at fair value determined by the Management.
During the three months ended 31 March 2017 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 17 – Related party transactions

There were no transactions and balances with related parties during three months ended 31 March 2017 other than remuneration of Management Board, share based payment (for reference please refer to note 13), loans granted to related parties, an amount due from a former shareholder (PLN 9.9 million) which the Company has received during three months ended 31 March 2017 and the reimbursement of audit review costs. All these transactions were already disclosed in the 2016 annual accounts.

Note 18 – Impairment losses and provisions

During the three months ended 31 March 2017 and 2016, the Group did not recognize any impairment, nor created any significant provision.

Notes to the Interim Condensed Consolidated Financial Statements

Note 19 – Events during the period

Bonds loans

During the three months ended 31 March 2017, the Company did not issue any bonds loans.

Bank loans

In January 2017, the Company executed a loan agreement with mBank Hipoteczny S.A. related to the third phase of the Panoramika project in Szczecin. Under this loan agreement mBank Hipoteczny is to provide financing to cover the costs of construction up to a total amount of PLN 18.9 million. Under the loan agreement, the final repayment date of the loan facility is December 2019.

Commencements of new projects

During the three months ended 31 March 2017, the Group did not commence the construction of any project.

Completions of projects

During the three months ended 31 March 2017, the Group did not complete the construction of any project.

Land purchase

In January 2017, the Company entered into conditional sale agreements concerning the acquisition of real properties located in Warsaw, Ursus district, and into certain cooperation agreements. The Properties are covered by a local zoning plan which allows for the development of multi-family housing projects on the properties. It is envisaged that the properties will allow for development of approximately 1,600 apartments. The total sales price for the acquisition of the properties plus the value of the work which must be performed to allow the Company to carry out the housing projects (such work being the responsibility of the sellers) has been agreed at PLN 82 million net. The individual final agreements covered by the transaction are planned to be concluded in stages by December 2019. The Company paid a portion of the price amounting to PLN 45 million net plus applicable VAT. Subsequent payments towards the total price will be made in accordance with the schedule adopted by the Company and the sellers for the years 2017-2019. The Company expects that the first stage of the housing project to be developed on the properties will commence in the first quarter of 2018.

Dividend

On 1 March 2017, during an extra-ordinary General Meeting of Shareholders, the shareholders of the Company accepted a distribution of an interim dividend for the financial year 2016 as proposed by the Board of Managing Directors and the Board of Supervisory Directors. The dividend in a total amount of PLN 14,760,974 or PLN 0.09 per ordinary share, was paid on 23 March 2017.

Investment in joint ventures

As of 31 March 2017, the accumulated losses on investment in joint ventures exceeded the Company’s interest in joint ventures. In accordance with IAS 28 the Company has reduced investment in joint ventures presented in the Interim Condensed Statement of Financial Position to nil and did not recognize the additional loss of PLN 697 thousand. As soon as the joint venture reports profits (expected during the third quarter of 2017), these profits will be adjusted by losses that were not recognized.

Notes to the Interim Condensed Consolidated Financial Statements

Note 20 – Subsequent events

Bond loans

Since 31 March 2017, the Company has not issued any bonds loans.

Bank loans

Since 31 March 2017, the Group has not signed, nor amended any loan agreement.

Commencements of new projects

Since 31 March 2017, the Group has not commenced any new project.

Completions of projects

Since 31 March 2017, the Group has not completed the construction of any project.

Changes in the Management Board

On 27 April 2017, Mr Shraga Weisman submitted his resignation from his function as member of the Management Board and CEO of the Company with effect from that same date. During the upcoming general meeting of shareholders of the Company, it will be proposed that Mr Tomasz Łapiński, currently holding a position as member of the Management Board and CFO of the Company, be appointed CEO of the Company and that Mr Rami Geris, currently Financial Controller of the Company be appointed member of the Management Board and managing director A and to hold the position of the Company's CFO.

The Management Board

________________	________________
Tomasz Łapiński	**Andrzej Gutowski**
Chief Financial Officer	Sales and Marketing Director
________________	________________
Erez Tik	**Alon Haver**

Rotterdam, 8 May 2017

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 Group ('the Group') as of 31 March 2017 for which the holding company is Ronson Europe N.V. with its registered seat in Rotterdam ('the Company'), and the related interim condensed consolidated statement of financial position as at 31 March 2017, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity, interim condensed consolidated statement of cash flows for the three-month period then ended and the notes, comprising a summary of the significant accounting policies and other explanatory information ('the interim condensed consolidated financial statements').

Responsibilities of the Group's Management for the financial statements

The Group's Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting' as adopted by the European Union ('IAS 34'). The Group's Management is also responsible for such internal control as the Management determines is necessary to enable preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. We conducted our review in accordance with International Standard on Review Engagements ('ISRE') 2400 (Revised), 'Engagements to Review Historical Financial Statements', which requires us to conclude whether anything has come to our attention that causes us to believe that the interim condensed consolidated financial statements, taken as a whole, are not prepared in all material respects
in accordance with IAS 34. This Standard also requires us to comply with relevant ethical requirements.

A review of the interim condensed consolidated financial statements in accordance with ISRE 2400 (Revised) is a limited assurance engagement, primarily consisting of performing procedures by making inquiries of the Management and others within the Group, as appropriate, applying analytical procedures and evaluating the evidence obtained.

The procedures performed in a review are substantially less in scope than those performed in 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 on these interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements do not present fairly, in all material respects, the financial position of the Group as at 31 March 2017, and its financial performance and cash flows for the three-month period then ended, in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. Rondo ONZ 1, 00-124 Warsaw, Poland

Marcin Zieliński Partner

Warsaw, 8 May 2017