Ronson Development SE

Interim Financial Report
for the three months
ended
31 March 2018

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Directors' Report

General

Introduction

Ronson Development SE, previously 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. On 5 April 2018, the shareholders of Company approved amendments to the Company's articles of association which entailed a change of name of the Company and a transformation of the Company into a European Company (SE). Following this transformation, the Company intends to subsequently transfer its registered office from the Netherlands to Poland in the course of 2018.

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 from which their financial data included in the 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 2018, 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 14.02% and by other investors including Metlife Otwarty Fundusz Emerytalny and Aviva OFE Aviva BZ WBK. 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 an overview of shares outstanding and major shareholders of the Company reference is made to page 22.

On 8 May 2018, the market price was PLN 1.3 per share giving the Company a market capitalization of PLN 213.2 million.

Company overview

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 by the Middle East refugee crisis and by the uncertain impact of the exit of the United Kingdom from the European Union, 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.

On 10 April 2018, the Company completed the acquisition of certain shares in and loans granted to project companies owning properties constituting the Nova Królikarnia project for a price of PLN 83.8 million under a sale and purchase agreement with Global City Holdings B.V. (hereinafter 'GCH'). As the result of this transaction Company will be able to realize the sale of 197 units with an aggregate floor space of 19,550 m^2, which include completed projects with 53 units and an aggregate floor space of 5,000 m^2, projects under construction with 126 units and an aggregate floor space of 11,150 m^2 and project in pipeline with 18 units and an aggregate floor space of 3,400 m^2 (hereinafter 'the Nova Transaction'). In addition, the Company and GCH have concluded a call option agreement, under which the Company has been granted three call options with respect to the shares in the eight other project companies holding the remaining stages of the Nova Królikarnia project to be executed within next two years. The total consideration for the acquisition of the shares in these project companies upon the exercise of the three call options will allow to develop 161 units with an aggregate floor space of 21,500 m^2 (hereinafter 'the Nova Call Option Agreements'). For additional information see Note 18 of the Interim Condensed Consolidated Financial Statements.

Directors' report

Company overview (cont'd)

In March 2018, the Company finalized Ursus transaction and signed final purchase agreements for transferring the ownership of three out of the four plots, while the final agreements of the fourth plot are planned to be concluded by December 2019 (the Company received from the seller an irrevocable power of attorney to execute all necessary actions for the development of the project on this last plot of land, including the transferring its perpetual usufruct, obtaining all necessary permits and perform part of the construction works). The mentioned agreements concern the acquisition of real properties located in Warsaw, Ursus district, for the development of multi-family housing projects with approximately 1,600 units.

As at 31 March 2018, the Group has 788 units available for sale in thirteen locations, of which 661 units are available for sale in ongoing projects and the remaining 127 units are in completed projects. The ongoing projects comprise a total of 1,255 units, with an aggregate floor space of 63,200 m^2 (the construction of 353 units with an aggregate floor space of 19,000 m^2 is expected to be completed during the remainder of 2018). In addition, as at 10 April 2018 following the Nova Transaction, the Group has 57 units available for sale, of which 42 units are available for sale in ongoing stages while the remaining 15 units are in completed stages. The ongoing stages comprise a total of 126 units, with an aggregate floor space of 11,150 m^2 (the construction of 53 units with an aggregate floor space of 5,650 m^2 is expected to be completed during the remainder of 2018).

The Group has a pipeline of 14 projects in different stages of preparation, representing approximately 5,275 units with an aggregate floor space of approximately 322,900 m^2 for future development in Warsaw, Poznań, Wrocław and Szczecin. During the remainder of 2018, the Group is considering commencement of another three stages of the currently running projects comprising 309 units with a total area of 19,300 m^2 and three new projects comprising 546 units with a total area of 28,100 m^2 (in total 855 units with a total area of 47,400 m^2). In addition, as at 10 April 2018 following the Nova Transaction and the Nova Call Option Agreements, the Group has a pipeline of 18 units with an aggregate floor space of approximately 3,400 m^2 (the Nova Transaction) and 161 units with an aggregate floor space of approximately 21,500 m^2 (the Call Option Agreements). The Group is considering commencement of last stage that comprising 18 units with a total area of 3,400 m^2 (the Nova Transaction) and another two stages that comprising 49 units with a total area of 5,400 m^2 (the Call Option Agreements) during the remainder of 2018.

During the three months ended 31 March 2018, the Group realized sales of 188 units with the total value PLN 71.9 million (in addition the Group sold 16 units with the total value of 12.7 million, in Nova Królikarnia project) which compares to sales of 259 units with a total value of PLN 100.7 million during the three months ended 31 March 2017 (in addition, the Group sold 14 units with the total value of 10.7 million, in Nova Królikarnia project).

Business highlights during the three months ended 31 March 2018

A. Projects completed

During the three months ended 31 March 2018, the Group completed the construction of Espresso IV project comprising 146 units with an aggregate floor space of 8,100 m^2. For additional information see section 'B. Results breakdown by projects' below.

B. Results breakdown by project

Revenue from the sale of residential units is recognized upon the transfer to the buyer of significant risks and rewards of the ownership of the residential unit, i.e. upon signing of the protocol of technical acceptance and the transfer of the key to the buyer of the residential unit. Total revenue of the Group recognized during the three months ended 31 March 2018 amounted to PLN 80.2 million, whereas cost of sales amounted to PLN 69.6 million, which resulted in a gross profit amounting to PLN 10.6 million with a gross margin of 13.2%. Total economical revenue, whereby results from joint ventures are presented on a fully consolidated basis, amounted to PLN 103.4 million, with cost of sales amounting to PLN 85.9 million, which resulted in a gross profit amounting to PLN 17.5 million (and a gross margin of 17.0%).

The following table specifies revenue, cost of sales, gross profit and gross margin during the three months ended 31 March 2018 on a project by project basis:

	Information on the delivered units		**Revenue [1]**		**Cost of sales [2]**		**Gross profit**	**Gross margin**
Project	**Number of units**	**Area of units (m^2)**	**PLN thousands**	**%**	**PLN thousands**	**%**	**PLN thousands**	**%**
Espresso II, III & IV	59	3,145	23,502	29.3%	18,442	26.5%	5,060	21.5%
Moko	10	1,230	9,313	11.6%	6,533	9.4%	2,780	29.9%
Vitalia I	17	1,037	5,644	7.0%	4,428	6.4%	1,216	21.5%
Młody Grunwald I - III	43	2,541	14,624	18.2%	14,623	21.0%	1	0.0%
Panoramika II	2	136	642	0.8%	630	0.9%	12	1.9%
Panoramika III	98	4,508	20,908	26.1%	20,891	30.0%	17	0.1%
Chilli IV	11	673	2,695	3.4%	2,491	3.6%	204	7.6%
Sakura	1	78	563	0.7%	531	0.8%	32	5.7%
Other [5]	2	166	2,323	2.9%	1,064	1.4%	1,259	N.A
Total / Average	**243**	**13,514**	**80,214**	**100.0%**	**69,633**	**100.0%**	**10,581**	**13.2%**
City Link I [3]	61	2,551	23,183		16,229		6,954	30.0%
Economic results [4]	**304**	**16,065**	**103,397**		**85,862**		**17,535**	**17.0%**

(1) 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.

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

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

(4) Under the assumption that the results from joint ventures are presented on a fully consolidated basis (100%).

(5) Other revenues are mainly associated with fee income for management services provided to joint ventures project and with rental revenues, as well as with sales of parking places and storages in other projects that were completed in previous years and 2 units delivered in Espresso I and Naturalis projects.

Espresso II, III & IV

The construction of the second, third and fourth stage of the Espresso project was completed in May 2016, December 2016 and February 2018, respectively. The second, third and fourth stages of this project were developed on a land strip located in Wola district in Warsaw at Jana Kazimierza Street. The Espresso II project comprises 141 apartments and 10 commercial units and an aggregate floor space of 7,600 m^2. The Espresso III project comprises 147 apartments and 8 commercial units and an aggregate floor space of 8,500 m^2. The Espresso IV project comprises 135 apartments and 11 commercial units and an aggregate floor space of 8,100 m^2.

Business highlights during the three months ended 31 March 2018 (cont'd)

B. *Results breakdown by project (cont'd)*

Moko

The construction of the last stage of the Moko project was completed in October 2016. The project was developed on a land strip located in Mokotów district in Warsaw at Magazynowa Street. The project comprises 326 apartments and 19 commercial units and an aggregate floor space of 23,700 m^2.

Vitalia I

The construction of the first stage of the Vitalia project was completed in September 2017. The project was developed on a land strip located in Krzyki district in Wrocław at Jutrzenki Street. The first stage of this project comprises 139 apartments with an aggregate floor space of 7,200 m^2.

Młody Grunwald I - III

The construction the last stage of the Młody Grunwald project was completed in October 2017. The project was developed on a land strip located in Grunwald district in Poznań at Jeleniogórska Street. The project comprises 372 apartments and 21 commercial units and an aggregate floor space of 23,800 m^2.

Panoramika II & III

The construction of the second and third stage of the Panoramika project was completed in July 2016 and December 2017, respectively. The second and third stages of this project were developed on a part of land strip located in Szczecin at Duńska Street. The Panoramika II project comprises 107 apartments and an aggregate floor space of 5,900 m^2. The Panoramika III project comprises 122 apartments and an aggregate floor space of 5,800 m^2.

Chilli IV

The construction of the fourth stage of the Chilli project was completed in December 2017. The fourth stage of the Chilli project was developed on a part of land strip located in Tulce near Poznań, and is a continuation of the Chilli I - III projects, which were completed in 2012, 2013 and 2014, respectively. The fourth stage of this project comprises 45 units with an aggregate floor space of 2,900 m^2.

Sakura

The construction of the last stage of the Sakura project was completed in July 2015. The project was developed on a land strip located in Warsaw at Kłobucka Street. The project comprises 488 apartments and 27 commercial units and an aggregate floor space of 30,300 m^2.

City Link I

The construction of the first stage of the City Link project was completed in September 2017. The project was developed on part of a land strip located in the Wola district in Warsaw at Skierniewicka street. The first stage of this project comprises 301 apartments and 21 commercial units with an aggregate floor space of 14,700 m^2. 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 2018 (cont'd)

C. Units sold during the period

The table below presents information on the total number of 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 2018:

Project name	Location	Units sold until 31 December 2017	Units sold during the 3 months ended 31 March 2018	Units for sale as at 31 March 2018	Total
Espresso II, III & IV (1)	Warsaw	445	1	5	451
Miasto Moje I (2)	Warsaw	154	20	31	205
Miasto Moje II (2)	Warsaw	8	24	116	148
Młody Grunwald I - III (1)	Poznań	348	13	32	393
City Link III (2)	Warsaw	91	51	226	368
Marina Miasto (2)	Wrocław	15	3	133	151
Vitalia I (1)	Wrocław	128	4	7	139
Vitalia II (2)	Wrocław	6	28	49	83
Chilli IV (1)	Poznań	16	3	26	45
Panoramika II (1)	Szczecin	100	1	6	107
Panoramika III (1)	Szczecin	98	16	8	122
Panoramika IV (2)	Szczecin	2	3	106	111
Moko (1)	Warsaw	317	8	20	345
Verdis (1)	Warsaw	432	-	9	441
Sakura (1)	Warsaw	510	-	5	515
Impressio (1)	Wrocław	206	(1)	2	207
Other (old) projects		2	-	4	6
Total excluding JV		**2,878**	**174**	**785**	**3,837**
City Link I (1)/(3)	Warsaw	316	3	3	322
City Link II (2)/(3)	Warsaw	178	11	-	189
Total including JV		**3,372**	**188**	**788**	**4,348**

(1) *For information on the completed projects see "Business highlights during the three months ended 31 March 2018 – B. Results breakdown by project" (pages 3 to 4).*

(2) *For information on current projects under construction, see "Outlook for the remainder of 2018 – B. Current projects under construction" (pages 16 to 19).*

(3) *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 2018 (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 2018:

		Sold during the 3 months ended 31 March 2018		
Project name	**Location**	**Number of units**	**Net saleable area (m^2)**	**Value of the preliminary sales agreements** *(in PLN thousands)*
Espresso II, III & IV [(1)]	Warsaw	1	64	579
Miasto Moje I [(2)]	Warsaw	20	924	5,513
Miasto Moje II [(2)]	Warsaw	24	1,088	6,374
Młody Grunwald I - III [(1)]	Poznań	13	960	5,557
City Link III [(2)]	Warsaw	51	2,169	21,124
Marina Miasto [(2)]	Wrocław	3	46	612
Vitalia I [(1)]	Wrocław	4	335	1,742
Vitalia II [(2)]	Wrocław	28	1,490	8,570
Chilli IV [(1)]	Poznań	3	205	841
Panoramika II [(1)]	Szczecin	1	84	480
Panoramika III [(1)]	Szczecin	16	789	4,173
Panoramika IV [(2)]	Szczecin	3	142	734
Moko [(1)]	Warsaw	8	916	7,816
Impressio [(1)]	Wrocław	(1)	(125)	(747)
Other (old) projects		-	-	116
Total excluding JV		**174**	**9,087**	**63,484**
City Link I [(1)/(3)]	Warsaw	3	220	1,850
City Link II [(2)/(3)]	Warsaw	11	717	6,525
Total including JV		**188**	**10,024**	**71,859**

(1) For information on the completed projects see "Business highlights during the three months ended 31 March 2018 – B. Results breakdown by project" (pages 3 to 4).

(2) For information on current projects under construction, see "Outlook for the remainder of 2018 – B. Current projects under construction" (pages 16 to 19).

(3) 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 2018, the Company did not commence the construction and/or sales process of any project.

E. Land purchase

Ursus

In January 2017 and in February 2018, the Company entered into conditional sale and purchase 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 with 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 81.8 million plus applicable VAT. For three out of four plots the individual final agreements completing their transfer were concluded in March 2018. However, as for one plot the final agreement will be concluded in 2019, not later than by 31 December 2019, the Company received from the seller an irrevocable power of attorney to execute all necessary actions for the development of the project on this last plot of land, including transferring its perpetual usufruct, obtaining all necessary permits and performing part of the construction works.

Business highlights during the three months ended 31 March 2018 (cont'd)

E. Land purchase (cont'd)

Ursus (cont'd)

In March 2018, the Company paid the last tranche of the transaction amounting to PLN 2.8 million. The total purchase price together with related expenses amounting to PLN 82.8 million has been reclassified from Advances for land to Inventory.

Nova Królikarnia

On 10 April 2018, the Company completed the acquisition of certain shares in and loans granted to project companies owning properties constituting the Nova Królikarnia project for a price of PLN 83.8 million under a sale and purchase agreement with Global City Holdings B.V. (hereinafter 'GCH'). As the result of transaction, Company will be able to realize the sale of 197 units and an aggregate floor space of 19,550 m^2, which include completed projects with 53 units and an aggregate floor space of 5,000 m^2, projects under construction with 126 units and an aggregate floor space of 11,150 m^2 and a project in pipeline with 18 units and an aggregate floor space of 3,400 m^2 (hereinafter 'The Nova Transaction'). In addition, the Company and GCH have concluded a call option agreement, under which the Company has been granted with three call options with respect to the shares in the eight other project companies holding the remaining stages of Nova Królikarnia project to be executed within next two years. The total consideration for the acquisition of the shares in these project companies upon the exercise of the three call options will allow to develop 161 unit with an aggregate floor space of 21,500 m^2 of (hereinafter 'The Nova Call Option Agreements'). For additional information see Note 18 of the Interim Condensed Consolidated Financial Statements.

Financial information

The Interim Condensed Consolidated Financial Statements as included in this Interim Financial Report on pages 25 through 47 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 2017 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 2018 was PLN 3,864 thousand and can be summarized as follows:

	For the three months ended 31 March	
	2018	**2017**
	PLN (thousands, except per share data)	
Revenue	80,214	110,124
Cost of sales	(69,633)	(91,536)
Gross profit	**10,581**	**18,588**
Selling and marketing expenses	(1,124)	(1,169)
Administrative expenses	(4,565)	(4,820)
Share of profit/(loss) from joint ventures	2,726	(601)
Other income/(expenses)	(589)	(1,246)
Result from operating activities	**7,029**	**10,752**
Finance income	145	290
Finance expenses	(1,665)	(2,178)
Net finance income/(expenses)	**(1,520)**	**(1,888)**
Profit/(loss) before taxation	**5,509**	**8,864**
Income tax benefit/(expenses)	(1,077)	(1,452)
Net profit/(loss) for the period before non-controlling interests	**4,432**	**7,412**
Non-controlling interests	(568)	(1,550)
Net profit/(loss) for the period attributable to the equity holders of the parent	**3,864**	**5,862**
Net earnings per share attributable to the equity holders of the parent (basic and diluted)	**0.024**	**0.036**

Overview of results (cont'd)

Revenue

Total revenue decreased by PLN 29.9 million (27.2%) from PLN 110.1 million during the three months ended 31 March 2017 to PLN 80.2 million during the three months ended 31 March 2018, which is primarily explained by a decrease in apartments delivered to the customers in terms of area size (in m^2), as well as a slight decrease in the average selling price per m^2.

Cost of sales

Cost of sales decreased by PLN 21.9 million (23.9%) from PLN 91.5 million during the three months ended 31 March 2017 to PLN 69.6 million during the three months ended 31 March 2018, which is primarily explained by a decrease in apartments delivered to the customers in terms of area size (in m^2).

Gross margin

The gross margin during the three months ended 31 March 2018 was 13.2% which compares to a gross margin during the three months ended 31 March 2017 of 16.9%. The major part of revenues and costs of sales (and therefore also gross margin) recognized during the three months ended 31 March 2018 was related to projects which were less profitable than the projects delivered to the customers during the three months ended 31 March 2017. On the other hand, in comparison to the economical gross margin that was 17.0%, whereby results from joint ventures are presented on a fully consolidated basis, differences are minor.

Selling and marketing expenses

No material changes.

Administrative expenses

Administrative expenses decreased by PLN 0.2 million (5.3%) from PLN 4.8 million for the three months ended 31 March 2017 to PLN 4.6 million for the three months ended 31 March 2018. The decrease is primarily explained by a decrease in the costs related to remuneration, the decrease was offset in part by increase in costs of consulting services related to the management fees to A. Luzon Group.

Share of profit/(loss) from joint ventures

Share of profit/(loss) from joint ventures comprise the Company's 50% interest in the joint ventures companies Ronson IS sp. z o.o. and in Ronson IS Sp. z o.o. Sp.k (hereinafter "JV") which companies are running the first two stages of the City Link project in Warsaw.

During the three months ended 31 March 2018, the profit from JV that was allocated to the Company, amounted to PLN 2,726 thousand which compares to a loss amounting to PLN 601 thousand during the three months ended 31 March 2017. The change in results from joint ventures is explained by revenue recognized from the City Link I project that was completed in September 2017.

Other income/(expenses)

Other expenses decreased by PLN 0.6 million (52.7%) from PLN 1.2 million during the three months ended 31 March 2017 to PLN 0.6 million during the three months ended 31 March 2018, which is primarily explained by a decrease in maintenance cost of unsold units.

Result from operating activities

As a result of the factors described above, the Company's operating result decreased by PLN 3.7 million, from an operating profit of PLN 10.8 million for three months ended 31 March 2017 to an operating profit of PLN 7.0 million for three months ended 31 March 2018.

Overview of results (cont'd)

Net finance income/(expenses)

Finance income/(expenses) 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/(expenses) not capitalized is recognized in the statement of comprehensive income.

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

	For the three months ended 31 March 2018 PLN (thousands)		
	Total amount	**Amount capitalized**	**Recognized as profit or loss**
Finance income	145	-	145
Finance expenses	(3,238)	1,573	(1,665)
Net finance income/(expenses)	**(3,093)**	**1,573**	**(1,520)**

	For the three months ended 31 March 2017 PLN (thousands)		
	Total amount	**Amount capitalized**	**Recognized as profit or loss**
Finance income	290	-	290
Finance expenses	(3,811)	1,633	(2,178)
Net finance income/(expenses)	**(3,521)**	**1,633**	**(1,888)**

Net finance expenses before capitalization decreased by PLN 0.4 million (12.2%) from PLN 3.5 million during the three months ended 31 March 2017 to PLN 3.1 million during the three months ended 31 March 2018. The decrease is primarily explained by the decrease in the average interest margin on bonds issued, as well as a decrease in commissions and fees for issuance of new bonds and bank loans.

Income tax benefit/(expenses)

During the three months ended 31 March 2018 the income tax expenses amounted to PLN 1.1 million, in comparison to the income tax benefit of PLN 1.5 million for the three months ended 31 March 2017.

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 2018, the minority shareholders share in the profit amounted to PLN 568 thousand (negatively impacting equity attributable to the holders of the parent), as compared to share in the profit amounted to PLN 1,550 thousand (negative impact) during the three months ended 31 March 2017. The decrease in the profit attributed to non-controlling interest is primarily explained by the decrease in number of units delivered in Espresso project from 120 units during the three months ended 31 March 2017, to 59 units during the three months ended 31 March 2018.

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 2018	**As at 31 December 2017**
	PLN (thousands)	
Inventory	562,204	512,098
Advances received	90,736	102,244
Loans and borrowings	203,504	211,228

Inventory

The balance of inventory is PLN 562.2 million as at 31 March 2018 compared to PLN 512.1 million as at 31 December 2017. The increase in inventory is primarily explained by an increase in land and related expense for a total amount PLN 83.4 million (that mainly related to reclassification of the Ursus project from Advances for land to Inventory), as well as the Group's investments associated with direct construction costs for a total amount of PLN 33.1 million. The increase is offset in part by cost of sales recognized for a total amount of PLN 70.2 million during the three months ended 31 March 2018.

Advances received

The balance of advances received is PLN 90.7 million as at 31 March 2018 compared to PLN 102.2 million as at 31 December 2017. The decrease is a result of revenues recognized from the sale of residential units for a total amount of PLN 79.3 million and is offset in part by advances received from clients regarding sales of residential units during the three months ended 31 March 2018 for a total amount of PLN 67.8 million.

Loans and borrowings

The total of short-term and long-term loans and borrowings is PLN 203.5 million as at 31 March 2018 compared to PLN 211.2 million as at 31 December 2017. The decrease in loans and borrowings is primarily explained by the effect of repayment of bond loans for a total amount of PLN 5.0 million and repayment of bank loans for a total amount of PLN 10.2 million during the three months ended 31 March 2018. The decrease is offset in part by the effect of proceeds from bank loans net of bank charges for a total amount of PLN 6.0 million. Of the mentioned PLN 203.5 million, an amount of PLN 59.8 million comprises facilities maturing no later than 31 March 2019.

The maturity structure of the loans and borrowings reflects the Company's recent activities related to bonds issued in 2014 through 2017 and during the three months ended 31 March 2018 as well as the maturity of the bank loans that were obtained to finance construction costs of the projects developed by the Company.

The balance of loans and borrowings may be split into two categories: 1) Bond loans and 2) Bank loans related to residential projects which are completed or under construction.

Bond loans as at 31 March 2018 amounted to PLN 193.6 million (as at 31 December 2017: PLN 197.3 million) comprising a bond loan principal amount of PLN 192.2 million plus accrued interest of PLN 2.8 million minus one-time costs directly attributed to the bond issuances which are amortized based on the effective interest method (PLN 1.4 million). For additional information see Note 10 of the Interim Condensed Consolidated Financial Statements.

The bank loans supporting completed projects or projects under construction are tailored to the pace of construction works and sales. As at 31 March 2018, loans in this category amounted to PLN 9.9 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	
	2018	2017
	PLN (thousands)	
Cash flow from/(used in) operating activities	19,764	10,511
Cash flow from/(used in) investing activities	1,297	5,474
Cash flow from/(used in) financing activities	(9,190)	(5,746)

Cash flow from/(used in) operating activities

The Company's net cash inflow from operating activities for the three months ended 31 March 2018 amounted to PLN 19.8 million which compares to a net cash inflow from operating activities during the three months ended 31 March 2017 amounted to PLN 10.5 million. The increase is principally explained by:

- a net cash inflow from advances received from clients regarding sales of residential units amounting to PLN 67.8 million during the three months ended 31 March 2018 compared to a net cash inflow from advances received amounting to PLN 52.9 million during the three months ended 31 March 2017;
- expenses for new land purchases (including advances for land) amounting to PLN 2.8 million during the three months ended 31 March 2018 while these expenses amounted to PLN 8.8 million during the three months ended 31 March 2017;
- a net cash inflow from interest received amounting to PLN 4.9 million during the three months ended 31 March 2018 (mainly related to interests received from JV) compared to PLN 0.1 million during the three months ended 31 March 2017.

This effect was offset in part by:

- a net cash outflow used in the Group's investments related to direct construction costs for development of ongoing projects amounting to PLN 33.1 million during the three months ended 31 March 2018, compared to PLN 22.1 million during the three months ended 31 March 2017.

Cash flow from/(used in) investing activities

The Company's net cash inflow from investing activities amounted to PLN 1.3 million during the three months ended 31 March 2018 compared to a net cash inflow from investing activities amounted to PLN 5.5 million during the three months ended 31 March 2017. The decrease is primarily explained by:

- a cash inflow in connection with investments in joint ventures amounting to PLN 1.3 million (net proceeds from repayment of loans granted) during the three months ended 31 March 2018 compared to PLN 5.5 million (net proceeds from repayment of loans granted) during the three months ended 31 March 2017.

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 9.2 million during the three months ended 31 March 2018 compared to a net cash outflow amounted to PLN 5.7 million during the three months ended 31 March 2017. The decrease is primarily explained by:

- a net repayment of secured bank loans amounting to PLN 4.2 million during the three months ended 31 March 2018 compared to net proceeds from secured bank loans amounting to PLN 9.0 million during the three months ended 31 March 2017;
- a repayment of bond loans amounting to PLN 5.0 million during the three months ended 31 March 2018 compared to nil during the three months ended 31 March 2017.

The above-mentioned effects were offset in part by:

- a nil payment of dividend during the three months ended 31 March 2018 compared to PLN 14.8 million paid as dividend during the three months ended 31 March 2017.

Quarterly reporting by the Company

As a result of requirements pertaining to A. Luzon Group, the Company's controlling 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 A. Luzon Group 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.

Disclosure obligations of controlling shareholder

Please note that A. Luzon Group, the Company's controlling shareholder, is a company listed on the Tel Aviv Stock Exchange and is subject to certain disclosure obligations. Some of the documents published by A. Luzon Group in performance of such obligations, available here: http://maya.tase.co.il (some of which are only available in Hebrew), may contain certain information relating to the Company.

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**
2018 (3 months)	**4.181**	**4.142**	**4.242**	**4.209**
2017 (3 months)	4.322	4.220	4.416	4.220

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			
	2018	**2017**	**2018**	**2017**
Revenues	**19,185**	25,480	**80,214**	110,124
Gross profit	**2,531**	4,301	**10,581**	18,588
Profit/(loss) before taxation	**1,318**	2,051	**5,509**	8,864
Net profit/(loss) for the period attributable to the equity holders of the parent	**924**	1,356	**3,864**	5,862
Cash flows from/(used in) operating activities	**4,727**	2,432	**19,764**	10,511
Cash flows from/(used in) investing activities	**310**	1,267	**1,297**	5,474
Cash flows from/(used in) financing activities	**(2,198)**	(1,329)	**(9,190)**	(5,746)
Increase/(decrease) in cash and cash equivalents	**2,839**	2,369	**11,871**	10,239
Inventory	**133,588**	120,408	**562,204**	508,122
Total assets	**164,301**	162,995	**691,544**	687,837
Advances received	**21,560**	10,846	**90,736**	45,769
Long term liabilities	**36,871**	34,231	**155,189**	144,454
Short term liabilities (including advances received)	**45,126**	44,752	**189,911**	188,855
Equity attributable to the equity holders of the parent	**81,205**	83,101	**341,753**	350,688
Share capital	**3,043**	3,043	**12,503**	12,503
Average number of equivalent shares (basic)	**164,010,813**	164,010,813	**164,010,813**	164,010,813
Net earnings per share (basic and diluted)	**0.006**	0.008	**0.024**	0.036

* *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 2017 to 31 March 2018, 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 2018

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 2018:

		Number of units delivered (1)			Number of units expected to be delivered (1)			
Project name	**Location**	**Until 31 December 2017**	**During the 3 months ended 31 March 2018**	**Total units delivered**	**Sold until 31 March 2018**	**Units for sale as at 31 march 2018**	**Total units expected to be delivered**	**Total project**
Espresso II, III & IV	Warsaw	300	59	359	87	5	92	451
Moko	Warsaw	308	10	318	7	20	27	345
Vitalia I	Wrocław	111	17	128	4	7	11	139
Młody Grunwald I - III	Poznań	302	43	345	16	32	48	393
Panoramika II	Szczecin	98	2	100	1	6	7	107
Panoramika III	Szczecin	-	98	98	16	8	24	122
Chilli IV	Poznań	5	11	16	3	26	29	45
Sakura	Warsaw	508	1	509	1	5	6	515
Verdis	Warsaw	429	-	429	3	9	12	441
Impressio	Wrocław	204	-	204	1	2	3	207
Other (old) projects		3	2	5	-	4	4	9
Total excluding JV		**2,268**	**243**	**2,511**	**139**	**124**	**263**	**2,774**
City Link I (2)	Warsaw	249	61	310	9	3	12	322
Total including JV		**2,517**	**304**	**2,821**	**148**	**127**	**275**	**3,096**

(1) 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.

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

For information on the completed projects see "Business highlights during the three months ended 31 March 2018 - B. Results breakdown by project" (pages 3-4).

The table below presents information on the total residential units in the completed stages of the Nova Królikarnia project that the Company purchased on 10th of April 2018 and expects to sell and deliver during the remainder of 2018:

		Number of units delivered			Number of units expected to be delivered			
Project name	**Location**	**Until 31 December 2017**	**During the 3 months ended 31 March 2018**	**Total units delivered**	**Sold until 31 March 2018**	**Units for sale as at 31 March 2018**	**Total units expected to be delivered**	**Total project**
Nova Królikarnia 1a	Warsaw	-	6(1)	6	29	6	35	41
Nova Królikarnia 1d	Warsaw	-	-	-	3	9	12	12
Total		**-**	**6**	**6**	**32**	**15**	**47**	**53**

(1) Units delivered to clients by GCH before concluding transaction.

Outlook for the remainder of 2018 (cont'd)

B. Current projects under construction and/or on sale

The table below presents information on projects for which completion is scheduled in 2018 and 2019. The Company has obtained construction permits for all projects/stages and has commenced construction.

Project name	Location	Units sold until 31 March 2018	Units for sale as at 31 March 2018	Total units	Net saleable area (m^2)	Expected completion of construction
Miasto Moje I	Warsaw	174	31	205	10,900	2018
Miasto Moje II	Warsaw	32	116	148	8,100	2018
City Link III	Warsaw	142	226	368	18,700	2019
Miasto Marina	Wrocław	18	133	151	6,200	2019
Panoramika IV	Szczecin	5	106	111	5,800	2019
Vitalia II	Wrocław	34	49	83	4,700	2019
Subtotal excluding JV		**405**	**661**	**1,066**	**54,400**	
City Link II (1)	Warsaw	189	-	189	8,800	2019
Total including JV		**594**	**661**	**1,255**	**63,200**	

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

The table below presents information on stages for which completion is scheduled in 2018 and 2019 and construction permits were obtained and construction was commenced for all projects/stages within the Nova Królikarnia project that the Company purchased on 10th April 2018.

Project name	Location	Units sold until 31 March 2018	Units for sale as at 31 March 2018	Total units	Net saleable area (m^2)	Expected completion of construction
Nova Królikarnia 1b	Warsaw	9	4	13	1,850	2018
Nova Królikarnia 1c	Warsaw	11	3	14	2,200	2018
Nova Królikarnia 1e	Warsaw	26	-	26	1,600	2018
Nova Królikarnia 2a	Warsaw	23	22	45	3,200	2019
Nova Królikarnia 2b	Warsaw	15	13	28	2,300	2019
Total		**84**	**42**	**126**	**11,150**	

Miasto Moje I and II

Description of project

The first and second stages of the Miasto Moje project are being developed on a land strip located in the Białołęka district in Warsaw at Marywilska Street. The first stage of this project will comprise 191 apartments and 14 commercial units with an aggregate floor space of 10,900 m^2, while the second stage of this project will comprise 145 units and 3 commercial units with an aggregate floor space of 8,100 m^2.

Stage of development

The construction of the Miasto Moje I project commenced in June 2016, while completion is expected in the second quarter of 2018. The construction of the Miasto Moje II project commenced in August 2017, while completion is expected in the fourth quarter of 2018.

Outlook for the remainder of 2018 (cont'd)

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

City Link III

Description of project

The third (and last) stage of the City Link III project (the Company's share in the project is 100%) is being developed on a land strip located in the Wola district in Warsaw at Skierniewicka street. City Link III project will comprise 364 apartments and 4 commercial units with an aggregate floor space of 18,700 m^2.

Stage of development

The construction of the City Link III project commenced in June 2017, while completion is expected in the fourth quarter of 2019.

Miasto Marina

Description of project

The Miasto Marina project is being developed on a land strip located in Wrocław at Na Grobli Street. The project will comprise 151 units with an aggregate floor space of 6,200 m^2. Following the change in the law during 2017, the project is being developed as apart-hotel with 23% VAT instead of 8% VAT applicable on normal residential projects.

Stage of development

The construction of the Miasto Marina project commenced in July 2017, while completion is expected in the first quarter of 2019.

Panoramika IV

Description of project

The fourth stage of the Panoramika project is being developed on a land strip located in Szczecin at Duńska Street, and is a continuation of the Panoramika I-III projects, which were completed in 2012, 2016 and 2017, respectively. The fourth stage of this project will comprise 111 apartments and an aggregate floor space of 5,800 m^2.

Stage of development

The construction of the Panoramika IV project commenced in November 2017, while completion is expected in the fourth quarter of 2019.

Vitalia II

Description of project

The second stage of the Vitalia project is being developed on a land strip located in Krzyki district in Wrocław at Jutrzenki Street, and is a continuation of the Vitalia I project, which was completed in September 2017. The second stage of this project will comprise 83 apartments and an aggregate floor space of 4,700 m^2.

Stage of development

The construction of the Vitalia II project commenced in December 2017, while completion is expected in the first quarter of 2019.

Outlook for the remainder of 2018 (cont'd)

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

City Link II

Description of project

The second stage of the City Link project (the Company's share in the project is 50%) is being developed on part of a land strip located in the Wola district in Warsaw at Skierniewicka street, and is a continuation of the City Link I project, which was completed in September 2017. The second stage of this project will comprise 184 apartments and 5 commercial units with an aggregate floor space of 8,800 m^2.

Stage of development

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 first quarter of 2019.

Nova Królikarnia

Nova Królikarnia 1b

Description of project

The Nova Królikarnia 1b project is being developed on a land strip located in the Mokotów district in Warsaw at Jaśminowa Street and will comprise 13 apartments and houses and an aggregate floor space of 1,850 m^2.

Stage of development

The construction of the Nova Królikarnia 1b commenced in September 2016, while completion is expected in the second quarter of 2018.

Nova Królikarnia 1c

Description of project

The Nova Królikarnia 1c project is being developed on a land strip located in the Mokotów district in Warsaw at Jaśminowa Street and will comprise 14 houses and an aggregate floor space of 2,200 m^2.

Stage of development

The construction of the Nova Królikarnia 1c commenced in September 2016, while completion is expected in the second quarter of 2018.

Nova Królikarnia 1e

Description of project

The Nova Królikarnia 1e project is being developed on a land strip located in the Mokotów district in Warsaw at Jaśminowa Street and will comprise 26 apartments and an aggregate floor space of 1,600 m^2.

Stage of development

The construction of the Nova Królikarnia 1e commenced in November 2016, while completion is expected in the second quarter of 2018.

Nova Królikarnia 2a

Description of project

The Nova Królikarnia 2a project is being developed on a land strip located in the Mokotów district in Warsaw at Jaśminowa Street and will comprise 45 apartments and an aggregate floor space of 3,200 m^2.

Stage of development

The construction of the Nova Królikarnia 2a commenced in November 2017, while completion is expected in the first quarter of 2019.

Outlook for the remainder of 2018 (cont'd)

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

Nova Królikarnia (cont'd)

Nova Królikarnia 2b

Description of project

The Nova Królikarnia 2b project is being developed on a land strip located in the Mokotów district in Warsaw at Jaśminowa Street and will comprise 28 apartments and an aggregate floor space of 2,300 m^2.

Stage of development

The construction of the Nova Królikarnia 2b commenced in February 2018, while completion is expected in the second quarter of 2019.

C. Projects for which construction work is planned to commence during the remainder of 2018

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 2018, the Company is considering the commencement of the 3 stages of ongoing projects and 3 new projects (comprising in total 855 units with a total area of 47,400 m^2) and in additional 67 units with a total area of 8,800 m^2 in Nova Królikarnia project, 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

Grunwald² (previously named Bułgarska)

The Grunwald² project will be developed on a land strip located in Poznań at Świerzawska Street. The Company commenced the pre-sale of this project in April 2018, the agreement with general contractor was signed in May 2018 and the construction work will commence in June 2018. The project will comprise 268 units with an aggregate floor space of 14,500 m^2.

Ursus I

The Ursus project will be developed on a land strip located in the Ursus district in Warsaw at Gierdziejewskiego Street. The Company is considering commencing construction of the first stage of this project during the remainder of 2018. The first stage will comprise 151 units with an aggregate floor space of 7,300 m^2.

Matisse I

The Matisse project will be developed on a land strip located in the Jagodno district in Wrocław at Buforowa Street. The Company is considering commencing construction of the first stage of this project during the remainder of 2018. The first stage of this project will comprise 127 units with an aggregate floor space of 6,300 m^2.

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 32 units with an aggregate floor space of 2,400 m^2. The Company is considering commencing construction of this stage during the remainder of 2018.

Outlook for the remainder of 2018 (cont'd)

C. Projects for which construction work is planned to commence during the remainder of 2018 (cont'd)

b) New stages of running projects (cont'd)

Vitalia III

The third and the last stage of Vitalia project that is a continuation of the Vitalia I and II projects, will comprise 81 units with an aggregate floor space of 6,800 m^2. The Company is considering commencing construction of this stage during the remainder of 2018.

Miasto Moje III

The Miasto Moje III project is a continuation of the Miasto Moje I and II projects. The project will comprise 196 units with an aggregate floor space of 10,100 m^2. The Company is considering commencing construction of this stage during the remainder of 2018.

c) New stages of the Nova Królikarnia project (the Nova Transaction)

Nova Królikarnia 2c

The Nova Królikarnia 2c project will be developed on a land strip located in the Mokotów district in Warsaw at Jaśminowa Street. The Company is considering commencing construction of the entire stage during the remainder of 2018. The project will comprise 18 units with an aggregate floor space of 3,400 m^2.

d) New stages of the Nova Królikarnia project (the Nova Call Option Agreements)

Nova Królikarnia 3a

The Nova Królikarnia 3a project will be developed on a land strip located in the Mokotów district in Warsaw at Jaśminowa Street. The Company is considering commencing construction of the entire stage during the remainder of 2018. The project will comprise 28 apartments with an aggregate floor space of 3,100 m^2.

Nova Królikarnia 3b

The Nova Królikarnia 3b project will be developed on a land strip located in the Mokotów district in Warsaw at Jaśminowa Street. The Company is considering commencing construction of the entire stage during the remainder of 2018. The project will comprise 21 apartments with an aggregate floor space of 2,300 m^2.

Outlook for the remainder of 2018 (cont'd)

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

The current volume and value of the preliminary sales agreements signed with the clients do not impact the Consolidated Statement of Comprehensive Income 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	6,839	Completed
Espresso II, III & IV	Warsaw	36,791	Completed
Impressio	Wrocław	871	Completed
Verdis	Warsaw	1,504	Completed
Sakura	Warsaw	722	Completed
Młody Grunwald I - III	Poznań	6,885	Completed
Panoramika II	Szczecin	412	Completed
Panoramika III	Szczecin	3,730	Completed
Vitalia I	Wrocław	1,636	Completed
Chilli IV	Poznań	791	Completed
Other (old) projects		282	Completed
***Subtotal completed projects* (1)**		***60,463***	
Miasto Moje I	Warsaw	50,669	2018
Miasto Moje II	Warsaw	9,991	2018
Marina Miasto	Wrocław	4,868	2019
Vitalia II	Wrocław	10,410	2019
Panoramika IV	Szczecin	1,265	2019
City Link III	Warsaw	58,157	2019
***Subtotal ongoing projects* (2)**		***135,360***	
City Link I (1)/ (3)	Warsaw	5,050	Completed
City Link II (2)/(3)	Warsaw	84,719	2019
Subtotal projects held by joint venture		***89,769***	
Total		**285,592**	

(1) For information on the completed projects see "Business highlights during the three months ended 31 March 2018 – B. Results breakdown by project" (pages 3 - 4).

(2) For information on current projects under construction and/or on sale, see under "B" above (pages 16 - 19).

(3) This project is presented in the Interim Condensed Consolidated Financial Statements under Investment in joint ventures; the Company's share in this project is 50%.

The table below presents the value of the preliminary sales agreements in Nova Królikarnia (purchased by Company on 10 April 2018), project executed with the clients in particular for units that have not been recognized in the Consolidated Statement of Comprehensive Income:

Project name	Location	Value of the preliminary sales agreements signed with clients *(in thousands of PLN)*	Completed / expected completion of construction
Nova Królikarnia 1a	Warsaw	20,927	Completed
Nova Królikarnia 1d	Warsaw	3,573	Completed
Nova Królikarnia 1b	Warsaw	13,619	2018
Nova Królikarnia 1c	Warsaw	19,170	2018
Nova Królikarnia 1e	Warsaw	15,205	2018
Nova Królikarnia 2a	Warsaw	15,631	2019
Nova Królikarnia 2b	Warsaw	12,010	2019
Total		**100,135**	

Outlook for the remainder of 2018 (cont'd)

E. Main risks and uncertainties during the remainder of 2018

While the improving market in 2015, 2016, 2017 and the first quarter of 2018 potentially bodes well for the Company in the remainder of 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 2018. The level of development of the Polish economy, the performance of the banking industry and consumers' interest in new housing projects, the challenge of securing lands for considerable prices and the significant impact of it on the margins of new phases and projects, as well as increasing competition in the market are considered to be the most significant uncertainties for the financial year ending 31 December 2018.

Additional information to the report

Major shareholders

To the best of the Company's knowledge, as at the date of publication of this annual report (8 May 2018), the following shareholders are entitled to exercise over 3% of the voting rights at the General Meeting of Shareholders in the Company:

Shares

	As at 8 May 2018 Number of shares / % of shares	**Change in number of shares**	**As at 31 March 2018 Number of shares / % of shares**	**Change in number of shares**	**As at 31 December 2017 Number of shares / % of shares**
Shares issued:	***164,010,813***	-	***164,010,813***	-	***164,010,813***
I.T.R. Dori B.V. [(1)]	87,449,187	-	87,449,187	-	87,449,187
	53.32%		53.32%		53.32%
RN Residential B.V. [(1)]	20,900,000	-	20,900,000	-	20,900,000
	12.74%		12.74%		12.74%
Nationale Nederlanden Otwarty Fundusz Emerytalny	23,000,000	-	23,000,000	(3,884,091)	23,884,091
	14.02%		14.02%		14.56%
Metlife Otwarty Fundusz Emerytalny	N/A	N/A	N/A	N/A	N/A
	Between 5%-10%		Between 5%-10%		Between 5%-10%
Aviva OFE Aviva BZWBK	N/A	N/A	N/A	N/A	N/A
	Between 3%-5%		Between 3%-5%		Between 3%-5%

[(1)] The subsidiary of A. Luzon Group.

Changes in the Management and Supervisory Board in the three months ended 31 March 2018 and until the date of publication of this report

None

Changes in ownership of shares and rights to shares by Management and Supervisory Board members in the three months ended 31 March 2018 and until the date of publication of this report

Mr Amos Luzon as at 31 March 2018 and as at the day of publishing this report held 63.17 % and 63.99% of the shares and voting rights in A. Luzon Group (through A. Luzon Properties and Investments Ltd., a private company owned by Mr Amos Luzon "99%"), and as a result, thus indirectly held a 41.31% and 41.85% interest in the Company, respectively.

Mr Erez Tik as at 31 March 2018 and as at the day of publishing this report held 0.82% and nil of the shares and voting rights in A. Luzon Group, and as a result, thus indirectly held a 0.54% interest and nil in the Company, respectively.

Additional information to the report (cont'd)

Overview of the economic results during the three months ended 31 March 2018

The table below presents the Company economic results during the three months ended 31 March 2018, under the assumption that the results from joint ventures are presented on a fully consolidated basis (100%):

For the 3 months ended 31 March	**2018**	**2017**
In thousands of Polish Zlotys (PLN)	**(Unaudited)**	**(Unaudited)**
Revenue from residential projects	102,462	107,762
Revenue from sale of services	-	350
Revenue	**102,462**	**108,112**
Cost of sales	**(85,862)**	**(91,536)**
Gross profit	**16,600**	**16,576**
Selling and marketing expenses	(1,130)	(1,286)
Administrative expenses	(4,857)	(5,212)
Other expenses	(1,238)	(1,536)
Other income	359	201
Cancelation of negative investment from joint ventures	-	697
Result from operating activities	**9,734**	**9,440**
Finance income	129	166
Finance expenses	(1,670)	(2,183)
Net finance income/(expenses)	**(1,541)**	**(2,017)**
Profit/(loss) before taxation	**8,193**	**7,423**
Income tax benefit/(expenses)	(1,077)	(1,452)
Profit for the period	**7,116**	**5,971**
Total profit/(loss) for the period attributable to:		
equity holders of the parent	3,864	5,862
Non-controlling interests	3,252	109
Total profit/(loss) for the period, net of tax	**7,116**	**5,971**

Additional information to the report (cont'd)

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 2018 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

Nir Netzer
Chief Executive Officer

Rami Geris
Chief Financial Officer

Andrzej Gutowski
Sales and Marketing Director

Erez Tik

Alon Haver

Rotterdam, 8 May 2018

Interim Condensed Consolidated Statement of Financial Position

As at *In thousands of Polish Zlotys (PLN)*	***Note***	**31 March 2018 (Reviewed/ Unaudited)**	**31 December 2017 (Audited)**
Assets			
Property and equipment		7,928	8,169
Investment property		8,743	8,743
Investment in joint ventures		7,846	5,162
Deferred tax assets		2,999	4,025
Total non-current assets		**27,516**	**26,099**
Inventory	*9*	562,204	512,098
Advances for land	*17*	-	80,060
Trade and other receivables and prepayments		13,756	11,704
Income tax receivable		604	590
Loans granted to joint ventures		1,006	6,922
Other current financial assets		9,727	3,466
Cash and cash equivalents		76,731	64,860
Total current assets		**664,028**	**679,700**
Total assets		**691,544**	**705,799**
Equity			
Share capital		12,503	12,503
Share premium		150,278	150,278
Retained earnings		178,972	175,108
Equity attributable to equity holders of the parent		**341,753**	**337,889**
Non-controlling interests		4,691	4,123
Total equity		**346,444**	**342,012**
Liabilities			
Bond loans	*10*	143,677	153,517
Secured bank loans	*11*	-	9,155
Deferred tax liability		11,512	11,448
Total non-current liabilities		**155,189**	**174,120**
Trade and other payables and accrued expenses		38,126	37,646
Bond loans	*10*	49,894	43,791
Secured bank loans	*11*	9,933	4,765
Advances received		90,736	102,244
Income tax payable		90	89
Provisions		1,132	1,132
Total current liabilities		**189,911**	**189,667**
Total liabilities		**345,100**	**363,787**
Total equity and liabilities		**691,544**	**705,799**

The notes included on pages 29 to 47 are an integral part of these interim condensed consolidated financial statements

Interim Condensed Consolidated Statement of Comprehensive Income

For the 3 months ended 31 March *In thousands of Polish Zlotys (PLN)*	***Note***	**2018 (Reviewed/ Unaudited)**	**2017 (Reviewed/ Unaudited)**
Revenue from residential projects		79,279	107,762
Revenue from the sale of services		935	2,362
Revenue		**80,214**	**110,124**
Cost of sales		**(69,633)**	**(91,536)**
Gross profit		**10,581**	**18,588**
Selling and marketing expenses		(1,124)	(1,169)
Administrative expenses		(4,565)	(4,820)
Share of profit/(loss) from joint ventures		2,726	(601)
Other expenses		(948)	(1,447)
Other income		359	201
Result from operating activities		**7,029**	**10,752**
Finance income		145	290
Finance expense		(1,665)	(2,178)
Net finance income/(expense)		**(1,520)**	**(1,888)**
Profit/(loss) before taxation		**5,509**	**8,864**
Income tax benefit/(expense)	*12*	(1,077)	(1,452)
Profit/(loss) for the period		**4,432**	**7,412**
Other comprehensive income		-	-
Total comprehensive income/(expense) for the period, net of tax		**4,432**	**7,412**
Total profit/(loss) for the period attributable to:			
equity holders of the parent		3,864	5,862
non-controlling interests		568	1,550
Total profit/(loss) for the period, net of tax		**4,432**	**7,412**
Total comprehensive income/(expense) attributable to:			
equity holders of the parent		3,864	5,862
non-controlling interests		568	1,550
Total comprehensive income/(expense) for the period, net of tax		**4,432**	**7,412**
Weighted average number of ordinary shares (basic and diluted)		**164,010,813**	**164,010,813**
In Polish Zlotys (PLN) **Net earnings/(loss) per share attributable to the equity holders of the parent (basic and diluted)**		**0.024**	**0.036**

The notes included on pages 29 to 47 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)	Attributable to the Equity holders of parent						
	Share capital	**Share premium**	**Treasury shares**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2018	**12,503**	**150,278**	**-**	**175,108**	**337,889**	**4,123**	**342,012**
Comprehensive income:							
Profit for the three months ended 31 March 2018	-	-	-	3,864	3,864	568	4,432
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income/(expense)	**-**	**-**	**-**	**3,864**	**3,864**	**568**	**4,432**
Balance at 31 March 2018 (Reviewed/ Unaudited)	**12,503**	**150,278**	**-**	**178,972**	**341,753**	**4,691**	**346,444**

In thousands of Polish Zlotys (PLN)	Attributable to the Equity holders of parent						
	Share capital	**Share premium**	**Treasury shares**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
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 (1)	(8,259)	(132,595)	140,854	-	-	-	-
Dividend paid (2)	-	-	-	(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**

(1) On 1 March 2017, 108,349,187 shares which the Company held in treasury since 23 December 2016, were redeemed.

(2) 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.

Interim Condensed Consolidated Statement of Cash Flows

For the 3 months ended 31 March		**2018**	**2017**
In thousands of Polish Zlotys (PLN)		**(Reviewed) / (unaudited)**	**(Reviewed/ Unaudited)**
Cash flows from/(used in) operating activities			
Profit/(loss) for the period		4,432	7,412
Adjustments to reconcile profit for the period to net cash used in operating activities			
Depreciation		241	252
Finance expense		1,665	2,178
Finance income		(145)	(290)
Profit on sale of property and equipment		15	-
Share of loss /(profit) from joint ventures		(2,726)	601
Share-based payment		-	(978)
Income tax expense/(benefit)		1,077	1,452
Subtotal		***4,559***	***10,627***
Decrease receivables from former shareholder		-	9,900
Decrease/(increase) in inventory	*9*	34,277	67,811
Decrease/(increase) in advances for land		(2,750)	(8,833)
Decrease/(increase) in trade and other receivables and prepayments		(2,052)	(10,289)
Decrease/(increase) in other current financial assets		(6,261)	2,763
Increase/(decrease) in trade and other payables and accrued expenses		480	(4,825)
Increase/(decrease) in advances received		(11,508)	(54,838)
Subtotal		***16,745***	***12,316***
Interest paid		(1,772)	(1,719)
Interest received		4,791	132
Income tax received/(paid)		-	(218)
Net cash from/(used in) operating activities		**19,764**	**10,511**
Cash flows from/(used in) investing activities			
Acquisition of property and equipment		-	(26)
Net proceeds from loans granted to joint ventures		1,312	5,500
Proceeds from sale of property and equipment		(15)	-
Net cash from/(used in) investing activities		**1,297**	**5,474**
Cash flows from/(used in) financing activities			
Proceeds from bank loans, net of bank charges	*11*	6,010	13,392
Repayment of bank loans	*11*	(10,200)	(4,378)
Repayment of bond loans	*10*	(5,000)	-
Dividends paid to equity holders of the parent		-	(14,760)
Net cash from/(used in) financing activities		**(9,190)**	**(5,746)**
Net change in cash and cash equivalents		**11,871**	**10,239**
Cash and cash equivalents at beginning of the period		64,860	69,056
Cash and cash equivalents at end of the period *		**76,731**	**79,295**

**Including restricted cash that amounted to PLN 11,665 thousand and PLN 14,273 thousand as 31 March 2018 and as 31 March 2017, respectively.*

The notes included on pages 29 to 47 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 Development SE ('the Company'), previously Ronson Europe N.V., 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.
On 5 April 2018, the shareholders of Company approved amendments to the Company's articles of association which entailed a change of name of the Company and a transformation of the Company into a European Company (SE). Following this transformation, the Company intends to subsequently transfer its registered office from the Netherlands to Poland in the course of 2018.
The shares of the Company are traded on the Warsaw Stock Exchange since 5 November 2007.
As at 31 March 2018, 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 14.02% 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 2018 and contain comparative data for the three months ended 31 March 2017 and as at 31 December 2017. The Interim Condensed Consolidated Financial Statements of the Company for the three months ended 31 March 2018 with all its comparative data have been reviewed by the Company's external auditors.
As at 31 March 2018, 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 2018 were authorized for issuance by the Management Board on 8 May 2018.

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 2017 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 2017 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 2018 are included in the Directors' Report on pages 1 through 24.

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 2017.

The following standards and amendments became effective as of 1 January 2018:

- IFRS 9 *Financial Instruments* (issued on 24 July 2014);- effective for financial years beginning on or after 1 January 2018;
- IFRS 15 *Revenue from Contracts with Customers* (issued on 28 May 2014), including amendments to IFRS 15 *Effective date of IFRS 15* (issued on 11 September 2015) - effective for financial years beginning on or after 1 January 2018;
- Amendments to IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* (issued on 12 September 2016) - effective for financial years beginning on or after 1 January 2018;
- Clarifications to IFRS 15 *Revenue from Contracts with Customers* (issued on 12 April 2016) - effective for financial years beginning on or after 1 January 2018;
- Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions* (issued on 20 June 2016) - effective for financial years beginning on or after 1 January 2018,
- Amendments to IAS 28 *Investments in Associates and Joint Ventures* which are part of *Annual Improvements to IFRS Standards 2014-2016 Cycle* (issued on 8 December 2016) - effective for financial years beginning on or after 1 January 2018,
- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* which are part of *Annual Improvements to IFRS Standards 2014-2016 Cycle* (issued on 8 December 2016) – effective for financial years beginning on or after 1 January 2018,
- IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration* (issued on 8 December 2016) - not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2018;
- Amendments to IAS 40: *Transfers of Investment Property* (issued on 8 December 2016) - not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 January 2018.

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 2017.

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.

Notes to the Interim Condensed Consolidated Financial Statements

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.

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 2018, are presented below and on the following page.

	Entity name	Year of incorporation	Share of ownership & voting rights at the end of	
			31 March 2018	31 December 2017
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.	Destiny Sp. z o.o.	2007	100%	100%
44.	Ronson Development Millenium Sp. z o.o.	2007	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 2018	Share of ownership & voting rights at the end of 31 December 2017
b.	held indirectly by the Company (cont'd):			
45.	Ronson Development Sp. z o.o. - EEE 2011 Sp.k.	2009	100%	100%
46.	Ronson Development Sp. z o.o. - Apartments 2011 Sp.k.	2009	100%	100%
47.	Ronson Development Sp. z o.o. - Idea Sp.k.	2009	100%	100%
48.	Ronson Development Partner 2 Sp. z o.o. –Destiny 2011 Sp.k. (previously named Ronson Development Sp. z o.o. - Destiny	2009	100%	100%
49.	Ronson Development Partner 2 Sp. z o.o. - Enterprise 2011 Sp.k.	2009	100%	100%
50.	Ronson Development Partner 2 Sp. z o.o. - Retreat 2011 Sp.k.	2009	100%	100%
51.	Ronson Development Sp. z o.o. - Wrocław 2011 Sp.k.	2009	100%	100%
52.	Ronson Development Sp. z o.o. - 2011 Sp.k.	2009	100%	100%
53.	Ronson Development Sp. z o.o. - Gemini 2 Sp.k.	2009	100%	100%
54.	Ronson Development Sp. z o.o. - Verdis Sp.k.	2009	100%	100%
55.	Ronson Espresso Sp. z o.o.	2006	82%	82%
56.	Ronson Development Apartments 2010 Sp. z o.o.	2010	100%	100%
57.	RD 2010 Sp. z o.o. (previously named Ronson Development 2010 Sp. z o.o.)	2010	100%	100%
58.	Retreat Sp. z o.o. (previously named Ronson Development Retreat 2010 Sp. z o.o.)	2010	100%	100%
59.	Ronson Development Enterprise 2010 Sp. z o.o.	2010	100%	100%
60.	Ronson Development Wrocław 2010 Sp. z o.o.	2010	100%	100%
61.	E.E.E. Development 2010 Sp. z o.o.	2010	100%	100%
62.	Ronson Development Nautica 2010 Sp. z o.o.	2010	100%	100%
63.	Gemini 2010 Sp. z o.o. (previously named Ronson Development Gemini 2010 Sp. z o.o.)	2010	100%	100%
64.	Ronson Development Sp. z o.o. - Naturalis Sp.k.	2011	100%	100%
65.	Ronson Development Sp. z o.o. - Impressio Sp.k.	2011	100%	100%
66.	Ronson Development Sp. z o.o. - Continental 2011 Sp.k.	2011	100%	100%
67.	Ronson Development Sp. z o.o. - Providence 2011 Sp.k.	2011	100%	100%
68.	Ronson Development Partner 2 Sp. z o.o. - Capital 2011 Sp. k.	2011	100%	100%
69.	Ronson Development Sp. z o.o. - Architecture 2011 Sp.k.	2011	100%	100%
70.	Ronson Development Sp. z o.o. - City 1 Sp.k.	2012	100%	100%
71.	Ronson Development Partner 2 Spółka z ograniczoną odpowiedzialnością - Miasto Moje Sp. k.	2012	100%	100%
72.	Ronson Development Sp. z o.o. - City 3 Sp.k.	2012	100%	100%
73.	Ronson Development Sp. z o.o. - City 4 Sp.k.	2016	100%	100%
74.	Ronson Development Partner 2 Sp. z o.o. – Grunwald Sp.k. (previous named 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%	100%
76.	Ronson Development Sp. z o.o. - Projekt 2 Sp.k.	2017	100%	100%
77.	Ronson Development Sp. z o.o. - Projekt 3 Sp.k.	2017	100%	100%
78.	Ronson Development Sp. z o.o. - Projekt 4 Sp.k.	2017	100%	100%
79.	Ronson Development Sp. z o.o. - Projekt 5 Sp.k.	2017	100%	100%
80.	Ronson Development Sp. z o.o. - Projekt 6 Sp.k.	2017	100%	100%
81.	Ronson Development Sp. z o.o. - Projekt 7 Sp.k.	2017	100%	100%
82.	Ronson Development Sp. z o.o. - Projekt 8 Sp.k.	2017	100%	100%
83.	Ursus 2017 Sp. z o.o.	2017	100%	100%
84.	Projekt City Sp. z o.o.	2017	100%	100%
85.	Bolzanus Limited (**)	2013	100%	n.a.

(**) This company was purchased as a part of Ursus transaction, for additional information see note 17.

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 2018**

	Warsaw				**Poznań**		**Wroclaw**		**Szczecin**		**Unallocated**	**IFRS adjustments**	**Total**
	Apartments	**Houses**	**Joint venture**	**Rental**	**Apartments**	**Houses**	**Apartments**	**Houses**	**Apartments**	**Houses**			
Segment assets	405,266	30,782	75,682	8,743	75,000	-	77,176	-	65,706	-	-	(66,830)	671,525
Unallocated assets	-	-	-	-	-	-	-	-	-	-	20,019	-	20,019
Total assets	**405,266**	**30,782**	**75,682**	**8,743**	**75,000**	**-**	**77,176**	**-**	**65,706**	**-**	**20,019**	**(66,830)**	**691,544**
Segment liabilities	113,379	447	58,984	-	5,965	-	10,728	-	6,149	-	-	(58,984)	136,668
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	208,432	-	208,432
Total liabilities	**113,379**	**447**	**58,984**	**-**	**5,965**	**-**	**10,728**	**-**	**6,149**	**-**	**208,432**	**(58,984)**	**345,100**

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

	Warsaw				**Poznań**		**Wroclaw**		**Szczecin**		**Unallocated**	**IFRS adjustments**	**Total**
	Apartments	**Houses**	**Joint venture**	**Rental**	**Apartments**	**Houses**	**Apartments**	**Houses**	**Apartments**	**Houses**			
Segment assets	381,163	31,572	94,174	8,743	91,267	-	70,139	-	84,344	-	-	(82,090)	679,312
Unallocated assets	-	-	-	-	-	-	-	-	-	-	26,487	-	26,487
Total assets	**381,163**	**31,572**	**94,174**	**8,743**	**91,267**	**-**	**70,139**	**-**	**84,344**	**-**	**26,487**	**(82,090)**	**705,799**
Segment liabilities	104,079	443	76,928	-	20,492	-	7,879	-	18,690	-	-	(76,928)	151,583
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	212,204	-	212,204
Total liabilities	**104,079**	**443**	**76,928**	**-**	**20,492**	**-**	**7,879**	**-**	**18,690**	**-**	**212,204**	**(76,928)**	**363,787**

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 2018**

	Warsaw				**Poznań**		**Wrocław**		**Szczecin**		**Unallocated**	**IFRS adjustments**	**Total**
	Apartments	**Houses**	**Joint venture**	**Rental**	**Apartments**	**Houses**	**Apartments**	**Houses**	**Apartments**	**Houses**			
Revenue	35,404	-	23,183	204	17,351	-	5,707	-	21,548	-	-	(23,183)	80,214
Segment result	7,762	(25)	6,276	146	98	-	986	-	(82)	-	-	(3,550)	11,611
Unallocated result	-	-	-	-	-	-	-	-	-	-	(4,582)	-	(4,582)
Result from operating activities	**7,762**	**(25)**	**6,276**	**146**	**98**	**-**	**986**	**-**	**(82)**	**-**	**(4,582)**	**(3,550)**	**7,029**
Net finance income/ (expenses)	26	(1)	(21)	-	(107)	-	(8)	-	(5)	-	(1,425)	21	(1,520)
Profit/(loss) before tax	**7,788**	**(26)**	**6,255**	**146**	**(9)**	**-**	**978**	**-**	**(87)**	**-**	**(6,007)**	**(3,529)**	**5,509**
Income tax expenses													(1,077)
Profit/(loss) for the period													**4,432**
Capital expenditure	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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 period													**7,412**
Capital expenditure	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**26**	**-**	**26**

Notes to the Interim Condensed Consolidated Financial Statements

Note 9 – Inventory

Movements in Inventory during the three months ended 31 March 2018 were as follows:

In thousands of Polish Zlotys (PLN)	Opening balance 1 January 2018	Transferred to finished goods	Additions	Closing balance 31 March 2018
Land and related expense [(1)]	238,700	(7,223)	83,442	314,919
Construction costs	88,346	(35,083)	33,097	86,360
Planning and permits	15,383	(1,205)	992	15,170
Borrowing costs [(2)]	39,842	(2,924)	1,573	38,491
Other	3,244	(780)	649	3,113
Work in progress	**385,515**	**(47,215)**	**119,753**	**458,053**

In thousands of Polish Zlotys (PLN)	Opening balance 1 January 2018	Transferred from work in progress	Recognized in the statement of comprehensive income	Closing balance 31 March 2018
Finished goods	**139,664**	**47,215**	**(70,202)**	**116,677**

In thousands of Polish Zlotys (PLN)	Opening balance 1 January 2018	Revaluation write-down recognized in statement of comprehensive income		Closing balance 31 March 2018
		Increase	Utilization	
Write-down	**(13,081)**	**-**	**555**	**(12,526)**
Total inventory at the lower of cost or net realizable value	**512,098**			**562,204**

(1) The increase in mainly related to the reclassification of Ursus land from Advances for land to Inventory, for additional information see note 17.

(2) Borrowing costs are capitalized to the value of inventory with 5.87 % average effective capitalization interest rate.

Notes to the Interim Condensed Consolidated Financial Statements

Note 9 – Inventory (cont'd)

Movements in Inventory during year ended 31 December 2017 were as follows:

In thousands of Polish Zlotys (PLN)	Opening balance 1 January 2017	Transferred to Trade and other receivables and prepayments	Sales of land	Transferred to finished goods	Additions	Closing balance 31 December 2017
Land and related expense	260,851	(2,315)	(1,221)	(21,485)	2,870	238,700
Construction costs	51,783	-	-	(77,890)	114,454	88,347
Planning and permits	14,437	-	-	(4,308)	5,254	15,383
Borrowing costs (1)	41,142	(151)	-	(8,337)	7,187	39,841
Other	2,805	(5)	-	(1,415)	1,859	3,244
Work in progress	**371,018**	**(2,471)**	**(1,221)**	**(113,435)**	**131,624**	**385,515**

In thousands of Polish Zlotys (PLN)	Opening balance 1 January 2017	Transferred to property and equipment		Transferred from work in progress	Recognized in the statement of comprehensive income	Closing balance 31 December 2017
Finished goods	**215,582**	**-**	**-**	**113,435**	**(189,353)**	**139,664**

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 December 2017
			Increase	Utilization	
Write-down	**(12,502)**	**2,269**	**(3,314)**	**466**	**(13,081)**
Total inventory at the lower of cost or net realizable value	**574,098**				**512,098**

(1) Borrowing costs are capitalized to the value of inventory with 6.13% 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 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 goods	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 (1)	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**

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

Notes to the Interim Condensed Consolidated Financial Statements

Note 10 – Bond loans

The table below presents the movement in Bond loans during the three months ended 31 March 2018, during the year ended 31 December 2017 and during the three months ended 31 March 2017:

In thousands of Polish Zlotys (PLN)	For the three months ended 31 March 2018 (Reviewed/ Unaudited)	For the year ended 31 December 2017 (Audited)	For the three months ended 31 March 2017 (Reviewed/ Unaudited)
Opening balance	**197,308**	**222,591**	**222,591**
Repayment of bond loans	(5,000)	(95,500)	-
Proceeds from bond loans	-	70,000	-
Issue cost	-	(882)	-
Issue cost amortization	212	1,166	320
Accrued interest	2,498	11,281	3,018
Interest repayment	(1,447)	(11,348)	(1,366)
Total closing balance	**193,571**	**197,308**	**224,563**
Closing balance includes:			
Current liabilities	49,894	43,791	103,772
Non-current liabilities	143,677	153,517	120,791
Total closing balance	**193,571**	**197,308**	**224,563**

New Bond loans issued during the three months ended 31 March 2018:

During the three months ended 31 March 2018, the Company did not issue any bonds loans.

Bond loans redeemed during the three months ended 31 March 2018:

During the three months ended 31 March 2018, the Company repaid all outstanding 5,000 series H bonds with total nominal value of PLN 5,000 thousand. After this repayment, the total number of outstanding bonds series H amounted to nil.

Bond loans issued before 31 December 2017:

The maturity dates and the conditions of the Bonds loans series F, I, J, K, L, M, N, O, P, Q, R and S have been presented in the annual consolidated financial statements for the year ended 31 December 2017.

The series I, J, K, L, M, N, O, P, Q and S bonds are not secured. 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. The series R bonds are secured with a joint mortgage established by the subsidiaries of the Company up to PLN 75,000 thousand.

Notes to the Interim Condensed Consolidated Financial Statements

Note 10 – Bond loans (cont'd)

Financial ratio covenants for series F:

Based on the conditions of bonds F 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 2018** **(Reviewed/ Unaudited)**
Net debt	126,773
Equity	346,444
Net Indebtedness Ratio	**36.6%**

Financial ratio covenants for series I, J, K, L, M, N, O, P, Q:

Based on the conditions of bonds I, J, K, L, M, N, O, P, 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 2018** **(Reviewed/ Unaudited)**
Net debt	117,046
Equity	346,444
Net Indebtedness Ratio	**33.8%**

Notes to the Interim Condensed Consolidated Financial Statements

Note 10 – Bond loans (cont'd)

Financial ratio covenants for series R and S:

Based on the conditions of bonds R and S 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; the limit is PLN 40 million).
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.
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 2018** **(Reviewed/ Unaudited)**
Net debt	117,046
Equity	341,753
Net Indebtedness Ratio	**34.2%**

In addition to the above, based on the conditions of bonds S, 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 60% 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 equivalents 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; the limit is PLN 40 million).
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 2018** **(Reviewed/ Unaudited)**
Net debt	117,046
Inventory	471,468
Net Debt to Inventory Ratio	**24.8%**

Notes to the Interim Condensed Consolidated Financial Statements

Note 10 – Bond loans (cont'd)

Other covenants (series R and S only):

Based on the conditions of bonds R and S transactions with related-parties (shareholders holding more than 25% of the shares in the Company "within the meaning of IAS 24" or with related parties "including with entities controlling the Company whether jointly or individually, whether directly or indirectly or with their subsidiaries which are not members of the Group) shall not exceed the aggregate amount of PLN 1.0 million during any given calendar year.

During the 3 months ended 31 March 2018, the consulting fees related to A. Luzon Group amounted to PLN 210 thousand.

Note 11 – Secured bank loans

The following non-current and current Secured bank loans were issued and repaid during the three months ended 31 March 2018, during the year ended 31 December 2017 and during the three months ended 31 March 2017:

In thousands of Polish Zlotys (PLN)	For the three months ended 31 March 2018 (Reviewed/ Unaudited)	For the year ended 31 December 2017 (Audited)	For the three months ended 31 March 2017 (Reviewed/ Unaudited)
Opening balance	**13,920**	**1,941**	**1,941**
New bank loan drawdown	6,129	76,077	13,392
Bank loans repayments	(10,200)	(64,071)	(4,378)
Bank charges	(119)	(792)	-
Bank charges amortization	203	783	113
Accrued interest/(interest repayment) on bank loans, net	-	(18)	(18)
Total closing balance	**9,933**	**13,920**	**11,050**
Closing balance includes:			
Current liabilities	9,933	4,765	-
Non-current liabilities	-	9,155	11,050
Total closing balance	**9,933**	**13,920**	**11,050**

The maturity dates of the loans have been presented in the consolidated financial statements for the year ended 31 December 2017. For more details, see Note 17 Events during the period (Bank Loans) and Note 18 Subsequent events (Bank Loans).

As at 31 March 2018, as at 31 December 2017 and as at 31 March 2017, 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 12 – Income tax

In thousands of Polish Zlotys (PLN)	For the 3 months ended 31 March 2018 (Reviewed/ Unaudited)	For the 3 months ended 31 March 2017 (Reviewed/ Unaudited)
Current tax expense/(benefit)	**(13)**	**24**
Deferred tax expense/(benefit)		
Origination and reversal of temporary differences	(1,165)	509
Expense/(benefit) of tax losses recognized	2,255	919
Total deferred tax expense/(benefit)	**1,090**	**1,428**
Total income tax expense/(benefit)	**1,077**	**1,452**

Note 13 – Commitments 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 2018 (Reviewed/ Unaudited)	As at 31 December 2017 (Audited)
City Link III	66,038	71,751
Panoramika IV	20,725	21,894
Miasto Moje II	17,904	24,356
Marina Miasto	17,629	21,185
Vitalia II	14,140	18,516
Miasto Moje I	2,515	7,753
Espresso IV	-	4,277
Total	**138,951**	**169,732**

(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 2018 (Reviewed/ Unaudited)	As at 31 December 2017 (Audited)
Miasto Marina	34,915	34,915
Miasto Moje I	9,225	14,861
Vitalia II	20,450	-
City Link III	101,163	101,163
Młody Grunwald III	-	4,955
Total	**165,753**	**155,894**

Notes to the Interim Condensed Consolidated Financial Statements

Note 13 – Commitments and contingencies (cont'd)

(iii) Contracted proceeds not yet received:

The table below presents amounts to be received from the customers having bought apartments from the Group and which are based on the value of the sale and purchase agreements signed with the clients until 31 March 2018 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 2018 (Reviewed/ Unaudited)**	**As at 31 December 2017 (Audited)**
Moko	5,543	4,763
Espresso II, III & IV	2,838	20,091
Sakura	228	394
Verdis	1,256	1,272
Impressio	722	1,427
Młody Grunwald I-III	3,991	5,364
Panoramika II	366	308
Panoramika III	1,661	4,822
Panoramika IV	796	531
Vitalia I	1,299	3,543
Vitalia II	8,951	1,733
Chilli IV	760	1,518
Miasto Moje I	20,127	26,751
Miasto Moje II	8,382	3,414
Miasto Marina	3,203	3,128
City Link III	45,805	30,007
Other (old) projects	177	404
Total	**106,105**	**109,470**

Notes to the Interim Condensed Consolidated Financial Statements

Note 14 – Financial risk management

(i) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including real estate market risk and fair value interest rate risk), credit risk and liquidity risk. The Interim Condensed Consolidated Financial Statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the group's annual financial statements as at 31 December 2017 (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 ended 31 March 2018 as described in Notes 10 and 11.

(iii) Market (price) risk

The Group's exposure to marketable and non-marketable securities price risk did not exist because the Group had not invested in securities during the three months ended 31 March 2018.

(iv) Fair value estimation

The Investment property is valued at fair value determined by the Management.
During the three months ended 31 March 2018 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

Except of bonds series P that amounted to PLN 10.0 million, the Group didn't enter into any fixed-rate borrowings transaction. The Group's variable-rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short-term receivables and payables are not exposed to interest rate risk.

Note 15 – Related party transactions

There were no transactions and balances with related parties during the three months ended 31 March 2018 other than remuneration of Management Board, loans granted to related parties, the reimbursement of audit review costs and an agreement with major (indirect) shareholder, A. Luzon Group, covering costs of remuneration of two members of the Board of Managing Directors and of Chairman of the Board of Supervisory Directors for total monthly amount of PLN 70 thousand and covering travel and out of pocket expenses. All these transactions were already disclosed in the 2017 annual accounts.

During the period ended 31 March 2018, the Company sold three residential units to Mr Czarniecki Cezary (Director of Investment and Planning Department) for a total amount (excluding VAT) of PLN 1,600 thousand. This transaction was executed at arm's length and were in adherence to the Group's policy in respect of related-party transactions.

Note 16 – Impairment losses and provisions

During the three months ended 31 March 2018 and the three months ended 31 March 2017, the Group did not recognize any impairment nor created any significant provision.

Notes to the Interim Condensed Consolidated Financial Statements

Note 17 – Events during the period

Purchase of land

In January 2017 and in February 2018, the Company entered into a conditional sale and purchase 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 with 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 81.8 million plus applicable VAT. For three out of four plots the individual final agreements completing their transfer were concluded in March 2018. However, as for one plot the final agreement will be concluded in 2019, not later than by 31 December 2019, the Company received from the seller an irrevocable power of attorney to execute all necessary actions for the development of the project on this last plot of land, including transferring its perpetual usufruct, obtaining all necessary permits and performing part of the construction works.

In March 2018 the Company paid the last tranche of the transaction amounting to PLN 2.8 million. The total purchase price together with related expenses amounting to PLN 82.8 million was reclassified from Advances for land to Inventory.

Bonds loans

In February 2018, the Company repaid all outstanding 5,000 series H bonds with total nominal value of PLN 5,000 thousand. After this repayment, the total number of outstanding bonds series H amounted to nil.

Bank loans

In March 2018, the Company executed a loan agreement with Alior Bank S.A. related to the second stage of the Vitalia project in Wrocław. Under this loan agreement mBank Alior Bank S.A. is to provide financing to cover the costs of construction up to a total amount of PLN 20.5 million. Under the loan agreement, the final repayment date of the loan facility is December 2020.

Commencements of new projects

In March 2018, the Company Group did not commence the construction of any project.

Completions of projects

In February 2018, the Company completed the construction of the fourth (and last) stage of Espresso project comprising 146 units with a total area of 8,100 m^2.

Notes to the Interim Condensed Consolidated Financial Statements

Note 18 – Subsequent events

Acquisition of the Nova Królikarnia project

On 10 April 2018, the Company completed the acquisition of certain shares in and loans granted to project companies owning properties constituting the Nova Królikarnia project for a price of PLN 83.8 million under a sale and purchase agreement with Global City Holdings B.V. (‘GCH’). The Nova Królikarnia project is located at Jaśminowa street in Warsaw and consists of 197 units and an aggregate floor space of 19,550 m^2 (including completed projects with 53 units and an aggregate floor space of 5,000 m^2, projects under construction with 126 units and an aggregate floor space of 11,150 m^2 and a project in pipeline with 18 units and an aggregate floor space of 3,400 m^2). Part of the purchase price in the amount of PLN 23.8 million has been paid by the Company to GCH upon the closing of the transaction (10 April 2018) whereas an amount of PLN 60.0 million will remain outstanding and shall be paid in installments within twelve months after the closing of the transaction.

In addition, the Company and GCH have concluded a call option agreement, under which the Company has been granted with three call options with respect to the shares in the eight other project companies holding the remaining stages of the Nova Królikarnia project to be executed within next two years. The total consideration for the acquisition of the shares in these project companies upon the exercise of the three call options amounts to PLN 78.9 million and will allow the Company to develop 161 units with an aggregate floor space of approximately 21,500 m^2. The first call option may be exercised until April 2019 while the price for this (first) option in the amount of PLN 33.9 million shall be paid in two installments; the second call option may be exercised until October 2019 while the price for this (second) option in the amount of PLN 35.1 million shall be paid in two installments and the third call option may be exercised until April 2020 and the price for this (third) option in the amount of PLN 9.9 million shall be paid by April 2020. Certain fees in the maximum amount of PLN 11.9 million will be due by the Company if the Company does not exercise of all three call options within certain deadlines. However, the fees shall be reduced proportionally to the extent options have been exercised.

A package of customary security, such as mortgages, share pledges and statement on submission to voluntary enforcement has been established for the benefit of GCH to secure the obligations of the Company under the sale and purchase agreement and the call option agreement. Also, it has been agreed with GCH that the Company will continue to manage the Nova Królikarnia project in whole, including the stages of the project that are related to the call option agreement.

Transformation of the Company and transfer of registered office to Poland

On 5 April 2018, the shareholders of Company approved amendments to the Company’s articles of association which entailed a change of name of the Company and a transformation of the Company into a European Company (SE). Following this transformation, the Company intends to subsequently transfer its registered office from the Netherlands to Poland in the course of 2018.

Bond loans

On 7 May 2018, the Company issued 50,000 series T bonds with a total nominal value of PLN 50,000 thousand. The nominal value of one bond amounts to PLN 1,000 and is equal to its issue price. The series T bonds shall be redeemed on 9 May 2022. The Bonds bear interest at a variable rate based on the WIBOR rate for six-month deposits increased by a margin of 3.5%. Interest is payable semi-annually in May and November until redemption date.

Bank loans

In April 2018, the Company executed a loan agreement with Bank Zachodni WBK S.A. relating to the second stage of the Miasto Moje project in Warsaw. Under this loan agreement Bank Zachodni WBK S.A. is to provide financing to cover the costs of construction up to a total amount of PLN 29.1 million. Under the loan agreement, the final repayment date of the loan facility is June 2020.

Notes to the Interim Condensed Consolidated Financial Statements

Note 18 – Subsequent events (cont'd)

Commencements of new projects

In April 2018, the Company commenced pre-sales of Grunwald[2] project, the agreement with general contractor was signed in May 2018 and the construction work will commence in June 2018. The project will comprise 268 units with an aggregate floor space of 14,500 m^2.

Completions of projects

Since 31 March 2018, the Company has not completed any project.

The Management Board

________________	________________	________________
Nir Netzer	**Rami Geris**	**Andrzej Gutowski**
Chief Executive Officer	Chief Financial Officer	Sales and Marketing Director
________________	________________	
Erez Tik	**Alon Haver**	

Rotterdam, 8 May 2018

Independent Auditors' Report on Review of Condensed Consolidated Financial Statement

Review report

To: the board of directors, the supervisory board and shareholders of Ronson Development SE

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Ronson Group ('the Group') as of 31 March 2018 for which the holding company is Ronson Development SE with its registered seat in Rotterdam ('the Company'), and the related interim condensed consolidated statement of financial position as at 31 March 2018, 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 2018, 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

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Marcin Zieliński Partner

Warsaw, 8 May 2018