

Ronson Development SE

Interim Financial Report
for the six months
ended
30 June 2018

Interim Financial Report for the six months ended 30 June 2018

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Directors' report

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 6 April 2018, the Company changed its name and transformed into a European Company (SE). On 14 September 2018, during the extra-ordinary General Meeting of Shareholders, the shareholders of the Company will vote on a proposal to migrate the registered offices of the Company from the Netherlands to Poland. The Company intends to finalize the transfer of its registered office from the Netherlands to Poland still 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 which financial data are 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. According to publicly available information, as at 30 June 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 other investors including Nationale Nederlanden Otworthy Fundusz Emerytalny and Metlife Otworthy Fundusz Emerytalny. 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 21.

On 7 August 2018, the market price was PLN 1.16 per share giving the Company a market capitalization of PLN 190.3 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 19,500 m², which on the day of transaction, include completed projects with 53 units and an aggregate floor space of 4,950 m², projects under construction with 126 units and an aggregate floor space of 11,150 m² and project in pipeline with 18 units and an aggregate floor space of 3,400 m² (hereinafter 'the Nova Transaction'). In addition, the Company and GCH have concluded a call option agreements for a total value of PLN 78.9 million, 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, the last option shall be executed the latest till April 2020. The exercise of the three call options will allow the Company to develop 161 units with an aggregate floor space of 21,500 m² (hereinafter 'the Nova Call Option Agreements'). For additional information see Note 9 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 perpetual usufruct rights of real properties located in Warsaw, Ursus district, for the development of multi-family housing projects with approximately 1,600 units.

As at 30 June 2018, the Group has 881 units available for sale in 15 locations, of which 756 units are available for sale in ongoing projects and the remaining 125 units are in completed projects. The ongoing projects comprise a total of 1,444 units, with an aggregate floor space of 77,950 m² (the construction of 201 units with an aggregate floor space of 13,750 m² 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 5,025 units with an aggregate floor space of approximately 311,800 m² for future development in Warsaw, Poznań, Wrocław and Szczecin. During the remainder of 2018, the Group is considering commencement of another 3 stages of the currently running projects comprising 295 units with a total area of 20,300 m² and 2 new projects comprising 278 units with a total area of 13,600 m² (in total 573 units with a total area of 33,900 m²). Based on the Nova Call Option Agreements, the Group has a potential additional pipeline of 161 units with an aggregate floor space of approximately 21,500 m². The Group is considering – through exercising its rights under the Call Option Agreements – to commence another two stages of the Nova Królikarnia project comprising 49 units with a total area of 5,400 m² during the remainder of 2018.

During the six months ended 30 June 2018, the Group realized sales of 436 units with the total value of PLN 173.6 million (from these, 32 units with a total value of PLN 27.4 million are in the Nova Królikarnia project, which was acquired on 10 April 2018), which compares to sales of 439 units with a total value of PLN 167.3 million during the six months ended 30 June 2017.

Dividend policy

On 11 July 2018, the Management Board of Ronson Development SE resolved to update the dividend policy of the Company. The Management Board recommends in upcoming years a dividend payment of 50% of the consolidated net profit attributable to shareholders but not less than PLN 9,840,649 in total (representing PLN 0.06 per share at the current number of issued shares). The final recommendations regarding the payment of dividends will be made by the Management Board after the examination of the current and expected balance sheet of the Company, expected operating, financial and cash-flow position of the Company and taking into consideration: (i) the close observance of all balance-sheet linked debt covenants, (ii) ability of future repayment of debts, (iii) financial needs of the Company aiming to be ranked amongst leading residential developers and (iv) changing market environment.

Dividend

On 18 July 2018, the Supervisory Board approved the proposal of the Management Board of the Company from 11 July 2018 to make a distribution to its shareholders out of the retained earnings reserve (i.e. dividend) in the amount of PLN 9,840,649, which represents PLN 0.06 per ordinary share. On 14 September 2018, during the extra-ordinary General Meeting of Shareholders, the shareholders of the Company will vote on the proposed distribution of dividends with record date of 25 September 2018 and payment date of 4 October 2018.

Directors' report

Business highlights during the six months ended 30 June 2018

A. Projects completed

The table below presents information on the projects that were completed (i.e. completing all construction works and receiving occupancy permit) during the six months ended 30 June 2018:

Project name	Location	Number of units	Area of units (m ²)
Espresso IV ⁽¹⁾	Warsaw	146	8,100
Miasto Moje I ⁽¹⁾	Warsaw	205	10,900
Nova Królikarnia 1a ^{(1)/(2)}	Warsaw	41	3,450
Nova Królikarnia 1d ^{(1)/(2)}	Warsaw	12	1,500
Total		404	23,950

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

(2) Project was completed before the completion of the Nova Królikarnia acquisition (10 April 2018).

B. Results breakdown by project

Revenue from the sale of residential units is recognized upon the transfer to the buyer of significant risks and rewards of the ownership of the residential unit, i.e. upon signing of the protocol of technical acceptance and the transfer of the key to the buyer of the residential unit. Total revenue of the Group recognized during the six months ended 30 June 2018 amounted to PLN 170.2 million, whereas cost of sales amounted to PLN 142.6 million, which resulted in a gross profit amounting to PLN 27.6 million with a gross margin of 16.2%. Total economical revenue, whereby results from joint ventures are presented on a fully consolidated basis, amounted to PLN 195.2 million, with cost of sales amounting to PLN 160.1 million, which resulted in a gross profit amounting to PLN 35.1 million (and a gross margin of 18.0%).

The following table specifies revenue, cost of sales, gross profit and gross margin during the six months ended 30 June 2018 on a project by project basis:

Project	Information on the delivered units		Revenue ⁽¹⁾		Cost of sales ⁽²⁾		Gross profit	Gross margin
	Number of units	Area of units (m ²)	PLN		PLN		PLN	
			thousands	%	thousands	%	thousands	%
Espresso II, III & IV	137	7,532	56,270	33.1%	44,031	30.9%	12,239	21.8%
Moko	17	1,943	15,841	9.3%	11,096	7.8%	4,745	30.0%
Vitalia I	21	1,368	7,359	4.3%	5,753	4.0%	1,606	21.8%
Młody Grunwald I - III	58	3,633	20,839	12.2%	20,839	14.6%	-	0.0%
Panoramika II & III	119	5,651	26,194	15.4%	26,123	18.3%	71	0.3%
Chilli IV	13	782	3,118	1.8%	2,885	2.0%	233	7.5%
Miasto Moje I	60	3,063	16,903	9.9%	12,743	9.0%	4,160	24.6%
Sakura	2	131	1,301	0.8%	1,201	0.8%	100	7.7%
Nova Królikarnia 1a & 1d ⁽⁶⁾	24	1,941	18,859	11.1%	16,562	11.6%	2,297	12.2%
Other ⁽⁵⁾	2	166	3,530	2.1%	1,369	1.0%	2,161	N.A.
Total / Average	453	26,210	170,214	100.0%	142,602	100.0%	27,612	16.2%
City Link I ⁽³⁾	64	2,757	25,017		17,509		7,508	30.0%
Economic results ⁽⁴⁾	517	28,967	195,231		160,111		35,120	18.0%

(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.

(6) Project was completed before the completion of the Nova Królikarnia acquisition (10 April 2018).

Directors' report

Business highlights during the six months ended 30 June 2018 (cont'd)

B. Results breakdown by project (cont'd)

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 m². The Espresso III project comprises 147 apartments and 8 commercial units and an aggregate floor space of 8,500 m². The Espresso IV project comprises 135 apartments and 11 commercial units and an aggregate floor space of 8,100 m².

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 m².

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 m².

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 m².

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 m². The Panoramika III project comprises 122 apartments and an aggregate floor space of 5,800 m².

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 m².

Miasto Moje I

The construction of the first stage of the Miasto Moje project was completed in May 2018. The project was developed on a land strip located in the Białołęka district in Warsaw at Marywilska Street. The first stage of this project comprises 191 apartments and 14 commercial units with an aggregate floor space of 10,900 m².

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 m².

Directors' report

Business highlights during the six months ended 30 June 2018 (cont'd)

B. Results breakdown by project (cont'd)

Nova Królikarnia 1a & 1d

The construction of the Nova Królikarnia 1a and Nova Królikarnia 1d project was completed in February 2018 and March 2018, respectively. The Nova Królikarnia 1a and Nova Królikarnia 1d project were developed on a land strip located in the Mokotów district in Warsaw at Jaśminowa Street. Nova Królikarnia 1a project comprises 41 units and an aggregate floor space of 3,450 m² while Nova Królikarnia 1d project comprises 12 units and an aggregate floor space of 1,500 m².

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 m². The project presented in the Interim Condensed Consolidated Financial Statements under investment in joint ventures, the Company's share is 50%.

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 six months ended 30 June 2018:

Project name	Location	Units sold until 31 December 2017	Units sold during the 6 months ended 30 June 2018	Units for sale as at 30 June 2018	Total
Espresso II, III & IV ⁽¹⁾	Warsaw	445	2	4	451
Miasto Moje I ⁽¹⁾	Warsaw	154	40	11	205
Miasto Moje II ⁽²⁾	Warsaw	8	68	72	148
Młody Grunwald I - III ⁽¹⁾	Poznań	348	21	24	393
City Link III ⁽²⁾	Warsaw	91	89	188	368
Marina Miasto ⁽²⁾	Wrocław	15	21	115	151
Vitalia I ⁽¹⁾	Wrocław	128	8	3	139
Vitalia II ⁽²⁾	Wrocław	6	42	35	83
Grunwald ² ⁽²⁾	Poznań	-	44	224	268
Chilli IV ⁽¹⁾	Poznań	16	5	24	45
Panoramika II & III ⁽¹⁾	Szczecin	198	23	8	229
Panoramika IV ⁽²⁾	Szczecin	2	14	95	111
Moko ⁽¹⁾	Warsaw	317	12	16	345
Verdis ⁽¹⁾	Warsaw	432	1	8	441
Sakura ⁽¹⁾	Warsaw	510	-	5	515
Impressio ⁽¹⁾	Wrocław	206	(1)	2	207
Nova Królikarnia 1a & 1d ⁽¹⁾	Warsaw	36	3	14	53
Nova Królikarnia 1b ⁽²⁾	Warsaw	8	1	4	13
Nova Królikarnia 1c ⁽²⁾	Warsaw	11	2	1	14
Nova Królikarnia 1e ⁽²⁾	Warsaw	26	-	-	26
Nova Królikarnia 2a ⁽²⁾	Warsaw	15	17	13	45
Nova Królikarnia 2b ⁽²⁾	Warsaw	10	9	9	28
Other (old) projects		2	1	3	6
Total excluding JV		2,984	422	878	4,284
City Link I ^{(1)/(3)}	Warsaw	316	3	3	322
City Link II ^{(2)/(3)}	Warsaw	178	11	-	189
Total including JV		3,478	436	881	4,795

(1) For information on the completed projects see "Business highlights during the six months ended 30 June 2018 – B. Results breakdown by project" (pages 3 to 5).

(2) For information on current projects under construction, see "Outlook for the remainder of 2018 – B. Current projects under construction" (pages 16 to 18).

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

Directors' report

Business highlights during the six months ended 30 June 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 m²) of the units sold and net value (exclusive of VAT) of the preliminary sales agreements (including also parking places and storages) executed by the Company, during the six months ended 30 June 2018:

Project name	Location	Sold during the 6 months ended 30 June 2018		
		Number of units	Net saleable area (m ²)	Value of the preliminary sales agreements (in PLN thousands)
Espresso II, III & IV ⁽¹⁾	Warsaw	2	135	1,239
Miasto Moje I ⁽¹⁾	Warsaw	40	1,946	11,865
Miasto Moje II ⁽²⁾	Warsaw	68	3,172	18,891
Młody Grunwald I - III ⁽¹⁾	Poznań	21	1,693	9,702
City Link III ⁽²⁾	Warsaw	89	3,909	39,000
Marina Miasto ⁽²⁾	Wrocław	21	606	5,027
Vitalia I ⁽¹⁾	Wrocław	8	763	4,099
Vitalia II ⁽²⁾	Wrocław	42	2,291	13,305
Grunwald ² ⁽²⁾	Poznań	44	1,936	12,224
Chilli IV ⁽¹⁾	Poznań	5	324	1,311
Panoramika II & III ⁽¹⁾	Szczecin	23	1,294	6,397
Panoramika IV ⁽²⁾	Szczecin	14	609	3,150
Moko ⁽¹⁾	Warsaw	12	1,256	11,028
Verdis ⁽¹⁾	Warsaw	1	38	400
Impressio ⁽¹⁾	Wrocław	(1)	(125)	(747)
Nova Królikarnia 1a & 1d ⁽¹⁾	Warsaw	3	395	4,240
Nova Królikarnia 1b ⁽²⁾	Warsaw	1	156	1,476
Nova Królikarnia 1c ⁽²⁾	Warsaw	2	314	3,087
Nova Królikarnia 2a ⁽²⁾	Warsaw	17	1,213	12,394
Nova Królikarnia 2b ⁽²⁾	Warsaw	9	575	6,179
Other (old) projects		1	-	813
Total excluding JV		422	22,500	165,080
City Link I ^{(1)/(3)}	Warsaw	3	220	2,018
City Link II ^{(2)/(3)}	Warsaw	11	717	6,549
Total including JV		436	23,437	173,647

(1) For information on the completed projects see "Business highlights during the six months ended 30 June 2018 – B. Results breakdown by project" (pages 3 to 5).

(2) For information on current projects under construction, see "Outlook for the remainder of 2018 – B. Current projects under construction" (pages 16 to 18).

(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 six months ended 30 June 2018, the Company commenced the construction of the Grunwald² project in Poznań, that comprises 268 units with an aggregate floor space of 14,500 m².

Moreover, in February 2018, before the completion of the Nova Królikarnia acquisition, the Company commenced the construction work of the Nova Królikarnia 2b project, which comprises 28 units with an aggregate floor space of 2,300 m².

For additional information see section "Outlook for the remainder of 2018 – B. Current projects under construction" (pages 16 to 18).

Directors' report

Business highlights during the six months ended 30 June 2018 (cont'd)

E. Land purchase

Ursus

In January 2017 and in February 2018, the Company entered into conditional sale and purchase agreements concerning the acquisition of perpetual usufruct rights 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 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 acquisition were concluded in March 2018. For the one remaining plot the final agreement will be concluded 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 price 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 this transaction Company will be able to realize the sale of 197 units with an aggregate floor space of 19,500 m², which on the day of transaction, include completed projects with 53 units and an aggregate floor space of 4,950 m², projects under construction with 126 units and an aggregate floor space of 11,150 m² and project in pipeline with 18 units and an aggregate floor space of 3,400 m² (hereinafter 'the Nova Transaction'). In addition, the Company and GCH have concluded a call option agreements for a total value of PLN 78.9 million, 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, the last option shall be executed the latest till April 2020. The exercise of the three call options will allow the Company to develop 161 units with an aggregate floor space of 21,500 m² (hereinafter 'the Nova Call Option Agreements'). For additional information see Note 9 of the Interim Condensed Consolidated Financial Statements.

Financial information

The Interim Condensed Consolidated Financial Statements as included in this Interim Financial Report on pages 24 through 50 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.

Directors' report

Overview of results

The net profit attributable to the equity holders of the parent company for the six months ended 30 June 2018 was PLN 10,301 thousand and can be summarized as follows:

	For the six months ended	
	30 June	
	2018	2017
	PLN	
	(thousands, except per share data)	
Revenue	170,214	146,187
Cost of sales	(142,602)	(121,498)
Gross profit	27,612	24,689
Selling and marketing expenses	(2,416)	(2,375)
Administrative expenses	(9,604)	(10,003)
Share of profit/(loss) from joint ventures	2,651	(507)
Other income/(expenses)	(1,100)	(2,373)
Result from operating activities	17,143	9,431
Finance income	301	503
Finance expenses	(3,089)	(4,307)
Net finance income/(expenses)	(2,788)	(3,804)
Profit/(loss) before taxation	14,355	5,627
Income tax benefit/(expenses)	(2,575)	(1,033)
Net profit/(loss) for the period before non-controlling interests	11,780	4,594
Non-controlling interests	(1,479)	(1,919)
Net profit/(loss) for the period attributable to the equity holders of the parent	10,301	2,675
Net earnings per share attributable to the equity holders of the parent (basic and diluted)	0.063	0.016

Directors' report

Overview of results (cont'd)

Revenue

Total revenue increased by PLN 24.0 million (16.4%) from PLN 146.2 million during the six months ended 30 June 2017 to PLN 170.2 million during the six months ended 30 June 2018, which is primarily explained by an increase in apartments delivered to the customers in terms of area size (in m²).

Cost of sales

Cost of sales increased by PLN 21.1 million (17.4%) from PLN 121.5 million during the six months ended 30 June 2017 to PLN 142.6 million during the six months ended 30 June 2018, which is primarily explained by an increase in apartments delivered to the customers in terms of area size (in m²).

Gross margin

The gross margin during the six months ended 30 June 2018 was 16.2% which compares to a gross margin during the six months ended 30 June 2017 of 16.9%.

Selling and marketing expenses

No material changes.

Administrative expenses

Administrative expenses decreased by PLN 0.4 million (4.0%) from PLN 10.0 million for the six months ended 30 June 2017 to PLN 9.6 million for the six months ended 30 June 2018. The decrease is mainly related to a decrease in consulting services costs.

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 six months ended 30 June 2018, the profit from JV that was allocated to the Company, amounted to PLN 2.7 million which compares to a loss amounting to PLN 0.5 million during the six months ended 30 June 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 1.3 million (53.6%) from PLN 2.4 million during the six months ended 30 June 2017 to PLN 1.1 million during the six months ended 30 June 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 increased by PLN 7.7 million, from an operating profit of PLN 9.4 million for six months ended 30 June 2017 to an operating profit of PLN 17.1 million for six months ended 30 June 2018.

Directors' report

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 six months ended 30 June 2018		
	PLN (thousands)		
	<u>Total amount</u>	<u>Amount capitalized</u>	<u>Recognized as profit or loss</u>
Finance income	301	-	301
Finance expenses	(6,659)	3,570	(3,089)
Net finance income/(expenses)	(6,358)	3,570	(2,788)

	For the six months ended 30 June 2017		
	PLN (thousands)		
	<u>Total amount</u>	<u>Amount capitalized</u>	<u>Recognized as profit or loss</u>
Finance income	503	-	503
Finance expenses	(7,803)	3,496	(4,307)
Net finance income/(expenses)	(7,300)	3,496	(3,804)

Net finance expenses before capitalization decreased by PLN 0.9 million (12.9%) from PLN 7.3 million during the six months ended 30 June 2017 to PLN 6.4 million during the six months ended 30 June 2018, which was a result of decrease in the average net debt position during the period from PLN 164.4 million during the six months ended 30 June 2017 to PLN 135.3 million during the six months ended 30 June 2018.

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 six months ended 30 June 2018, the minority shareholders share in the profit amounted to PLN 1.5 million (negatively impacting equity attributable to the holders of the parent), as compared to share in the profit amounted to PLN 1.9 million (negative impact) during the six months ended 30 June 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 144 units during the six months ended 30 June 2017, to 137 units during the six months ended 30 June 2018.

Directors' report

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	30 June 2018	31 December 2017
	<u>PLN (thousands)</u>	
Inventory	<u>664,349</u>	<u>512,098</u>
Advances received	<u>129,161</u>	<u>102,244</u>
Loans and borrowings	<u>220,112</u>	<u>211,228</u>

Inventory

The balance of inventory is PLN 664.3 million as at 30 June 2018 compared to PLN 512.1 million as at 31 December 2017. The increase in inventory is primarily explained by a value of inventory purchased in Nova Królikarnia transaction for a total amount of PLN 136.3 million and an increase in land and related expense for a total amount of PLN 84.9 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 65.5 million. The increase is offset in part by cost of sales recognized for a total amount of PLN 143.4 million during the six months ended 30 June 2018.

Advances received

The balance of advances received is PLN 129.2 million as at 30 June 2018 compared to PLN 102.2 million as at 31 December 2017. The increase is primarily explained by value of advances received purchased in Nova Królikarnia transaction for a total amount of PLN 62.2 million and advances received from clients regarding sales of residential units during the six months ended 30 June 2018 for a total amount of PLN 133.4 million. The increase is offset in part by revenues recognized from the sale of residential units for a total amount of PLN 168.7 million.

Loans and borrowings

The total of short-term and long-term loans and borrowings is PLN 220.1 million as at 30 June 2018 compared to PLN 211.2 million as at 31 December 2017. The increase in loans and borrowings is primarily explained by the effect of proceeds from a new bond loan net of issue costs for a total amount of PLN 49.4 million and new bank loans net of bank charges for a total amount of PLN 11.1 million during the six months ended 30 June 2018. The increase is offset in part by the effect of repayment of bond loans for a total amount of PLN 27.2 million and repayment of bank loans for a total amount of PLN 26.1 million. Of the mentioned PLN 220.1 million, an amount of PLN 56.8 million comprises facilities maturing no later than 30 June 2019.

The maturity structure of the loans and borrowings reflects the Company's recent activities related to bonds issued in 2015 through 2017 and during the six months ended 30 June 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 30 June 2018 amounted to PLN 220.1 million (as at 31 December 2017: PLN 197.3 million) comprising a bond loan principal amount of PLN 220 million plus accrued interest of PLN 1.9 million minus one-time costs directly attributed to the bond issuances which are amortized based on the effective interest method (PLN 1.8 million). For additional information see Note 11 of the Interim Condensed Consolidated Financial Statements. The bank loans supporting completed projects or projects under construction are tailored to the pace of construction works and sales. As at 30 June 2018, loans in this category amounted to nil (as at 31 December 2017: PLN 13.9 million).

Directors' report

Overview of cash flow results

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

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

	For the six months ended 30 June	
	2018	2017
	PLN (thousands)	
Cash flow from/(used in) operating activities	<u>49,066</u>	<u>(13,055)</u>
Cash flow from/(used in) investing activities	<u>(33,814)</u>	<u>7,511</u>
Cash flow from/(used in) financing activities	<u>7,150</u>	<u>(24,691)</u>

Cash flow from/(used in) operating activities

The Company's net cash inflow from operating activities for the six months ended 30 June 2018 amounted to PLN 49.1 million which compares to a net cash outflow used in operating activities during the six months ended 30 June 2017 amounted to PLN 13.1 million. The increase is principally explained by:

- a net cash inflow from trade and other payables amounting to PLN 5.2 million during the six months ended 30 June 2018 compared to a net cash outflow used in trade and other payables amounting to PLN 8.8 million during the six months ended 30 June 2017;
- a net cash outflow used in trade and other receivables amounting to PLN 3.6 million during the six months ended 30 June 2018 compared to a net cash outflow used in trade and other receivables amounting to PLN 15.8 million during the six months ended 30 June 2017;
- expenses for new land purchases (including advances for land) amounting to PLN 2.8 million during the six months ended 30 June 2018 while these expenses amounted to PLN 30.4 million during the six months ended 30 June 2017.

Cash flow from/(used in) investing activities

The Company's net cash outflow used in investing activities amounted to PLN 33.8 million during the six months ended 30 June 2018 compared to a net cash inflow from investing activities amounted to PLN 7.5 million during the six months ended 30 June 2017. The decrease is primarily explained by:

- a cash outflow used in connection with acquisition of the Nova Królikarnia project amounted to PLN 38.1 million during the six months ended 30 June 2018 compared to nil during the six months ended 30 June 2017;
- 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 six months ended 30 June 2018 compared to PLN 7.0 million (net proceeds from repayment of loans granted) during the six months ended 30 June 2017.

Directors' report

Overview of cash flow results (cont'd)

Cash flow from/(used in) financing activities

The Company's net cash inflow from financing activities amounted to PLN 7.2 million during the six months ended 30 June 2018 compared to a net cash outflow from financing activities amounted to PLN 24.7 million during the six months ended 30 June 2017. The increase is primarily explained by:

- net proceeds from bond loans amounting to PLN 22.2 million during the six months ended 30 June 2018 compared to a net repayment of bond loans amounting to PLN 26.4 million during the six months ended 30 June 2017;
- payment of dividend during the six months ended 30 June 2018 amounted to nil compared to PLN 14.8 million paid as dividend during the six months ended 30 June 2017.

The above-mentioned effects were offset in part by:

- a net repayment of secured bank loans amounting to PLN 15.0 million during the six months ended 30 June 2018 compared to net proceeds from secured bank loans amounting to PLN 17.8 million during the six months ended 30 June 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

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.

Directors' report

Selected financial data

PLN/EUR	Exchange rate of Polish Zloty versus Euro			
	Average exchange rate	Minimum exchange rate	Maximum exchange rate	Period end exchange rate
2018 (6 months)	4.220	4.142	4.362	4.362
2017 (6 months)	4.271	4.174	4.416	4.227

Source: National Bank of Poland ("NBP")

Selected financial data	EUR*		PLN	
	(thousands, except per share data and number of shares)			
	For the six months ended 30 June or as at 30 June			
	2018	2017	2018	2017
Revenues	40,335	34,228	170,214	146,187
Gross profit	6,543	5,781	27,612	24,689
Profit/(loss) before taxation	3,402	1,317	14,355	5,627
Net profit/(loss) for the period attributable to the equity holders of the parent	2,441	626	10,301	2,675
Cash flows from/(used in) operating activities	11,627	(3,057)	49,066	(13,055)
Cash flows from/(used in) investing activities	(8,013)	1,759	(33,814)	7,511
Cash flows from/(used in) financing activities	1,694	(5,781)	7,150	(24,691)
Increase/(decrease) in cash and cash equivalents	5,309	(7,079)	22,402	(30,235)
Inventory	152,318	120,517	664,349	509,425
Total assets	186,582	159,960	813,794	676,153
Advances received	29,613	14,814	129,161	62,617
Long term liabilities	40,302	46,931	175,780	198,376
Short term liabilities (including advances received)	65,165	33,704	284,222	142,468
Equity attributable to the equity holders of the parent	79,831	78,330	348,190	331,100
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)	0.015	0.004	0.063	0.016

* Information is presented in EUR solely for presentation purposes. Due to changes in the Polish Zloty against the Euro exchange rate over the past period, the Statement of Financial Position data may not accurately reflect the actual comparative financial position of the Company. The reader should consider changes in the PLN / EUR exchange rate from 1 January 2017 to 30 June 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

Directors' report

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:

Project name	Location	Number of units delivered ⁽¹⁾			Number of units expected to be delivered ⁽¹⁾			Total project
		Until 31 December 2017	During the 6 months ended 30 June 2018	Total units delivered	Sold until 30 June 2018	Units for sale as at 30 June 2018	Total units expected to be delivered	
Espresso II, III & IV	Warsaw	300	137	437	10	4	14	451
Moko	Warsaw	308	17	325	4	16	20	345
Vitalia I	Wrocław	111	21	132	4	3	7	139
Młody Grunwald I - III	Poznań	302	58	360	9	24	33	393
Panoramika II & III	Szczecin	98	119	217	4	8	12	229
Chilli IV	Poznań	5	13	18	3	24	27	45
Sakura	Warsaw	508	2	510	-	5	5	515
Verdis	Warsaw	429	-	429	4	8	12	441
Impressio	Wrocław	204	-	204	1	2	3	207
Miasto Moje I	Warsaw	-	60	60	134	11	145	205
Nova Królikarnia 1a & 1d	Warsaw	6 ⁽³⁾	24	30	9	14	23	53
Other (old) projects		3	2	5	1	3	4	9
Total excluding JV		2,274	453	2,727	183	122	305	3,032
City Link I ⁽²⁾	Warsaw	249	64	313	6	3	9	322
Total including JV		2,523	517	3,040	189	125	314	3,354

(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%.

(3) 6 units delivered to clients by GCH during 2018 before concluding the Nova Królikarnia transaction (10 April 2018).

For information on the completed projects see "Business highlights during the six months ended 30 June 2018 - B. Results breakdown by project" (pages 3 to 5).

Directors' report

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, 2019 and 2020. The Company has obtained construction permits for all projects/stages and has commenced construction.

Project name	Location	Units sold until 30 June 2018	Units for sale as at 30 June 2018	Total units	Net saleable area (m ²)	Expected completion of construction
Miasto Moje II	Warsaw	76	72	148	8,100	2018
Nova Królikarnia 1b	Warsaw	9	4	13	1,850	2018
Nova Królikarnia 1c	Warsaw	13	1	14	2,200	2018
Nova Królikarnia 1e	Warsaw	26	-	26	1,600	2018
Nova Królikarnia 2a	Warsaw	32	13	45	3,200	2019
Nova Królikarnia 2b	Warsaw	19	9	28	2,300	2019
City Link III	Warsaw	180	188	368	18,700	2019
Marina Miasto	Wrocław	36	115	151	6,200	2019
Panoramika IV	Szczecin	16	95	111	5,800	2019
Vitalia II	Wrocław	48	35	83	4,700	2019
Grunwald ²	Poznań	44	224	268	14,500	2020
Subtotal excluding JV		499	756	1,255	69,150	
City Link II ⁽¹⁾	Warsaw	189	-	189	8,800	2019
Total including JV		688	756	1,444	77,950	

(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%.

Miasto Moje II

Description of project

The second stage of Miasto Moje project is being developed on a land strip located in the Białołęka district in Warsaw at Marywilska Street and is a continuation of the Miasto Moje I project, which was completed in May 2018. The Miasto Moje II project will comprise 145 units and 3 commercial units with an aggregate floor space of 8,100 m².

Stage of development

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

Nova Królikarnia 1b, 1c and 1e

Description of project

The Nova Królikarnia 1b, 1c and 1e projects are being developed on a land strip located in the Mokotów district in Warsaw at Jaśminowa Street. The Nova Królikarnia 1b project will comprise 13 units with an aggregate floor space of 1,850 m². The Nova Królikarnia 1c project will comprise 14 units with an aggregate floor space of 2,200 m². The Nova Królikarnia 1e project will comprise 26 units with an aggregate floor space of 1,600 m².

Stage of development

The construction of the Nova Królikarnia 1b and 1c projects commenced in September 2016 and the construction of the Nova Królikarnia 1e project commenced in November 2016. All above stages were completed in July 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 units with an aggregate floor space of 3,200 m².

Stage of development

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

Directors' report

Outlook for the remainder of 2018 (cont'd)

B. Current projects under construction and/or on sale (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 with an aggregate floor space of 2,300 m².

Stage of development

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

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 m².

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 m². 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 second 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 with an aggregate floor space of 5,800 m².

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 2017. The second stage of this project will comprise 83 apartments with an aggregate floor space of 4,700 m².

Stage of development

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

Directors' report

Outlook for the remainder of 2018 (cont'd)

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

Grunwald² (previously named Bułgarska)

Description of project

The Grunwald² project is being developed on a land strip located in Poznań at Świerzawska Street. The project will comprise 267 apartments and 1 commercial unit with an aggregate floor space of 14,500 m².

Stage of development

The Company commenced the pre-sale of this project in April 2018 and the construction works in June 2018, while completion is expected in the second quarter of 2020.

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 2017. The second stage of this project will comprise 184 apartments and 5 commercial units with an aggregate floor space of 8,800 m².

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.

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 2 new projects (comprising in total 573 units with a total area of 33,900 m²) and in additional 49 units with a total area of 5,400 m² in Nova Królikarnia project under the Nova Call Option Agreements, 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

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 m².

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 m².

Directors' report

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******Vitalia III***

The third and the last stage of Vitalia project that is a continuation of the Vitalia I and II projects. The project will comprise 81 units with an aggregate floor space of 6,800 m². 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 m². The Company is considering commencing construction of this stage during the remainder of 2018.

Nova Królikarnia 2c

The Nova Królikarnia 2c project is a continuation of Nova Królikarnia 1a-2b projects. The project will comprise 18 houses with an aggregate floor space of 3,400 m². The Company is considering commencing construction of this stage during the remainder of 2018.

c) New stages of the Nova Królikarnia project under 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 project will comprise 28 apartments with an aggregate floor space of 3,100 m². The Company is considering commencing construction of this stage during the remainder of 2018.

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 project will comprise 21 apartments with an aggregate floor space of 2,300 m². The Company is considering commencing construction of this stage during the remainder of 2018.

Directors' report

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 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	3,525	Completed
Miasto Moje I	Warsaw	40,115	Completed
Espresso II, III & IV	Warsaw	4,721	Completed
Impressio	Wrocław	871	Completed
Verdis	Warsaw	1,856	Completed
Sakura	Warsaw	121	Completed
Młody Grunwald I - III	Poznań	4,816	Completed
Panoramika II & III	Szczecin	1,262	Completed
Vitalia I	Wrocław	2,277	Completed
Chilli IV	Poznań	838	Completed
Nova Królikarnia 1a & 1d	Warsaw	7,572	Completed
Other (old) projects		588	Completed
Subtotal completed projects ⁽¹⁾		68,562	
Miasto Moje II	Warsaw	22,509	2018
Nova Królikarnia 1b	Warsaw	13,619	2018
Nova Królikarnia 1c	Warsaw	22,257	2018
Nova Królikarnia 1e	Warsaw	15,205	2018
Nova Królikarnia 2a	Warsaw	22,564	2019
Nova Królikarnia 2b	Warsaw	14,756	2019
Marina Miasto	Wrocław	9,282	2019
Vitalia II	Wrocław	15,161	2019
Panoramika IV	Szczecin	3,681	2019
City Link III	Warsaw	76,032	2019
Grunwald ²	Poznań	12,224	2020
Subtotal ongoing projects ⁽²⁾		227,290	
City Link I ^{(1)/(3)}	Warsaw	3,395	Completed
City Link II ^{(2)/(3)}	Warsaw	84,742	2019
Subtotal projects held by joint venture		88,137	
Total		383,989	

(1) For information on the completed projects see "Business highlights during the six months ended 30 June 2018 – B. Results breakdown by project" (pages 3 to 5).

(2) For information on current projects under construction and/or on sale, see under "B" above (pages 16 to 18).

(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%.

Directors' report

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 six months 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 report (7 August 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 7 August 2018 Number of shares / % of shares	Change in number of shares	As at 30 June 2018 Number of shares / % of shares	Change in number of shares	As at 31 December 2017 Number of shares / % of shares
<i>Shares issued:</i>	164,010,813	-	164,010,813	-	164,010,813
I.T.R. Dori B.V. ⁽¹⁾	87,449,187 53.32%	-	87,449,187 53.32%	-	87,449,187 53.32%
RN Residential B.V. ⁽¹⁾	20,900,000 12.74%	-	20,900,000 12.74%	-	20,900,000 12.74%
Nationale Nederlanden Otwarty Fundusz Emerytalny	23,800,000 14.51%	-	23,800,000 14.51%	(84,091)	23,884,091 14.56%
Metlife Otworthy Fundusz Emerytalny	N/A Between 5%-10%	N/A	N/A Between 5%-10%	N/A	N/A Between 5%-10%
Aviva OFE Aviva BZWBK	N/A Between 3%-5%	N/A	N/A Between 3%-5%	N/A	N/A Between 3%-5%

⁽¹⁾ The subsidiary of A. Luzon Group.

Changes in ownership of shares and rights to shares by Management and Supervisory Board members during the six months ended 30 June 2018 and until the date of publication of this report

Mr Amos Luzon as at 30 June 2018 and as at the day of publishing this report held 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 41.85% interest in the Company.

Mr Erez Tik as at 16 May 2018 (the date of his resignation as Management Board member of the Company) held 0.82% of the shares and voting rights in A. Luzon Group, and as a result, thus indirectly held a 0.54% interest in the Company.

Directors' report**Additional information to the report (cont'd)*****Changes in the Management and Supervisory Board during the six months ended 30 June 2018 and until the date of publication of this report***

On 13 May 2018, Mr Erez Tik submitted his resignation from his function as member of the Management Board of the Company with effect from 16 of May 2018. During the upcoming extra-ordinary General Meeting of Shareholders (14 September 2018), it will be proposed to appoint Mr. Boaz Haim as managing director B and member of the Management Board of the Company for a term of four years.

Overview of the economic results during the six months ended 30 June 2018

The table below presents the Company economic results during the six months ended 30 June 2018, under the assumption that the results from joint ventures are presented on a fully consolidated basis (100%):

For the 6 months ended 30 June	2018	2017
<i>In thousands of Polish Zlotys (PLN)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue from residential projects	193,692	142,416
Revenue from sale of services	-	600
Revenue	193,692	143,016
Cost of sales	(160,111)	(121,498)
Gross profit	33,581	21,518
Selling and marketing expenses	(2,422)	(2,598)
Administrative expenses	(9,936)	(10,573)
Other expenses	(2,402)	(2,842)
Other income	935	380
Cancellation of negative investment from joint ventures	-	1,498
Result from operating activities	19,756	7,383
Finance income	303	315
Finance expenses	(3,096)	(4,313)
Net finance income/(expenses)	(2,793)	(3,998)
Profit/(loss) before taxation	16,963	3,385
Income tax benefit/(expenses)	(2,575)	(1,033)
Profit for the period	14,388	2,352
Total profit/(loss) for the period attributable to:		
Equity holders of the parent	10,301	2,675
Non-controlling interests	4,087	(323)
Total profit/(loss) for the period, net of tax	14,388	2,352

Directors' report

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 30 June 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 six months period together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year. The six months management board report gives a true and fair view of the important events of the past six-month period and their impact on the interim financial statements, as well as the principal risks and uncertainties for the period to come, and the most important related party transactions.

The Management Board

Nir Netzer
Chief Executive Officer

Rami Geris
Chief Financial Officer

Andrzej Gutowski
Sales and Marketing Director

Alon Haver

Rotterdam, 7 August 2018

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2018**Interim Condensed Consolidated Statement of Financial Position**

As at		30 June 2018 (Reviewed/ Unaudited)	31 December 2017 (Audited)
<i>In thousands of Polish Zlotys (PLN)</i>	<i>Note</i>		
Assets			
Property and equipment		8,185	8,169
Investment property		8,743	8,743
Investment in joint ventures		4,772	5,162
Deferred tax assets		3,586	4,025
Total non-current assets		25,286	26,099
Inventory	10	664,349	512,098
Advances for land	18	-	80,060
Trade and other receivables and prepayments		18,057	11,704
Income tax receivable		604	590
Loans granted to joint ventures		9	6,922
Other current financial assets		18,227	3,466
Cash and cash equivalents		87,262	64,860
Total current assets		788,508	679,700
Total assets		813,794	705,799
Equity			
Share capital		12,503	12,503
Share premium		150,278	150,278
Retained earnings		185,409	175,108
Equity attributable to equity holders of the parent		348,190	337,889
Non-controlling interests		5,602	4,123
Total equity		353,792	342,012
Liabilities			
Bond loans	11	163,334	153,517
Secured bank loans	12	-	9,155
Deferred tax liability		12,446	11,448
Total non-current liabilities		175,780	174,120
Trade and other payables and accrued expenses	9	95,033	37,646
Bond loans	11	56,778	43,791
Secured bank loans	12	-	4,765
Advances received		129,161	102,244
Income tax payable		550	89
Provisions		2,700	1,132
Total current liabilities		284,222	189,667
Total liabilities		460,002	363,787
Total equity and liabilities		813,794	705,799

The notes included on pages 29 to 50 are an integral part of these interim condensed consolidated financial statements

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2018

Interim Condensed Consolidated Statement of Comprehensive Income

PLN (thousands, except per share data and number of shares)	Note	For the 6	For the 3	For the 6	For the 3
		months	months	months	months
		ended 30	ended 30	ended 30	ended 30
		June	June	June	June
		2018	2018	2017	2017
		(Reviewed) /	(Reviewed) /	(Reviewed) /	(Reviewed) /
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue from residential projects		168,675	89,396	142,416	34,654
Revenue from sale of services		1,539	604	3,771	1,409
Revenue		170,214	90,000	146,187	36,063
Cost of sales		(142,602)	(72,968)	(121,498)	(29,962)
Gross profit		27,612	17,032	24,689	6,101
Selling and marketing expenses		(2,416)	(1,292)	(2,375)	(1,206)
Administrative expenses		(9,604)	(5,039)	(10,003)	(5,183)
Share of profit/(loss) in joint ventures		2,651	(75)	(507)	94
Other expenses		(2,035)	(1,087)	(2,753)	(1,306)
Other income		935	576	380	179
Result from operating activities		17,143	10,115	9,431	(1,321)
Finance income		301	156	503	213
Finance expense		(3,089)	(1,424)	(4,307)	(2,129)
Net finance income/(expense)		(2,788)	(1,268)	(3,804)	(1,916)
Profit/(loss) before taxation		14,355	8,847	5,627	(3,237)
Income tax benefit/(expense)	13	(2,575)	(1,498)	(1,033)	419
Profit/(loss) for the period		11,780	7,349	4,594	(2,818)
Other comprehensive income		-	-	-	-
Total comprehensive income/(expense) for the period, net of tax		11,780	7,349	4,594	(2,818)
Total profit/(loss) for the period attributable to:					
equity holders of the parent		10,301	6,437	2,675	(3,187)
non-controlling interests		1,479	912	1,919	369
Total profit/(loss) for the period, net of tax		11,780	7,349	4,594	(2,818)
Total comprehensive income/(expense) attributable to:					
equity holders of the parent		10,301	6,437	2,675	(3,187)
non-controlling interests		1,479	912	1,919	369
Total comprehensive income/(expense) for the period, net of tax		11,780	7,349	4,594	(2,818)
Weighted average number of ordinary shares (basic and diluted)		164,010,813	164,010,813	164,010,813	164,010,813
<i>In Polish Zlotys (PLN)</i>					
Net earnings/(loss) per share attributable to the equity holders of the parent (basic and diluted)		0.063	0.040	0.016	(0.019)

The notes included on pages 29 to 50 are an integral part of these interim condensed consolidated financial statements

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2018

Interim Condensed Consolidated Statement of Changes in Equity

<i>In thousands of Polish Zlotys (PLN)</i>	Attributable to the Equity holders of parent					Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Retained earnings	Total		
Balance as at 1 January 2018	12,503	150,278	-	175,108	337,889	4,123	342,012
<i>Comprehensive income:</i>							
Profit for the six months ended 30 June 2018	-	-	-	10,301	10,301	1,479	11,780
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income/(expense)	-	-	-	10,301	10,301	1,479	11,780
Balance as at 30 June 2018 (Reviewed/ Unaudited)	12,503	150,278	-	185,409	348,190	5,602	353,792

<i>In thousands of Polish Zlotys (PLN)</i>	Attributable to the Equity holders of parent					Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Retained earnings	Total		
Balance as at 1 January 2017	20,762	282,873	(140,854)	196,805	359,586	2,290	361,876
<i>Comprehensive income:</i>							
Profit for the six months ended 30 June 2017	-	-	-	2,675	2,675	1,919	4,594
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income/(expense)	-	-	-	2,675	2,675	1,919	4,594
Cancellation of treasury shares ⁽¹⁾	(8,259)	(132,595)	140,854	-	-	-	-
Dividend paid ⁽²⁾	-	-	-	(31,161)	(31,161)	-	(31,161)
Balance as at 30 June 2017 (Reviewed/ Unaudited)	12,503	150,278	-	168,319	331,100	4,209	335,309

(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. In addition, on 30 June 2017, during the Annual General Meeting of Shareholders, the shareholders of the Company accepted a distribution of a final 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 16,401,081 or PLN 0.10 per ordinary share was paid on 10 August 2017.

The notes included on pages 29 to 50 are an integral part of these interim condensed consolidated financial statements

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2018**Interim Condensed Consolidated Statement of Cash Flows**

For the 6 months ended 30 June		2018	2017
<i>In thousands of Polish Zlotys (PLN)</i>	<i>Note</i>	(Reviewed) / (unaudited)	(Reviewed/ Unaudited)
Cash flows from/(used in) operating activities			
Profit/(loss) for the period		11,780	4,594
Adjustments to reconcile profit for the period to net cash used in operating activities			
Depreciation		509	504
Write-down of inventory		-	499
Finance expense		3,089	4,307
Finance income		(301)	(503)
Profit on sale of property and equipment		(15)	(6)
Share of loss /(profit) from joint ventures		(2,651)	507
Share-based payment		-	(978)
Income tax expense		2,575	1,033
Subtotal		14,986	9,957
Decrease receivables from former shareholder		-	9,900
Decrease/(increase) in inventory	10	70,465	67,872
Decrease/(increase) in advances for land		(2,750)	(30,429)
Decrease/(increase) in trade and other receivables and prepayments		(3,568)	(15,783)
Decrease/(increase) in other current financial assets		2,274	(11)
Increase/(decrease) in trade and other payables and accrued expenses		5,156	(8,781)
Increase/(decrease) in provisions		(32)	-
Increase/(decrease) in advances received		(35,263)	(37,990)
Subtotal		51,268	(5,265)
Interest paid		(5,580)	(6,971)
Interest received		5,944	324
Income tax received/(paid)		(2,566)	(1,143)
Net cash from/(used in) operating activities		49,066	(13,055)

The notes included on pages 29 to 50 are an integral part of these interim condensed consolidated financial statements

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2018**Interim Condensed Consolidated Statement of Cash Flows (cont'd)**

For the 6 months ended 30 June		2018	2017
<i>In thousands of Polish Zlotys (PLN)</i>	<i>Note</i>	(Reviewed) / (unaudited)	(Reviewed/ Unaudited)
Cash flows from/(used in) investing activities			
Acquisition of Nova Królikarnia project	9	(38,090)	-
Acquisition of property and equipment		(50)	(74)
Proceeds from loans granted to third parties		-	449
Net proceeds from loans granted to joint ventures		1,312	7,000
Dividend received from joint ventures		2,999	-
Proceeds from sale of property and equipment		15	136
Net cash from/(used in) investing activities		(33,814)	7,511
Cash flows from/(used in) financing activities			
Proceeds from bank loans, net of bank charges	12	11,072	31,828
Repayment of bank loans	12	(26,108)	(14,028)
Proceeds from bond loans issued, net of issue costs	11	49,346	69,116
Repayment of bond loans	11	(27,160)	(95,500)
Repayment of loans from third parties		-	(1,347)
Dividends paid to equity holders of the parent		-	(14,760)
Net cash from/(used in) financing activities		7,150	(24,691)
Net change in cash and cash equivalents		22,402	(30,235)
Cash and cash equivalents at beginning of period		64,860	69,056
Cash and cash equivalents at end of period *		87,262	38,821

*Including restricted cash that amounted to PLN 1,452 thousand and PLN 7,918 thousand as 30 June 2018 and as 30 June 2017, respectively.

The notes included on pages 29 to 50 are an integral part of these interim condensed consolidated financial statements

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2018

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 6 April 2018, the Company changed its name and was transformed into a European Company (SE). On 14 September 2018, during the extra-ordinary General Meeting of Shareholders, the shareholders of the Company will vote on a proposal to migrate the registered offices of the Company from the Netherlands to Poland. The Company intends to finalize the transfer of its registered office from the Netherlands to Poland still in the course of 2018.

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

According to publicly available information, as at 30 June 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 other investors including Nationale Nederlanden Otworthy Fundusz Emerytalny and Metlife Otworthy Fundusz Emerytalny. The number of shares held by the investors is equal to the number of votes, as there are no privileged shares issued by the Company.

The Interim Condensed Consolidated Financial Statements of the Group have been prepared for the six months ended 30 June 2018 and contain comparative data for the six months ended 30 June 2017 and as at 31 December 2017. The Interim Condensed Consolidated Financial Statements of the Company for the six months ended 30 June 2018 with all its comparative data have been reviewed by the Company's external auditors.

As at 30 June 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 six months ended 30 June 2018 were authorized for issuance by the Management Board on 7 August 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 6 months ended 30 June 2018 are included in the Directors' Report on pages 1 through 23.

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2018

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 27 August 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) – 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.

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2018

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 30 June 2018, are presented below and on the following page.

Entity name	Year of incorporation	Share of ownership & voting rights at the end of	
		30 June 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. ⁽¹⁾	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. ⁽¹⁾	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%
37. Nova Królikarnia B.V. ⁽³⁾	2016	100%	n.a.
b. held indirectly by the Company:			
38. AGRT Sp. z o.o.	2007	100%	100%
39. Ronson Development Partner 4 Sp. z o.o. – Panoramika Sp.k.	2007	100%	100%
40. Ronson Development Sp z o.o. - Estate Sp.k.	2007	100%	100%
41. Ronson Development Sp. z o.o. - Home Sp.k.	2007	100%	100%
42. Ronson Development Sp z o.o. - Horizon Sp.k.	2007	100%	100%
43. Ronson Development Partner 3 Sp. z o.o. - Sakura Sp.k.	2007	100%	100%
44. Destiny Sp. z o.o.	2007	100%	100%
45. Ronson Development Millenium Sp. z o.o.	2007	100%	100%
46. Ronson Development Sp. z o.o. - EEE 2011 Sp.k.	2009	100%	100%
47. Ronson Development Sp. z o.o. - Apartments 2011 Sp.k.	2009	100%	100%

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

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2018

Notes to the Interim Condensed Consolidated Financial Statements

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

Entity name	Year of incorporation	Share of ownership & voting rights at the end of	
		30 June 2018	31 December 2017
b. held indirectly by the Company (cont'd):			
48. Ronson Development Sp. z o.o. - Idea Sp.k.	2009	100%	100%
49. Ronson Development Partner 2 Sp. z o.o. – Destiny 2011 Sp.k.	2009	100%	100%
50. Ronson Development Partner 2 Sp. z o.o. - Enterprise 2011 Sp.k.	2009	100%	100%
51. Ronson Development Partner 2 Sp. z o.o. - Retreat 2011 Sp.k.	2009	100%	100%
52. Ronson Development Sp. z o.o. - Wrocław 2011 Sp.k.	2009	100%	100%
53. Ronson Development Sp. z o.o. - 2011 Sp.k.	2009	100%	100%
54. Ronson Development Sp. z o.o. - Gemini 2 Sp.k.	2009	100%	100%
55. Ronson Development Sp. z o.o. - Verdis Sp.k.	2009	100%	100%
56. Ronson Espresso Sp. z o.o.	2006	82%	82%
57. Ronson Development Apartments 2010 Sp. z o.o.	2010	100%	100%
58. RD 2010 Sp. z o.o.	2010	100%	100%
59. Retreat Sp. z o.o.	2010	100%	100%
60. Ronson Development Enterprise 2010 Sp. z o.o.	2010	100%	100%
61. Ronson Development Wrocław 2010 Sp. z o.o.	2010	100%	100%
62. E.E.E. Development 2010 Sp. z o.o.	2010	100%	100%
63. Ronson Development Nautica 2010 Sp. z o.o.	2010	100%	100%
64. Gemini 2010 Sp. z o.o.	2010	100%	100%
65. Ronson Development Sp. z o.o. - Naturalis Sp.k.	2011	100%	100%
66. Ronson Development Sp. z o.o. - Impressio Sp.k.	2011	100%	100%
67. Ronson Development Sp. z o.o. - Continental 2011 Sp.k.	2011	100%	100%
68. Ronson Development Sp. z o.o. - Providence 2011 Sp.k.	2011	100%	100%
69. Ronson Development Partner 2 Sp. z o.o. - Capital 2011 Sp. k.	2011	100%	100%
70. Ronson Development Sp. z o.o. - Architecture 2011 Sp.k.	2011	100%	100%
71. Ronson Development Sp. z o.o. - City 1 Sp.k.	2012	100%	100%
72. Ronson Development Partner 2 Sp. z o.o. - Miasto Moje Sp. k.	2012	100%	100%
73. Ronson Development Sp. z o.o. - City 3 Sp.k.	2012	100%	100%
74. Ronson Development Sp. z o.o. - City 4 Sp.k.	2016	100%	100%
75. 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%
76. Ronson Development Sp. z o.o. - Projekt 1 Sp.k.	2017	100%	100%
77. Ronson Development Sp. z o.o. - Projekt 2 Sp.k.	2017	100%	100%
78. Ronson Development Sp. z o.o. - Projekt 3 Sp.k.	2017	100%	100%
79. Ronson Development Sp. z o.o. - Projekt 4 Sp.k.	2017	100%	100%
80. Ronson Development Sp. z o.o. - Projekt 5 Sp.k.	2017	100%	100%
81. Ronson Development Sp. z o.o. - Projekt 6 Sp.k.	2017	100%	100%
82. Ronson Development Sp. z o.o. - Projekt 7 Sp.k.	2017	100%	100%
83. Ronson Development Sp. z o.o. - Projekt 8 Sp.k.	2017	100%	100%
84. Ursus 2017 Sp. z o.o.	2017	100%	100%
85. Projekt City Sp. z o.o.	2017	100%	100%
86. Bolzanus Limited ⁽²⁾	2013	100%	n.a.
87. Park Development Properties Sp. z o.o. - Town Sp.k. ⁽³⁾	2007	100%	n.a.
88. Tras Sp. z o.o. ⁽³⁾	2015	100%	n.a.
89. Skocznia Projekt Sp. z o.o. ⁽³⁾	2015	100%	n.a.
90. District 20 Sp. z o.o. ⁽³⁾	2015	100%	n.a.
91. Arkadia Development Sp. z o.o. ⁽³⁾	2015	100%	n.a.
92. Królikarnia Sp. z o.o. ⁽³⁾	2015	100%	n.a.
93. Tras 2016 Sp. z o.o. ⁽³⁾	2016	100%	n.a.
94. Pod Skocznia Projekt 2016 Sp. z o.o. ⁽³⁾	2016	100%	n.a.
95. District 20 – 2016 Sp. z o.o. ⁽³⁾	2016	100%	n.a.
96. Arkadia Development 2016 Sp. z o.o. ⁽³⁾	2016	100%	n.a.
97. Królikarnia 2016 Sp. z o.o. ⁽³⁾	2016	100%	n.a.
98. Kroli Development Sp. z o.o. ⁽³⁾	2016	100%	n.a.
99. Park Development Properties Sp. z o.o. ⁽³⁾	2016	100%	n.a.
100. Jasminova 2016 Sp. z o.o. ⁽³⁾	2016	100%	n.a.
101. Town 2016 Sp. z o.o. ⁽³⁾	2016	100%	n.a.
102. EEE Development 2016 Sp. z o.o. ⁽³⁾	2016	100%	n.a.
103. Enterprise 2016 Sp. z o.o. ⁽³⁾	2016	100%	n.a.
104. Wrocław 2010 Sp. z o.o. ⁽³⁾	2016	100%	n.a.

⁽²⁾ Acquired as a part of Ursus transaction, for additional information see note 18.

⁽³⁾ Acquired as a part of Nova Królikarnia transaction, for additional information see note 9.

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2018

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:

<i>In thousands of Polish Zlotys (PLN)</i>													As at 30 June 2018	
	Warsaw				Poznań		Wrocław		Szczecin		Unallocated	IFRS adjustments	Total	
	Apartments	Houses	Joint venture	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses				
Segment assets	481,775	93,865	68,961	8,743	63,723	-	80,702	-	64,292	-	-	(64,180)	797,881	
Unallocated assets	-	-	-	-	-	-	-	-	-	-	15,913	-	15,913	
Total assets	481,775	93,865	68,961	8,743	63,723	-	80,702	-	64,292	-	15,913	(64,180)	813,794	
Segment liabilities	124,793	29,870	59,409	-	6,222	-	14,498	-	5,086	-	-	(59,409)	180,469	
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	279,533	-	279,533	
Total liabilities	124,793	29,870	59,409	-	6,222	-	14,498	-	5,086	-	279,533	(59,409)	460,002	

<i>In thousands of Polish Zlotys (PLN)</i>													As at 31 December 2017	
	Warsaw				Poznań		Wrocław		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	

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2018

Notes to the Interim Condensed Consolidated Financial Statements

Note 8 - Segment reporting (cont'd)

In thousands of Polish Zlotys (PLN)

For the six months ended 30 June 2018

	Warsaw		Joint venture		Poznań		Wrocław		Szczecin		Unallocated	IFRS adjustments	Total
	Apartments	Houses	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses				
Revenue	112,189	-	25,017	420	23,989	-	7,423	-	26,193	-	-	(25,017)	170,214
Segment result	22,615	(34)	6,623	295	(467)	-	1,220	-	(117)	-	-	(3,972)	26,163
Unallocated result	-	-	-	-	-	-	-	-	-	-	(9,020)	-	(9,020)
Result from operating activities	22,615	(34)	6,623	295	(467)	-	1,220	-	(117)	-	(9,020)	(3,972)	17,143
Net finance income/ (expenses)	103	2	(2)	-	(114)	-	(10)	-	(6)	-	(2,763)	2	(2,788)
Profit/(loss) before tax	22,718	(32)	6,621	295	(581)	-	1,210	-	(123)	-	(11,783)	(3,970)	14,355
Income tax expenses													(2,575)
Profit/(loss) for the period													11,780
Capital expenditure	-	-	-	-	-	-	-	-	-	-	50	-	50

In thousands of Polish Zlotys (PLN)

For the six months ended 30 June 2017

	Warsaw		Joint venture		Poznań		Wrocław		Szczecin		Unallocated	IFRS adjustments	Total
	Apartments	Houses	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses				
Revenue	91,085	-	-	409	49,329	-	2,483	-	2,881	-	-	-	146,187
Segment result	18,524	(25)	(1,062)	233	1,678	-	(448)	-	(141)	(2)	-	555	19,312
Unallocated result	-	-	-	-	-	-	-	-	-	-	(9,881)	-	(9,881)
Result from operating activities	18,524	(25)	(1,062)	233	1,678	-	(448)	-	(141)	(2)	(9,881)	555	9,431
Net finance income/ (expenses)	79	(3)	44	-	(9)	-	3	-	(7)	-	(3,867)	(44)	(3,804)
Profit/(loss) before tax	18,603	(28)	(1,018)	233	1,669	-	(445)	-	(148)	(2)	(13,748)	511	5,627
Income tax expenses													(1,033)
Profit/(loss) for the period													4,594
Capital expenditure	-	-	-	-	-	-	-	-	-	-	74	-	74

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2018

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 30 June 2018

	Warsaw				Poznań		Wrocław		Szczecin		Unallocated	IFRS adjustments	Total
	Apartments	Houses	Joint venture	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses			
Revenue	76,785	-	1,834	216	6,638	-	1,716	-	4,645	-	-	(1,834)	90,000
Segment result	14,853	(9)	347	149	(565)	-	234	-	(35)	-	-	(422)	14,552
Unallocated result	-	-	-	-	-	-	-	-	-	-	(4,437)	-	(4,437)
Result from operating activities	14,853	(9)	347	149	(565)	-	234	-	(35)	-	(4,437)	(422)	10,115
Net finance income/(expenses)	77	3	19	-	(7)	-	(2)	-	(1)	-	(1,338)	(19)	(1,268)
Profit/(loss) before tax	14,930	(6)	366	149	(572)	-	232	-	(36)	-	(5,775)	(441)	8,847
Income tax expenses													(1,498)
Profit/(loss) for the period													7,349
Capital expenditure	-	-	-	-	-	-	-	-	-	-	50	-	50

In thousands of Polish Zlotys (PLN)

For the three months ended 30 June 2017

	Warsaw				Poznań		Wrocław		Szczecin		Unallocated	IFRS adjustments	Total
	Apartments	Houses	Joint venture	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses			
Revenue	24,358	-	-	208	9,713	-	730	-	1,054	-	-	-	36,063
Segment result	4,347	(21)	(374)	130	(682)	-	(282)	-	(83)	(1)	-	468	3,502
Unallocated result	-	-	-	-	-	-	-	-	-	-	(4,823)	-	(4,823)
Result from operating activities	4,347	(21)	(374)	130	(682)	-	(282)	-	(83)	(1)	(4,823)	468	(1,321)
Net finance income/(expenses)	77	(1)	29	-	(4)	-	2	-	(4)	-	(1,986)	(29)	(1,916)
Profit/(loss) before tax	4,424	(22)	(345)	130	(686)	-	(280)	-	(87)	(1)	(6,809)	439	(3,237)
Income tax benefit													419
Profit/(loss) for the period													(2,818)
Capital expenditure	-	-	-	-	-	-	-	-	-	-	-	-	-

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2018**Notes to the Interim Condensed Consolidated Financial Statements****Note 9 –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 19,500 m² (including completed projects with 53 units and an aggregate floor space of 4,950 m², projects under construction with 126 units and an aggregate floor space of 11,150 m² and a project in pipeline with 18 units and an aggregate floor space of 3,400 m²).

From the above mentioned PLN 83.8 million, an amount of PLN 40.8 million has been paid by the Company to GCH until 30 of June 2018, whereas an amount of PLN 43.0 million shall be paid installments, PLN 30 million in October 2018 and PLN 13 million in April 2019 (the PLN 43.0 million was presented in the Interim Condensed Consolidated Statement of Financial Position under Trade and other payables and accrued expenses).

The transaction was qualified as asset deal. The surplus between the purchase price (including transaction cost) and the net assets value of Nova Group as the transaction date, was allocated to the inventory. The assets and liabilities of Nova Królikarnia project on a consolidated basis as at the date of acquisition were:

<i>In thousands of Polish Zlotys (PLN)</i>	As at 10 of April 2018
Assets	
Property and equipment	475
Deferred tax assets	983
Inventory	136,336
Trade and other receivables and prepayments	2,130
Cash and cash equivalents and cash in Escrow account	20,815
Total assets	160,739
Liabilities	
Deferred tax liabilities	103
Trade and other accounts payable	9,231
Advances received	62,180
Provision	1,600
Income tax payable	2,755
Total liabilities	75,869
Total net assets	84,870
Purchase consideration	83,770
Transaction costs	1,100
Total	84,870

The table below presents analysis of cash flows on the acquisition Nova Królikarnia project:

<i>In thousands of Polish Zlotys (PLN)</i>	Until 30 June 2018
Purchase consideration paid until 30 June 2018	40,770
Transaction costs	1,100
Less: Net cash acquired at the transaction date	(3,780)
Net cash outflow through 30 June 2018	38,090

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2018

Notes to the Interim Condensed Consolidated Financial Statements**Note 9 – Acquisition of the Nova Królikarnia project (cont'd)**

From the date of acquisition (10 April 2018), Nova Królikarnia project has contributed PLN 18.9 million to revenue and PLN 2.3 million to the gross profit of the Group.

In addition, the Company and GCH have concluded a call option agreements for a total value of PLN 78.9 million, 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, the last option shall be executed the latest till April 2020. The exercise of the three call options will allow the Company to develop 161 units with an aggregate floor space of approximately 21,500 m².

The first call option may be exercised until April 2019 while the price for the amount of PLN 33.9 million that shall be paid in two installments; the second call option may be exercised until October 2019 while the price for 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 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.

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2018

Notes to the Interim Condensed Consolidated Financial Statements

Note 10 – Inventory

Movements in Inventory during the six months ended 30 June 2018 were as follows:

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 1 January 2018	Nova Królikarnia project as at the acquisition date ⁽¹⁾	Transferred to finished units	Additions	Closing balance 30 June 2018
Land and related expense ⁽²⁾	238,700	49,753	(12,928)	84,903	360,428
Construction costs	88,346	43,233	(74,272)	65,527	122,834
Planning and permits	15,383	3,904	(2,748)	2,997	19,536
Borrowing costs ⁽³⁾	39,842	252	(4,111)	3,570	39,553
Other	3,244	1,351	(1,676)	1,548	4,467
Work in progress	385,515	98,493	(95,735)	158,545	546,818

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 1 January 2018	Nova Królikarnia project as at the acquisition date ⁽¹⁾	Transferred from work in progress	Recognized in the statement of comprehensive income	Closing balance 30 June 2018
Finished goods	139,664	37,843	95,735	(143,362)	129,880

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 1 January 2018	Revaluation write-down recognized in statement of comprehensive income		Closing balance 30 June 2018
		Increase	Utilization	
Write-down	(13,081)	-	732	(12,349)
Inventory, valued at lower of cost and net realisable value	512,098			664,349

(1) See Note 9 – Acquisition of the Nova Królikarnia project.

(2) The increase is mainly related to the reclassification of Ursus land from Advances for land to Inventory, for additional information see note 18.

(3) Borrowing costs are capitalized to the value of inventory with 5.92% average effective capitalization interest rate.

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2018

Notes to the Interim Condensed Consolidated Financial Statements

Note 10 – Inventory (cont'd)

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

<i>In thousands of Polish Zlotys (PLN)</i>	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

<i>In thousands of Polish Zlotys (PLN)</i>	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)

<i>In thousands of Polish Zlotys (PLN)</i>	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.

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2018

Notes to the Interim Condensed Consolidated Financial Statements

Note 10 – Inventory (cont'd)

Movements in Inventory during the six months ended 30 June 2017 were as follows:

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 1 January 2017	Transferred to Trade and other receivables and prepayments	Transferred to finished units	Additions	Closing balance 30 June 2017
Land and related expense	260,851	(2,315)	-	639	259,175
Construction costs	51,783	-	-	50,065	101,848
Planning and permits	14,437	-	-	2,491	16,928
Borrowing costs ⁽¹⁾	41,142	(151)	-	3,496	44,487
Other	2,805	(5)	-	649	3,449
Work in progress	371,018	(2,471)	-	57,340	425,887

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 1 January 2017	Transferred from work in progress	Recognized in the statement of comprehensive income	Closing balance 30 June 2017
Finished goods	215,582	-	(121,477)	94,105

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 1 January 2017	Transferred to Trade and other receivables and prepayments	Revaluation write-down recognized in statement of comprehensive income		Closing balance 30 June 2017
			Increase	Utilization	
Write-down	(12,502)	2,269	(499)	165	(10,567)
Inventory, valued at lower of – cost and net realisable value	574,098				509,425

(1) Borrowing costs are capitalized to the value of inventory with 6.14% average effective capitalization interest rate.

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2018**Notes to the Interim Condensed Consolidated Financial Statements****Note 11 – Bond loans**

The table below presents the movement in Bond loans during the six months ended 30 June 2018, during the year ended 31 December 2017 and during the six months ended 30 June 2017:

	For the six months ended 30 June 2018 (Reviewed/ Unaudited)	For the year ended 31 December 2017 (Audited)	For the six months ended 30 June 2017 (Reviewed/ Unaudited)
<i>In thousands of Polish Zlotys (PLN)</i>			
Opening balance	197,308	222,591	222,591
Repayment of bond loans	(27,160)	(95,500)	(95,500)
Proceeds from bond loans	50,000	70,000	70,000
Issue cost	(654)	(882)	(884)
Issue cost amortization	421	1,166	716
Accrued interest	5,232	11,281	6,112
Interest repayment	(5,035)	(11,348)	(6,205)
Total closing balance	220,112	197,308	196,830
Closing balance includes:			
Current liabilities	56,778	43,791	28,732
Non-current liabilities	163,334	153,517	168,098
Total closing balance	220,112	197,308	196,830

New Bond loans issued during the six months ended 30 June 2018:

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. The series T bonds are not secured.

Bond loans redeemed during the six months ended 30 June 2018:

During the six months ended 30 June 2018, the Company repaid all outstanding 5,000 series H bonds with total nominal value of PLN 5,000 thousand and repaid all outstanding 221,600 series F bonds with total nominal value of PLN 22,160 thousand. After these repayments, the total number of outstanding bonds series H and series F amounted to nil.

Bond loans issued before 31 December 2017:

The maturity dates and the conditions of the Bonds loans series 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 R bonds are secured with a joint mortgage established by the subsidiaries of the Company up to PLN 75,000 thousand.

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2018

Notes to the Interim Condensed Consolidated Financial Statements

Note 11 – Bond loans (cont'd)

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

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

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

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

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

Check date – last day of each calendar quarter.

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

As at	30 June 2018
<i>In thousands of Polish Zlotys (PLN)</i>	(Reviewed/ Unaudited)
Net debt	114,623
Equity	353,792
Net Indebtedness Ratio	32.4%

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	30 June 2018
<i>In thousands of Polish Zlotys (PLN)</i>	(Reviewed/ Unaudited)
Net debt	114,623
Equity	348,190
Net Indebtedness Ratio	32.9%

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2018

Notes to the Interim Condensed Consolidated Financial Statements

Note 11 – Bond loans (cont'd)

Financial ratio covenants for series R and S (cont'd):

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	30 June 2018
<i>In thousands of Polish Zlotys (PLN)</i>	(Reviewed/ Unaudited)
Net debt	114,623
Inventory	535,188
Net Debt to Inventory Ratio	21.4%

Financial ratio covenants for series T:

Based on the conditions of bonds T 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 attributable to equity holders of the parent.

Check date – last day of each calendar quarter.

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

As at	30 June 2018
<i>In thousands of Polish Zlotys (PLN)</i>	(Reviewed/ Unaudited)
Net debt	114,623
Equity	348,190
Net Indebtedness Ratio	32.9%

Other covenants (series R, S and T only):

Based on the conditions of bonds R, S and T, 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 6 months ended 30 June 2018, the consulting fees related to A. Luzon Group amounted to PLN 420 thousand.

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2018**Notes to the Interim Condensed Consolidated Financial Statements****Note 12 – Secured bank loans**

The following non-current and current Secured bank loans were issued and repaid during the six months ended 30 June 2018, during the year ended 31 December 2017 and during the six months ended 30 June 2017:

<i>In thousands of Polish Zlotys (PLN)</i>	For the six months ended 30 June 2018 (Reviewed/ Unaudited)	For the year ended 31 December 2017 (Audited)	For the six months ended 30 June 2017 (Reviewed/ Unaudited)
Opening balance	13,920	1,941	1,941
New bank loan drawdown	11,424	76,077	32,017
Bank loans repayments	(26,108)	(64,071)	(14,028)
Bank charges	(352)	(792)	(189)
Bank charges amortization	461	783	228
Accrued interest/(interest repayment) on bank loans, net	-	(18)	(19)
Classified to other receivables	655	-	-
Total closing balance	-	13,920	19,950
Closing balance includes:			
Current liabilities	-	4,765	-
Non-current liabilities	-	9,155	19,950
Total closing balance	-	13,920	19,950

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 18 Events during the period (Bank Loans).

As at 30 June 2018, as at 31 December 2017 and as at 30 June 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.

Note 13 – Income tax

<i>In thousands of Polish Zlotys (PLN)</i>	For the 6 months ended 30 June 2018 (Reviewed/ Unaudited)	For the 3 months ended 30 June 2018 (Reviewed/ Unaudited)	For the 6 months ended 30 June 2017 (Reviewed/ Unaudited)	For the 3 months ended 30 June 2017 (Reviewed/ Unaudited)
Current tax expense/(benefit)	258	271	1,640	1,616
Deferred tax expense/(benefit)				
Origination and reversal of temporary differences	(472)	693	(2,295)	(2,804)
Expense/(benefit) of tax losses recognized	2,789	534	1,688	769
Total deferred tax expense/(benefit)	2,317	1,227	(607)	(2,035)
Total income tax expense/(benefit)	(2,575)	(1,498)	1,033	(419)

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2018

Notes to the Interim Condensed Consolidated Financial Statements

Note 14 – 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:

<i>In thousands of Polish Zlotys (PLN)</i>	As at 30 June 2018 (Reviewed/ Unaudited)	As at 31 December 2017 (Audited)
City Link III	60,234	71,751
Panoramika IV	18,406	21,894
Miasto Moje II	11,648	24,356
Marina Miasto	14,203	21,185
Vitalia II	11,435	18,516
Grunwald ²	59,318	-
Nova Królikarnia 1b	332	-
Nova Królikarnia 1c	407	-
Nova Królikarnia 1e	300	-
Nova Królikarnia 2a	8,904	-
Nova Królikarnia 2b	8,314	-
Miasto Moje I	-	7,753
Espresso IV	-	4,277
Total	193,501	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:

<i>In thousands of Polish Zlotys (PLN)</i>	As at 30 June 2018 (Reviewed/ Unaudited)	As at 31 December 2017 (Audited)
Miasto Marina	34,915	34,915
Vitalia II	20,450	-
City Link III	101,163	101,163
Miasto Moje II	29,050	-
Miasto Moje I	-	14,861
Młody Grunwald III	-	4,955
Total	185,578	155,894

(iii) Other commitments and contingencies:

As part of the Nova Królikarnia acquisition, the Company and GCH have concluded a call option agreements, 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 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 m². The first call option may be exercised until April 2019 while the price for the amount of PLN 33.9 million that shall be paid in two installments; the second call option may be exercised until October 2019 while the price for 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 the amount of PLN 9.9 million shall be paid by April 2020.

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2018**Notes to the Interim Condensed Consolidated Financial Statements****Note 14 – Commitments and contingencies (cont'd)****(iii) Other commitments and contingencies (cont'd):**

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.

(iv) Contracted proceeds not yet received:

The table below presents amounts to be received from the customers having bought apartments from the Group and which are based on the value of the sale and purchase agreements signed with the clients until 30 June 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):

<i>In thousands of Polish Zlotys (PLN)</i>	As at 30 June 2018 (Reviewed/ Unaudited)	As at 31 December 2017 (Audited)
Moko	2,345	4,763
Espresso II, III & IV	1,106	20,091
Sakura	45	394
Verdis	1,526	1,272
Impressio	702	1,427
Młody Grunwald I-III	2,494	5,364
Panoramika II & III	441	5,130
Panoramika IV	2,805	531
Vitalia I	2,093	3,543
Vitalia II	11,762	1,733
Grunwald ²	11,262	-
Chilli IV	552	1,518
Miasto Moje I	7,410	26,751
Miasto Moje II	17,498	3,414
Miasto Marina	6,415	3,128
City Link III	56,985	30,007
Nova Królikarnia 1a & 1d	2,878	-
Nova Królikarnia 1b	3,345	-
Nova Królikarnia 1c	3,916	-
Nova Królikarnia 1e	3,381	-
Nova Królikarnia 2a	17,506	-
Nova Królikarnia 2b	10,575	-
Other (old) projects	458	404
Total	167,500	109,470

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2018

Notes to the Interim Condensed Consolidated Financial Statements**Note 15 – Financial risk management****(i) Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk (including real estate market risk and fair value interest rate risk), credit risk and liquidity risk. The Interim Condensed Consolidated Financial Statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the group's annual financial statements as at 31 December 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 six months ended 30 June 2018 as described in Notes 11 and 12.

(iii) Market (price) risk

The Group's exposure to marketable and non-marketable securities price risk did not exist because the Group had not invested in securities during the six months ended 30 June 2018.

(iv) Fair value estimation

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

During the six months ended 30 June 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 16 – Related party transactions

There were no transactions and balances with related parties during the six months ended 30 June 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 30 June 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 17 – Impairment losses and provisions

During the six months ended 30 June 2018 and the six months ended 30 June 2017, the Group did not recognize any impairment nor created any significant provision.

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2018

Notes to the Interim Condensed Consolidated Financial Statements**Note 18 – Events during the period****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 19,500 m² (including completed projects with 53 units and an aggregate floor space of 4,950 m², projects under construction with 126 units and an aggregate floor space of 11,150 m² and a project in pipeline with 18 units and an aggregate floor space of 3,400 m²).

In addition, the Company and GCH have concluded a call option agreements for a total value of PLN 78.9 million, 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, the last option shall be executed the latest till April 2020. 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 m². The first call option may be exercised until April 2019 while the price for the amount of PLN 33.9 million that shall be paid in two installments; the second call option may be exercised until October 2019 while the price for 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 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.

Transformation of the Company and transfer of registered office to Poland

On 6 April 2018, the Company changed its name and transformed into a European Company (SE). On 14 September 2018, during an extra-ordinary General Meeting of Shareholders, the shareholders of the Company will vote on a proposal to migrate the registered offices and head office of the Company from the Netherlands to Poland. The Company intends to finalize the transfer of its registered office from the Netherlands to Poland in the course of 2018.

Purchase of land

In January 2017 and in February 2018, the Company entered into conditional sale and purchase agreements concerning the acquisition of perpetual usufruct rights 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 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 acquisition were concluded in March 2018. For the one remaining plot the final agreement will be concluded 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 price 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.

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2018

Notes to the Interim Condensed Consolidated Financial Statements

Note 18 – Events during the period (cont'd)

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.

In May 2018, the Company repaid all outstanding 221,600 series F bonds with total nominal value of PLN 22,160 thousand. After this repayment, the total number of outstanding bonds series F amounted to nil.

In 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 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.

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.

Commencements of new projects

In February 2018, before the completion of the Nova Królikarnia acquisition, the Company commenced the construction work of the Nova Królikarnia 2b project, which will comprise 28 units with an aggregate floor space of 2,300 m².

In June 2018, the Company commenced the construction work of the Grunwald² project, which will comprise 267 apartments and 1 commercial unit with an aggregate floor space of 14,500 m². The sales for this project were commenced in April 2018.

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 m².

In May 2018, the Company completed the construction of the first stage of the Miasto Moje project comprising 191 apartments and 14 commercial units with an aggregate floor space of 10,900 m².

In February and March 2018, before the completion of the Nova Królikarnia acquisition, the Company completed the construction of the Nova Królikarnia 1a and Nova Królikarnia 1d projects. Nova Królikarnia 1a project comprises 41 units and an aggregate floor space of 3,450 m². Nova Królikarnia 1d project comprises 12 units and an aggregate floor space of 1,500 m².

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2018

Notes to the Interim Condensed Consolidated Financial Statements

Note 19 – Subsequent events

Commencements of new projects

Since 30 June 2018, the Company has not commenced any new project.

Completions of projects

In July 2018, the Company completed the construction of the Nova Królikarnia 1b project comprising 13 units and an aggregate floor space of 1,850 m².

In July 2018, the Company completed the construction of the Nova Królikarnia 1c project comprising 14 units and an aggregate floor space of 2,200 m².

In July 2018, the Company completed the construction of the Nova Królikarnia 1e project comprising 26 units and an aggregate floor space of 1,600 m².

Dividend policy

On 11 July 2018, the Management Board of Ronson Development SE resolved to update the dividend policy of the Company. The Management Board recommends in upcoming years a dividend payment of 50% of the consolidated net profit attributable to shareholders but not less than PLN 9,840,649 in total (representing PLN 0.06 per share at the current number of issued shares). The final recommendations regarding the payment of dividends will be made by the Management Board after the examination of the current and expected balance sheet of the Company, expected operating, financial and cash-flow position of the Company and taking into consideration: (i) the close observance of all balance-sheet linked debt covenants, (ii) ability of future repayment of debts, (iii) financial needs of the Company aiming to be ranked amongst leading residential developers and (iv) changing market environment.

Dividend

On 18 July 2018, the Supervisory Board approved the proposal of the Management Board of the Company from 11 July 2018 to make a distribution to its shareholders out of the retained earnings reserve (i.e. dividend) in the amount of PLN 9,840,649, which represents PLN 0.06 per ordinary share. On 14 September 2018, during the extra-ordinary General Meeting of Shareholders, the shareholders of the Company will vote on the proposed distribution of dividends with a record date of 25 September 2018 and a payment date of 4 October 2018.

The Management Board

Nir Netzer
 Chief Executive Officer

Rami Geris
 Chief Financial Officer

Andrzej Gutowski
 Sales and Marketing Director

Alon Haver

Rotterdam, 7 August 2018

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

Independent Auditor's Report on review of interim condensed consolidated financial statements to the Shareholders of Ronson Development SE (formerly Ronson Europe NV)*Introduction*

We have reviewed the accompanying interim condensed consolidated financial statements of Ronson Group ('the Group') as of 30 June 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 30 June 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 six-months 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 30 June 2018, and its financial performance and cash flows for the six-months period then ended, in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

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

Marcin Zieliński Partner

Warsaw, 7 August 2018