

# **Ronson Development SE**

Interim Financial Report  
for the nine months  
ended  
30 September 2018

Including the Interim Condensed Consolidated Financial Statements of Ronson Development SE  
for the 9 months ended 30 September 2018  
and the Interim Condensed Company Financial Statements of Ronson Development SE  
for the 9 months ended 30 September 2018

**Interim Financial Report for the nine months ended 30 September 2018**

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## Directors' report

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# Directors' Report

## General

### Introduction

Ronson Development SE ('the Company'), a European Company with its statutory seat in Warsaw, Poland. The registered office is located at al. Komisji Edukacji Narodowej 57, Warsaw, Poland. The Company was incorporated in the Netherlands on 18 June 2007 as Ronson Europe N.V. with statutory seat in Rotterdam, the Netherlands. On 6 April 2018, the Company changed its name and was transformed into a European Company (SE). On 14 September 2018, the extra-ordinary General Meeting of Shareholders of the Company approved the decision to migrate its registered office from the Netherlands to Poland. On 31 October 2018, the transfer of the registered office from the Netherlands to Poland was effectuated.

The Company (together with its 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 September 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 Otwarty Fundusz Emerytalny and Metlife Otwarty 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 22.

On 6 November 2018, the market price was PLN 0.85 per share giving the Company a market capitalization of PLN 139.4 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 m<sup>2</sup>, which on the day of transaction, include completed projects with 53 units and an aggregate floor space of 4,950 m<sup>2</sup>, projects under construction with 126 units and an aggregate floor space of 11,150 m<sup>2</sup> and project in pipeline with 18 units and an aggregate floor space of 3,400 m<sup>2</sup> (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.

## Directors' report

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### Company overview (cont'd)

The exercise of the three call options will allow the Company to develop 161 units with an aggregate floor space of 21,500 m<sup>2</sup> (hereinafter 'the Nova Call Option Agreements'). For additional information see Note 9 of the Interim Condensed Consolidated Financial Statements.

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 September 2018, the Group has 678 units available for sale in 12 locations, of which 583 units are available for sale in ongoing projects and the remaining 95 units are in completed projects. The ongoing projects comprise a total of 1,391 units, with an aggregate floor space of 72,300 m<sup>2</sup>.

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 312,800 m<sup>2</sup> 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 329 units with a total area of 19,300 m<sup>2</sup> and 1 new project comprising 151 units with a total area of 7,300 m<sup>2</sup> (in total 480 units with a total area of 26,600 m<sup>2</sup>). 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 m<sup>2</sup>.

During the nine months ended 30 September 2018, the Group realized sales of 639 units with the total value of PLN 263.7 million, which compares to sales of 645 units with a total value of PLN 242.0 million during the nine months ended 30 September 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 approved the distribution of the dividend. The final payment in the amount of PLN 9,840,649 or PLN 0.06 per ordinary share, with record date of 25 September 2018, was paid on 4 October 2018.

## Directors' report

### Business highlights during the nine months ended 30 September 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 nine months ended 30 September 2018:

Project name	Location	Number of units	Area of units (m <sup>2</sup> )
Espresso IV <sup>(1)</sup>	Warsaw	146	8,100
Miasto Moje I <sup>(1)</sup>	Warsaw	205	10,900
Nova Królikarnia 1a & 1d <sup>(1)/(2)</sup>	Warsaw	53	4,950
Nova Królikarnia 1b, 1c, 1e <sup>(1)</sup>	Warsaw	53	5,650
<b>Total</b>		<b>457</b>	<b>29,600</b>

(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 nine months ended 30 September 2018 amounted to PLN 253.3 million, whereas cost of sales before write-down adjustment amounted to PLN 210.5 million and after write-down adjustment amounted to PLN 211.2 million, which resulted in a gross profit before write-down adjustment amounting to PLN 42.8 million with a gross margin of 16.9% and after write-down adjustment amounting to PLN 42.1 million with a gross margin of 16.6%. Total economical revenue, whereby results from joint ventures are presented on a fully consolidated basis, amounted to PLN 279.2 million, with cost of sales amounting to PLN 229.3 million, which resulted in a gross profit amounting to PLN 49.8 million with a gross margin of 17.9%.

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

Project	Information on the delivered units		Revenue <sup>(1)</sup>		Cost of sales <sup>(2)</sup>		Gross profit	Gross margin
	Number of units	Area of units (m <sup>2</sup> )	PLN		PLN		PLN	
			thousands	%	thousands	%	thousands	%
Espresso II, III & IV	145	8,011	59,882	23.6%	46,853	22.3%	13,029	21.8%
Moko	22	2,426	20,432	8.1%	14,329	6.8%	6,103	29.9%
Vitalia I	24	1,665	9,071	3.6%	7,093	3.4%	1,978	21.8%
Młody Grunwald I - III	66	4,363	25,145	9.9%	25,145	11.9%	-	0.0%
Panoramika II & III	125	6,047	28,327	11.2%	28,272	13.4%	55	0.2%
Chilli IV	16	981	3,931	1.6%	3,639	1.7%	292	7.4%
Miasto Moje I	183	9,059	51,538	20.4%	39,095	18.6%	12,443	24.1%
Nova Królikarnia 1a - 1e <sup>(6)</sup>	53	4,893	47,896	18.9%	41,770	19.8%	6,126	12.8%
Other <sup>(5)</sup>	7	492	7,032	2.7%	4,267	2.1%	2,765	N.A
<b>Total / Average</b>	<b>641</b>	<b>37,937</b>	<b>253,254</b>	<b>100.0%</b>	<b>210,463</b>	<b>100.0%</b>	<b>42,791</b>	<b>16.9%</b>
<b>Write-down adjustment</b>	N.A	N.A	N.A		725		(725)	
<b>Results after write-down adjustment</b>	<b>641</b>	<b>37,937</b>	<b>253,254</b>		<b>211,188</b>		<b>42,066</b>	<b>16.6%</b>
City Link I <sup>(3)</sup>	66	2,878	25,917		18,146		7,771	30.0%
<b>Economic results <sup>(4)</sup></b>	<b>707</b>	<b>40,815</b>	<b>279,171</b>		<b>229,334</b>		<b>49,837</b>	<b>17.9%</b>

(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 units, parking places and storages in other projects that were completed in previous years.

(6) Nova Królikarnia 1a and 1d were completed before the completion of the Nova Królikarnia acquisition (10 April 2018).

## Directors' report

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### Business highlights during the nine months ended 30 September 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 m<sup>2</sup>. The Espresso III project comprises 147 apartments and 8 commercial units and an aggregate floor space of 8,500 m<sup>2</sup>. The Espresso IV project comprises 135 apartments and 11 commercial units and an aggregate floor space of 8,100 m<sup>2</sup>.

##### *Moko*

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

##### *Vitalia I*

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

##### *Młody Grunwald I - III*

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

##### *Panoramika II & III*

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

##### *Chilli IV*

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

##### *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 m<sup>2</sup>.

##### *Nova Królikarnia 1a - 1e*

The construction of the Nova Królikarnia 1a and 1d projects was completed in February 2018 and March 2018, respectively, while the Nova Królikarnia 1b, 1c and 1e projects were completed in July 2018. The projects were developed on a land strip located in the Mokotów district in Warsaw at Jaśminowa Street. The Nova Królikarnia 1a – 1e projects comprises 106 units and an aggregate floor space of 10,600 m<sup>2</sup>.

**Directors' report**

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**Business highlights during the nine months ended 30 September 2018 (cont'd)*****B. Results breakdown by project (cont'd)****Other*

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 7 units, parking places and storages in other projects that were completed in previous years.

*Write-down adjustment*

During the nine months ended 30 September 2018, as a result of the Net Realizable Value (NRV) analysis and review, a write-down adjustment for some of the Company's projects was made in the amount of PLN 725 thousand.

*City Link I*

The construction of the first stage of the City Link project was completed in September 2017. The project was developed on part of a land strip located in the Wola district in Warsaw at Skierniewicka street. The first stage of this project comprises 301 apartments and 21 commercial units with an aggregate floor space of 14,700 m<sup>2</sup>. 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%.

## Directors' report

### Business highlights during the nine months ended 30 September 2018 (cont'd)

#### C. Units sold during the period

The table below presents information on the total number of units sold (i.e. total number of units for which the Company signed the preliminary sale agreements with the clients), during the nine months ended 30 September 2018:

Project name	Location	Units sold until 31 December 2017	Units sold during the 9 months ended 30 September 2018	Units for sale as at 30 September 2018	Total
Espresso II, III & IV <sup>(1)</sup>	Warsaw	445	2	4	451
Miasto Moje I <sup>(1)</sup>	Warsaw	154	42	9	205
Miasto Moje II <sup>(2)</sup>	Warsaw	8	102	38	148
Młody Grunwald I - III <sup>(1)</sup>	Poznań	348	28	17	393
City Link III <sup>(2)</sup>	Warsaw	91	153	124	368
Marina Miasto <sup>(2)</sup>	Wrocław	15	38	98	151
Vitalia I <sup>(1)</sup>	Wrocław	128	8	3	139
Vitalia II <sup>(2)</sup>	Wrocław	6	56	21	83
Grunwald <sup>(2)</sup>	Poznań	-	63	205	268
Chilli IV <sup>(1)</sup>	Poznań	16	8	21	45
Panoramika II & III <sup>(1)</sup>	Szczecin	198	29	2	229
Panoramika IV <sup>(2)</sup>	Szczecin	2	31	78	111
Moko <sup>(1)</sup>	Warsaw	317	18	10	345
Nova Królikarnia 1a - 1e <sup>(1)</sup>	Warsaw	81	13	12	106
Nova Królikarnia 2a <sup>(2)</sup>	Warsaw	15	19	11	45
Nova Królikarnia 2b <sup>(2)</sup>	Warsaw	10	10	8	28
Other (old) projects		2	4	15	21
<b>Total excluding JV</b>		<b>1,836</b>	<b>624</b>	<b>676</b>	<b>3,136</b>
City Link I <sup>(1)/(3)</sup>	Warsaw	316	4	2	322
City Link II <sup>(2)/(3)</sup>	Warsaw	178	11	-	189
<b>Total including JV</b>		<b>2,330</b>	<b>639</b>	<b>678</b>	<b>3,647</b>

(1) For information on the completed projects see "Business highlights during the nine months ended 30 September 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 17 to 19).

(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 nine months ended 30 September 2018 (cont'd)

#### C. Units sold during the period (cont'd)

The table below presents further information on the units sold (i.e. total number of units for which the Company signed the preliminary sale agreements with the clients), including net saleable area (in m<sup>2</sup>) 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 nine months ended 30 September 2018:

Project name	Location	Sold during the 9 months ended 30 September 2018		
		Number of units	Net saleable area (m <sup>2</sup> )	Value of the preliminary sales agreements (in PLN thousands)
Espresso II, III & IV <sup>(1)</sup>	Warsaw	2	135	1,237
Miasto Moje I <sup>(1)</sup>	Warsaw	42	2,049	12,781
Miasto Moje II <sup>(2)</sup>	Warsaw	102	4,890	29,503
Młody Grunwald I - III <sup>(1)</sup>	Poznań	28	2,333	13,477
City Link III <sup>(2)</sup>	Warsaw	153	6,809	71,296
Marina Miasto <sup>(2)</sup>	Wrocław	38	1,212	10,136
Vitalia I <sup>(1)</sup>	Wrocław	8	763	4,175
Vitalia II <sup>(2)</sup>	Wrocław	56	3,099	18,125
Grunwald <sup>2</sup> <sup>(2)</sup>	Poznań	63	2,778	17,672
Chilli IV <sup>(1)</sup>	Poznań	8	527	2,158
Panoramika II & III <sup>(1)</sup>	Szczecin	29	1,693	8,386
Panoramika IV <sup>(2)</sup>	Szczecin	31	1,330	6,878
Moko <sup>(1)</sup>	Warsaw	18	1,880	16,731
Nova Królikarnia 1a -1e <sup>(1)</sup>	Warsaw	13	1,673	16,983
Nova Królikarnia 2a <sup>(2)</sup>	Warsaw	19	1,379	14,121
Nova Królikarnia 2b <sup>(2)</sup>	Warsaw	10	699	7,530
Other (old) projects		4	265	2,678
<b>Total excluding JV</b>		<b>624</b>	<b>33,514</b>	<b>253,867</b>
City Link I <sup>(1)/(3)</sup>	Warsaw	4	319	3,259
City Link II <sup>(2)/(3)</sup>	Warsaw	11	717	6,578
<b>Total including JV</b>		<b>639</b>	<b>34,550</b>	<b>263,704</b>

(1) For information on the completed projects see "Business highlights during the nine months ended 30 September 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 17 to 19).

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

#### D. Commencements of new projects

During the nine months ended 30 September 2018, the Company commenced the construction of the Grunwald<sup>2</sup> project in Poznań, that comprises 268 units with an aggregate floor space of 14,500 m<sup>2</sup>.

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 m<sup>2</sup>.

For additional information see section "Outlook for the remainder of 2018 – B. Current projects under construction" (pages 17 to 19).

## Directors' report

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### Business highlights during the nine months ended 30 September 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 m<sup>2</sup>, which on the day of transaction, include completed projects with 53 units and an aggregate floor space of 4,950 m<sup>2</sup>, projects under construction with 126 units and an aggregate floor space of 11,150 m<sup>2</sup> and project in pipeline with 18 units and an aggregate floor space of 3,400 m<sup>2</sup> (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 m<sup>2</sup> (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 25 through 53 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

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### Overview of results

The net profit attributable to the equity holders of the parent company for the nine months ended 30 September 2018 was PLN 15,838 thousand and can be summarized as follows:

	<b>For the nine months ended 30 September</b>	
	<b>2018</b>	<b>2017</b>
	<b>PLN</b>	
	<b>(thousands, except per share data)</b>	
Revenue	253,254	182,232
Cost of sales	(211,188)	(152,891)
<b>Gross profit</b>	<b>42,066</b>	<b>29,341</b>
Selling and marketing expenses	(3,763)	(3,652)
Administrative expenses	(14,299)	(14,380)
Share of profit/(loss) from joint ventures	2,645	(447)
Other income/(expenses)	(1,589)	(3,103)
<b>Result from operating activities</b>	<b>25,060</b>	<b>7,759</b>
Finance income	499	667
Finance expenses	(4,265)	(5,943)
<b>Net finance income/(expenses)</b>	<b>(3,766)</b>	<b>(5,276)</b>
<b>Profit/(loss) before taxation</b>	<b>21,294</b>	<b>2,483</b>
Income tax benefit/(expenses)	(3,883)	(461)
<b>Net profit/(loss) for the period before non-controlling interests</b>	<b>17,411</b>	<b>2,022</b>
Non-controlling interests	(1,573)	(1,895)
<b>Net profit/(loss) for the period attributable to the equity holders of the parent</b>	<b>15,838</b>	<b>127</b>
<b>Net earnings per share attributable to the equity holders of the parent (basic and diluted)</b>	<b>0.097</b>	<b>0.001</b>

## Directors' report

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### Overview of results (cont'd)

#### *Revenue*

Total revenue increased by PLN 71.1 million (39.0%) from PLN 182.2 million during the nine months ended 30 September 2017 to PLN 253.3 million during the nine months ended 30 September 2018, which is primarily explained by an increase in apartments delivered to the customers in terms of area size (in m<sup>2</sup>).

#### *Cost of sales*

Cost of sales increased by PLN 58.3 million (38.1%) from PLN 152.9 million during the nine months ended 30 September 2017 to PLN 211.2 million during the nine months ended 30 September 2018, which is primarily explained by an increase in apartments delivered to the customers in terms of area size (in m<sup>2</sup>).

During the nine months ended 30 September 2018, as a result of Net Realizable Value (NRV) analyses and reviews, a write-down adjustment for some of the Company's inventory was made in the amount of PLN 0.7 million, which compares to a write-down adjustment of PLN 3.3 million during the nine months ended 30 September 2017.

#### *Gross margin*

The gross margin during the nine months ended 30 September 2018 was 16.6% which compares to a gross margin during the nine months ended 30 September 2017 of 16.1%.

#### *Selling and marketing expenses*

No material changes.

#### *Administrative expenses*

No material changes.

#### *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 nine months ended 30 September 2018, the profit from joint ventures allocated to the Company, amounted to PLN 2.6 million which compares to a loss amounting to PLN 0.4 million during the nine months ended 30 September 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 net expenses decreased by PLN 1.5 million (48.8%) from PLN 3.1 million during the nine months ended 30 September 2017 to PLN 1.6 million during the nine months ended 30 September 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 17.3 million, from an operating profit of PLN 7.7 million for nine months ended 30 September 2017 to an operating profit of PLN 25.0 million for nine months ended 30 September 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:

	<b>For the nine months ended 30 September 2018</b>		
	<b>PLN (thousands)</b>		
	<b><u>Total amount</u></b>	<b><u>Amount capitalized</u></b>	<b><u>Recognized as profit or loss</u></b>
Finance income	499	-	499
Finance expenses	(10,338)	6,073	(4,265)
<b>Net finance income/(expenses)</b>	<b>(9,839)</b>	<b>6,073</b>	<b>(3,766)</b>

  

	<b>For the nine months ended 30 September 2017</b>		
	<b>PLN (thousands)</b>		
	<b><u>Total amount</u></b>	<b><u>Amount capitalized</u></b>	<b><u>Recognized as profit or loss</u></b>
Finance income	667	-	667
Finance expenses	(11,457)	5,514	(5,943)
<b>Net finance income/(expenses)</b>	<b>(10,790)</b>	<b>5,514</b>	<b>(5,276)</b>

Net finance expenses before capitalization decreased by PLN 1.0 million (8.8%) from PLN 10.8 million during the nine months ended 30 September 2017 to PLN 9.8 million during the nine months ended 30 September 2018, which was a result of decrease in the average net debt position during the period from PLN 164.7 million during the nine months ended 30 September 2017 to PLN 132.9 million during the nine months ended 30 September 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 nine months ended 30 September 2018, the minority shareholders share in the profit amounted to PLN 1.6 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 nine months ended 30 September 2017.

On 10 October 2018, the Group acquired 18% of the share of ownership and voting rights in Espresso Sp. z o.o. (hereinafter "Espresso") from the minority shareholders of Espresso, for a total amount of PLN 3,762 thousand. Following the transaction Ronson Group became the sole shareholder of Espresso. The book value of the Non-controlling interests as at 30 September 2018 amounted to PLN 5,696 thousand.

## 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 September 2018	31 December 2017
	PLN (thousands)	
Inventory	643,689	512,098
Advances received	114,210	102,244
Loans and borrowings	239,744	211,228

#### *Inventory*

The balance of inventory is PLN 643.7 million as at 30 September 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 85.7 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 107.7 million. The increase is offset in part by cost of sales recognized for a total amount of PLN 211.0 million during the nine months ended 30 September 2018.

#### *Advances received*

The balance of advances received is PLN 114.2 million as at 30 September 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 nine months ended 30 September 2018 for a total amount of PLN 201.2 million. The increase is offset in part by revenues recognized from the sale of residential units for a total amount of PLN 251.4 million.

#### *Loans and borrowings*

The total of short-term and long-term loans and borrowings is PLN 239.7 million as at 30 September 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 46.7 million during the nine months ended 30 September 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 43.4 million. Of the mentioned PLN 239.7 million, an amount of PLN 68.3 million comprises facilities maturing no later than 30 September 2019.

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 September 2018 amounted to PLN 221.8 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 3.4 million minus one-time costs directly attributed to the bond issuances which are amortized based on the effective interest method (PLN 1.6 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 September 2018, loans in this category amounted to PLN 17.9 million (as at 31 December 2017: PLN 13.9 million). For additional information see Note 12 of the Interim Condensed Consolidated Financial Statements.

## Directors' report

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### Overview of cash flow results

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

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

	<b>For the nine months ended 30 September</b>	
	<b>2018</b>	<b>2017</b>
	<b>PLN (thousands)</b>	
Cash flow from/(used in) operating activities	<u>58,073</u>	<u>11,603</u>
Cash flow from/(used in) investing activities	<u>(34,127)</u>	<u>13,637</u>
Cash flow from/(used in) financing activities	<u>25,515</u>	<u>(40,741)</u>

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

The Company's net cash inflow from operating activities for the nine months ended 30 September 2018 amounted to PLN 58.1 million which compares to a net cash inflow from operating activities during the nine months ended 30 September 2017 amounted to PLN 11.6 million. The increase is principally explained by:

- a net cash inflow from advances received from clients regarding sales of residential units amounting to PLN 201.2 million during the nine months ended 30 September 2018, comparing to a net cash inflow amounting to PLN 158.6 million during the nine months ended 30 September 2017;
- expenses for new land purchases (including advances for land) amounting to PLN 2.8 million during the nine months ended 30 September 2018 while these expenses amounted to PLN 30.5 million during the nine months ended 30 September 2017.

The above-mentioned effects were offset in part by:

- a net cash outflow used in the Group's investments associated with direct construction costs amounting to PLN 107.7 million during the nine months ended 30 September 2018, comparing to a net cash outflow amounting to PLN 78.8 million during the nine months ended 30 September 2017;

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

The Company's net cash outflow used in investing activities amounted to PLN 34.1 million during the nine months ended 30 September 2018 compared to a net cash inflow from investing activities amounted to PLN 13.6 million during the nine months ended 30 September 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 nine months ended 30 September 2018 compared to nil during the nine months ended 30 September 2017;
- a cash inflow from repayment of loans granted to joint ventures and dividend from joint ventures amounting to PLN 4.3 million during the nine months ended 30 September 2018 compared to PLN 13.4 million during the nine months ended 30 September 2017.

## Directors' report

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### 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 25.5 million during the nine months ended 30 September 2018 compared to a net cash outflow used in financing activities amounted to PLN 40.7 million during the nine months ended 30 September 2017. The increase is primarily explained by:

- net proceeds from bond loans amounting to PLN 22.2 million during the nine months ended 30 September 2018 compared to a net repayment of bond loans amounting to PLN 26.4 million during the nine months ended 30 September 2017;
- payment of dividend during the nine months ended 30 September 2018 amounted to nil compared to PLN 31.2 million paid as dividend during the nine months ended 30 September 2017.

The above-mentioned effects were offset in part by:

- a net proceeds from secured bank loans amounting to PLN 3.3 million during the nine months ended 30 September 2018 compared to net proceeds from secured bank loans amounting to PLN 18.4 million during the nine months ended 30 September 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 Poland 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.

The Company prepared this Interim Financial Report for the nine months ended 30 September 2018 in both English and Polish languages, while the Polish version is binding.

### 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 (9 months)	4.249	4.142	4.398	4.271
2017 (9 months)	4.266	4.174	4.416	4.309
2017 (12 months)	4.258	4.171	4.416	4.171

Source: National Bank of Poland ("NBP")

### Selected financial data

	EUR		PLN	
	(thousands, except per share data)			
	For the 9 months ended 30 September			
	2018	2017	2018	2017
Revenues	59,603	42,717	253,254	182,232
Gross profit	9,900	6,878	42,066	29,341
Profit/(loss) before taxation	5,012	582	21,294	2,483
Net profit/(loss) for the period attributable to the equity holders of the parent	3,727	30	15,838	127
Cash flows from/(used in) operating activities	13,667	2,720	58,073	11,603
Cash flows from/(used in) investing activities	(8,032)	3,197	(34,127)	13,637
Cash flows from/(used in) financing activities	6,005	(9,550)	25,515	(40,741)
Increase/(decrease) in cash and cash equivalents	11,641	(3,634)	49,461	(15,501)
Average number of equivalent shares (basic)	164,010,813	164,010,813	164,010,813	164,010,813
Net earnings/(loss) per share (basic and diluted)	0.023	0.000	0.097	0.001

### Selected financial data

	EUR		PLN	
	(thousands)			
	As at			
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
Inventory	150,697	122,776	643,689	512,098
Total assets	191,585	169,216	818,337	705,799
Advances received	26,738	24,513	114,210	102,244
Long term liabilities	42,782	41,745	182,740	174,120
Short term liabilities (including advances received)	66,960	45,473	286,015	189,667
Equity attributable to the equity holders of the parent	80,509	81,009	343,886	337,889

## 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 and 2019:

Project name	Location	Number of units delivered <sup>(1)</sup>			Number of units expected to be delivered <sup>(1)</sup>			Total project
		Until 31 December 2017	During the 9 months ended 30 September 2018	Total units delivered	Sold until 30 September 2018	Units for sale as at 30 September 2018	Total units expected to be delivered	
Espresso II, III & IV	Warsaw	300	145	445	2	4	6	451
Moko	Warsaw	308	22	330	5	10	15	345
Vitalia I	Wrocław	111	24	135	1	3	4	139
Młody Grunwald I - III	Poznań	302	66	368	8	17	25	393
Panoramika II & III	Szczecin	98	125	223	4	2	6	229
Chilli IV	Poznań	5	16	21	3	21	24	45
Miasto Moje I	Warsaw	-	183	183	13	9	22	205
Nova Królikarnia 1a - 1e	Warsaw	6 <sup>(3)</sup>	53	59	35	12	47	106
Other (old) projects		3	7	10	6	15	21	31
<b>Total excluding JV</b>		<b>1,133</b>	<b>641</b>	<b>1,774</b>	<b>77</b>	<b>93</b>	<b>170</b>	<b>1,944</b>
City Link I <sup>(2)</sup>	Warsaw	249	66	315	5	2	7	322
<b>Total including JV</b>		<b>1,382</b>	<b>707</b>	<b>2,089</b>	<b>82</b>	<b>95</b>	<b>177</b>	<b>2,266</b>

(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 nine months ended 30 September 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 2019 and 2020. The Company has obtained construction permits for all projects/stages and has commenced construction.

Project name	Location	Units sold until 30 September 2018	Units for sale as at 30 September 2018	Total units	Net saleable area (m <sup>2</sup> )	Expected completion of construction
Miasto Moje II	Warsaw	110	38	148	8,100	2019
Nova Królikarnia 2a	Warsaw	34	11	45	3,200	2019
Nova Królikarnia 2b	Warsaw	20	8	28	2,300	2019
City Link III	Warsaw	244	124	368	18,700	2019
Marina Miasto	Wrocław	53	98	151	6,200	2019
Panoramika IV	Szczecin	33	78	111	5,800	2019
Vitalia II	Wrocław	62	21	83	4,700	2019
Grunwald <sup>2</sup>	Poznań	63	205	268	14,500	2020
<b>Subtotal excluding JV</b>		<b>619</b>	<b>583</b>	<b>1,202</b>	<b>63,500</b>	
City Link II <sup>(1)</sup>	Warsaw	189	-	189	8,800	2019
<b>Total including JV</b>		<b>808</b>	<b>583</b>	<b>1,391</b>	<b>72,300</b>	

(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 m<sup>2</sup>.

##### Stage of development

The construction of the Miasto Moje II project commenced in August 2017, while completion is expected in the first quarter of 2019.

#### 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 m<sup>2</sup>.

##### 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.

#### 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 m<sup>2</sup>.

##### 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.

## Directors' report

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### Outlook for the remainder of 2018 (cont'd)

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

##### *City Link III*

###### *Description of project*

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

###### *Stage of development*

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

##### *Miasto Marina*

###### *Description of project*

The Miasto Marina project is being developed on a land strip located in Wrocław at Na Grobli Street. The project will comprise 151 units with an aggregate floor space of 6,200 m<sup>2</sup>. 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 m<sup>2</sup>.

###### *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 m<sup>2</sup>.

###### *Stage of development*

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

##### *Grunwald<sup>2</sup> (previously named Bułgarska)*

###### *Description of project*

The Grunwald<sup>2</sup> 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 m<sup>2</sup>.

###### *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.

## Directors' report

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### Outlook for the remainder of 2018 (cont'd)

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

##### *City Link II*

###### *Description of project*

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

###### *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 1 new projects (comprising in total 480 units with a total area of 26,600 m<sup>2</sup>). 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 m<sup>2</sup>.

##### *b) New stages of running projects*

###### *Miasto Moje III*

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

###### *Panoramika V*

The Panoramika V project is a continuation of Panoramika I-IV projects. The project will comprise 115 apartments with an aggregate floor space of 5,800 m<sup>2</sup>. 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 16). 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	4,635	Completed
Miasto Moje I	Warsaw	6,400	Completed
Espresso II, III & IV	Warsaw	1,082	Completed
Młody Grunwald I - III	Poznań	4,285	Completed
Panoramika II & III	Szczecin	1,097	Completed
Vitalia I	Wrocław	643	Completed
Chilli IV	Poznań	872	Completed
Nova Królikarnia 1a - 1e	Warsaw	37,777	Completed
Other (old) projects		3,974	Completed
<b>Subtotal completed projects <sup>(1)</sup></b>		<b>60,765</b>	
Miasto Moje II	Warsaw	33,120	2019
Nova Królikarnia 2a	Warsaw	24,290	2019
Nova Królikarnia 2b	Warsaw	16,107	2019
Marina Miasto	Wrocław	14,391	2019
Vitalia II	Wrocław	19,965	2019
Panoramika IV	Szczecin	7,409	2019
City Link III	Warsaw	108,328	2019
Grunwald <sup>2</sup>	Poznań	17,672	2020
<b>Subtotal ongoing projects <sup>(2)</sup></b>		<b>241,282</b>	
City Link I <sup>(1)/(3)</sup>	Warsaw	3,736	Completed
City Link II <sup>(2)/(3)</sup>	Warsaw	84,771	2019
<b>Subtotal projects held by joint venture</b>		<b>88,507</b>	
<b>Total</b>		<b>390,554</b>	

(1) For information on the completed projects see "Business highlights during the nine months ended 30 September 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 17 to 19).

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

#### E. Main risks and uncertainties during the remainder of 2018

While the improving market in 2015, 2016, 2017 and the first nine 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, the increase in the construction cost, as well as increasing competition in the market are considered to be the most significant uncertainties for the financial year ending 31 December 2018.

## Directors' report

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### **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.

### **Influence of results disclosed in the report on fulfillment of result forecasts**

The Management Board of Ronson Development SE does not publish any financial forecasts concerning the Group.

### **Material court cases**

There is no proceeding pending before a court, a complement arbitration authority or a public administration authority concerning liabilities or claims of Ronson Development SE or its subsidiaries, the value of which equaled at least 10% of the Company's equity.

### **Related parties transactions**

There were no transactions and balances with related parties during the nine months ended 30 September 2018 other than the remuneration of the Management Board, loans granted to related parties, the reimbursement of audit review costs and an agreement with the major (indirect) shareholder, A. Luzon Group, covering costs of remuneration of two members of the Board of Managing Directors and of the Chairman of the Board of Supervisory Directors for a 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 of the Company. All transactions with related parties were performed based on market conditions.

## Directors' report

### Additional information to the report

#### Major shareholders

To the best of the Company's knowledge, as at the date of publication of this report (6 November 2018), the following shareholders are entitled to exercise over 5% of the voting rights at the General Meeting of Shareholders in the Company:

#### Shares

	As at 6 November 2018 Number of shares / % of shares	Change in number of shares	As at 30 September 2018 Number of shares / % of shares	Change in number of shares	As at 31 December 2017 Number of shares / % of shares
<b>Shares issued:</b>	<b>164,010,813</b>	-	<b>164,010,813</b>	-	<b>164,010,813</b>
I.T.R. Dori B.V. <sup>(1)</sup>	87,449,187 53.32%	-	87,449,187 53.32%	-	87,449,187 53.32%
RN Residential B.V. <sup>(1)</sup>	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%

<sup>(1)</sup> The subsidiary of A. Luzon Group.

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

Mr Amos Luzon as at 30 September 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.

Mr Piotr Palenik as at 30 September 2018 and as at the day of publishing this report held 0.012% of the shares and voting rights in the Company (in total 20 thousand shares).

#### **Changes in the Management and Supervisory Board during the nine months ended 30 September 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.



## Directors' report

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

#### Overview of the economic results during the nine months ended 30 September 2018

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

<b>For the 9 months ended 30 September</b>	<b>2018</b>	<b>2017</b>
<i>In thousands of Polish Zlotys (PLN)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue	277,362	191,163
Cost of sales	(229,334)	(162,045)
<b>Gross profit</b>	<b>48,028</b>	<b>29,118</b>
Selling and marketing expenses	(3,769)	(3,896)
Administrative expenses	(14,588)	(15,081)
Other expenses	(3,234)	(3,783)
Other income	1,212	591
Cancellation of negative investment from joint ventures	-	149
<b>Result from operating activities</b>	<b>27,649</b>	<b>7,098</b>
Finance income	522	445
Finance expenses	(4,279)	(5,953)
<b>Net finance income/(expenses)</b>	<b>(3,757)</b>	<b>(5,508)</b>
<b>Profit/(loss) before taxation</b>	<b>23,892</b>	<b>1,590</b>
Income tax benefit/(expenses)	(3,880)	(461)
<b>Profit for the period</b>	<b>20,012</b>	<b>1,129</b>
<b>Total profit/(loss) for the period attributable to:</b>		
Equity holders of the parent	15,838	127
Non-controlling interests	4,174	1,002
<b>Total profit/(loss) for the period, net of tax</b>	<b>20,012</b>	<b>1,129</b>

**Directors' report**

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**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 September 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 nine 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 nine months management board report gives a true and fair view of the important events of the past nine-month period and their impact on the interim financial statements, as well as the principal risks and uncertainties for the period to come, and the most important related party transactions.

**The Management Board**

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**Nir Netzer**  
Chief Executive Officer

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**Rami Geris**  
Chief Financial Officer

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**Andrzej Gutowski**  
Sales and Marketing Director

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**Alon Haver**

**Warsaw, 6 November 2018**

## Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2018

## Interim Condensed Consolidated Statement of Financial Position

As at		30 September 2018	30 June 2018	31 December 2017	30 September 2017
	Note	(Reviewed/ Unaudited)	(Reviewed/ Unaudited)	(Audited)	(Reviewed/ Unaudited)
<i>In thousands of Polish Zlotys (PLN)</i>					
<b>Assets</b>					
Property and equipment		8,247	8,185	8,169	8,303
Investment property		8,743	8,743	8,743	8,743
Investment in joint ventures		4,766	4,772	5,162	-
Deferred tax assets	14	4,771	3,586	4,025	4,016
<b>Total non-current assets</b>		<b>26,527</b>	<b>25,286</b>	<b>26,099</b>	<b>21,062</b>
Inventory	10	643,689	664,349	512,098	511,896
Advances for land	19	-	-	80,060	67,400
Trade and other receivables and prepayments		17,556	18,057	11,704	9,907
Income tax receivable		61	604	590	499
Loans granted to joint ventures		-	9	6,922	3,100
Other current financial assets		16,183	18,227	3,466	11,120
Cash and cash equivalents		114,321	87,262	64,860	53,555
<b>Total current assets</b>		<b>791,810</b>	<b>788,508</b>	<b>679,700</b>	<b>657,477</b>
<b>Total assets</b>		<b>818,337</b>	<b>813,794</b>	<b>705,799</b>	<b>678,539</b>
<b>Equity</b>					
Share capital		12,503	12,503	12,503	12,503
Share premium		150,278	150,278	150,278	150,278
Retained earnings		181,105	185,409	175,108	165,771
<b>Equity attributable to equity holders of the parent</b>		<b>343,886</b>	<b>348,190</b>	<b>337,889</b>	<b>328,552</b>
Non-controlling interests	20	5,696	5,602	4,123	4,185
<b>Total equity</b>		<b>349,582</b>	<b>353,792</b>	<b>342,012</b>	<b>332,737</b>
<b>Liabilities</b>					
Bond loans	11	153,546	163,334	153,517	168,281
Secured bank loans	12	17,868	-	9,155	17,268
Deferred tax liability	14	11,326	12,446	11,448	9,430
<b>Total non-current liabilities</b>		<b>182,740</b>	<b>175,780</b>	<b>174,120</b>	<b>194,979</b>
Trade and other payables and accrued expenses	9	87,853	95,033	37,646	30,594
Bond loans	11	68,282	56,778	43,791	29,999
Secured bank loans	12	48	-	4,765	3,587
Dividends payable	20	9,841	-	-	-
Advances received		114,210	129,161	102,244	83,334
Income tax payable		3,136	550	89	2,210
Provisions		2,645	2,700	1,132	1,099
<b>Total current liabilities</b>		<b>286,015</b>	<b>284,222</b>	<b>189,667</b>	<b>150,823</b>
<b>Total liabilities</b>		<b>468,755</b>	<b>460,002</b>	<b>363,787</b>	<b>345,802</b>
<b>Total equity and liabilities</b>		<b>818,337</b>	<b>813,794</b>	<b>705,799</b>	<b>678,539</b>

The notes included on pages 30 to 53 are an integral part of these interim condensed consolidated financial statements

## Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2018

## Interim Condensed Consolidated Statement of Comprehensive Income

PLN (thousands, except per share data and number of shares)	Note	For the 9	For the 3	For the 9	For the 3
		months	months	months	months
		ended 30	ended 30	ended 30	ended 30
		September	September	September	September
		2018	2018	2017	2017
		(Reviewed) /	(Reviewed) /	(Reviewed) /	(Reviewed) /
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue from residential projects		251,445	82,770	175,854	33,438
Revenue from sale of services		1,809	270	4,778	1,007
Revenue from sale of land		-	-	1,600	1,600
<b>Revenue</b>		<b>253,254</b>	<b>83,040</b>	<b>182,232</b>	<b>36,045</b>
Cost of sales of residential projects		(211,188)	(68,585)	(151,669)	(30,171)
Cost of sale of land		-	-	(1,222)	(1,222)
<b>Gross profit</b>		<b>42,066</b>	<b>14,455</b>	<b>29,341</b>	<b>4,652</b>
Selling and marketing expenses		(3,763)	(1,347)	(3,652)	(1,277)
Administrative expenses		(14,299)	(4,695)	(14,380)	(4,377)
Share of profit/(loss) in joint ventures		2,645	(6)	(447)	60
Other expenses		(2,801)	(766)	(3,694)	(941)
Other income		1,212	277	591	211
<b>Result from operating activities</b>		<b>25,060</b>	<b>7,918</b>	<b>7,759</b>	<b>(1,672)</b>
Finance income		499	198	667	164
Finance expense		(4,265)	(1,176)	(5,943)	(1,636)
<b>Net finance income/(expense)</b>		<b>(3,766)</b>	<b>(978)</b>	<b>(5,276)</b>	<b>(1,472)</b>
<b>Profit/(loss) before taxation</b>		<b>21,294</b>	<b>6,940</b>	<b>2,483</b>	<b>(3,144)</b>
Income tax benefit/(expense)	13	(3,883)	(1,308)	(461)	572
<b>Profit/(loss) for the period</b>		<b>17,411</b>	<b>5,632</b>	<b>2,022</b>	<b>(2,572)</b>
Other comprehensive income		-	-	-	-
<b>Total comprehensive income/(expense) for the period, net of tax</b>		<b>17,411</b>	<b>5,632</b>	<b>2,022</b>	<b>(2,572)</b>
<b>Total profit/(loss) for the period attributable to:</b>					
equity holders of the parent		15,838	5,537	127	(2,548)
non-controlling interests		1,573	95	1,895	(24)
<b>Total profit/(loss) for the period, net of tax</b>		<b>17,411</b>	<b>5,632</b>	<b>2,022</b>	<b>(2,572)</b>
<b>Total comprehensive income/(expense) attributable to:</b>					
equity holders of the parent		15,838	5,537	127	(2,548)
non-controlling interests		1,573	95	1,895	(24)
<b>Total comprehensive income/(expense) for the period, net of tax</b>		<b>17,411</b>	<b>5,632</b>	<b>2,022</b>	<b>(2,572)</b>
<b>Weighted average number of ordinary shares (basic and diluted)</b>		<b>164,010,813</b>	<b>164,010,813</b>	<b>164,010,813</b>	<b>164,010,813</b>
<i>In Polish Zlotys (PLN)</i>					
<b>Net earnings/(loss) per share attributable to the equity holders of the parent (basic and diluted)</b>		<b>0.097</b>	<b>0.034</b>	<b>0.001</b>	<b>(0.016)</b>

The notes included on pages 30 to 53 are an integral part of these interim condensed consolidated financial statements

## Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2018

## Interim Condensed Consolidated Statement of Changes in Equity

In thousands of Polish Zlotys (PLN)	Attributable to the Equity holders of parent					Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Retained earnings	Total		
<b>Balance as at 1 January 2018</b>	<b>12,503</b>	<b>150,278</b>	-	<b>175,108</b>	<b>337,889</b>	<b>4,123</b>	<b>342,012</b>
<b>Comprehensive income:</b>							
Profit for the nine months ended 30 September 2018	-	-	-	15,838	15,838	1,573	17,411
Other comprehensive income	-	-	-	-	-	-	-
<b>Total comprehensive income/(expense)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,838</b>	<b>15,838</b>	<b>1,573</b>	<b>17,411</b>
Dividend <sup>(1)</sup>	-	-	-	(9,841)	(9,841)	-	(9,841)
<b>Balance as at 30 September 2018 (Reviewed/ Unaudited)</b>	<b>12,503</b>	<b>150,278</b>	<b>-</b>	<b>181,105</b>	<b>343,886</b>	<b>5,696</b>	<b>349,582</b>

(1) On 14 September 2018, during an extra-ordinary General Meeting of Shareholders, the shareholders of the Company accepted a distribution of a dividend out of the retained earnings reserve as proposed by the Board of Managing Directors and the Board of Supervisory Directors. The dividend in a total amount of PLN 9,840,649 or PLN 0.06 per ordinary share was paid on 4 October 2018. The dividend is included under current liabilities in the Interim Condensed Consolidated Statement of Financial Position as at 30 September 2018.

In thousands of Polish Zlotys (PLN)	Attributable to the Equity holders of parent					Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Retained earnings	Total		
<b>Balance as at 1 January 2017</b>	<b>20,762</b>	<b>282,873</b>	<b>(140,854)</b>	<b>196,805</b>	<b>359,586</b>	<b>2,290</b>	<b>361,876</b>
<b>Comprehensive income:</b>							
Profit for the nine months ended 30 September 2017	-	-	-	127	127	1,895	2,022
Other comprehensive income	-	-	-	-	-	-	-
<b>Total comprehensive income/(expense)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>127</b>	<b>127</b>	<b>1,895</b>	<b>2,022</b>
Cancellation of treasury shares <sup>(1)</sup>	(8,259)	(132,595)	140,854	-	-	-	-
Dividend paid <sup>(2)</sup>	-	-	-	(31,161)	(31,161)	-	(31,161)
<b>Balance as at 30 September 2017 (Reviewed/ Unaudited)</b>	<b>12,503</b>	<b>150,278</b>	<b>-</b>	<b>165,771</b>	<b>328,552</b>	<b>4,185</b>	<b>332,737</b>

(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 September 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 30 to 53 are an integral part of these interim condensed consolidated financial statements

**Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2018****Interim Condensed Consolidated Statement of Cash Flows**

<b>For the 9 months ended 30 September</b>		<b>2018</b>	<b>2017</b>
<i>In thousands of Polish Zlotys (PLN)</i>	<i>Note</i>	<b>(Reviewed) / (unaudited)</b>	<b>(Reviewed/ Unaudited)</b>
<b>Cash flows from/(used in) operating activities</b>			
Profit/(loss) for the period		17,411	2,022
<b>Adjustments to reconcile profit for the period to net cash used in operating activities</b>			
Depreciation		767	738
Write-down of inventory		725	3,314
Finance expense		4,265	5,943
Finance income		(499)	(667)
Profit on sale of property and equipment		(22)	(6)
Share of loss /(profit) from joint ventures		(2,645)	447
Share-based payment		-	(978)
Income tax expense		3,883	461
<b>Subtotal</b>		<b>23,885</b>	<b>11,274</b>
Decrease receivables from former shareholder		-	9,900
Decrease/(increase) in inventory	10	92,903	64,604
Decrease/(increase) in advances for land		(2,750)	(30,500)
Decrease/(increase) in trade and other receivables and prepayments		(3,722)	36
Decrease/(increase) in other current financial assets		4,318	(6,640)
Increase/(decrease) in trade and other payables and accrued expenses		(2,024)	(10,288)
Increase/(decrease) in provisions		(87)	-
Increase/(decrease) in advances received		(50,214)	(17,273)
<b>Subtotal</b>		<b>62,309</b>	<b>21,113</b>
Interest paid		(7,337)	(8,834)
Interest received		6,151	429
Income tax received/(paid)		(3,050)	(1,105)
<b>Net cash from/(used in) operating activities</b>		<b>58,073</b>	<b>11,603</b>

*The notes included on pages 30 to 53 are an integral part of these interim condensed consolidated financial statements*

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

<b>For the 9 months ended 30 September</b>		<b>2018</b>	<b>2017</b>
<i>In thousands of Polish Zlotys (PLN)</i>	<i>Note</i>	<b>(Reviewed) / (unaudited)</b>	<b>(Reviewed/ Unaudited)</b>
<b>Cash flows from/(used in) investing activities</b>			
Acquisition of Nova Królikarnia project	9	(38,090)	-
Acquisition of property and equipment		(377)	(433)
Proceeds from loans granted to third parties		-	449
Net proceeds from loans granted to joint ventures		1,312	13,400
Dividend received from joint ventures		2,999	-
Proceeds from sale of property and equipment		29	221
<b>Net cash from/(used in) investing activities</b>		<b>(34,127)</b>	<b>13,637</b>
<b>Cash flows from/(used in) financing activities</b>			
Proceeds from bank loans, net of bank charges	12	46,737	64,929
Repayment of bank loans	12	(43,408)	(46,568)
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		-	(1,557)
Dividends paid to equity holders of the parent		-	(31,161)
<b>Net cash from/(used in) financing activities</b>		<b>25,515</b>	<b>(40,741)</b>
<b>Net change in cash and cash equivalents</b>		<b>49,461</b>	<b>(15,501)</b>
Cash and cash equivalents at beginning of period		64,860	69,056
<b>Cash and cash equivalents at end of period *</b>		<b>114,321</b>	<b>53,555</b>

\*Including restricted cash that amounted to PLN 6,889 thousand and PLN 1,228 thousand as 30 September 2018 and as 30 September 2017, respectively.

The notes included on pages 30 to 53 are an integral part of these interim condensed consolidated financial statements

**Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 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 European Company with its statutory seat in Warsaw, Poland. The registered office is located at Al. Komisji Edukacji Narodowej 57, Warsaw, Poland. The Company (together with its subsidiaries 'the Group'), is active in the development and sale of units, primarily apartments, in multi-family residential real-estate projects to individual customers in Poland.

The Company was incorporated in the Netherlands on 18 June 2007 as Ronson Europe N.V. in the Netherlands with statutory seat in Rotterdam, the Netherlands. 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 approved the decision to migrate the registered office of the Company from the Netherlands to Poland. On 31 October 2018, the transfer of the registered office from the Netherlands to Poland was effectuated.

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

According to publicly available information, as at 30 September 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 nine months ended 30 September 2018 and contain comparative data for the nine months ended 30 September 2017 and as at 31 December 2017. The Interim Condensed Consolidated Financial Statements of the Company for the nine months ended 30 September 2018 with all its comparative data have been reviewed by the Company's external auditors.

As at 30 September 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 nine months ended 30 September 2018 were authorized for issuance by the Management Board on 6 November 2018 in both English and Polish languages, while the Polish version is binding.

**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 Al. Komisji Edukacji Narodowej 57, Warsaw, Poland or at the Company's website: [www.ronson.pl](http://www.ronson.pl).

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

Further explanation and analyzes on significant changes in financial position and performance of the Company during the 9 months ended 30 September 2018 are included in the Directors' Report on pages 1 through 24.



## Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 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 nine months ended 30 September 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 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 September 2018, are presented below and on the following page.

Entity name	Year of incorporation	Share of ownership & voting rights at the end of	
		30 September 2018	31 December 2017
<b>a. held directly by the Company :</b>			
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. <sup>(1)</sup>	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. <sup>(1)</sup>	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. <sup>(3)</sup>	2016	100%	n.a.
<b>b. held indirectly by the Company:</b>			
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%

<sup>(1)</sup> 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 nine months ended 30 September 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 September 2018	31 December 2017
<b>b. held indirectly by the Company (cont'd):</b>			
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 <sup>(2)</sup>	2013	100%	n.a.
87. Park Development Properties Sp. z o.o. - Town Sp.k. <sup>(3)</sup>	2007	100%	n.a.
88. Tras Sp. z o.o. <sup>(3)</sup>	2015	100%	n.a.
89. Skocznia Projekt Sp. z o.o. <sup>(3)</sup>	2015	100%	n.a.
90. District 20 Sp. z o.o. <sup>(3)</sup>	2015	100%	n.a.
91. Arkadia Development Sp. z o.o. <sup>(3)</sup>	2015	100%	n.a.
92. Królikarnia Sp. z o.o. <sup>(3)</sup>	2015	100%	n.a.
93. Tras 2016 Sp. z o.o. <sup>(3)</sup>	2016	100%	n.a.
94. Pod Skocznia Projekt 2016 Sp. z o.o. <sup>(3)</sup>	2016	100%	n.a.
95. District 20 – 2016 Sp. z o.o. <sup>(3)</sup>	2016	100%	n.a.
96. Arkadia Development 2016 Sp. z o.o. <sup>(3)</sup>	2016	100%	n.a.
97. Królikarnia 2016 Sp. z o.o. <sup>(3)</sup>	2016	100%	n.a.
98. Kroli Development Sp. z o.o. <sup>(3)</sup>	2016	100%	n.a.
99. Park Development Properties Sp. z o.o. <sup>(3)</sup>	2016	100%	n.a.
100. Jasminova 2016 Sp. z o.o. <sup>(3)</sup>	2016	100%	n.a.
101. Town 2016 Sp. z o.o. <sup>(3)</sup>	2016	100%	n.a.
102. EEE Development 2016 Sp. z o.o. <sup>(3)</sup>	2016	100%	n.a.
103. Enterprise 2016 Sp. z o.o. <sup>(3)</sup>	2016	100%	n.a.
104. Wrocław 2010 Sp. z o.o. <sup>(3)</sup>	2016	100%	n.a.

<sup>(2)</sup> Acquired as a part of Ursus transaction, for additional information see note 19.

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

## Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 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:

*In thousands of Polish Zlotys (PLN)*

As at 30 September 2018

	Warsaw				Poznań		Wrocław		Szczecin		Unallocated	IFRS adjustments	Total
	Apartments	Houses	Joint venture	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses			
<b>Segment assets</b>	448,629	83,342	75,861	8,743	65,955	-	90,605	-	66,764	-	-	(71,095)	768,804
Unallocated assets	-	-	-	-	-	-	-	-	-	-	49,533	-	49,533
<b>Total assets</b>	<b>448,629</b>	<b>83,342</b>	<b>75,861</b>	<b>8,743</b>	<b>65,955</b>	<b>-</b>	<b>90,605</b>	<b>-</b>	<b>66,764</b>	<b>-</b>	<b>49,533</b>	<b>(71,095)</b>	<b>818,337</b>
<b>Segment liabilities</b>	161,953	20,917	66,328	-	10,752	-	24,080	-	4,923	-	-	(66,328)	222,625
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	246,130	-	246,130
<b>Total liabilities</b>	<b>161,953</b>	<b>20,917</b>	<b>66,328</b>	<b>-</b>	<b>10,752</b>	<b>-</b>	<b>24,080</b>	<b>-</b>	<b>4,923</b>	<b>-</b>	<b>246,130</b>	<b>(66,328)</b>	<b>468,755</b>

*In thousands of Polish Zlotys (PLN)*

As at 31 December 2017

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

## Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2018

### Notes to the Interim Condensed Consolidated Financial Statements

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

In thousands of Polish Zlotys (PLN)

For the nine months ended 30 September 2018

	Warsaw		Joint venture		Poznań		Wroclaw		Szczecin		Unallocated	IFRS adjustments	Total
	Apartments	Houses	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses				
	<b>Revenue</b>	170,308	15,346	25,917	629	29,453	-	9,192	-	28,326			
<b>Segment result</b>	34,537	1,908	6,773	457	(1,532)	-	1,333	-	(234)	-	-	(4,128)	39,114
Unallocated result	-	-	-	-	-	-	-	-	-	-	(14,054)	-	(14,054)
<b>Result from operating activities</b>	<b>34,537</b>	<b>1,908</b>	<b>6,773</b>	<b>457</b>	<b>(1,532)</b>	<b>-</b>	<b>1,333</b>	<b>-</b>	<b>(234)</b>	<b>-</b>	<b>(14,054)</b>	<b>(4,128)</b>	<b>25,060</b>
Net finance income/ (expenses)	165	10	9	-	(118)	-	(13)	-	(11)	-	(3,799)	(9)	(3,766)
<b>Profit/(loss) before tax</b>	<b>34,702</b>	<b>1,918</b>	<b>6,782</b>	<b>457</b>	<b>(1,650)</b>	<b>-</b>	<b>1,320</b>	<b>-</b>	<b>(245)</b>	<b>-</b>	<b>(17,853)</b>	<b>(4,137)</b>	<b>21,294</b>
Income tax expenses	-	-	-	-	-	-	-	-	-	-	-	-	(3,883)
<b>Profit/(loss) for the period</b>													<b>17,411</b>
<b>Capital expenditure</b>	-	-	-	-	-	-	-	-	-	-	377	-	377

In thousands of Polish Zlotys (PLN)

For the nine months ended 30 September 2017

	Warsaw		Joint venture		Poznań		Wroclaw		Szczecin		Unallocated	IFRS adjustments	Total
	Apartments	Houses	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses				
	<b>Revenue</b>	105,827	-	13,109	614	55,768	-	16,373	-	3,650			
<b>Segment result</b>	21,949	(36)	2,651	366	1,398	-	2,194	-	(3,011)	(3)	-	(3,099)	22,409
Unallocated result	-	-	-	-	-	-	-	-	-	-	(14,650)	-	(14,650)
<b>Result from operating activities</b>	<b>21,949</b>	<b>(36)</b>	<b>2,651</b>	<b>366</b>	<b>1,398</b>	<b>-</b>	<b>2,194</b>	<b>-</b>	<b>(3,011)</b>	<b>(3)</b>	<b>(14,650)</b>	<b>(3,099)</b>	<b>7,759</b>
Net finance income/ (expenses)	82	(4)	65	-	(7)	-	4	-	(8)	-	(5,343)	(65)	(5,276)
<b>Profit/(loss) before tax</b>	<b>22,031</b>	<b>(40)</b>	<b>2,716</b>	<b>366</b>	<b>1,391</b>	<b>-</b>	<b>2,198</b>	<b>-</b>	<b>(3,019)</b>	<b>(3)</b>	<b>(19,993)</b>	<b>(3,164)</b>	<b>2,483</b>
Income tax expenses	-	-	-	-	-	-	-	-	-	-	-	-	(461)
<b>Profit/(loss) for the period</b>													<b>2,022</b>
<b>Capital expenditure</b>	-	-	-	-	-	-	-	-	-	-	433	-	433

## Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 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 September 2018

	Warsaw				Poznań		Wroclaw		Szczecin		Unallocated	IFRS adjustments	Total
	Apartments	Houses	Joint venture	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses			
<b>Revenue</b>	58,119	15,346	900	209	5,464	-	1,769	-	2,133	-	-	(900)	83,040
<b>Segment result</b>	11,922	1,942	150	162	(1,065)	-	113	-	(117)	-	-	(156)	12,951
Unallocated result	-	-	-	-	-	-	-	-	-	-	(5,033)	-	(5,033)
<b>Result from operating activities</b>	<b>11,922</b>	<b>1,942</b>	<b>150</b>	<b>162</b>	<b>(1,065)</b>	<b>-</b>	<b>113</b>	<b>-</b>	<b>(117)</b>	<b>-</b>	<b>(5,033)</b>	<b>(156)</b>	<b>7,918</b>
Net finance income/(expenses)	62	8	11	-	(4)	-	(3)	-	(5)	-	(1,036)	(11)	(978)
<b>Profit/(loss) before tax</b>	<b>11,984</b>	<b>1,950</b>	<b>161</b>	<b>162</b>	<b>(1,069)</b>	<b>-</b>	<b>110</b>	<b>-</b>	<b>(122)</b>	<b>-</b>	<b>(6,069)</b>	<b>(167)</b>	<b>6,940</b>
Income tax expenses													(1,308)
<b>Profit/(loss) for the period</b>													<b>5,632</b>
<b>Capital expenditure</b>	-	-	-	-	-	-	-	-	-	-	327	-	327

In thousands of Polish Zlotys (PLN)

For the three months ended 30 September 2017

	Warsaw				Poznań		Wroclaw		Szczecin		Unallocated	IFRS adjustments	Total
	Apartments	Houses	Joint venture	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses			
<b>Revenue</b>	14,742	-	13,109	205	6,439	-	13,890	-	769	-	-	(13,109)	36,045
<b>Segment result</b>	3,425	(11)	3,713	133	(280)	-	2,642	-	(2,870)	(1)	-	(3,654)	3,097
Unallocated result	-	-	-	-	-	-	-	-	-	-	(4,769)	-	(4,769)
<b>Result from operating activities</b>	<b>3,425</b>	<b>(11)</b>	<b>3,713</b>	<b>133</b>	<b>(280)</b>	<b>-</b>	<b>2,642</b>	<b>-</b>	<b>(2,870)</b>	<b>(1)</b>	<b>(4,769)</b>	<b>(3,654)</b>	<b>(1,672)</b>
Net finance income/(expenses)	3	(1)	21	-	2	-	1	-	(1)	-	(1,476)	(21)	(1,472)
<b>Profit/(loss) before tax</b>	<b>3,428</b>	<b>(12)</b>	<b>3,734</b>	<b>133</b>	<b>(278)</b>	<b>-</b>	<b>2,643</b>	<b>-</b>	<b>(2,871)</b>	<b>(1)</b>	<b>(6,245)</b>	<b>(3,675)</b>	<b>(3,144)</b>
Income tax benefit													572
<b>Profit/(loss) for the period</b>													<b>(2,572)</b>
<b>Capital expenditure</b>	-	-	-	-	-	-	-	-	-	-	359	-	359

**Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 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 m<sup>2</sup> (at the day of the transaction the project included, completed projects with 53 units and an aggregate floor space of 4,950 m<sup>2</sup>, projects under construction with 126 units and an aggregate floor space of 11,150 m<sup>2</sup> and a project in pipeline with 18 units and an aggregate floor space of 3,400 m<sup>2</sup>).

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 September 2018 and PLN 30 million was paid in October 2018 while PLN 13 million should be paid 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>	<b>As at 10 of April 2018</b>
<b>Assets</b>	
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
<b>Total assets</b>	<b>160,739</b>
<b>Liabilities</b>	
Deferred tax liabilities	103
Trade and other accounts payable	9,231
Advances received	62,180
Provision	1,600
Income tax payable	2,755
<b>Total liabilities</b>	<b>75,869</b>
<b>Total net assets</b>	<b>84,870</b>
Purchase consideration	83,770
Transaction costs	1,100
<b>Total</b>	<b>84,870</b>

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

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

**Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2018**

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**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 47.9 million to revenue and PLN 6.1 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 m<sup>2</sup>.

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 nine months ended 30 September 2018

## Notes to the Interim Condensed Consolidated Financial Statements

## Note 10 – Inventory

Movements in Inventory during the nine months ended 30 September 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 <sup>(1)</sup>	Transferred to finished units	Additions	Closing balance 30 September 2018
Land and related expense <sup>(2)</sup>	238,700	49,753	(32,782)	85,684	341,355
Construction costs	88,346	43,233	(104,869)	107,667	134,377
Planning and permits	15,383	3,904	(2,757)	4,621	21,151
Borrowing costs <sup>(3)</sup>	39,842	252	(4,368)	6,073	41,799
Other	3,244	1,351	(1,814)	2,190	4,971
<b>Work in progress</b>	<b>385,515</b>	<b>98,493</b>	<b>(146,590)</b>	<b>206,235</b>	<b>543,653</b>

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 1 January 2018	Nova Królikarnia project as at the acquisition date <sup>(1)</sup>	Transferred from work in progress	Recognized in the statement of comprehensive income	Closing balance 30 September 2018
<b>Finished goods</b>	<b>139,664</b>	<b>37,843</b>	<b>146,590</b>	<b>(211,407)</b>	<b>112,690</b>

<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 September 2018
		Increase	Utilization	
<b>Write-down</b>	<b>(13,081)</b>	<b>(725)</b>	<b>1,152</b>	<b>(12,654)</b>
<b>Inventory, valued at lower of cost and net realisable value</b>	<b>512,098</b>			<b>643,689</b>

(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 19.

(3) Borrowing costs are capitalized to the value of inventory with 5.82% average effective capitalization interest rate.

During the nine months ended 30 September 2018 the Group made a write-down adjustment on inventory of PLN 725 thousand where a part of this amount was released as a result of the delivery of the units during the period and amounted as of 30 September 2018 PLN 488 thousand. During the nine months ended 30 September 2017 the Group made a write-down adjustment on inventory of PLN 3,314 thousand, respectively, which is included as part of cost of sales in the Condensed Consolidated Statement of Comprehensive Income.

## Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 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>	<b>Opening balance 1 January 2017</b>	<b>Transferred to Trade and other receivables and prepayments</b>	<b>Sales of land</b>	<b>Transferred to finished goods</b>	<b>Additions</b>	<b>Closing balance 31 December 2017</b>
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 <sup>(1)</sup>	41,142	(151)	-	(8,337)	7,187	39,841
Other	2,805	(5)	-	(1,415)	1,859	3,244
<b>Work in progress</b>	<b>371,018</b>	<b>(2,471)</b>	<b>(1,221)</b>	<b>(113,435)</b>	<b>131,624</b>	<b>385,515</b>

  

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

  

<i>In thousands of Polish Zlotys (PLN)</i>	<b>Opening balance 1 January 2017</b>	<b>Transferred to Trade and other receivables and prepayments</b>	<b>Revaluation write-down recognized in statement of comprehensive income</b>		<b>Closing balance 31 December 2017</b>
			<b>Increase</b>	<b>Utilization</b>	
<b>Write-down</b>	<b>(12,502)</b>	<b>2,269</b>	<b>(3,314)</b>	<b>466</b>	<b>(13,081)</b>
<b>Total inventory at the lower of cost or net realizable value</b>	<b>574,098</b>				<b>512,098</b>

(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 nine months ended 30 September 2018

### Notes to the Interim Condensed Consolidated Financial Statements

#### Note 10 – Inventory (cont'd)

Movements in Inventory during the nine months ended 30 September 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 September 2017
Land and related expense	260,851	(2,315)	(4,774)	1,364	255,126
Construction costs	51,783	-	(25,584)	78,778	104,977
Planning and permits	14,437	-	(1,127)	3,750	17,060
Borrowing costs <sup>(1)</sup>	41,142	(151)	(1,489)	5,514	45,016
Other	2,805	(5)	(433)	1,193	3,560
<b>Work in progress</b>	<b>371,018</b>	<b>(2,471)</b>	<b>(33,407)</b>	<b>90,599</b>	<b>425,739</b>

<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 September 2017
<b>Finished goods</b>	<b>215,582</b>	<b>-</b>	<b>(149,483)</b>	<b>99,506</b>

<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 September 2017
			Increase	Utilization	
<b>Write-down</b>	<b>(12,502)</b>	<b>2,269</b>	<b>(3,314)</b>	<b>198</b>	<b>(13,349)</b>
<b>Inventory, valued at lower of – cost and net realisable value</b>	<b>574,098</b>				<b>511,896</b>

(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 nine months ended 30 September 2018****Notes to the Interim Condensed Consolidated Financial Statements****Note 11 – Bond loans**

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

	<b>For the 9 months ended 30 September 2018 (Reviewed/ Unaudited)</b>	<b>For the year ended 31 December 2017 (Audited)</b>	<b>For the 9 months ended 30 September 2017 (Reviewed/ Unaudited)</b>
<i>In thousands of Polish Zlotys (PLN)</i>			
<b>Opening balance</b>	<b>197,308</b>	<b>222,591</b>	<b>222,591</b>
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	629	1,166	942
Accrued interest	8,098	11,281	8,695
Interest repayment	(6,393)	(11,348)	(7,564)
<b>Total closing balance</b>	<b>221,828</b>	<b>197,308</b>	<b>198,280</b>
<b>Closing balance includes:</b>			
Current liabilities	68,282	43,791	29,999
Non-current liabilities	153,546	153,517	168,281
<b>Total closing balance</b>	<b>221,828</b>	<b>197,308</b>	<b>198,280</b>

**New Bond loans issued during the nine months ended 30 September 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 nine months ended 30 September 2018:**

During the nine months ended 30 September 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 nine months ended 30 September 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:

<b>As at</b>	<b>30 September 2018</b>
<i>In thousands of Polish Zlotys (PLN)</i>	<b>(Reviewed/ Unaudited)</b>
Net debt	109,240
Equity	349,582
<b>Net Indebtedness Ratio</b>	<b>31.2%</b>

**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:

<b>As at</b>	<b>30 September</b>
<i>In thousands of Polish Zlotys (PLN)</i>	<b>2018</b>
	<b>(Reviewed/ Unaudited)</b>
Net debt	109,240
Equity	343,886
<b>Net Indebtedness Ratio</b>	<b>31.8%</b>

**Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 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:

<b>As at</b>	<b>30 September 2018</b>
<i>In thousands of Polish Zlotys (PLN)</i>	<b>(Reviewed/ Unaudited)</b>
Net debt	109,240
Inventory	529,479
<b>Net Debt to Inventory Ratio</b>	<b>20.6%</b>

**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:

<b>As at</b>	<b>30 September 2018</b>
<i>In thousands of Polish Zlotys (PLN)</i>	<b>(Reviewed/ Unaudited)</b>
Net debt	109,240
Equity	343,886
<b>Net Indebtedness Ratio</b>	<b>31.8%</b>

**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 9 months ended 30 September 2018, the consulting fees related to A. Luzon Group amounted to PLN 630 thousand.

**Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 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 nine months ended 30 September 2018, during the year ended 31 December 2017 and during the nine months ended 30 September 2017:

<i>In thousands of Polish Zlotys (PLN)</i>	<b>For the 9 months ended 30 September 2018 (Reviewed/ Unaudited)</b>	<b>For the year ended 31 December 2017 (Audited)</b>	<b>For the 9 months ended 30 September 2017 (Reviewed/ Unaudited)</b>
<b>Opening balance</b>	<b>13,920</b>	<b>1,941</b>	<b>1,941</b>
New bank loan drawdown	47,280	76,077	65,421
Bank loans repayments	(43,408)	(64,071)	(46,568)
Bank charges	(543)	(792)	(492)
Bank charges amortization	619	783	543
Accrued interest/(interest repayment) on bank loans, net	48	(18)	10
<b>Total closing balance</b>	<b>17,916</b>	<b>13,920</b>	<b>20,855</b>
<b>Closing balance includes:</b>			
Current liabilities	48	4,765	3,587
Non-current liabilities	17,868	9,155	17,268
<b>Total closing balance</b>	<b>17,916</b>	<b>13,920</b>	<b>20,855</b>

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 19 Events during the period (Bank Loans).

As at 30 September 2018, as at 31 December 2017 and as at 30 September 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>	<b>For the 9 months ended 30 September 2018 (Reviewed/ Unaudited)</b>	<b>For the 3 months ended 30 September 2018 (Reviewed/ Unaudited)</b>	<b>For the 9 months ended 30 September 2017 (Reviewed/ Unaudited)</b>	<b>For the 3 months ended 30 September 2017 (Reviewed/ Unaudited)</b>
<b>Current tax expense/(benefit)</b>	<b>3,871</b>	<b>3,613</b>	<b>2,545</b>	<b>905</b>
<b>Deferred tax expense/(benefit)</b>				
Origination and reversal of temporary differences	(1,757)	(1,285)	(3,178)	(883)
Expense/(benefit) of tax losses recognized	1,769	(1,020)	1,094	(594)
<b>Total deferred tax expense/(benefit)</b>	<b>12</b>	<b>(2,305)</b>	<b>(2,084)</b>	<b>(1,477)</b>
<b>Total income tax expense/(benefit)</b>	<b>3,883</b>	<b>1,308</b>	<b>461</b>	<b>(572)</b>

**Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2018****Notes to the Interim Condensed Consolidated Financial Statements****Note 14 – Deferred tax assets and liabilities**

Deferred tax assets and liabilities as at the beginning and end of the financial periods are attributable to the following:

<i>In thousands of Polish Zlotys (PLN)</i>	<b>Opening balance 1 January 2018</b>	<b>Recognized in the statement of comprehensive income</b>	<b>Acquisition of newly consolidated subsidiaries <sup>(1)</sup></b>	<b>Closing balance 30 September 2018</b>
<b>Deferred tax assets</b>				
Tax loss carry forward	3,673	(1,769)	769	2,673
Accrued interest	1,848	(51)	-	1,797
Accrued expense	454	(13)	304	745
Write-down of work in progress	2,400	4	-	2,404
Other	431	1,006	-	1,437
<b>Total deferred tax assets</b>	<b>8,806</b>	<b>(823)</b>	<b>1,073</b>	<b>9,056</b>
<b>Deferred tax liabilities</b>				
Difference between tax base and carrying value of inventory	13,646	269	193	14,108
Accrued interest	1,066	(1,066)	-	-
Fair value gain on investment property	890	-	-	890
Other	627	(14)	-	613
<b>Total deferred tax liabilities</b>	<b>16,229</b>	<b>(811)</b>	<b>193</b>	<b>15,611</b>
Deferred tax assets	8,806			9,056
Deferred tax liabilities	16,229			15,611
Offset of deferred tax assets and liabilities for individual companies	(4,781)			(4,285)
<b>Deferred tax assets reported in the Consolidated Statement of Financial Position</b>	<b>4,025</b>			<b>4,771</b>
<b>Deferred tax liabilities reported in the Consolidated Statement of Financial Position</b>	<b>11,448</b>			<b>11,326</b>

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



**Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2018****Notes to the Interim Condensed Consolidated Financial Statements****Note 14 – Deferred tax assets and liabilities**

<i>In thousands of Polish Zlotys (PLN)</i>	<b>Opening balance 1 January 2017</b>	<b>Recognized in the statement of comprehensive income</b>	<b>Closing balance 31 December 2017</b>
<b>Deferred tax assets</b>			
Tax loss carry forward	5,205	(1,532)	3,673
Accrued interest	968	880	1,848
Accrued expense	466	(12)	454
Write-down of work in progress	1,831	569	2,400
Other	431	-	431
<b>Total deferred tax assets</b>	<b>8,901</b>	<b>(95)</b>	<b>8,806</b>
<b>Deferred tax liabilities</b>			
Difference between tax base and carrying value of inventory	13,888	(242)	13,646
Accrued interest	968	98	1,066
Fair value gain on investment property	890	-	890
Other	653	(26)	627
<b>Total deferred tax liabilities</b>	<b>16,399</b>	<b>(170)</b>	<b>16,229</b>
Deferred tax assets	8,901		8,806
Deferred tax liabilities	16,399		16,229
Offset of deferred tax assets and liabilities for individual companies	(5,285)		(4,781)
<b>Deferred tax assets reported in the Consolidated Statement of Financial Position</b>	<b>3,616</b>		<b>4,025</b>
<b>Deferred tax liabilities reported in the Consolidated Statement of Financial Position</b>	<b>11,114</b>		<b>11,448</b>

**Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2018****Notes to the Interim Condensed Consolidated Financial Statements****Note 15 – 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>	<b>As at 30 September 2018 (Reviewed/ Unaudited)</b>	<b>As at 31 December 2017 (Audited)</b>
City Link III	51,397	71,751
Panoramika IV	15,841	21,894
Miasto Moje II	5,764	24,356
Marina Miasto	8,393	21,185
Vitalia II	7,651	18,516
Grunwald <sup>2</sup>	53,995	-
Nova Królikarnia 2a	6,098	-
Nova Królikarnia 2b	6,081	-
Miasto Moje I	-	7,753
Espresso IV	-	4,277
<b>Total</b>	<b>155,220</b>	<b>169,732</b>

**(ii) Unutilized construction loans:**

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

<i>In thousands of Polish Zlotys (PLN)</i>	<b>As at 30 September 2018 (Reviewed/ Unaudited)</b>	<b>As at 31 December 2017 (Audited)</b>
City Link III	86,029	101,163
Miasto Marina	34,915	34,915
Panoramika IV	24,950	-
Vitalia II	16,594	-
Miasto Moje II	10,697	-
Miasto Moje I	-	14,861
Młody Grunwald III	-	4,955
<b>Total</b>	<b>173,185</b>	<b>155,894</b>

**(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 m<sup>2</sup>. 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 nine months ended 30 September 2018****Notes to the Interim Condensed Consolidated Financial Statements****Note 15 – 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 September 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>	<b>As at 30 September 2018 (Reviewed/ Unaudited)</b>	<b>As at 31 December 2017 (Audited)</b>
Moko	3,992	4,763
Espresso II, III & IV	502	20,091
Młody Grunwald I-III	3,398	5,364
Panoramika II & III	1,063	5,130
Panoramika IV	5,446	531
Vitalia I	578	3,543
Vitalia II	14,137	1,733
Grunwald <sup>2</sup>	14,745	-
Chilli IV	863	1,518
Miasto Moje I	2,617	26,751
Miasto Moje II	19,439	3,414
Miasto Marina	9,300	3,128
City Link III	78,125	30,007
Nova Królikarnia 1a - 1e	10,367	-
Nova Królikarnia 2a	13,413	-
Nova Królikarnia 2b	7,846	-
Other (old) projects	2,322	3,497
<b>Total</b>	<b>188,153</b>	<b>109,470</b>

**Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2018**

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**Notes to the Interim Condensed Consolidated Financial Statements****Note 16 – Financial risk management****(i) Financial risk factors**

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

**(iv) Fair value estimation**

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

During the nine months ended 30 September 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 did not 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 17 – Related party transactions**

There were no transactions and balances with related parties during the nine months ended 30 September 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 September 2018, the Company sold three residential units to Mr Czarniecki Cezary (Director of Development 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 18 – Impairment losses and provisions**

During the nine months ended 30 September 2018 and the nine months ended 30 September 2017, the Group made a write-down adjustment on inventory of PLN 725 thousand and of PLN 3,314 thousand, respectively, which is included as part of cost of sales in the Condensed Consolidated Statement of Comprehensive Income.

**Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2018****Notes to the Interim Condensed Consolidated Financial Statements****Note 19 – 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 m<sup>2</sup> (including completed projects with 53 units and an aggregate floor space of 4,950 m<sup>2</sup>, projects under construction with 126 units and an aggregate floor space of 11,150 m<sup>2</sup> and a project in pipeline with 18 units and an aggregate floor space of 3,400 m<sup>2</sup>).

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 m<sup>2</sup>. 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. **Purchase of land (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.

**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.

**Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2018**

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**Notes to the Interim Condensed Consolidated Financial Statements****Note 19 – Events during the period (cont'd)****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.

In August 2018, the Company executed a loan agreement with PKO Bank Polski S.A. relating to the fourth stage of the Panoramika project in Szczecin. Under this loan agreement PKO Bank Polski S.A. is to provide financing to cover the costs of construction up to a total amount of PLN 25.0 million. Under the loan agreement, the final repayment date of the loan facility is December 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 m<sup>2</sup>.

In June 2018, the Company commenced the construction work of the Grunwald<sup>2</sup> project, which will comprise 267 apartments and 1 commercial unit with an aggregate floor space of 14,500 m<sup>2</sup>. 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 m<sup>2</sup>.

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 m<sup>2</sup>.

In February and March 2018, before the completion of the Nova Królikarnia acquisition, the construction of the Nova Królikarnia 1a and Nova Królikarnia 1d projects was completed under the Company's management. Nova Królikarnia 1a project comprises 41 units and an aggregate floor space of 3,450 m<sup>2</sup>. Nova Królikarnia 1d project comprises 12 units and an aggregate floor space of 1,500 m<sup>2</sup>.

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 m<sup>2</sup>.

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 m<sup>2</sup>.

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 m<sup>2</sup>.

**Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2018****Notes to the Interim Condensed Consolidated Financial Statements****Note 20 – Subsequent events****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 approved the distribution of the dividend. The final payment in the amount of PLN 9,840,649 or PLN 0.06 per ordinary share, with record date of 25 September 2018, was paid on 4 October 2018. The dividend is included under current liabilities in the Interim Condensed Consolidated Statement of Financial Position as at 30 September 2018.

**Acquisition of Non-controlling interests**

On 10 October 2018, the Group acquired 18% of the equity in Espresso Sp. z o.o. (hereinafter “Espresso”) from the minority shareholders of Espresso, for a total amount of PLN 3,762 thousand. Following the transaction Ronson Group became the sole shareholder of Espresso.

**Commencements of new projects**

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

**Completions of projects**

Since 30 September 2018, the Company did not complete the construction any project.

**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 the extra-ordinary General Meeting of Shareholders, the shareholders of the Company approved the decision to migrate the registered office of the Company from the Netherlands to Poland. On 31 October 2018, the transfer of the registered office from the Netherlands to Poland was effectuated.

**New regulations**

On 5 October 2018, the Act on the conversion of the right of perpetual usufruct of plots of land built for housing purposes into the ownership right to these lands (Journal of Laws of 2018, item 1716) came into force. The Company is in the process of analyzing the possible impact of the act on the Company’s activities.

**The Management Board**

\_\_\_\_\_  
**Nir Netzer**  
Chief Executive Officer

\_\_\_\_\_  
**Rami Geris**  
Chief Financial Officer

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**Andrzej Gutowski**  
Sales and Marketing Director

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**Alon Haver**

**Warsaw, 6 November 2018**

## Interim Condensed Company Financial Statement for the nine months ended 30 September 2018

## Interim Condensed Company Statement of Financial positions

As at		30 September 2018	31 December 2017	30 September 2017
<i>In thousands of Polish Zlotys (PLN)</i>	<i>Note</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>Assets</b>				
Investment in subsidiaries	6	441,968	454,422	444,345
Loan granted to subsidiaries	7	117,361	66,970	77,039
<b>Total non-current assets</b>		<b>559,329</b>	<b>521,392</b>	<b>521,384</b>
Trade and other receivables and prepayments		183	179	221
Income tax receivables	9	-	494	494
Receivable from subsidiaries		3,519	845	1,152
Loan granted to subsidiaries	7	52,481	16,587	9,254
Cash and cash equivalents		7,236	252	342
<b>Total current assets</b>		<b>63,419</b>	<b>18,357</b>	<b>11,463</b>
<b>Total assets</b>		<b>622,748</b>	<b>539,749</b>	<b>532,847</b>
<b>Equity</b>				
<b>Shareholders' equity</b>				
Share capital		12,503	12,503	12,503
Share premium reserve		150,278	150,278	150,278
Retained earnings		181,105	175,108	165,771
<b>Total shareholders' equity</b>		<b>343,886</b>	<b>337,889</b>	<b>328,552</b>
<b>Liabilities</b>				
<b>Long-term liabilities</b>				
Bond loans	8	153,546	153,517	168,281
<b>Total long-term liabilities</b>		<b>153,546</b>	<b>153,517</b>	<b>168,281</b>
<b>Current liabilities</b>				
Bond loans	8	68,282	43,791	29,999
Loans from subsidiaries		3,309	3,400	5,001
Trade and other payables and accrued expenses		43,884	1,152	1,014
Dividend payable		9,841	-	-
<b>Total current liabilities</b>		<b>125,316</b>	<b>48,343</b>	<b>36,014</b>
<b>Total liabilities</b>		<b>278,862</b>	<b>201,860</b>	<b>204,295</b>
<b>Total shareholders' equity and liabilities</b>		<b>622,748</b>	<b>539,749</b>	<b>532,847</b>

The notes included on pages 58 to 61 are an integral part of these interim condensed company financial statements



## Interim Condensed Company Financial Statement for the nine months ended 30 September 2018

## Interim Condensed Company Statement of Comprehensive Income

<i>In thousands of Polish Zlotys (PLN)</i>	<i>Note</i>	For the nine	For the three	For the nine	For the three
		months ended	months ended	months ended	months ended
		30 September	30 September	30 September	30 September
		2018	2018	2017	2017
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues from consulting services		7,652	3,490	2,626	638
General and administrative expense		(2,102)	(683)	(2,902)	(886)
Other expenses		(233)	(87)	(310)	(109)
<b>Operating profit/(loss)</b>		<b>5,317</b>	<b>2,720</b>	<b>(586)</b>	<b>(357)</b>
Finance income		6,032	3,517	3,588	786
Finance expense		(8,796)	(3,085)	(9,936)	(2,808)
<b>Net finance income/(expense)</b>		<b>(2,764)</b>	<b>432</b>	<b>(6,348)</b>	<b>(2,022)</b>
<b>Profit/(loss) before taxation</b>		<b>2,553</b>	<b>3,152</b>	<b>(6,934)</b>	<b>(2,379)</b>
Income tax benefit/(expense)	9	(494)	(494)	-	-
<b>Profit/(loss) before result from subsidiaries</b>		<b>2,059</b>	<b>2,658</b>	<b>(6,934)</b>	<b>(2,379)</b>
Result from subsidiaries after taxation		13,779	2,879	7,061	(169)
<b>Profit/(loss) for the period</b>		<b>15,838</b>	<b>5,537</b>	<b>127</b>	<b>(2,548)</b>

The notes included on pages 58 to 61 are an integral part of these interim condensed company financial statements

## Interim Condensed Company Financial Statement for the nine months ended 30 September 2018

### Interim Condensed Company Statement of Changes in Equity

<i>In thousands of Polish Zlotys (PLN)</i>	<u>Share capital</u>	<u>Share premium</u>	<u>Treasury shares</u>	<u>Retained earnings</u>	<u>Total equity</u>
<b>Balance at 1 January 2018 (Unaudited)</b>	<b>12,503</b>	<b>150,278</b>	-	<b>175,108</b>	<b>337,889</b>
Profit for 9 months ended 30 September 2018	-	-	-	15,838	15,838
Dividend <sup>(1)</sup>	-	-	-	(9,841)	(9,841)
<b>Balance at 30 September 2018 (Unaudited)</b>	<b>12,503</b>	<b>150,278</b>	-	<b>181,105</b>	<b>343,886</b>

(1) On 14 September 2018, during an extra-ordinary General Meeting of Shareholders, the shareholders of the Company accepted a distribution of a dividend out of the retained earnings reserve as proposed by the Board of Managing Directors and the Board of Supervisory Directors. The dividend in a total amount of PLN 9,840,649 or PLN 0.06 per ordinary share was paid on 4 October 2018. The dividend is included under current liabilities in the Interim Condensed Statement of Financial Position as at 30 September 2018.

<i>In thousands of Polish Zlotys (PLN)</i>	<u>Share capital</u>	<u>Share premium</u>	<u>Treasury shares</u>	<u>Retained earnings</u>	<u>Total equity</u>
<b>Balance at 1 January 2017 (Unaudited)</b>	<b>20,762</b>	<b>282,873</b>	<b>(140,854)</b>	<b>196,805</b>	<b>359,586</b>
Profit for 9 months ended 30 September 2017	-	-	-	127	127
Dividend paid <sup>(1)</sup>	-	-	-	(31,161)	(31,161)
Cancellation of treasury shares <sup>(2)</sup>	(8,259)	(132,595)	140,854	-	-
<b>Balance at 30 September 2017 (Unaudited)</b>	<b>12,503</b>	<b>150,278</b>	-	<b>165,771</b>	<b>328,552</b>

(1) 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 September 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.

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

The notes included on pages 58 to 61 are an integral part of these interim condensed company financial statements

## Interim Condensed Company Financial Statement for the nine months ended 30 September 2018

## Interim Condensed Company Statement of Cash Flows

For the period ended 30 September	2018	2017
<i>In thousands of Polish Zlotys (PLN)</i>	<i>Note</i>	
<b>Cash flows from operating activities</b>		
Profit for the period	15,838	127
<i>Adjustments to reconcile profit for the period to net cash (used in)/from operating activities:</i>		
Net finance expense, net	2,764	6,348
Share based payment	-	(978)
Income tax expense	9	494
Net results subsidiaries during the year	6	(13,779)
<b>Subtotal</b>	<b>5,317</b>	<b>(1,564)</b>
Decrease/(increase) in trade and other receivables and prepayments	(4)	56
Decrease/(increase) in receivable from subsidiaries	(2,674)	4,277
Increase/(decrease) in trade and other payable and accrued expense	42,732	(2,250)
<b>Subtotal</b>	<b>45,371</b>	<b>519</b>
Interest paid, net	(6,415)	(7,794)
<b>Net cash used in operating activities</b>	<b>38,956</b>	<b>(7,275)</b>
<b>Cash flows from investing activities</b>		
Loans granted to subsidiaries, net of issue cost	7	(82,000)
Proceeds from loans granted to subsidiaries	7	1,700
Dividend from subsidiary	6	28,300
Investment in subsidiaries	6	(2,067)
<b>Net cash used in investing activities</b>	<b>(54,067)</b>	<b>56,794</b>
<b>Cash flows from financing activities</b>		
Dividends paid	-	(31,161)
Repayment of loans from subsidiaries	(91)	-
Proceeds from bond loans, net of issue costs	8	49,346
Repayment of bond loans	8	(27,160)
<b>Net cash from financing activities</b>	<b>22,095</b>	<b>(57,545)</b>
<b>Net change in cash and cash equivalents</b>	<b>6,984</b>	<b>(8,026)</b>
Cash and cash equivalents at 1 January	252	8,368
<b>Cash and cash equivalents at the end of the period</b>	<b>7,236</b>	<b>342</b>

*The notes included on pages 58 to 61 are an integral part of these interim condensed company financial statements*

**Interim Condensed Company Financial Statement for the nine months ended 30 September 2018**

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**Notes to the Interim Condensed Company Financial Statements****Note 1 – General**

Ronson Development SE ('the Company'), a European Company with its statutory seat in Warsaw, Poland. The registered office is located at al. Komisji Edukacji Narodowej 57, Warsaw, Poland. The Company was incorporated in the Netherlands on 18 June 2007 as Ronson Europe N.V. with statutory seat in Rotterdam, the Netherlands. On 6 April 2018, the Company changed its name and was transformed into a European Company (SE). On 14 September 2018, the extra-ordinary General Meeting of Shareholders of the Company approved the decision to migrate its registered office from the Netherlands to Poland. On 31 October 2018, the transfer of the registered office from the Netherlands to Poland was effectuated.

The Company (together with its 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 reference is made to 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 September 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 Otwarty Fundusz Emerytalny and Metlife Otwarty 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.

**Note 2 – Rules adopted for preparing the quarterly report**

The intention of Ronson Development SE is to prepare its annual company financial statements for year 2018 in accordance International Financial Reporting Standards adopted by the EU ("IFRS"). For that purpose, the Management Board of Ronson Development SE intends to seek required approvals from its corporate bodies. Therefore these Interim Condensed Company Financial Statements of Ronson Development SE have been prepared in accordance with IFRS, in particular with IAS 34 (concerning the preparation of interim financial statements) and IFRSs adopted by the EU.

The Interim Condensed Company Financial Statements do not include all the information and disclosures required in annual financial statements prepared in accordance with the IFRS and should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2017, which have been prepared in conformity with generally accepted accounting principles in the Netherlands ('Dutch GAAP'). The prospective differences between IFRS and Dutch GAAP have no material impact on presented financial data. At the date of authorization of these Interim Condensed Company Financial Statements, the IFRSs applied by the Company 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 interim company financial statements of Ronson Development SE have been prepared on the going concern assumption, i.e. the continuation of the Company's business activity in the foreseeable future. As at the day of the approval of these financial statements, there were no circumstances identified implying any threats to the continuation of the Company's activity.

These interim condensed company financial statements of Ronson Development SE were approved by the Management Board for publication on 6 November 2018 in both English and Polish languages, while the Polish version is binding.

**Interim Condensed Company Financial Statement for the nine months ended 30 September 2018****Notes to the Interim Condensed Company Financial Statements****Note 3 – 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 Company 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 4 – Functional and reporting currency**

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

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

**Note 5 – Seasonality**

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

**Note 6 – Investment in subsidiaries**

The subsidiaries of the Company are valued at their net asset value.

The movements in subsidiaries are as follows:

	<b>For the 9 months ended 30 September 2018 (Unaudited)</b>	<b>For the 12 months ended 31 December 2017 (Unaudited)</b>	<b>For the 9 months ended 30 September 2017 (Unaudited)</b>
<i>In thousands of Polish Zlotys (PLN)</i>			
Balance at beginning of the period	454,422	499,958	499,958
Investments in subsidiaries	2,067	-	-
Net result subsidiaries during the period	13,779	17,138	7,061
Dividend from subsidiary	(28,300)	(62,674)	(62,674)
<b>Balance at end of the period</b>	<b>441,968</b>	<b>454,422</b>	<b>444,345</b>

The Company holds and owns (directly and indirectly) 104 companies. These companies are active in the development and sale of units, primarily apartments, in multi-family residential real-estate projects to individual customers in Poland. For additional information see Note 7 to the Interim Condensed Consolidated Financial Statements.

**Interim Condensed Company Financial Statement for the nine months ended 30 September 2018****Notes to the Interim Condensed Company Financial Statements****Note 7 – Loan granted to subsidiaries**

Movements in loans granted to subsidiaries are as follows:

	For the 9 months ended 30 September 2018	For the 12 months ended 31 December 2017	For the 9 months ended 30 September 2017
<i>In thousands of Polish Zloty (PLN)</i>	(Unaudited)	(Unaudited)	(Unaudited)
<b>Opening balance</b>	<b>83,557</b>	<b>76,894</b>	<b>76,894</b>
New loans drawdown	82,000	6,000	6,000
Loans repayments	(1,700)	-	-
Issue costs	-	(120)	(120)
Amortized issue costs	316	404	298
Accrued interest on loans	5,669	4,500	3,221
Proceeds from interest	-	(4,121)	-
<b>Total closing balance</b>	<b>169,842</b>	<b>83,557</b>	<b>86,293</b>
<b>Closing balance includes:</b>			
Current liabilities	52,481	16,587	9,254
Non-current liabilities	117,361	66,970	77,039
<b>Total closing balance</b>	<b>169,842</b>	<b>83,557</b>	<b>86,293</b>

The loans are not secured.

**Note 8 – Bonds loans**

As at 30 September 2018, the bond loans comprise loans with a principal amount of PLN 220,000 thousand plus accrued interest of PLN 3,447 thousand minus costs directly attributed to the bond issuance (which are amortized based on the effective interest method) amounting to PLN 1,619 thousand.

As at 30 September 2018 and 31 December 2017 all covenants were met.

For additional information see Notes 11 to the Interim Condensed Consolidated Financial Statements.

**Note 9 – Income tax**

Until 31 October 2018, the Company was domiciled in the Netherlands. As a result, the Company's tax returns were filed with the Dutch tax authorities. Following the transfer of office to Poland, all of the Company's tax losses carried forward are no longer available for compensation in future years. Moreover, the Company reversed withholding tax for the total amount of PLN 494 thousand, that was presented in the Statement of financial positions under income tax receivables to the Statement of comprehensive income under Income tax expenses.

**Interim Condensed Company Financial Statement for the nine months ended 30 September 2018**

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**Notes to the Interim Condensed Company Financial Statements****Note 10 – Subsequent events****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 the extra-ordinary General Meeting of Shareholders, the shareholders of the Company approved the decision to migrate the registered office of the Company from the Netherlands to Poland. On 31 October 2018, the transfer of the registered office from the Netherlands to Poland was effectuated.

**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 approved the distribution of the dividend. The final payment in the amount of PLN 9,840,649 or PLN 0.06 per ordinary share, with record date of 25 September 2018, was paid on 4 October 2018. The dividend is included under current liabilities in the Interim Condensed Statement of Financial Position as at 30 September 2018.

For other subsequent events, reference is made to Note 20 to the Interim Condensed Consolidated Financial Statements.

**The Management Board**

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**Nir Netzer**  
Chief Executive Officer

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**Rami Geris**  
Chief Financial Officer

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**Andrzej Gutowski**  
Sales and Marketing Director

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**Alon Haver**

**Warsaw, 6 November 2018**

**Other information**

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**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 September 2018 for which the holding company is Ronson Development SE with its registered seat in Warsaw ('the Company'), and the related interim condensed consolidated statement of financial position as at 30 September 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 nine-month period then ended and notes to the interim condensed consolidated financial statements ('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 September 2018, and its financial performance and cash flows for the nine-month period then ended, in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

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

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Marcin Zieliński  
Partner Warsaw,

6 November 2018