

Ronson Europe N.V.
Consolidated Quarterly Report
for the six months ended
30 June 2008

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Directors' report

DIRECTORS' REPORT

General

Introduction

Ronson Europe N.V. ("the Company"), is a Netherlands limited liability company with its statutory seat in Rotterdam, the Netherlands, and was incorporated on 18 June 2007. For a historical background and restructuring of the Company in 2007, reference is made to the Notes to the Condensed Consolidated Financial Statements (Note 1 (b) on pages 21 and 22).

The Company (together with its Polish subsidiaries, "the Group") is active in the development and sale of units, primarily apartments, in multi-family residential real-estate projects to individual customers in Poland. The Group also leases real estate to third parties.

The shares of the Company are traded on the Warsaw Stock Exchange since 5 November 2007. As at 30 June 2008, 63.9% of the outstanding shares are held by I.T.R. Dori B.V. ("ITR Dori"), 18.4% of the outstanding shares are held by GE Real Estate CE Residential B.V. ("GE Real Estate") and the remaining 17.7% of the outstanding shares are held by the public.

Company overview

The Company is an experienced, fast-growing and dynamic residential real estate developer rapidly expanding its geographic reach to major metropolitan areas across Poland. Leveraging upon its large portfolio of secured sites, the Company is well positioned to become a leading residential development company throughout Poland.

Up to and including the first half year of 2008, the Group has completed eight projects, having delivered 1,020 units with a total area of 69,212 m². The remaining 89 units in these completed projects, with a total area of 6,522 m², are expected to be delivered during the remainder of 2008(see page 11).

During the six months ended 30 June 2008, the Group completed 58 units, however, the revenue from those units will be recognized during the remainder of 2008. The Group has recognized in this period the revenues from sale of 32 units from projects that were completed in 2007 (see page 2).

As of the date of this quarterly report, the Group is developing four further projects with a total of 415 residential units, with a total area of approximately 38,018 m², of which 355 units, with a total area of approximately 33,987 m², are expected to be completed by the end of 2009. In addition, the Group has a pipeline of 22 projects under different stages of preparation with approximately 4,956 residential units for future development in Warsaw, Poznań, Wrocław and Szczecin. Moreover, the Group has entered into two preliminary purchase agreements regarding additional properties in Poznań and Warsaw.

Directors' report

Market overview

Following a very strong 2006 and 2007 in which the Polish residential market enjoyed unprecedented growth and increased prices, since the beginning of 2008, the dynamic has shifted to slower growth and price moderation. The Company's management anticipates that the resultant oversupply of residential units in the market should catch up with the demand curve in about two years.

Furthermore, in the opinion of the management, the Company is well positioned for changing market conditions and is preparing new projects for development, which will be distinguished in the market by their location, quality and attractive prices. Management believes that its profitable and efficient business model, together with a healthy financial position and a land bank comprised of attractive plots of land secured at attractive prices should allow the Company to continue and develop its operations even in more challenging markets.

Business highlights during the six months ended 30 June 2008

Results breakdown by project

Revenue 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 during the six months ended 30 June 2008 amounted to PLN 22.9 million, whereas cost of sales amounted to PLN 12.1 million, which resulted in the gross profit amounting to PLN 10.8 million.

The following table specifies revenue, cost of sales and gross profit on a project by project basis:

Project	Revenue		Cost of sales		Gross profit	Gross margin
	PLN (thousands)	%	PLN (thousands)	%	PLN (thousands)	%
Meridian	16,523	72.1%	8,167	67.5%	8,356	50.6%
Mistral	5,931	25.9%	3,736	30.9%	2,195	37.0%
Other	474	2.1%	192	1.6%	282	59.5%
Total / Average	22,928	100.0%	12,095	100.0%	10,833	47.2%

Meridian

The construction of the Meridian housing estate was completed in October 2007. This project was developed on a land strip of 5,196 m² located in the Wola district of Warsaw. The Meridian housing estate comprises 3 seven- and nine-storey buildings with a total of 206 apartments (and 7 commercial units) with an aggregate floor space of 15,000 m². The size of the apartments varies from 47 m² to 183 m².

During the six months ended 30 June 2008, the Group recognized revenue from the sale of 24 apartments (additionally including parking places and storages) and 1 commercial unit.

Directors' report**Business highlights during the six months ended 30 June 2008 (cont'd)*****Mistral***

The construction of the Mistral housing estate was completed in December 2007. This project was developed on a land strip of 5,366 m² located in the Ursynów district of Warsaw. The Mistral housing estate comprises 4 two-storey detached houses of 10 to 17 apartments each, with a total of 54 apartments (no commercial units) with an aggregate floor space of 4,300 m². The size of the apartments varies from 51 m² to 113 m². During the six months ended 30 June 2008, the Group recognized revenue from the sale of 8 apartments (additionally including parking places and storages).

Other

Other revenues are mainly associated with sales of the parking places in the projects that were completed in previous years.

Land Purchases and Advances for land**A. Land purchases**

The table below sets out the details of the 2 strips of land purchased by the Group during the six months ended 30 June 2008:

Subsidiary	Project name	Location	Land strip m²	Date of the final Notarial Deed	Acquisition price PLN (thousands)
Ronson Development Skyline Sp. z o.o.	Newton	Poznań	10,908	18/01/2008	8,181
Ronson Development Home Sp.k.	Gardenia	Warsaw	7,129	31/03/2008	4,300
Total			18,037		12,481

Newton

On 18 January 2008, Ronson Development Skyline Sp. z o.o. signed the final notarial deed for the purchase of a plot of land with an area of 10,908 m² located in Poznań. The Group is planning to build a housing project that will comprise 25 semi-detached units (total 50 apartments) with an aggregate floor space of 5,600 m².

Gardenia

On 31 March 2008, Ronson Development Home Sp.k. signed the final notarial deed for the purchase of a plot of land with an area of 7,129 m² located in Warsaw. The Group is planning to build row houses comprising a total of 22 houses with an aggregate floor space of 3,520 m² (for more information see "Outlook for remainder of 2008 and for 2009").

Directors' report**B. Advances for land**

The Group had entered into two preliminary purchase agreements in connection with the acquisition of land for the following projects:

Subsidiary	Project name	Location	Land strip m²	Total consideration PLN (thousand)	Advance Payment PLN (thousand)
Ronson Development West Sp. z o.o.	Aurora	Poznań	38,352	62,000	12,400
Ronson Development North Sp. z o.o.	Osiedle Wislane	Warsaw	31,785	26,094	8,500
Total			70,137	88,094	20,900

Aurora

On 25 June 2007, Ronson Development West Sp. z o.o. ("R.D West") concluded a preliminary sale and purchase agreement in connection with the transfer of ownership rights to four plots of land with an aggregate size of 31,933 m² and right of perpetual usufruct to a plot of land with a size of 6,419 m² in Poznań. The final sale and purchase agreement was expected to be executed on or before 30 June 2008 and was subject to the satisfaction or waiver of various conditions precedent including, without limitation, the confirmation that the plots are not subject to any third party rights, the receipt of the required planning decision and the completion of an environmental audit. Only one condition precedent was satisfied by the end of June 2008.

Osiedle Wislane

On 19 November 2007, Ronson Development North Sp. z o.o. ("R.D North") concluded a preliminary sale and purchase agreement in connection with the transfer of ownership rights to a plot of land with an area of 33,488 m² in Warsaw. On 3 July 2008, the conditional sale and purchase agreement was executed. After a number of modifications, the total area of the land subject to this transaction is 31,785 m². Completion of the transaction is subject to the satisfaction or waiver of certain conditions precedent including, without limitation, any preemptive rights of the local municipality to acquire the land before the transaction between the selling party and R.D North is finally completed. It is expected that the transaction will be completed in the course of the 4th quarter of 2008 whereby the ownership rights will be transferred to R.D North.

Directors' report**Financial information**

The Condensed unaudited Consolidated Financial Statements for the six months ended 30 June 2008 have been prepared by management under International Financial Reporting Standards as adopted by the European Union ("IFRS"), applying the same accounting principles as applied in the 2007 Annual Accounts.

Overview of results

The Company's net income for the six months ended 30 June 2008 was PLN 2,487 thousand and can be summarized as follows:

	For the six months ended 30 June	
	2008	2007
	PLN	
	(thousands, except per share data)	
Revenue	22,928	12,667
Cost of sales	(12,095)	(8,817)
Gross profit	10,833	3,850
Selling and marketing expenses	(476)	(284)
Administrative expenses	(7,289)	(4,137)
Other income, net	183	130
Result from operating activities	3,251	(441)
Finance income	978	728
Finance expense	(578)	(730)
Net finance income/(expense)	400	(2)
Profit/(loss) before taxation	3,651	(443)
Income taxes benefit/(expense)	(1,164)	251
Profit/(loss) before minority interests	2,487	(192)
Minority interests	-	(34)
Profit/(loss) attributable to equity holders of the parent company	2,487	(226)
Net earnings per share of EUR 0.02 each (basic and diluted)	0.011	0.000

Directors' report

Revenue

Total revenue increased by 81.0% from PLN 12.7 million during the six months ended 30 June 2007 to PLN 22.9 million during the six months ended 30 June 2008, which is primarily explained by higher selling prices per m² for residential units sold and an increase in total m² sold and delivered.

Cost of sales

Cost of sales increased by 37.2% from PLN 8.8 million during the six months ended 30 June 2007 to PLN 12.1 million during the six months ended 30 June 2008, which is primarily explained by an increase in total m² sold and delivered.

Gross profit

Gross profit increased by 181.4% from PLN 3.9 million during the six months ended 30 June 2007 to PLN 10.8 million during the six months ended 30 June 2008. The relatively high increase is primarily explained by the higher selling prices for residential units sold whereas the cost of sales increased to a lesser extent.

Administrative expenses

Administrative expenses increased by 76.2% from PLN 4.1 million for the six months ended 30 June 2007 to PLN 7.3 million for the six months ended 30 June 2008. The increase is primarily a result of recording the long-term incentive plan of shares and share options for the management and key employees at an amount of PLN 2.1million. Although it was a non-cash cost item, it increased the personnel expenses recorded in the period ended 30 June 2008.

Operating profit

As a result of the factors described above, the Company's operating result increased by PLN 3.7 million from an operating loss of PLN 0.4 million for the six months ended 30 June 2007 to an operating profit of PLN 3.3 million for the six months ended 30 June 2008.

Directors' report***Net finance income***

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

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

	For the six months ended 30 June 2008		
	PLN (thousands)		
	<u>Total amount</u>	<u>Amount capitalized</u>	<u>Recognized as profit or loss</u>
Finance income	1,293	(315)	978
Finance expense	(9,634)	9,056	(578)
Net finance income/(expense)	<u>(8,341)</u>	<u>8,741</u>	<u>400</u>
	For the six months ended 30 June 2007		
	PLN (thousands)		
	<u>Total amount</u>	<u>Amount capitalized</u>	<u>Recognized as profit or loss</u>
Finance income	893	(165)	728
Finance expense	(3,387)	2,657	(730)
Net finance income/(expense)	<u>(2,494)</u>	<u>2,492</u>	<u>(2)</u>

Net finance expenses increased by 234.4% from PLN 2.5 million for the six months ended 30 June 2007 to PLN 8.3 million for the six months ended 30 June 2008. The increase is primarily a result of increasing balance of the loans and borrowings as well as increasing interest rates.

Minority interest

Minority interests for the period from 1 January 2007 to 30 June 2007 comprised the share of minority shareholders (20.9%) in the results of subsidiaries that were not 100% owned by the Company.

On 27 September 2007, GE Real Estate (the minority shareholder) assigned and contributed its shares and rights in 34 Polish companies in exchange for 11,890 new shares with a par value of EUR 1 per share that provided with the ownership of 20.9% of the Company's total shares. Since that date there is no minority interest remaining in the Company's subsidiaries. For a historical background and restructuring of the Company reference is made to the Notes to the Condensed Consolidated Financial Statements (Note 1 (b) on pages 21 and 22).

Directors' report**Overview of selected details from the consolidated balance sheet**

The following table presents selected details from the consolidated balance sheet in which material changes had occurred.

	As at 30 June 2008	As at 31 December 2007
	PLN (thousands)	
Inventories of residential units	<u>501,088</u>	<u>457,774</u>
Trade and other receivables	<u>44,310</u>	<u>66,176</u>
Loans and borrowings	<u>256,046</u>	<u>250,844</u>

Inventories of residential units

The balance of inventories of residential units is PLN 501.1 million as of 30 June 2008 as compared to PLN 457.8 million as of 31 December 2007. The increase is primarily a result of the Group's investments associated with the purchase of new plots of land for a total amount of PLN 12.5 million, direct construction costs for a total amount of PLN 25.6 million and interest capitalized for a total amount of PLN 8.7 million. The increase is mitigated by cost of sales recognized for a total amount of PLN 12.1 million.

Trade and other receivables

The balance of trade and other receivables is PLN 44.3 million as of 30 June 2008 as compared to PLN 66.2 million as of 31 December 2007. The decrease is primarily a result of a decrease in advance payments made by the Group for land acquisition from PLN 29.1 million as at 31 December 2007 to PLN 20.9 million as at 30 June 2008, as well as a result of a decrease in value added tax (VAT) receivables from PLN 29.9 million as at 31 December 2007 to PLN 17.1 million as at 30 June 2008.

Loans and borrowings

The total of short-term and long-term loans and borrowings is PLN 256.0 million as of 30 June 2008 compared to PLN 250.8 million on 31 December 2007. The increase is primarily the net effect of new net bank loans taken by the Group for the purpose of financing new projects for a total amount of PLN 10.9 million, on the one hand, and a redemption of shareholders' loans for a total amount of PLN 7.7 million, on the other hand.

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

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

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

	For the six months ended	
	30 June	
	2008	2007
	PLN (thousands)	
Cash flows used in operating activities	<u>(10,244)</u>	<u>(35,394)</u>
Cash flows used in investing activities	<u>(89)</u>	<u>(141)</u>
Cash flows from financing activities	<u>3,202</u>	<u>11,172</u>

Cash flows used in operating activities totaled PLN 10.2 million for the six months ended 30 June 2008 as compared to cash flows used in operating activities totaled PLN 35.4 million from the six months ended 30 June 2007. The decrease is principally due to:

- a decrease in cash flow used in inventories of residential units from PLN 65.3 million during the six months ended 30 June 2007 to PLN 43.0 million during the six months ended 30 June 2008
- an increase in income tax paid from PLN 1.2 millions during the six months ended 30 June 2007 to PLN 6.8 million during the six months ended 30 June 2008.

Cash flows used in investing activities totaled PLN 89 thousand and PLN 141 thousand during the six months ended 30 June 2008 and 30 June 2007, respectively.

Cash flows from financing activities totaled PLN 3.2 million during the six months ended 30 June 2008, as compared to cash flows from financing activities of PLN 11.2 million in the six months ended 30 June 2007. The decrease is principally due to:

- an increase in redemption on shareholders' loans from nil during the six months ended 30 June 2007 to PLN 7.7 million during the six months ended 30 June 2008.

Directors' report

Selected financial data

PLN/EUR	Exchange rate of Euro versus the Polish Zloty			
	Average exchange rate	Minimum exchange rate	Maximum exchange rate	Period end exchange rate
2008 (6 months)	3.4924	3.3542	3.6577	3.3542
2007 (6 months)	3.8450	3.7465	3.9385	3.7658

Source: National Bank of Poland ("NBP")

Selected financial data	EUR		PLN	
	(thousands, except per share data)			
	For the six months ended 30 June			
	2008	2007	2008	2007
Revenues	6,565	3,294	22,928	12,667
Gross profit	3,102	1,001	10,833	3,850
Profit/(loss) before taxation	1,045	(115)	3,651	(443)
Profit/(loss) attributable to equity holders of the parent company	712	(59)	2,487	(226)
Cash flows used in operating activities	(2,933)	(9,205)	(10,244)	(35,394)
Cash flows used in investment activities	(25)	(37)	(89)	(141)
Cash flows from financing activities	917	2,906	3,202	11,172
Decrease in cash and cash equivalents	(2,042)	(6,336)	(7,131)	(24,363)
Inventories of residential units	149,391	65,784	501,088	247,731
Total assets	183,023	93,482	613,897	352,034
Deferred income	19,295	24,686	64,720	92,961
Long-term liabilities	50,380	30,476	168,986	114,767
Short-term liabilities	50,190	33,584	168,348	126,472
Shareholders' equity	82,453	24,444	276,563	92,050
Share capital	4,539	45	16,953	172
Average number of equivalent shares (basic)	226,676,611	-	226,676,611	-
Average number of equivalent shares (diluted)	228,866,666	-	228,866,666	-
Net earnings per share (basic and diluted)	0.003	-	0.011	-

Selected financial data were translated from PLN into EUR in the following way:

(i) Balance sheet data were translated using the average exchange rate published by the National Bank of Poland for the last day of the year / period.

(ii) Income statement and cash flows data were translated using the arithmetical average of average exchange rates published by the National Bank of Poland for the last day of every month within the reporting year / period.

Directors' report**Outlook for remainder of 2008 and for 2009****A. Completed projects**

The table below presents information on the total residential units in the three completed projects that the Company expects to sell and deliver during the remainder of 2008:

Project name	Location	Total units	Number of residential units sold (*)			Number of residential units delivered (*)			Number of residential units expected to be delivered (*) until 31 December 2008
			Until 31 December 2007	During the six months ended 30 June 2008	Total	Until 31 December 2007	During the six months ended 30 June 2008	Total	
Meridian	Warsaw	206	181	9	190	157	24	181	25
Mistral	Warsaw	54	51	3	54	40	8	48	6
Imaginarium I	Warsaw	58	50	5	55	-	-	-	58
Total		318	282	17	299	197	32	229	89

(*) 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 transferring the key for the apartment to the client, which is the moment of revenue recognition by the Company as stated below:

Revenue 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.

Meridian

The Meridian project was completed in October 2007. The Meridian housing estate comprises 3 seven and nine-storey buildings with a total of 206 apartments and 7 commercial units. Until 30 June 2008, the Company recognized revenue from the sale of 181 apartments (additionally including parking places and storages) and 7 commercial units. The Company expects to sell and to deliver the remaining 25 apartments (additionally including parking places and storages) prior to 31 December 2008.

Mistral

The Mistral project was completed in December 2007. The Mistral housing estate comprises 4 two-storey detached houses of 10 to 17 apartments each, with a total of 54 apartments. Until 30 June 2008, the Company recognized revenue from the sale of 48 apartments (additionally including parking places and storages). The Company expects to deliver the remaining 6 apartments (additionally including parking places and storages) prior to 31 December 2008.

Imaginarium I

The Imaginarium project was completed in the first quarter of 2008. The Imaginarium housing estate comprises two-storey buildings with a total of 58 apartments. The Company awaits the validation of the occupancy permit received in July. It is expected that the revenues from sale of all 58 apartments will be recorded in the course of the remainder 2008.

Directors' report***B. Current projects scheduled to be completed in the remainder of 2008 and 2009***

The table below presents information on four projects for which completion is scheduled in the remainder of 2008 and 2009. The Company has obtained construction permits for all four projects and has commenced construction:

Project name	Location	Area of plot (m²)	Total units	Total area of units (m²)	Number of residential units sold as at 30 June 2008
Galileo	Poznań	8,598	232	16,100	59
Konstancin	Warsaw	36,377	36	10,000	4
Gardenia	Warsaw	7,129	22	3,520	-
Imaginarium II	Warsaw	12,743	*125	8,398	** 27
Total		64,847	415	38,018	90

* In the first phase of the project 65 apartments were offered to the clients. The management is still working on preparation of the next phase comprising 60 apartments.

** As the project was offered for sale in late June, until 30 June 2008, clients had possibility to execute the reservation agreements and reserved 27 apartments by paying reservation deposits. Execution of the pre-sales agreements in this project commenced in July 2008.

Galileo

The Galileo project is being developed on a land strip of 8,598 m² located in the city center district of Poznań. The Galileo housing project will comprise 5 six-storey apartment buildings with a total of 226 apartments and 6 commercial units with an aggregate floor space of 16,100 m². The size of the apartments varies from 52 to 112 m². Construction of the Galileo project commenced in February 2007 and is expected to be completed in the 4th quarter of 2008.

Konstancin

The Konstancin project is being developed on a land strip of 36,377 m² located in the Konstancin district in Warsaw. The Konstancin housing project will comprise 18 semi-detached units (total 36 apartments) with an aggregate floor space of 10,000 m². Construction of the project commenced in February 2008 and is expected to be completed in the 3rd quarter of 2009, with the completion of a number of units by the end of 2008.

Gardenia

The Gardenia project will be developed on a strip of land of 7,192 m² located in the Józefosław district in Warsaw (near to Piaseczno). The Gardenia project, a single family housing (houses in a row) project, will comprise 22 units with an aggregate floor space of 3,520 m². The size of each unit varies from 171 to 184 m². The agreement for the construction work has been concluded in June 2008 and the work has commenced shortly thereafter. It is expected that the construction will be completed in the 3rd quarter of 2009. Sales activities for the project have not started yet.

Directors' report

B. Current projects scheduled to be completed in the remainder of 2008 and 2009 (cont'd)

Imaginarium II

The Imaginarium II project is a project situated next to the Imaginarium I project that is located in the Bielany district in Warsaw (Gwiazdzista Street). The project in terms of quality and design is a continuation of the Imaginarium I concept. Imaginarium II is divided into two phases comprising a total of 125 apartments. The first phase of the project commenced in June 2008 and sales activities have also started. The first phase of the project is divided into 3 multifamily buildings with aggregate usable floor space of 4,692 m² comprising 65 apartments with sizes varying from 40 to 115 m². The agreement for the construction work has been concluded in June 2008. Construction work started in July with an expected completion by the end of the 2nd quarter of 2009. Management has not taken yet a decision about the timing of commencing the second phase of the project (comprising 60 apartments).

C. Other projects

Gemini I

Gemini I is a project situated in Warsaw, in Ursynów at KEN street. The project is very well situated next to the subway station Imielin. The project will be developed on a land strip of 3,933 m² and will comprise one multifamily building of 11 levels. It is envisaged that the ground floor will be reserved for commercial use while the remaining upper levels will comprise residential apartments only. The total planned usable floor space is 12,127 m² for apartments and 1,130 m² for commercial use. It is expected that the agreement for the construction work will be concluded soon and that the construction work will commence before the end of 2008.

Plejada

Plejada is a project situated in Tulce in the suburbs of Poznań. The project will comprise about 146 single family houses and will be developed on a land strip of 39,604 m². The validated building permit has been obtained for 51 of 146 buildings. The company is negotiating the agreement for the construction work, the construction work shall commence before the end of 2008.

Other projects

Other projects, which are at various advanced stages of preparation and may start towards the end of 2008 / in early 2009 include:

- Nautica, a multifamily project located in Ursynów, Warsaw; strip of land of 10,700 m², aggregated usable floor space of 10,711 m²,
- Mozart, a multifamily project located in Szczecin; strip of land of 30,200 m², aggregated usable floor space of 33,500 m²,
- Copernicus, a multifamily project located in Poznań; strip of land of 9,700 m², aggregated usable floor space of 15,500 m².

Please note that some of the project parameters may change, as the projects are still in their preparation phase.

Directors' report**Additional information to the report****Major shareholders**

To the best of the Company's knowledge, as of the date of publication of this short report for the six months ended 30 June 2008 (12 August 2008), the following shareholders are entitled to exercise over 5% of the voting rights at the General Meeting of Shareholders in the Company:

Shares

	As of 12 August 2008 Number of shares / % of shares	Increase Number of shares	As of 30 June 2008 Number of shares / % of shares	Increase Number of shares	As of 31 December 2007 Number of shares / % of shares
I.T.R. Dori B.V.	145,371,812 64.0%	367,197	145,004,615 63.9%	582,611	144,422,004 63.6%
GE Real Estate CE Residential B.V.	41,800,000 18.4%	-	41,800,000 18.4%	-	41,800,000 18.4%

Changes in ownership of shares and rights to shares by Management Board members in the six months ended 30 June 2008 and until the date of publication of the report

Shares

On 24 June 2008, the Company issued 300,000 new shares with a nominal value of EUR 0.02 each, to Mr. Dror Kerem, President of the Management Board and Chief Executive Officer of the Company. These shares were issued at nominal value in accordance with the right to these shares as granted to Mr. Kerem in 2007. Subsequently, the shares were assigned by Mr. Dror Kerem to Elgindat Holdings Limited, a limited liability company of which Mr. Dror Kerem is a managing director and co-owner. No further shares were issued to Mr. Kerem until the date of publication of this report. Other members of the Management Board did not individually own or receive shares in the Company during the period from 31 December 2007 until 12 August 2008.

Directors' report

Rights to Shares

The members of the Management Board did not individually receive rights to shares or options on shares in the Company during the period from 31 December 2007 until 12 August 2008. Rights to shares that were granted to individual members of the Management Board before 31 December 2007 but which have not been exercised as of the date of publication of this report are as follows:

- Mr. Dror Kerem: a right to subscribe for 240,000 shares in the capital of the Company with a nominal value of EUR 0.02 each, per year annually on the anniversary of the date the Company's shares were admitted to listing on the Warsaw Stock Exchange (the "Admission") for five successive years, being in total 1,200,000 shares, for an issue price per share equal to 5.75 PLN, provided, however, that if the consulting agreement between Mr. Kerem and the Company is terminated (for any reason), Mr. Kerem's entitlement to the vesting of the options on the anniversary date of the year of such termination shall be relative to the proportion of the year (to the anniversary date) he was employed by the Company and, thereafter, any remaining options granted in accordance with the above are automatically cancelled; and
- Mr. Ariel Bouskila¹: a right to subscribe to a total number of 150,000 shares in the capital of the Company with a nominal value of EUR 0.02 each, for an issue price per share equal to 5.75 PLN, one third per year on the anniversary date of the date of Admission for three successive years.

Changes in ownership of shares and rights to shares by Supervisory Board members in the six months ended 30 June 2008 and until the date of publication of the report

The members of the Supervisory Board did not individually own any shares and/or rights to shares in the Company during the period from 31 December 2007 until 12 August 2008.

Changes in the Management Board members in the six months ended 30 June 2008 and until the date of publication of the report

The Annual General Meeting of Shareholders that took place on 23 June 2008 adopted a resolution appointing Mr. Tomasz Łapiński as managing director A and member of the Board of Managing Directors for a term of four years and granting him the title 'Chief Financial Officer'. His appointment came into force as of the day of the adoption of the resolution. Mr. Łapiński replaced Mr. Ariel Bouskila, who stepped down as managing director A and CFO effective on the day of the AGM. By the end of July 2008, Mr. Ariel Bouskila ended all his function with in the Group without any addition significant costs for the Group.

Between 2000 and 2008, Mr. Łapiński worked in the investment banking division of UniCredit Group in Warsaw (formerly of HVB and of Bank Austria Creditanstalt) – in UniCredit CA IB Poland (formerly CA IB Financial Advisers). His experience in investment banking included mainly M&A transactions as well as other corporate finance related assignments. He was also responsible for equity capital market (ECM) transactions, including the initial public offering of Ronson Europe N.V. Before joining CA IB Financial Advisers, from 1998 to 2000, Mr. Łapiński worked for the consulting company Central Europe Trust.

Mr. Łapiński graduated from Warsaw School of Economics (Finance and Banking Faculty).

¹ Mr. Bouskila resigned as member of the Management Board as of 23 June 2008.

Directors' report

Changes in the Supervisory Board members in the six months ended 30 June 2008 and until the date of publication of the report

The Annual General Meeting of Shareholders held on 23 June 2008 adopted a resolution appointing Mr. Reuven Sharoni as a member of the Board of Supervisory Directors. His appointment came into force as of the day of the adoption of the resolution.

Mr. Sharoni's recent positions include Deputy Manager and head of Non Life Arieh Insurance Company Ltd. from 1980 to 1984. In the years 1984 to 2000, he acted as Deputy General Managing Director and from 2000 until 2002 as the General Managing Director of Arieh Insurance Company Ltd. Since 2003, Mr. Sharoni has been an active chairman of Shirbit Insurance Company Ltd. and since 2006 also a Chairman of Millenium Pension Savings Ltd. The activities of both of these companies is related to the financial sector and is not competitive to Ronson Europe N.V.

Mr. Reuven Sharoni graduated from Hebrew University Jerusalem – Middle East Studies, International Affairs. He also accomplished MBA studies at Sehiller University in Paris.

Other

As of 30 June 2008, the Company has issued guarantees for bank loans granted to subsidiaries amounting to a total of PLN 45,563 thousand.

As of 30 June 2008, the Group has no litigations for claims or liabilities that in total exceed 10% of the Group's equity.

The following net movements in the Group's main provisions took place during the six months ended 30 June 2008 (between brackets the net movements during the second quarter of 2008 are shown):

- a decrease in the provision for deferred tax liabilities of PLN 6,599 thousand (a decrease of PLN 5,715 thousand).

The Management Board

Dror Kerem
President of the Management Board
Chief Executive Officer

Tomasz Łapiński
Management Board Member
Chief Financial Officer

Rotterdam, 12 August 2008

**Condensed Consolidated Financial Statements
for the six months ended 30 June 2008**

CONDENSED CONSOLIDATED BALANCE SHEET

	As at 30 June 2008 (Unaudited)	As at 31 March 2008 (Unaudited)	As at 31 December 2007 (Audited ⁽¹⁾)	As at 30 June 2007 (Unaudited)
<i>In thousands of Polish Zlotys (PLN)</i>				
Assets				
Property, equipment and intangible assets	1,217	714	807	796
Investment property	-	-	-	44,300
Long-term finance lease receivable	5045	53	590	667
Deferred tax assets	2,080	1,731	1,348	3,657
Total non-current assets	3,801	2,980	2,745	49,420
Inventories of residential units	501,088	483,118	457,774	247,731
Trade and other receivables	44,310	50,860	66,176	40,126
Cash and cash equivalents	64,698	69,387	71,829	14,757
Total current assets	610,096	603,365	595,779	302,614
Total assets	613,897	606,345	598,524	352,034
Shareholders' equity and liabilities				
Shareholders' equity	276,563	274,822	271,973	92,050
Minority interests	-	-	-	18,745
Long-term liabilities				
Loans and borrowings	165,836	163,968	145,669	106,665
Deferred tax liabilities	3,150	8,865	9,749	8,102
Total long-term liabilities	168,986	172,833	155,418	114,767
Current liabilities				
Loans and borrowings	90,210	85,215	105,175	10,085
Trade and other payables	10,968	* 9,243	* 10,233	* 22,838
Income tax payable	1,949	* 1,903	* 317	* 87
Provisions	501	501	501	501
Deferred income	64,720	61,828	54,907	92,961
Total short-term liabilities	168,348	158,690	171,133	126,472
Total Shareholders' equity and liabilities	613,897	606,345	598,524	352,034

⁽¹⁾ Extracted from the 2007 Annual Accounts.

* Reclassified for comparison purposes.

**Condensed Consolidated Financial Statements
for the six months ended 30 June 2008**

CONDENSED CONSOLIDATED INCOME STATEMENT

	For the 6 months ended 30 June 2008 (Unaudited)	For the 3 months ended 30 June 2008 (Unaudited)	For the 6 months ended 30 June 2007 (Unaudited ⁽¹⁾)	For the 3 months ended 30 June 2007 (Unaudited ⁽¹⁾)
<i>PLN (thousands, except per share data and number of shares)</i>				
Revenue	22,928	10,240	12,667	2,704
Cost of sales	(12,095)	(5,556)	(8,817)	(2,402)
Gross profit	10,833	4,684	3,850	302
Selling and marketing expenses	(476)	* (291)	* (284)	* (172)
Administrative expenses	(7,289)	* (3,307)	* (4,137)	* (2,203)
Other income, net	183	* 122	* 130	* 52
Result from operating activities	3,251	1,208	(441)	(2,021)
Finance income	978	362	728	274
Finance expense	(578)	(170)	(730)	(380)
Net finance income/(expense)	400	192	(2)	(106)
Profit/(loss) before taxation	3,651	1,400	(443)	(2,127)
Income taxes benefit/(expense)	(1,164)	(458)	251	434
Profit/(loss) before minority interests	2,487	942	(192)	(1,693)
Attributable to:				
Owners' net investment	2,487	942	(226)	(1,496)
Minority interests	-	-	34	(197)
Profit/(loss) before minority interests	2,487	942	(192)	(1,693)
Weighted average number of equivalent shares (basic)	226,676,611	226,686,666	-	-
Weighted average number of equivalent shares (diluted)	228,866,666	228,866,666	-	-
Net earnings per share of EUR 0.02 each (basic and diluted)	0.011	0.004	0.000	0.000

⁽¹⁾ For the presentation of the combined comparative figures – see note 1(c).

* Reclassified for comparison purposes.

**Condensed Consolidated Financial Statements
for the six months ended 30 June 2008**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN
SHAREHOLDERS' EQUITY**

	For the 6 months ended 30 June 2008 (Unaudited)	For the 3 months ended 30 June 2008 (Unaudited)	For the 6 months ended 30 June 2007 (Unaudited ⁽¹⁾)	For the 3 months ended 30 June 2007 (Unaudited ⁽¹⁾)
<i>In thousands of Polish Zlotys (PLN)</i>				
Balance at the beginning of the period	271,973	274,822	106,036	107,306
Profit/(loss) for the period	2,487	942	(226)	(1,496)
Net contribution in kind of assets and liabilities ^(*)	-	-	(13,760)	(13,760)
Share-based payments (see note 7)	2,083	779	-	-
Issue of ordinary shares ^(**)	20	20	-	-
Balance at the end of the period	276,563	276,563	92,050	92,050

^(*) On 29 June 2007, the Company issued 45,000 shares (establishment shares) with a par value of EUR 1 per share (PLN 172 thousand) to ITR Dori, which were subsequently split on 29 September 2007 to 2,250,000 shares with a par value of EUR 0.02 per share. Following the incorporation of the Company, the shareholder and founder of the Company, ITR Dori assigned and contributed to the Company, on 29 June 2007, its shares and rights to shares in 36 Polish companies, which amounted to PLN 105,810 thousand as well as a liability under a loan agreement between ITR Dori and Ronson Development Residential Sp. z o.o., one of the Polish entities in which the shares were transferred to the Company. The principal amount under the loan agreement of which the liability was contributed plus accrued interest as at 29 June 2007, amounted to PLN 13,932 thousand. The net effect of the contribution in kind was a decrease of PLN 13,760 thousand.

^(**) On 24 June 2008, the Company issued 300,000 new ordinary shares with a nominal value of EUR 0.02 each to Mr. Dror Kerem, member of the Company's Management Board. The shares were issued to Mr. Dror Kerem at nominal value for a total amount of EUR 6 thousand (PLN 20 thousand) in accordance with the rights to shares in the Company granted to Mr. Dror Kerem in 2007.

⁽¹⁾ For the presentation of the combined consolidated figures – see note 1(c).

**Condensed Consolidated Financial Statements
for the six months ended 30 June 2008**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the 6 months ended 30 June 2008 (Unaudited)	For the 3 months ended 30 June 2008 (Unaudited)	For the 6 months ended 30 June 2007 (Unaudited⁽¹⁾)	For the 3 months ended 30 June 2007 (Unaudited⁽¹⁾)
<i>In thousands of Polish Zlotys (PLN)</i>				
Cash flows used in operating activities	(10,244)	(10,845)	(35,394)	(39,666)
Cash flows used in investing activities	(89)	(76)	(141)	(141)
Cash flows from financing activities	3,202	6,232	11,172	692
Decrease in cash and cash equivalents	(7,131)	(4,689)	(24,363)	(39,115)
Cash and cash equivalents at the beginning of the period	71,829	69,387	39,120	53,872
Cash and cash equivalents at the end of the period	64,698	64,698	14,757	14,757

⁽¹⁾ For the presentation of the combined consolidated figures – see note 1(c).

**Condensed Consolidated Financial Statements
for the six months ended 30 June 2008****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****Note 1 – General and principal activities**

- (a) The accompanying Condensed Consolidated Financial Statements present the financial position as at 30 June 2008, results of operations, changes in shareholders' equity, and cash flows for the six months ended 30 June 2008 of Ronson Europe N.V. ("the Company") and its subsidiaries (together referred to as "the Group"). The 30 June 2008 Condensed Consolidated Financial Statements were authorized for issuance by the management board members on 12 August 2008.
- (b) Ronson Europe N.V. ("the Company"), a Netherlands limited liability company with its statutory seat in Rotterdam, the Netherlands, was incorporated on 18 June 2007. The Company (and together with its Polish subsidiaries, "the Group") is active in the development and sale of units, primarily apartments, in multi-family residential real-estate projects to individual customers in Poland. The Group also leases real estate to third parties.

The shares of the Company are traded on the Warsaw Stock Exchange since 5 November 2007. As at 30 June 2008, 63.9% of the outstanding shares are held by I.T.R. Dori B.V. ("ITR Dori"), 18.4% of the outstanding shares are held by GE Real Estate CE Residential B.V. ("GE Real Estate") and the remaining 17.7% of the outstanding shares are held by the public.

The Ronson Group was originally set up in 2000 by a group of investors to develop residential properties in Poland. At the time, Israel Theatres Ltd. and U. Dori Engineering Works Corp Ltd., formed a Dutch holding company called ITR Dori to subscribe for 50% of the Ronson Group. Both Israel Theatres Ltd. and U. Dori Engineering Works Corp Ltd. held 50% of the shares in ITR Dori. Within the Ronson Group, for each project a separate company domiciled in Poland was established. Each of these companies, in which ITR Dori directly owned 50% of the shares, held all the assets and liabilities of the relevant project. The remaining 50% ownership in those companies was held by non-related parties and, accordingly, ITR Dori had no control over the Ronson entities.

On 19 January 2006, ITR Dori acquired the remaining 50% of the equity in each of the Polish companies from the other shareholders, after which ITR Dori became the sole shareholder of each Polish company within the Ronson Group.

In November 2006, General Electric Company Inc., through its wholly-owned subsidiary Gator Investments Sp. z o.o., invested in the Ronson Group in cash for 20.9% of the shares in a number of the Polish companies, specifically in those companies that were directly related to the development of residential projects.

Following the incorporation of the Company, the sole shareholder and founder of the Company, ITR Dori, assigned and contributed to the Company, on 29 June 2007, its shares and rights to shares in 36 Polish companies as well as a liability under a loan agreement between ITR Dori and Ronson Development Residential Sp. z o.o., one of the Polish companies in which the shares were transferred to the Company. The principal amount under the loan agreement of which the liability was contributed plus accrued interest as at 29 June 2007, amounted to PLN 13,932 thousand.

On 26 September 2007, the 20.9% minority interest in the Polish companies was transferred from Gator Investments Sp. z o.o. to GE Real Estate, a Dutch holding company. Both of these companies are wholly owned by General Electric Company Inc.

**Condensed Consolidated Financial Statements
for the six months ended 30 June 2008**

Note 1 – General and principal activities (cont'd)

On 27 September 2007, GE Real Estate contributed its shares in the Polish companies to the Company, in exchange for 11,890 new shares with a par value of EUR 1 per share. Following this contribution, as of 27 September 2007, ITR Dori held 79.1% of the equity in the Company and GE Real Estate the remaining 20.9%.

On 29 September 2007, the General Meeting of the Shareholders of the Company resolved to split the 56,890 shares with a par value of EUR 1 per share into 2,844,500 shares with a par value of EUR 0.02 per share.

On 10 October 2007, the General Meeting of Shareholders of the Company resolved to issue 197,155,500 shares with a par value of 0.02 EUR to the existing shareholders in proportion to their individual shareholding. The share capital was paid up through a charge to the available share premium reserve.

On 24 October 2007, the Company completed a successful initial public offering of its shares on the Warsaw Stock Exchange, having sold 26.6 million new shares at an offering price of PLN 5.75 per share, whereas ITR Dori sold 13.7 million existing shares at an offering price of PLN 5.75 per share. Following the initial public offering, the Company had a total market capitalisation of over PLN 1,303 million. The Company's shares trade under the symbol "RON".

The net proceeds from the shares issued during the initial public offering on 24 October 2007 are used for (i) the realization of the Company's development plans throughout Poland, including the building of a portfolio of real estate properties through the purchase of real estate for future projects and (ii) the repayment of a portion of existing bank debt and shareholder loans.

- (c) The condensed consolidated financial statements of the Ronson Group as of and for the six months and for the three months ended 30 June 2007 are presented for comparative purposes and have been included from 1 January 2007 reflecting the fact that control by the Group and its owners effectively existed throughout the six months and three months ended 30 June 2007 taking into account minority interest in the individual entities of the Group as per these dates. All balances between the entities in the Group as of 30 June 2007 as well as all transactions during the six months and three months ended 30 June 2007 have been eliminated.
- (d) Brighton Tec Sp. z o.o. ("Brighton"), a Polish company and a wholly-owned subsidiary of I.T.R. Dori B.V., which owned the Group's investment property, was included in the Company's Condensed Consolidated Financial Statements until 30 June 2007. On 26 September 2007, the transfer of the legal ownership of the investment property from Brighton to Ronson Development Landscape Sp.k., a limited partnership and part of the Group, was completed. After the sale of assets, Brighton does not perform any operating activity and, accordingly, is not consolidated in the Consolidated Financial Statements. Once the acquisition of this property was completed, the use of this property has changed – Ronson Development Landscape Sp.k. initiated activities aimed at preparing the acquired property for development in a real-estate project.

**Condensed Consolidated Financial Statements
for the six months ended 30 June 2008**

Note 2 – Summary of significant accounting policies**A. Basis of preparation**

The Condensed Consolidated Balance Sheets as of 30 June 2008, as of 31 March 2008 and as of 30 June 2007, the Condensed Consolidated Income Statement, the Condensed Consolidated Statement of Changes in Shareholders' Equity and the Condensed Consolidated Statements of Cash Flows for the six months and for the three months ended 30 June 2008 and for the six months and for the three months ended 30 June 2007 have not been audited. The Condensed Consolidated Balance Sheet as of 31 December 2007 has been extracted from the 2007 Annual Accounts.

The Condensed Consolidated Financial Statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. In the preparation of these financial statements, the Company has followed the same accounting policies used in the Company's 2007 Annual Accounts, which financial statements have been prepared in accordance with IFRS adopted by the EU to be used for preparation of consolidated financial reporting. The 30 June 2008 Condensed Consolidated Financial Statements should be read in conjunction with the Company's audited Condensed Consolidated Financial Statements as at 31 December 2007. In addition, the Company has adopted the standards and interpretations with an effective date before 30 June 2008.

B. 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 income statement.

C. Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

**Condensed Consolidated Financial Statements
for the six months ended 30 June 2008**

Note 2 – Summary of significant accounting policies (cont'd)**D. Inventories of residential units**

Inventories consist of multi-family residential real estate projects to individual customers. Inventories are measured at the lower of cost and net realizable value. The cost of inventories includes expenditure incurred relating to the construction of a project. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Costs relating to the construction of a project are included in inventories of residential units as follows:

- costs incurred relating to projects or a phase of a project which are not available for sale (work in progress),
- costs incurred relating to units unsold associated with a project or a phase of a project that is available for sale (finished goods).

Project construction costs include:

- a) land or leasehold rights for land,
- b) construction costs paid to subcontractors for the construction of residential units,
- c) planning and design costs,
- d) perpetual usufruct fees and real estate taxes incurred during the period of construction,
- e) selling expenses to the extent they are reasonably expected to be recovered from the sale of the project or from incidental operations,
- f) borrowing costs to the extent they are directly attributable to the development of the project,
- g) professional fees attributable to the development of the project,
- h) construction overheads and other directly related costs.

E. Revenues and cost of sales of residential units**(i) Revenue from the sale of residential units**

Revenues from the sale of residential units are recognized upon transfer to the buyer of the significant risks and rewards of ownership of the residential unit (i.e. upon signing of the protocol of technical acceptance and transfer of the key to the residential unit), providing that a valid building occupancy permit has been obtained by the Group.

Advances received related to pre-sales of residential units, which represent deferred income, are deferred to the extent that they do not meet the criteria to be recognized as revenue.

(ii) Cost of sales of residential units

Cost of sales is recognized as a reduction of total costs capitalized to inventory based on the proportion of residential units sold.

Construction costs relating to unsold units are capitalized as inventory within current assets, either as work in progress or finished goods depending on the stage of completion. Any expected loss on a sale, if any, is recognized as an expense immediately. Inventory relating to units sold is expensed as cost of sales in the same period as the related sale.

**Condensed Consolidated Financial Statements
for the six months ended 30 June 2008**

Note 2 – Summary of significant accounting policies (cont'd)**F. Principles of consolidation**

These Condensed unaudited Consolidated Financial Statements include the accounts of the Company and its subsidiaries. Subsidiaries are those enterprises which are controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date that control effectively commences until the date that control effectively ceases. The Consolidated Financial Statements include the Company's proportionate share of the enterprises' assets, liabilities, revenues and expenses with items of similar nature on a line-by-line basis, from the date that joint control commences until the date that joint control ceases.

All inter-company accounts and transactions are eliminated when preparing the Consolidated Financial Statements. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

A list of the companies whose financial statements are included in these Condensed Consolidated Financial Statements and the extent of ownership and control appears in Note 9.

**Condensed Consolidated Financial Statements
for the six months ended 30 June 2008**

Note 3 – Changes in Consolidated Entities

A. Changes in consolidated and associated entities during the six months ended 30 June 2008

None.

B. Changes in consolidated entities during the year ended 31 December 2007

The table below presents the companies that were established during the year ended 31 December 2007:

Entity name	Consolidation %
1. Ronson Development Village Sp. z o.o.	100%
2. Ronson Development Conception Sp. z o.o.	100%
3. Ronson Development Architecture Sp. z o.o.	100%
4. Ronson Development Skyline Sp. z o.o.	100%
5. Ronson Development Continental Sp. z o.o.	100%
6. Ronson Development Universal Sp. z o.o.	100%
7. Ronson Development Retreat Sp. z o.o.	100%
8. Ronson Development South Sp. z o.o.	100%
9. Ronson Development West Sp. z o.o.	100%
10. Ronson Development East Sp. z o.o.	100%
11. Ronson Development North Sp. z o.o.	100%
12. Ronson Development Providence Sp. z o.o.	100%
13. Ronson Development Destiny Sp. z o.o.	100%
14. Ronson Development Millennium Sp. z o.o.	100%
15. Ronson Development Community Sp.k.	100%
16. Ronson Development Estate Sp.k.	100%
17. Ronson Development Home Sp.k.	100%
18. Ronson Development Horizon Sp.k.	100%
19. Ronson Development Landscape Sp.k.	100%
20. Ronson Development Town Sp.k.	100%

Brighton Tec Sp. z o.o. ("Brighton"), a Polish company and a wholly-owned subsidiary of I.T.R. Dori B.V., which owned the Group's investment property, was included in the Company's Consolidated Financial Statements until 30 June 2007. On 26 September 2007, the transfer of the legal ownership of the investment property from Brighton to Ronson Development Landscape Sp.k., a limited partnership and part of the Group, was completed. After the sale of assets, Brighton does not perform any operating activity and, accordingly, is not consolidated in the Consolidated Financial Statements. Once the acquisition of this property was completed, the use of this property has changed – Ronson Development Landscape Sp.k. initiated activities aimed at preparing the acquired property for development in a real-estate project.

**Condensed Consolidated Financial Statements
for the six months ended 30 June 2008**

Note 4 – Share capital

The authorized share capital of the Company consists of 800,000,000 shares of EUR 0.02 par value each. The number of issued and outstanding ordinary shares as at 30 June 2008 amounted to 226,966,666 (as at 31 December 2007: 226,666,666 shares).

On 24 June 2008, the Company issued 300,000 new ordinary shares with a nominal value of EUR 0.02 each (PLN 20 thousand), to Mr. Dror Kerem, member of the Management Board of the Company. The shares were issued to Mr. Dror Kerem at nominal value for a total amount of EUR 6 thousand (PLN 20 thousand) in accordance with the rights to shares in the Company granted to Mr. Dror Kerem in 2007.

For the incorporation details and further historical background of the Company, reference is made to note 1 (b) on pages 21 and 22.

Note 5 – Commitments and contingent liabilities

Commitments and commitments liabilities relate primarily to contingent consideration for land acquisitions and amounted to PLN 67,194 thousand as at 30 June 2008, the payment of which is contingent upon closing of the final agreements conveying ownership of the land and clearance of the mortgage register. These commitments relate to the following projects:

As at 30 June		2008
<i>In thousands of Polish Zloty (PLN)</i>		
Subsidiary	Project	
Ronson Development North Sp. z o.o.	Łomianki	17,594
Ronson Development West Sp. z o.o.	Aurora	49,600
Total		67,194

In addition, Commitments and commitments liabilities to the general contractor for construction services to be rendered in the future amounted to PLN 73,344 thousand as at 30 June 2008 and relate to the following projects:

As at 30 June		2008
<i>In thousands of Polish Zloty (PLN)</i>		
Subsidiary	Project	
Ronson Development Company Sp. z o.o.	Galileo	15,593
Ronson Development Metropol Sp. z o.o.	Konstancin	26,867
Ronson Development Home Sp.k.	Gardenia	9,000
Ronson Development Properties Sp. z o.o.	Imaginarium II	21,884
Total		73,344

**Condensed Consolidated Financial Statements
for the six months ended 30 June 2008**

Note 6 - Segment reporting

Segment information is presented in respect of the Group's geographical segments (primary segments) and business segments (secondary segments).

Inter-segment pricing is determined on an arm's-length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise loans and borrowings and related expenses, head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

Geographical segments

The Group operates in four geographical segments:

- Warsaw
- Poznań
- Wrocław
- Szczecin

Business segments

Until 30 June 2007 the Group operates in two business segments within Poland:

- Development and sale of residential units ("Residential")
- Rental of office space ("Rental")

**Condensed Consolidated Financial Statements
for the six months ended 30 June 2008**
Note 6 - Segment reporting (cont'd)

Data presented in the table below is based on the geographical location of the Group's companies and their assets:

<i>In thousands of PLN</i>	For the six months ended 30 June 2008						
	Warsaw	Poznań	Wrocław	Szczecin	Unallocated	Eliminations	Total
Total external revenues							
Residential	22,928	-	-	-	-	-	22,928
Rental	-	-	-	-	-	-	-
Inter-segment revenue	-	-	-	-	-	-	-
Total segment revenue	22,928	-	-	-	-	-	22,928
Segment result							
Residential	7,077	(1,321)	2	(232)	-	-	5,526
Rental	-	-	-	-	-	-	-
Unallocated expenses	-	-	-	-	(2,275)	-	(2,275)
Result from operating activities	7,077	(1,321)	2	(232)	(2,275)	-	3,251
Net finance income							400
Income tax expense							(1,164)
Profit for the period							2,487

<i>In thousands of PLN</i>	As at 30 June 2008						
	Warsaw	Poznań	Wrocław	Szczecin	Unallocated	Eliminations	Total
Segment assets							
Residential	319,350	148,487	73,381	62,008	-	-	603,226
Rental	-	-	-	-	-	-	-
Unallocated assets	-	-	-	-	10,671	-	10,671
Total assets	319,350	148,487	73,381	62,008	10,671	-	613,897
Segment liabilities							
Residential	195,026	98,655	18,258	16,706	-	-	328,645
Rental	-	-	-	-	-	-	-
Unallocated liabilities	-	-	-	-	8,689	-	8,689
Total liabilities	195,026	98,655	18,258	16,706	8,689	-	337,334
Capital expenditure	-	-	-	-	122	-	122
Depreciation and amortization	120	-	-	-	137	-	257

**Condensed Consolidated Financial Statements
for the six months ended 30 June 2008**
Note 6 - Segment reporting (cont'd)
In thousands of PLN

	For the six months ended 30 June 2007						Total
	Warsaw	Poznań	Wrocław	Szczecin	Unallocated	Eliminations	
Total external revenues							
Residential	12,218	-	-	-	-	-	12,218
Rental	449	-	-	-	-	-	449
Inter-segment revenue	-	-	-	-	-	-	-
Total segment revenue	12,667	-	-	-	-	-	12,667
Segment result							
Residential	3,481	-	-	-	-	(33)	3,448
Rental	(530)	-	-	-	-	-	(530)
Unallocated expenses	-	-	-	-	(3,359)	-	(3,359)
Result from operating activities	2,951	-	-	-	(3,359)	(33)	(441)
Net finance expense							(2)
Income tax benefit							251
Loss for the period							(192)

In thousands of PLN

	As at 30 June 2007						Total
	Warsaw	Poznań	Wrocław	Szczecin	Unallocated	Eliminations	
Segment assets							
Residential	218,109	54,710	23,522	7,599	-	(1,720)	302,220
Rental	45,985	-	-	-	-	-	45,985
Unallocated assets	-	-	-	-	3,829	-	3,829
Total assets	264,094	54,710	23,522	7,599	3,829	(1,720)	352,034
Segment liabilities							
Residential	174,319	28,206	7,404	312	-	(2,052)	208,189
Rental	24,026	-	-	-	-	-	24,026
Unallocated liabilities	-	-	-	-	9,024	-	9,024
Total liabilities	198,345	28,206	7,404	312	9,024	(2,052)	241,239
Capital expenditure	-	-	-	-	141	-	141
Depreciation and amortization	-	-	-	-	259	-	259

**Condensed Consolidated Financial Statements
for the six months ended 30 June 2008**

Note 7 – Share-based payments

During the fourth quarter of 2007, a new long-term incentive plan (the “Plan”) was implemented. The persons eligible for participation in the Plan are the employees of the Group, including the members of the Management Board. Under the Plan, share options are granted to members of the Management Board and selected employees. The exercise price of the granted options determined by the Supervisory Board on the date of granting the share options and shall not be less than the fair market value at the time of the grant of the options. Options are conditional on the employee being employed or Board members being in office at the time the Options are exercisable (vesting period). Options granted shall vest over three and five years, one third and one fifth in each year after one year from the date of grant, respectively.

On 5 November 2007, a total number of 1,900,000 options with an exercise price of PLN 5.75 each were granted: 700,000 options that vest in three years having an option term of five years were granted to selected employees and 1,200,000 options that vest in five years having an option term of seven years were granted to Mr. Dror Kerem, President of the Management Board and Chief Executive Officer of the Company. The vesting dates of the options are as follows:

Vesting dates	Number of options		Total
	vest over three years	vest over five years	
5 November 2008	233,333	240,000	473,333
5 November 2009	233,333	240,000	473,333
5 November 2010	233,334	240,000	473,334
5 November 2011	-	240,000	240,000
5 November 2012	-	240,000	240,000
Total	700,000	1,200,000	1,900,000

The weighted average fair value of options granted in 2007 using the Black-Scholes valuation model was approximately PLN 2.75 per option. The significant inputs into the model were a weighted average share price of PLN 5.75 at the grant date, the exercise price mentioned above, volatility of 50%, dividend yield of 0%, an option life of five years and seven years, an annual risk free rate of 6% and estimation that 70% from the employees will exercise the options.

The costs impact of the share-based payment on the financial statements of the Company was an expense of PLN 889 thousand for the six months ended 30 June 2008 recognized in the income statement with a corresponding increase in equity.

In addition, Mr. Dror Kerem, President of the Management Board and Chief Executive Officer of the Company, received the right to obtain 300,000 shares in the capital of the Company with a nominal value of EUR 0.02 each, for nominal value, which right was exercised on 24 June 2008 (See Condensed Consolidated Statement of Changes in Shareholders’ Equity), This right was granted by the Supervisory Board and measured at fair market value at the time of the grant.

The costs impact of the right granted to Mr. Dror Kerem on the financial statements of the Company was an expense of PLN 1,194 thousand for the six months ended 30 June 2008 recognized in the income statement with a corresponding increase in equity.

Condensed Consolidated Financial Statements for the six months ended 30 June 2008

Note 8 – Related party transactions

During the six months ended 30 June 2008, the Group repaid loans from related parties amounting to PLN 8,447 thousand. Furthermore, the Company issued 300,000 new shares at nominal value to Mr. Dror Kerem (see note 7 above).

Note 9 – Details of corporations in the Group

Detailed below are the Polish companies whose financial statements have been included in these consolidated financial statements, the year of incorporation and the percentage of ownership and voting rights directly held by the Company at 30 June 2008.

Entity name	Year of incorporation	Share of ownership & voting rights (end of year)
A. Held directly by the Company :		
1. Ronson Development Management Sp. z o.o.	1999	100.0%
2. Ronson Development 2000 Sp. z o.o.	2000	100.0%
3. Ronson Development Warsaw Sp. z o.o.	2000	100.0%
4. Ronson Development Investments Sp. z o.o.	2002	100.0%
5. Ronson Development Metropol Sp. z o.o.	2002	100.0%
6. Ronson Development Properties Sp. z o.o.	2002	100.0%
7. Ronson Development Apartments Sp. z o.o.	2003	100.0%
8. Ronson Development Residential Sp. z o.o.	2003	100.0%
9. Ronson Development Enterprise Sp. z o.o.	2004	100.0%
10. Ronson Development Company Sp. z o.o.	2005	100.0%
11. Ronson Development Creations Sp. z o.o.	2005	100.0%
12. Ronson Development Buildings Sp. z o.o.	2005	100.0%
13. Ronson Development Structure Sp. z o.o.	2005	100.0%
14. Ronson Development Poznań Sp. z o.o.	2005	100.0%
15. Ronson Development Innovation Sp. z o.o. (*)	2006	100.0%
16. Ronson Development Wrocław Sp. z o.o.	2006	100.0%
17. Ronson Development Capital Sp. z o.o.	2006	100.0%
18. EEE Development Sp. z o.o.	2006	100.0%
19. Ronson Development Habitat Sp. z o.o.	2006	100.0%
20. Ronson Development Sp. z o.o. ⁽¹⁾ (General partner, see “B” below)	2006	100.0%
21. Ronson Development Construction Sp. z o.o. (Limited partner, see “B” below)	2006	100.0%
22. Ronson Development City Sp. z o.o. (no activities at 30 June 2008)	2006	100.0%
23. Ronson Development Village Sp. z o.o. (*)	2007	100.0%
24. Ronson Development Conception Sp. z o.o. (*)	2007	100.0%
25. Ronson Development Architecture Sp. z o.o.	2007	100.0%
26. Ronson Development Skyline Sp. z o.o. (*)	2007	100.0%
27. Ronson Development Continental Sp. z o.o. (*)	2007	100.0%
28. Ronson Development Universal Sp. z o.o. (*)	2007	100.0%
29. Ronson Development Retreat Sp. z o.o.	2007	100.0%
30. Ronson Development South Sp. z o.o. (*)	2007	100.0%
31. Ronson Development West Sp. z o.o. (*)	2007	100.0%
32. Ronson Development East Sp. z o.o. (no activities at 30 June 2008) (*)	2007	100.0%
33. Ronson Development North Sp. z o.o. (*)	2007	100.0%
34. Ronson Development Providence Sp. z o.o.	2007	100.0%
35. Ronson Development Destiny Sp. z o.o. (no activities at 30 June 2008) (*)	2007	100.0%
36. Ronson Development Millenium Sp. z o.o. (no activities at 30 June 2008) (*)	2007	100.0%

⁽¹⁾ Changed its name in 2007. Formerly known as Ronson Development Venture Sp. z o.o.

**Condensed Consolidated Financial Statements
for the six months ended 30 June 2008**

Note 9 – Details of corporations in the Group (cont'd)

B. Held indirectly by the Company :

1. Ronson Development Community Sp.k. (**)	2007	100.0%
2. Ronson Development Estate Sp.k. (no activities at 30 June 2008) (**)	2007	100.0%
3. Ronson Development Home Sp.k. (**)	2007	100.0%
4. Ronson Development Horizon Sp.k. (no activities at 30 June 2008) (**)	2007	100.0%
5. Ronson Development Landscape Sp.k. (**)	2007	100.0%
6. Ronson Development Town Sp.k. (no activities at 30 June 2008) (**)	2007	100.0%

The projects managed by the above companies are in various stages of development ranging from projects being in the process of acquiring land for development to projects which are completed or nearly completed.

(*) 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 Jaroslaw Zubrzycki holds the legal title to the shares of this entity.

(**) The companies above are held by Ronson Development Construction Sp. z o.o. a limited partner holding a 99% and Ronson Development Sp. z o.o., a general partner holding a 1%.

Note 10 – Impairment losses and provisions

During the six months ended 30 June 2008, no impairment losses were charged.

The following net movements in the Group's main provisions took place during the six months ended 30 June 2008 (between brackets the net movements during the second quarter of 2008 are shown):

- a decrease in the provision for deferred tax liabilities of PLN 6,599 thousand (a decrease of PLN 5,715 thousand).

**Condensed Consolidated Financial Statements
for the six months ended 30 June 2008**

Note 11 – Condensed unconsolidated financial statements of Ronson Europe N.V.

Condensed unconsolidated balance sheet

	As at 30 June 2008 (Unaudited)	As at 31 March 2008 (Unaudited)	As at 31 December 2007 (Audited ⁽¹⁾)	As at 30 June 2007 (Unaudited)
<i>In thousands of Polish Zlotys (PLN)</i>				
Assets				
Investment in subsidiaries	218,428	207,019	187,490	105,810
Loan granted to subsidiaries	69,538	68,519	55,900	-
Total non-current assets	287,966	275,538	243,390	105,810
Trade and other receivables	583	589	463	-
Receivable from subsidiaries	18	17	4	-
Cash and cash equivalents	3,269	13,869	44,809	172
Total current assets	3,870	14,475	45,276	172
Total assets	291,836	290,013	288,666	105,982
Equity				
Shareholders' equity and liabilities				
Share capital	16,953	16,933	16,933	172
Share premium	215,105	215,105	215,105	91,878
Retained earnings	44,505	42,784	39,935	-
Total shareholders' equity	276,563	274,822	271,973	92,050
Liabilities				
Long-term liabilities				
Loans from subsidiaries	14,770	14,559	14,353	13,932
Total long-term liabilities	14,770	14,559	14,353	13,932
Short-term liabilities				
Trade and other payables	503	632	1,457	-
Creditors from subsidiaries	-	-	883	-
Total short-term liabilities	503	632	2,340	-
Total Shareholders' equity and liabilities	291,836	290,013	288,666	105,982

⁽¹⁾ Extracted from the 2007 Annual Accounts.

**Condensed Consolidated Financial Statements
for the six months ended 30 June 2008**

Note 11 – Condensed unconsolidated financial statements of Ronson Europe N.V. (cont'd)

Condensed unconsolidated income statement

<i>In thousands of Polish Zlotys (PLN)</i>	For the 6 months ended 30 June 2008 (Unaudited)	For the 3 months ended 30 June 2008 (Unaudited)
Revenue	21	10
General and administrative expenses	(2,912)	(1,255)
Operating loss	(2,891)	(1,245)
Finance income	1,918	1,074
Finance expense	(428)	(196)
Net finance income	1,490	878
Loss before result from subsidiaries	(1,401)	(367)
Result from subsidiaries after taxation	3,888	1,309
Net income	2,487	942

Condensed unconsolidated statement of changes in shareholders' equity

<i>In thousands of Polish Zlotys (PLN)</i>	For the 6 months ended 30 June 2008 (Unaudited)	For the 3 months ended 30 June 2008 (Unaudited)
Balance at the beginning of the period	271,973	274,822
Profit for the period	2,487	942
Share-based payments (see note 7)	2,083	779
Issue of ordinary shares ⁽¹⁾	20	20
Balance at the end of the period	276,563	276,563

⁽¹⁾ On 24 June 2008, the Company issued 300,000 new ordinary shares with a nominal value of EUR 0.02 each to Mr. Dror Kerem, member of the Company's Management Board. The shares were issued to Mr. Dror Kerem at nominal value for a total amount of EUR 6 thousand (PLN 20 thousand) in accordance with the rights to shares in the Company granted to Mr. Dror Kerem in 2007.

**Condensed Consolidated Financial Statements
for the six months ended 30 June 2008**

Note 11 – Condensed unconsolidated financial statements of Ronson Europe N.V. (cont'd)

Condensed unconsolidated cash flow statement

	For the 6 months ended 30 June 2008 (Unaudited)	For the 3 months ended 30 June 2008 (Unaudited)
<i>In thousands of Polish Zlotys (PLN)</i>		
Cash flows used in operating activities	(2,310)	(520)
Cash flows used in investing activities	(39,250)	(10,100)
Cash flows from financing activities	20	20
Decrease in cash and cash equivalents	(41,540)	(10,600)
Cash and cash equivalents at the beginning of the period	44,809	13,869
Cash and cash equivalents at the end of the period	3,269	3,269

Additional information to the condensed unconsolidated financial statements of Ronson Europe N.V.

The accounting principles and measurement basis of these Condensed Unconsolidated Financial Statements are consistent with those applied with respect to the 2007 Annual Accounts and have remained unchanged. In the preparation of these financial statements, the Company has followed the same accounting policies as used for the Condensed Consolidated Financial Statements as referred to in note 2A. The Company's 2007 Annual Accounts have been prepared in accordance with IFRS adopted by the EU to be used for preparation of consolidated financial reporting. The 30 June 2008 Condensed Unconsolidated Financial Statements should be read in conjunction with the audited 2007 Annual Accounts. In addition, the Company has adopted the IAS standards and interpretations with an effective date before 30 June 2008.

As significant events for the Group also apply to the Company on an unconsolidated basis, reference is made to the Directors' Report where the highlights during the six months ended 30 June 2008 are described.