# Ronson Europe N.V.

# Consolidated Quarterly Report

## for the twelve and the three months ended

## 31 December 2007

# CONTENTS

# DIRECTORS' REPORT

## General

### Introduction

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 Ronson Group" or "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 Ronson Group also leases real estate to third parties.

The shares of the Company are traded on the Warsaw stock exchange. As at 31 December 2007, 63.7% of the outstanding shares are held by I.T.R. Dori B.V, 18.4% of the outstanding shares are held by GE Real Estate CE Residential B.V. ("GE Real Estate") and the remaining 17.9% of the outstanding shares 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 B.V. ("ITR Dori"), to subscribe for 50% of the Ronson Group. Each of 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 special 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; 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.

**Director's report**

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 the 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 an 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.

The condensed consolidated financial statements of the Ronson Group for the three months period and for the year ended 31 December 2007 include the accounts of the Company and its subsidiaries taking into account minority interests in the individual entities of the Group until 27 September 2007. The financial statements of subsidiaries have been included from 1 January 2007 reflecting the fact that control by the Group and its owners effectively existed throughout the year ended 31 December 2007. All inter-company accounts and transactions are eliminated when preparing the condensed consolidated financial statements. Unrealized gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the subsidiary. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

The condensed combined financial statements of the Ronson Group as of and for the three months period and for the year ended 31 December 2006 are taken up as for comparative purposes and have been prepared by aggregating the individual financial statements of the entities in the Group taking into account minority interests in the individual entities of the Group. The condensed combined financial statements of Ronson Group have been included from 1 January 2006 reflecting the fact that control by the Group and its owners effectively existed starting from 1 January 2006. All balances and transactions between the entities in the Group as of and for the three months and for the year ended 31 December 2006 have been eliminated. As discussed above, ITR Dori completed the acquisition of 100% of the Ronson Group on 19 January 2006. The condensed combined balance sheets of the Ronson Group as at 31 December 2006 and as at 30 September 2006 represent an aggregation of the individual balance sheets of entities in the Group taking into account minority interest in the individual entities of the Group.

# Highlights for the year ended 31 December 2007

## 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 residential unit. Total revenue of the Group in 2007 amounted to PLN 129.1 million, whereas cost of sales amounted to PLN 69.9 million, which resulted in the gross profit amounting to PLN 59.3 million.

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

| | Revenue | | Cost of sales | | Gross profit | |
|---|---|---|---|---|---|---|
| **Project** | **PLN (thousands)** | **%** | **PLN (thousands)** | **%** | **PLN (thousands)** | **%** |
| Meridian | 86,167 | 66.5% | 42,454 | 60.8% | 43,713 | 73.2% |
| Mistral | 27,323 | 21.1% | 17,009 | 24.4% | 10,314 | 17.3% |
| Pegaz II | 11,536 | 8.9% | 8,358 | 12.0% | 3,178 | 5.3% |
| Słoneczny Skwer | 3,814 | 2.9% | 1,907 | 2.7% | 1,907 | 3.2% |
| Other | 748 | 0.6% | 123 | 0.2% | 625 | 1.0% |
| **Total** | **129,588** | **100.0%** | **69,851** | **100.0%** | **59,737** | **100.0%** |

### *Meridian*

The construction of the Meridian housing estate was completed in October 2007. This project was developed on a land strip of 5,196 $m^2$ 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 $m^2$. The size of the apartments varies from 47 $m^2$ to 183 $m^2$.
During the year ended 31 December 2007 the Group recognized revenue from the sale of 157 apartments (including parking places and storages) and 6 commercial units.

### *Mistral*

The construction of the Mistral housing estate was completed in December 2007. This project was developed on a land strip of 5,366 $m^2$ 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 area of 4,300 $m^2$. The size of the apartments varies from 51 $m^2$ to 113 $m^2$.
During the year ended 31 December 2007 the Group recognized revenue from the sale of 40 apartments (including parking places and storages).

### *Pegaz II*

The construction of the Pegaz II apartment building was completed in January 2006. The project was developed on a land strip of 2,116 $m^2$ located in the Mokotów district of Warsaw. The Pegaz II apartment building is a thirteen-storey building with a total of 80 apartments (no commercial units) with an aggregate area of 4,786 $m^2$. The size of the apartments varies from 37 $m^2$ to 101 $m^2$.
During the year ended 31 December 2007 the Group recognized revenue from the sale of 33 apartments (including parking places). With the exception of parking spaces which are to be sold, the entire revenue from the sale of the 80 units was recognized during the years ended 31 December 2007 and 2006.

# Land Purchase and Advance for land

## A. Land purchase

The table below presents information on the 13 strips of land purchased by the Group during the year ended 31 December 2007:

| Company | Project name | Location | Land strip m2 | Date of the final Notarial Deed | Acquisition price PLN (thousand) |
|---|---|---|---|---|---|
| Ronson Development Providence Sp. z o.o. | Falenty | Warsaw | 103,676 | 20/12/2007 | 24,500 |
| Ronson Development Capital Sp. z o.o. | Eclipse | Poznań | 15,449 | 13/12/2007 | 36,000 |
| Ronson Development Community Sp.k. | Mozart | Szczecin | 30,283 | 03/12/2007 | 24,000 |
| Ronson Development South Sp. z o.o. | Matisse II | Wrocław | 6,965 | 30/10/2007 | 5,920 |
| Ronson Development Architecture Sp. z o.o. | Picasso | Wrocław | 8,121 | 01/10/2007 | 18,678 |
| Ronson Development Landscape Sp.k. | Kłobucka | Warsaw | 21,010 | 26/09/2007 | 43,473 |
| Ronson Development Conception Sp. z o.o. | Goya | Wrocław | 14,039 | 20/09/2007 | 23,164 |
| Ronson Development Continental Sp. z o.o. | Chopin | Szczecin | 92,000 | 06/09/2007 | 20,240 |
| Ronson Development Retreat Sp. z o.o. | Renaissance | Warsaw | 21,629 | 08/08/2007 | 14,758 |
| Ronson Development Universal Sp. z o.o. | Vivaldi | Szczecin | 39,600 | 02/08/2007 | 6,930 |
| Ronson Development Properties Sp. z o.o. | Imaginarium II | Warsaw | 12,743 | 09/07/2007 | 17,000 |
| Ronson Development Apartments Sp. z o.o. | Tulce | Poznań | 39,604 | 07/05/2007 | 6,574 |
| Ronson Development Village Sp. z o.o. | Sadków | Wrocław | 44,700 | 15/03/2007 | 2,235 |
| **Total** | | | **449,819** | | **243,472** |

## B. Advances for land

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

| Company | 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 Skyline Sp. z o.o. | Newton | Poznań | 10,908 | 8,181 | 8,181 |
| Ronson Development North Sp. z o.o. | Łomianki | Warsaw | 33,488 | 19,696 | 8,500 |
| **Total** | | | **82,748** | **89,877** | **29,081** |

### *Aurora*

On 25 June 2007, Ronson Development West Sp. z o.o. concluded a preliminary purchase agreement in connection with the transfer of ownership rights to four plots of land with an aggregate size of 31,933 $m^2$ and right of perpetual usufruct to a plot of land with a size of 6,419 $m^2$ in Poznań. The final sale agreement is expected to be executed on or before 30 June 2008 (It may be extended for an additional period of three months if certain conditions are not satisfied) and is 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.

***Newton***

On 7 March 2007, Ronson Development Skyline Sp. z o.o. concluded a preliminary purchase agreement in connection with the transfer of ownership rights to a plot of land with an area of 10,908 $m^2$ in Poznań. On 18 January 2008 the company signed the final notarial deed agreement.

***Łomianki***

On 19 November 2007, Ronson Development North Sp. z o.o. concluded a preliminary purchase agreement in connection with the transfer of ownership rights to a plot of land with an area of 33,488 $m^2$ in Warsaw. The final sale agreement is expected to be executed on or before 30 June 2008 and is 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.

## Financial information

The Condensed Unaudited Consolidated Financial Statements for the year ended 31 December 2007 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 2006 combined financial statements included in the Company's prospectus dated 10 October 2007.

# Overview of results

The Company's net income for the year ended 31 December 2007 was PLN 38,903 thousands and can be summarized as follows:

| | For the year ended 31 December | |
|---|---|---|
| | **2007** | **2006**[(1)] |
| | **PLN (thousands, except per share data)** | |
| Revenue | 129,588 | 56,176 |
| Cost of sales | (69,851) | (32,609) |
| **Gross profit** | **59,737** | **23,567** |
| Change in fair value of investment property | - | 21,754 |
| Administrative expenses | (9,409) | (6,641) |
| **Operating profit** | **50,328** | **38,680** |
| Finance income | 1,321 | 1,424 |
| Finance expense | (1,156) | (1,284) |
| **Net finance income** | **165** | **140** |
| **Net income before taxation** | **50,493** | **38,820** |
| Income taxes | (10,217) | (6,902) |
| **Net income before minority interests** | **40,276** | **31,918** |
| Minority interests | 1,373 | 21 |
| **Net income attributable to equity holders of the parent company** | **38,903** | **31,897** |
| **Net earnings per share of (EUR 0.02) each (basic and diluted)** | **0.39** | **-** |

(1) For the presentation of the combined comparative figures – see note 1 to the Condensed Consolidated Financial Statements.

**Director's report**

### *Revenue*

Total revenue increased by 130.7% from PLN 56.2 million during the year ended 31 December 2006 to PLN 129.6 million during the year ended 31 December 2007. The increase was primarily a result of increased deliveries of residential units.

### *Cost of sales*

Cost of sales increased by 114.2% from PLN 32.7 million during the year ended 31 December 2006 to PLN 69.8 million during the year ended 31 December 2007. The increase was primarily a result of increased deliveries of residential units.

### *Change in fair value of investment property*

Change in fair value of investment property decreased from PLN 21.7 million for the year ended 31 December 2006 to nil for the year ended 31 December 2007. The fair value adjustment in 2006 related to an increase in value of the Kłobucka property located in Mokotów, Warsaw. In September 2007 this investment property was reclassified to inventory due to the change in use. Up until the change of use, management re-assessed the fair value of investment property and found no evidence of change in its fair value.

### *Administrative expenses*

Administrative expenses increased by 41.7% from PLN 6.6 million for the year ended 31 December 2006 to PLN 9.4 million for the year ended 31 December 2007. The increase was primarily a result of personnel expenses, which increased by 117.9% from PLN 1.7 million for the year ended 31 December 2006 to PLN 3.8 million for the year ended 31 December 2007.

### *Operating profit*

As a result of the factors described above, the Company's operating result increased by PLN 7.0 million from an operating profit of PLN 31.9 million for the year ended 31 December 2006 to an operating profit of PLN 38.9 million for the year ended 31 December 2007.

### *Net finance income*

Finance income (expenses) are accrued and capitalized as part of the cost price of inventory to the extent they are directly attributable to the construction of residential units. Finance income (expenses) not capitalized are recognized in profit and loss.

**Director's report**

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

| | For the year ended 31 December 2007 PLN (thousands) | | |
|---|---|---|---|
| | **Total amount** | **Amount capitalized** | **Recognized as profit or loss** |
| Finance income | 1,770 | 449 | 1,321 |
| Finance expense | (11,103) | (9,947) | (1,156) |
| | **(9,333)** | **(9,498)** | **165** |

| | For the year ended 31 December 2006 PLN (thousands) | | |
|---|---|---|---|
| | **Total amount** | **Amount capitalized** | **Recognized as profit or loss** |
| Finance income | 6,892 | 5,468 | 1,424 |
| Finance expense | (10,198) | (8,914) | (1,284) |
| | **(3,306)** | **(3,446)** | **140** |

***Minority interest***

Minority interests for the period starting 1 January 2007 and ended 27 September 2007 (PLN 1.4 million) was comprised of the share of minority shareholders (20.9%) in profit from 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 GE Real Estate 20.9% of the Company total shares. Since this date there is no minority interest in the Company's subsidiaries.

# 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 31 December | |
|---|---|---|
| | 2007 | 2006 |
| | PLN (thousands) | |
| Investment property | - | 44,300 |
| Loan granted to related party | - | 13,533 |
| Inventories of residential units | 457,774 | 182,920 |
| Trade and other receivables | 66,176 | 21,695 |
| Loans and borrowings | 250,844 | 104,142 |
| Deferred income | 54,907 | 51,154 |

***Investment property***

The balance of Investment property is nil on 31 December 2007 as compared to PLN 44.3 million on 31 December 2006. The decrease is a result of the decision in 2007 to develop the Kłobucka property in Mokotów, Warsaw, as a residential project rather than as a commercial real estate project. As a result, this project has been reclassified from Investment property to Inventories of residential units.

***Loan granted to related party***

The balance of the Loan granted to related party is nil on 31 December 2007 as compared to PLN 13.5 million on 31 December 2006. 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 interest 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.

***Inventories of residential units***

The balance of Inventories of residential units is PLN 457.7 million as of 31 December 2007 as compared to PLN 182.9 million as of 31 December 2006. The increase is primarily a result of the Group's investments associated with the purchase of thirteen new plots of land in the following projects: Kłobucka, Chopin, Vivaldi, Renaissance, Tulce, Goya, Sadków, Picasso, Matisse II, Mozart, Eclipse, Falenty and Imaginarium II for a total amount of PLN 243.5 million.

**Director's report**

### *Trade and other receivables*

The balance of "trade and other receivables" is PLN 66.1 million as of 31 December 2007 as compared to PLN 21.7 million as of 31 December 2006. The increase is primarily a result of an increase in advance payments made by the Group for the acquisition of lands from PLN 4.8 million as at 31 December 2006 to PLN 29.1 million as at 31 December 2007, as well as a result of an increase in value added tax (VAT) receivables from PLN 14.9 million as at 31 December 2006 to PLN 29.9 million as at 31 December 2007.

### *Loans and borrowings*

The balance of Loans and borrowings is PLN 250.8 million as of 31 December 2007 as compared to PLN 104.1 million on 31 December 2006. The increase is primarily a result of new bank loans taken by the Group for the purpose of financing new projects.

### *Deferred income*

The balance of Deferred income is PLN 54.9 million as of 31 December 2007 as compared to PLN 51.2 million on 31 December 2006. The increase is a result of advances received from clients regarding sales of residential units.

## 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 year ended 31 December | |
|---|---|---|
| | 2007 | 2006 |
| | PLN (thousands) | |
| Cash flows used in operating activities | (269,271) | (81,331) |
| Cash flows used in investing activities | (219) | (296) |
| Cash flow from financing activities | 302,450 | 108,990 |

Cash flows used in operating activities totaled PLN 269.3 million for the year ended 31 December 2007 as compared to minus PLN 81.3 million used in the year ended 31 December 2006. The increase is principally due to:

- an increase in cash flow used in Inventories of residential units from PLN 110.1 million during the year ended 31 December 2006 to PLN 250.1 million during the year ended 31 December 2007 (mainly land purchase).

- an increase in cash flow used in Receivables and prepayments from PLN 13.5 million during the year ended 31 December 2006 to PLN 44.8 million during the year ended 31 December 2007.

Cash flows used in investing activities totaled PLN 219 thousands and PLN 296 thousands during the year periods ended 31 December 2007 and 31 December 2006, respectively.

Cash flows provided by financing activities totaled PLN 302.5 million during the year ended 31 December 2007, as compared to cash flow provided by financing activities of PLN 108.9 million in the year ended 31 December 2006. The increase is principally due to:

- an increase in the net amount of loans received from banks from PLN 31.9 million during the year ended 31 December 2006 to PLN 154.1 million during the year ended 31 December 2007.

- an increase in Proceeds from the issue of new shares and equity contributions from PLN 88.1 million during the year ended 31 December 2006 to PLN 142.4 million during the year ended 31 December 2007.

**Director's report**

# Selected financial data

| PLN/EUR | Average exchange rate | Minimum exchange rate | Maximum exchange rate | Year end exchange rate |
|---|---|---|---|---|
| | Exchange rate of Euro versus the Polish Zloty | | | |
| **2007 (12 months)** | **3.7845** | **3.9385** | **3.5699** | **3.5820** |
| **2006 (12 months)** | 3.8959 | 4.1065 | 3.7565 | 3.8312 |

*Source: National Bank of Poland ("NBP")*

| **Selected financial data** | **EUR** | | **PLN** | |
|---|---|---|---|---|
| | **( thousands, except per share data)** | | | |
| | **For the year ended 31 December** | | | |
| | **2007** | **2006** | **2007** | **2006** |
| Revenues | **34,242** | 14,419 | **129,588** | 56,176 |
| Gross profit | **15,785** | 6,049 | **59,737** | 23,567 |
| Net income before taxation | **13,342** | 9,964 | **50,493** | 38,820 |
| Net income attributable to equity holders of the parent company | **10,280** | 8,187 | **38,903** | 31,897 |
| Cash flows used in operating activities | **(71,151)** | (20,876) | **(269,271)** | (81,331) |
| Cash flows used in investment activities | **(58)** | (76) | **(219)** | (296) |
| Cash flows provided by financing activities | **79,918** | 27,976 | **302,450** | 108,990 |
| Increase in cash and cash equivalents | **9,131** | 7,142 | **32,709** | 27,363 |
| Inventories of residential units | **127,798** | 47,745 | **457,774** | 182,920 |
| Total assets | **167,092** | 79,748 | **598,524** | 305,531 |
| Deferred income | **15,329** | 13,352 | **54,907** | 51,154 |
| Long term liabilities | **43,389** | 26,838 | **155,418** | 102,820 |
| Short term liabilities | **47,776** | 20,350 | **171,133** | 77,964 |
| Shareholders' equity | **75,928** | 27,677 | **271,973** | 106,036 |
| Share capital | **4,533** | - | **16,933** | - |
| Average number of equivalent shares (basic) | **100,265,099** | - | **100,265,099** | |
| Average number of equivalent shares (diluted) | **101,078,143** | | **101,078,143** | |
| Net earnings per share (basic and diluted | **0.10** | - | **0.39** | - |

*Selected financial data were translated from EURO into PLN 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 year / period*

# Outlook for 2008

## *A. Completed projects*

The table below present's information on the total residential units in the two completed projects that the Company expects to sell during the year 2008:

| Project name | Location | Total units | Number of residential units sold (*) as at 31 December 2007 | Number of residential units delivered (*) as at 31 December 2007 | Number of residential units expected to be delivered (*) during the year 2008 |
|---|---|---|---|---|---|
| Meridian | Warsaw | 206 | 181 | 157 | 49 |
| Mistral | Warsaw | 54 | 51 | 40 | 14 |
| **Total** | | **260** | **232** | **197** | **63** |

*(*) - 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 apartment; while 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 residential unit.*

### *Meridian*

The Meridian project was completed in October 2007. The Meridian housing estate comprises three seven and nine-storey buildings with a total of 206 apartments and 7 commercial units. During the year ended 31 December 2007 the Group recognized revenue from the sale of 157 apartments (including parking places and storages) and 6 commercial units. The Company expects to sell and to deliver the remaining 49 apartments (including parking places and storages) and the only remaining commercial unit during the year 2008.

### *Mistral*

The Mistral project was completed in December 2007. The Mistral housing estate comprises four two-storey detached houses of 10 to 17 apartments each, with a total of 54 apartments. During the year ended 31 December 2007 the Group recognized revenue from the sale of 40 apartments (including parking places and storages). The Company expects to sale and to deliver the remaining 14 apartments (including parking places and storages) during the year 2008.

## *B. Current Projects scheduled to be completed in 2008*

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

| Project name | Location | Area of plot ($m^2$) | Total units | Total area of units (m2) | Number of residential units sold as at 31 December 2007 |
|---|---|---|---|---|---|
| Imaginarium | Warsaw | 10,343 | 58 | 4,000 | 50 |
| Galileo | Poznań | 8,598 | 226 | 16,100 | 37 |
| Konstancin | Warsaw | 36,377 | 36 | 10,000 | - |
| **Total** | | **55,318** | **320** | **30,100** | **87** |

**Director's report**

### *Imaginarium*

The Imaginarium project is being developed on a land strip of 10,343 m2 located in the Bielany district in Warsaw. The two apartment buildings are both two-storey buildings with a total of 58 apartments (no commercial units) with an aggregate floor space of 4,000m2. The size of the apartments varies from 30 m2 to 110 m2. The construction of the Imaginarium project commenced in December 2006 and the project is expected to be completed on the end of the first quarter of 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 with an aggregate floor space of 16,100 $m^2$. The size of the apartments varies from 52 $m^2$ to 112 $m^2$. Construction of the Galileo project commenced in February 2007 and the project is expected to be completed in the fourth quarter of 2008.

### *Konstancin*

The Konstancin project is being developed on a land strip of 36,377 $m^2$ located in the Konstancin district in Warsaw. The Konstancin housing project will comprise 36 semi-detached units with an aggregate floor space of 10,000 $m^2$. Construction of the project commenced in February 2008 and the project is expected to be completed in the third quarter of 2009, with completion of a number of units by the end of 2008.

# 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 year ended 31 December 2007 (26 February 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 26 February 2008 Number of shares/ % of shares | Increase/ (decrease) Number of shares | As of 31 December 2007 Number of shares/ % of shares | Increase/ (decrease) Number of shares | As of 30 September 2007 Number of shares/ % of shares |
|---|---|---|---|---|---|
| **I.T.R Dori B.V.** | 144,422,004 / 63.7% | - | 144,422,004 / 63.7% | 142,616,667 | 2,250,000 / 79.1% |
| **GE Real Estate CE Residential B.V** | 41,800,000 / 18.4% | - | 41,800,000 / 18.4% | 41,205,500 | 594,500 / 20.9% |

***Changes in ownership of shares and rights to shares by Management Board members in the year ended 31 December 2007 and until the date of publication of the report***

Changes in ownership of shares and rights to shares by the Management Board members are specified below:

***Shares***

Except as otherwise described below, the members of the Management Board did not own or receive any shares in the Company from 31 December 2006 until 26 February 2008.

***Rights to shares / Options***

The following members of the Management Board received rights to shares in the Company during the period 31 December 2006 until 26 February 2008:

- Mr. Dror Kerem 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, on the date falling six months following 24 October 2007, the date the Company's shares were admitted to listing on the Warsaw Stock Exchange (the "Admission");
- Mr. Dror Kerem received the 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 date of 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 Bouskila received 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 year ended 31 December 2007 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 31 December 2006 until 26 February 2008.

## *Indemnity for Management Board members and Supervisory Board members*

The Articles of Association of the Company provide for an indemnification for all directors of the Company (article 42). The members of the Supervisory Board and Management Board shall be reimbursed for (i) all reasonable costs of conducting a defense against claims based on acts or failures to act in the exercise of their duties, (ii) any damages or fines payable by them as a result of an act or failure to act in the exercise of their duties, and (iii) reasonable costs of appearing in other legal proceedings in which they are involved as current or former directors of the Company. No indemnification will be given to any director if it has been determined by a judgment which is no longer subject to appeal, that the act or failure to act is characterized as willful misconduct or gross negligence. Resolutions to award the indemnification are to be disclosed in the Annual Accounts of the Company. Adoption of the Annual Accounts will be considered to be approval of such resolutions, unless the general meeting of shareholders decides otherwise.

### *Other*

As of 31 December 2007, the Company has not issued guarantees for bank loans.

As of 31 December 2007, 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 year ended 31 December 2007 (between brackets the net movements during the fourth quarter of 2007 are shown):

- an increase in the provision for deferred tax liabilities of PLN 986,000 (an increase of PLN 7,504,000).

**The Management Board**

| | |
|---|---|
| Dror Kerem<br>President of the Management Board<br>General Director | Ariel Bouskila<br>Management Board Member<br>Financial Director |

**Rotterdam, 26 February 2008**

# CONDENSED CONSOLIDATED BALANCE SHEET

| *In thousands of PLN* | 31 December 2007 (Unaudited) | 30 September 2007 Restated [(2)] (Unaudited) | 31 December 2006 [(1)] (Audited) | 30 September 2006 [(1)] (Unaudited) |
|---|---|---|---|---|
| | | PLN (thousands) | | |
| **Assets** | | | | |
| Property and equipment | **741** | **747** | 315 | 292 |
| Intangible assets | **66** | **97** | 169 | 78 |
| Investment property | **-** | **-** | 44,300 | 29,500 |
| Long-term finance lease receivable | **590** | **628** | 729 | 767 |
| Loan granted to related party | **-** | **-** | 13,533 | - |
| Deferred tax assets | **1,348** | **1,471** | 2,750 | 1,261 |
| **Total non-current assets** | **2,745** | **2,943** | 61,796 | 31,898 |
| Inventories of residential units | **457,774** | **368,086** | 182,920 | 131,382 |
| Trade and other receivables | **66,176** | **96,246** | 21,695 | 13,078 |
| Cash and cash equivalents | **71,829** | **38,565** | 39,120 | 47,429 |
| **Total current assets** | **595,779** | **502,897** | 243,735 | 191,889 |
| **Total assets** | **598,524** | **505,840** | 305,531 | 223,787 |

## Shareholders' equity and liabilities

| | | | | |
|---|---|---|---|---|
| **Shareholders' equity** | **271,973** | **96,285** | 106,036 | 22,301 |
| **Minority interests** | **-** | **-** | 18,711 | - |
| **Long-term liabilities** | | | | |
| Loans and borrowings | **145,669** | **225,391** | 94,057 | 139,848 |
| Deferred tax liability | **9,749** | **2,245** | 8,763 | 8,252 |
| **Total long-term liabilities** | **155,418** | **227,636** | 102,820 | 148,100 |
| **Current liabilities** | | | | |
| Loans and borrowings | **105,175** | **55,885** | 10,085 | 998 |
| Trade and other payable | **9,352** | **22,349** | 13,392 | 10,737 |
| Tax payable | **1,198** | **543** | 2,832 | 199 |
| Provisions | **501** | **501** | 501 | 501 |
| Deferred income | **54,907** | **102,641** | 51,154 | 40,951 |
| **Total current liabilities** | **171,133** | **181,919** | 77,964 | 53,386 |
| **Total Shareholders' equity and liabilities** | **598,524** | **505,840** | 305,531 | 223,787 |

(1) For the presentation of the combined comparative figures – see note 1.
(2) Including changes described in note 4.

# CONDENSED CONSOLIDATED INCOME STATEMENT

| *In thousands of PLN (except for net earnings per share and number of shares)* | **For the 12 months ended 31 December 2007 (Unaudited)** | **For the 3 months ended 31 December 2007 (Unaudited)** | **For the 12 months ended 31 December 2006 [(1)] (Audited)** | **For the 3 months ended 31 December 2006 [(1)] (Unaudited)** |
|---|---|---|---|---|
| | **PLN (thousands) (thousands, except per share data and number of shares)** | | | |
| Revenue | **129,588** | **88,819** | 56,176 | 15,501 |
| Cost of sales | **(69,851)** | **(46,095)** | (32,609) | (11,539) |
| **Gross profit** | **59,737** | **42,724** | 23,567 | 3,962 |
| Change in fair value of investment property | **-** | **-** | 21,754 | 14,800 |
| Administrative expenses | **(9,409)** | **(2,094)** | (6,641) | (1,203) |
| **Operating profit** | **50,328** | **40,630** | 38,680 | 17,559 |
| Finance income | **1,321** | **548** | 1,424 | 35 |
| Finance expense | **(1,156)** | **(284)** | (1,284) | (45) |
| **Net finance income (expense)** | **165** | **264** | 140 | (10) |
| **Net income before taxation** | **50,493** | **40,894** | 38,820 | 17,549 |
| Income taxes | **(10,217)** | **(7,827)** | (6,902) | (2,526) |
| **Net income before minority interests** | **40,276** | **33,067** | 31,918 | 15,023 |
| **Attributable to:** | | | | |
| Owners' net investment | **38,903** | **33,067** | 31,897 | 15,002 |
| Minority interests | **1,373** | **-** | 21 | 21 |
| **Net income before minority interests** | **40,276** | **33,067** | 31,918 | 15,023 |
| Weighted average number of equivalent shares (basic) | **100,265,099** | **198,280,199** | - | - |
| Weighted average number of equivalent shares (diluted) | **101,078,143** | **199,906,286** | - | - |
| **Net earnings per share of EUR 0.02 each (basic an d diluted)** | **0.39** | **0.16** | - | - |

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

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| *In thousands of PLN* | For the year ended 31 December 2007 (Unaudited) | For the 3 months ended 31 December Restated (*) 2007 (Unaudited) | For the year ended 31 December 2006 (Audited) | For the 3 months ended 31 December 2006 (Unaudited) |
|---|---|---|---|---|
| | PLN (thousands) | | | |
| **Balance as of the beginning of the period** | **124,747** | **96,285** | **4,806** | **22,301** |
| Proceeds from sale of equity in Ronson Group entities and other capital contributions (1) | - | - | 87,373 | 87,373 |
| Net contribution in kind of assets and liabilities (2) | (13,760) | - | - | - |
| Net contribution in kind of assets (3) | 45 | - | - | - |
| Exclusion of a subsidiary from consolidation (4) | (22,360) | - | - | - |
| Proceeds from issuing share capital in Ronson Group entities | 700 | 700 | 650 | 50 |
| Share based payment | 806 | 806 | - | - |
| Issue of ordinary shares(5) | 141,529 | 141,519 | - | - |
| Net income for the period | 40,276 | 32,663 | 31,918 | 15,023 |
| **Balance at the end of the period** | **271,973** | **271,973** | **124,747** | **124,747** |

(*) Including changes described in note 4.

(1) In November 2006, the Group and its shareholders entered into a participation agreement with GE Real Estate whereby GE Real Estate became a direct shareholder in 20 of the Group's Polish entities. In connection with the participation agreement, the 20 Polish entities concerned issued new share capital against a cash payment by GE Real Estate.

(2) 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, that 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 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, 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 contribution net effect is a decrease of 13,760 thousands as presented above.

(3) On 27 September 2007 the Company issued 11,890 shares with a par value of EUR 1 per share (PLN 45 thousand) to GE Real Estate the minority shareholder that split on 29 September 2007 to 594,500 shares with a par value of EUR 0.02 per share.
As part of the completion of combining Ronson Group activities under Ronson Europe, GE Real Estate, made a contribution in kind of its shares held in certain Ronson Polish subsidiaries, which amounted to PLN 20,084 thousand. The contribution net effect is increase of PLN 45 thousand as presented above.

(4) Excluding Brighton Tec from the consolidation:
Initially Brighton Tec owned the land at Klobucka Street in district Mokotów in Warsaw. On 26 of September 2007 the land was sold to Landscape, a wholly owned subsidiary of the Company; subsequently the Group stopped consolidating Brighton Tec.

(5) On 24 October 2007, the Company completed an 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. From the total received, the Group deducted an amount of PLN 11,814 thousand representing the total costs directly attributed to the initial public offering. Those costs represent mainly underwriters' legal, advisory and accounting fees, and costs related to the IPO road show, related public relations and marketing.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| *In thousands of PLN* | **For the 12 months ended 31 December 2007 (Unaudited)** | **For the 3 months ended 31 December 2007 (Unaudited)** | **For the 12 months ended 31 December 2006 [1] (Audited)** | **For the 3 months ended 31 December 2006 [1] (Unaudited)** |
|---|---|---|---|---|
| Cash flows used in operating activities | **(269,271)** | **(77,732)** | **(81,331)** | **(46,402)** |
| Cash flows used in investing activities | **(219)** | **(64)** | **(296)** | **(113)** |
| Cash flows from financing activities | **302,450** | **111,060** | **108,990** | **38,206** |
| Net cash effect due to exclusion of a subsidiary from consolidation | **(251)** | **-** | **-** | **-** |
| **Increase / (decrease) in cash and cash equivalents** | **32,709** | **33,264** | **27,363** | **(8,309)** |
| **Cash and cash equivalents at the beginning of the period** | **39,120** | **38,565** | **11,757** | **47,429** |
| **Cash and cash equivalents at the end of the period** | **71,829** | **71,829** | **39,120** | **39,120** |

[1] For the presentation of the combined comparative figures – see note 1.

# 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 31 December 2007, results of operations, changes in shareholders' equity, and cash flows for the three month period and for the year ended 31 December 2007 of Ronson Europe N.V. ("the Company") and its subsidiaries (together referred to as “the Group”). The 31 December 2007 Condensed Consolidated Financial Statements were authorized for issuance by the management board members on 26 February 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. As at 31 December 2007, 63.7% of the outstanding shares are held by I.T.R. Dori B.V and 18.4% of the outstanding shares are held by GE Real Estate CE Residential B.V. (“GE Real Estate”)

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 B.V. (“ITR Dori”), to subscribe for 50% of the Ronson Group. Each of 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; 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 of 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.

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 the shareholders of the Company resolved to issue 197,155,500 shares with a par value of 0.02 EUR. The share capital was paid up through a charge to the available share premium reserve.

On 24 October 2007, the Company completed an 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, and ITR Dori sold 13.7 million existing shares at an offering price of PLN 5.75 per share.

The condensed consolidated financial statements of the Ronson Group for the three months period and for the year ended 31 December 2007 include the accounts of the Company and its subsidiaries taking into account minority interests in the individual entities of the Group until 27 September 2007. The financial statements of subsidiaries have been included from 1 January 2007 reflecting the fact that control by the Group and its owners effectively existed throughout the year ended 31 December 2007. All inter-company accounts and transactions are eliminated when preparing the condensed consolidated financial statements. Unrealized gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the subsidiary. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

The condensed combined financial statements of the Ronson Group as of and for the three months period and for the year ended 31 December 2006 are taken up as for comparative purposes and have been prepared by aggregating the individual financial statements of the entities in the Group taking into account minority interests in the individual entities of the Group. The condensed combined financial statements of Ronson Group have been included from 1 January 2006 reflecting the fact that control by the Group and its owners effectively existed starting from 1 January 2006. All balances and transactions between the entities in the Group as of and for the three months and for the year ended 31 December 2006 have been eliminated. As discussed above ITR Dori completed the acquisition of 100% of the Ronson Group on 19 January 2006. The condensed combined balance sheets of the Ronson Group as at 31 December 2006 and as at 30 September 2006 represent an aggregation of the individual balance sheets of entities in the Group taking into account minority interest in the individual entities of the Group.

## Note 2 – Summary of significant accounting policies

### A. Basis of preparation

The Condensed Consolidated Balance Sheets as of 31 December 2007 and as of 30 September 2007, the Condensed Combined Balance Sheets as of 30 September 2006, the Condensed Consolidated Income Statement, the Condensed Consolidated Statements of changes in (invested) equity and the Condensed Consolidated Statements of Cash Flows for the three months and for the year ended 31 December 2007 as well as the Condensed Combined Income Statement and the Condensed Combined Statements of Cash Flows for the three months ended 31 December 2006 have not been audited. The Condensed Combined Balance Sheet as of 31 December 2006, the Condensed Combined Income Statement, the Combined Cash Flow Statement and the Condensed Combined Statement of Changes in Equity for the year ended 31 December 2006 have been extracted from the combined audited financial statement of Ronson Development Group.

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 2006 combined financial statements included in the Company's prospectus dated 10 October 2007, which financial statements have been prepared in accordance with IFRS adopted by the EU to be used for preparation of consolidated financial reporting. In addition, the Company has adopted the standards and interpretations with an effective date before 31 December 2007. The 31 December 2007 Condensed Consolidated Financial Statements should be read in conjunction with the Company's audited combined financial statements included in the Company's prospectus dated 10 October 2007.

As a result of transactions and other events in 2007 that did not occur or exist in 2006, the following accounting Policies that were not disclosed in the Company's 2006 Annual Accounts have been applied in these condensed Consolidated Financial Statements:

***Employee benefits – share options granted***

The Group operates a share-based incentive plan. The fair value of share options granted to management and other employees as at the grant date is recognized as an employee expense, with a corresponding increase in equity, over the period during which the employees become unconditionally entitled to the options. The amount recognized as an expense is adjusted to reflect the actual number of share options that vest.

### 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.

## 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.

## F. Principles of consolidation

This Condensed unaudited Consolidated Financial Statements include the accounts of the Company, 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.

A list of the companies whose financial statements are included in these Condensed Consolidated Financial Statements and the extent of ownership and control appear in Note 10.

## Note 3 – Changes in Consolidated Entities

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., a Polish company that owned the Group's investment property, has been included in the Company's Condensed Consolidated Financial Statements until 29 June 2007. On 29 June 2007, the ownership of the investment property was assigned and contributed by ITR Dori B.V. to the Company (see note 1). However, as at 30 June 2007, the legal ownership of the investment property was with Brighton Tec Sp. z.o.o., a wholly-owned subsidiary of ITR Dori B.V., of which the shares were not assigned and contributed to the Company on 29 June 2007. On 26 September 2007, the transfer of the legal ownership of the investment property from Brighton Tec Sp. z o.o. to Ronson Development Landscape S.k., a limited partnership and part of the Group, was completed.

## Note 4 – Restatement

As part of the completion of combining Ronson Group activities under Ronson Europe, GE Real Estate (minority shareholder) made a contribution in kind of its shares held in certain Ronson Polish subsidiaries.

As at 30 September 2007 the Company calculated the value of the contribution based on the fair value of the Company as at 30 September 2007.

After additional analysis the Company concluded that the value of the contribution should be calculated based upon the book value.

Information in the balance sheet has been restated as follows (bearing in mind that this restatement has no impact on the income statement):

| **AS at 30 September 2007**<br>*In thousands of PLN* | **Before Restatement** | **Restatement** | **After Restatement** |
|---|---|---|---|
| Goodwill | 293,416 | (293,416) | - |
| Shareholders' equity | 389,701 | (293,416) | 96,285 |

## Note 5 – Share capital

The authorized share capital of the Company consists of 800,000,000 shares of EUR 0.02 par values each.

The number of issued and outstanding ordinary shares as at 31 December 2007 was 226,666,666 shares of EUR 0.02 par values each and was issued as follow (see also Note 1):

On 29 June 2007, the date of incorporation of the Company, 45,000 shares with a par value of EUR 1 per share were issued. Subsequently, on 27 September 2007, the Company issued 11,890 new shares with a par value of EUR 1 per share.

On 29 September 2007, upon approval by the shareholders of the Company, the Company's articles of association were amended whereby the each share with par value of EUR 1 was split into a new share with par value EUR 0.02, as a result of which the number of outstanding shares increased from 56,890 to 2,844,500.

On 10 October 2007, the general meeting of the 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 out of available share premium reserve.

On 24 October 2007, the Company completed an initial public offering of its shares on the Warsaw Stock Exchange, having issued and sold 26,666,666 new shares at an offering price of PLN 5.75 per share

## Note 6 – Commitments and contingent liabilities

Contingent commitments relate primarily to contingent consideration for land acquisitions and amounted to PLN 60,796 thousand as at 31 December 2007, 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 project:

| **As at 31 December** | **2007** | **2006** |
|---|---|---|
| *In thousands of PLN* | | |
| **Project** | | |
| Łomianki | 11,196 | - |
| Aurora | 49,600 | - |
| Imaginarium II | - | 14,450 |
| Renesans | - | 12,521 |
| **Total** | **60,796** | **26,971** |

In addition, commitments to the general contractor for construction services to be rendered in the future amount to PLN 32,755 thousand as at 31 December 2007 and relate to the following projects:

| **As at 31 December** | **2007** | **2006** |
|---|---|---|
| *In thousands of PLN* | | |
| **Project** | | |
| Galileo | 32,755 | - |
| Meridian | - | 15,307 |
| **Total** | **32,755** | **15,307** |

## Note 7 - 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**

The Group operates in two business segments within Poland:

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

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

| *In thousands of PLN* | For the year ended 31 December 2007 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Warsaw** | **Poznań** | **Wrocław** | **Szczecin** | **Unallocated** | **Eliminations** | **Total** |
| **Total external revenues** | | | | | | | |
| Residential | 129,139 | - | - | - | - | - | 129,139 |
| Rental | 449 | - | - | - | - | - | 449 |
| | | | | | | | |
| Inter-segment revenue | - | - | - | - | - | - | - |
| **Total segment revenue** | **129,588** | **-** | **-** | **-** | **-** | **-** | **129,588** |
| | | | | | | | |
| **Segment result** | | | | | | | |
| Residential | 51,289 | (1,093) | (319) | (76) | - | (834) | 48,967 |
| Rental | (530) | - | - | - | - | - | (530) |
| | | | | | | | |
| Unallocated Expenses | - | - | - | - | 433 | 1,623 | 2,056 |
| **Result from operating activities** | **50,759** | **(1,093)** | **(319)** | **(76)** | **433** | **789** | **50,493** |
| | | | | | | | |
| Income tax expense | | | | | | | (10,217) |
| | | | | | | | |
| **Profit for the period** | | | | | | | **40,276** |

| *In thousands of PLN* | As at 31 December 2007 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Warsaw** | **Poznań** | **Wrocław** | **Szczecin** | **Unallocated** | **Eliminations** | **Total** |
| **Segment assets** | | | | | | | |
| Residential | 283,674 | 128,870 | 73,254 | 59,823 | - | 1,522 | 547,143 |
| Rental | - | - | - | - | - | - | - |
| Unallocated assets | - | - | - | - | 51,681 | (300) | 51,381 |
| **Total assets** | **283,674** | **128,870** | **73,254** | **59,823** | **51,681** | **1,222** | **598,524** |
| | | | | | | | |
| **Segment liabilities** | | | | | | | |
| Residential | 211,300 | 82,721 | 21,902 | 3,880 | - | 286 | 320,089 |
| Rental | - | - | - | - | - | - | - |
| Unallocated liabilities | - | - | - | - | 6,993 | - | 6,200 |
| **Total liabilities** | **211,300** | **82,721** | **21,902** | **3,880** | **6,993** | **286** | **327,022** |
| | | | | | | | |
| Capital expenditure | - | - | - | - | 219 | - | 219 |
| Depreciation and amortization | 240 | - | - | - | 269 | - | 509 |

| *In thousands of PLN* | For the year ended 31 December 2006 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Warsaw** | **Poznań** | **Wrocław** | **Szczecin** | **Unallocated** | **Eliminations** | **Total** |
| **Total external revenues** | | | | | | | |
| Residential | 57,206 | - | - | - | - | (2,207) | 54,999 |
| Rental | 1,177 | - | - | - | - | - | 1,177 |
| Inter-segment revenue | - | - | - | - | - | - | - |
| **Total segment revenue** | **58,383** | **-** | **-** | **-** | **-** | **(2,207)** | **56,176** |
| **Segment result** | | | | | | | |
| Residential | 20,333 | - | - | - | - | (33) | 20,300 |
| Rental | 21,696 | - | - | - | - | - | 21,696 |
| Unallocated Expenses | - | - | - | - | (3,176) | - | (3,176) |
| **Result from operating activities** | **42,029** | **-** | **-** | **-** | **(3,176)** | **(33)** | **38,820** |
| Income tax expense | | | | | | | (6,902) |
| **Profit for the period** | | | | | | | **31,918** |

| *In thousands of PLN* | As at 31 December 2006 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Warsaw** | **Poznań** | **Wrocław** | **Szczecin** | **Unallocated** | **Eliminations** | **Total** |
| **Segment assets** | | | | | | | |
| Residential | 246,509 | 5,661 | 4,930 | - | - | (249) | 256,851 |
| Rental | 45,930 | - | - | - | - | - | 45,930 |
| Unallocated assets | - | - | - | - | 2,750 | - | 2,750 |
| **Total assets** | **292,439** | **5,661** | **4,930** | **-** | **2,750** | **(249)** | **305,531** |
| **Segment liabilities** | | | | | | | |
| Residential | 145,214 | 6,593 | 321 | - | - | 611 | 152,739 |
| Rental | 16,450 | - | - | - | - | - | 16,450 |
| Unallocated liabilities | - | - | - | - | 11,595 | - | 11,595 |
| **Total liabilities** | **161,664** | **6,593** | **321** | **-** | **11,595** | **611** | **180,784** |
| Capital expenditure | - | - | - | - | 296 | - | 296 |
| Depreciation and amortization | - | - | - | - | 68 | - | 68 |

## Note 8 – 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 granted, respectively.
On 5 November 2007 a total number of 1,900,000 options with an exercise price of PLN 5.75 each, 700,000 options that vest in three years having an option term of five years that granted to selected employees and 1,200,000 options that vest in five years having an option term of seven years that granted to Mr. Dror Kerem the general director of the company. The vesting dates of the options are as follows:

| | Number of options | | |
|---|---|---|---|
| **Vesting dates** | **vest over three years** | **vest over five years** | **Total** |
| 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 5 years and seven years, an annual risk free rate of 6% and estimation that 70% from the employed will implement the options.
The costs impact of the share-based payment on the financial statements of the Company was an expense of PLN 275,000 recognized in the income statement with a corresponding increase in equity.

In addition, the President of the Management Board 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, on the date falling six months following 24 October 2007, the date the Company's shares were admitted to listing on the Warsaw Stock Exchange (the "Admission"); 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 above on the financial statements of the Company was an expense of PLN 531,000 recognized in the income statement with a corresponding increase in equity.

## Note 9 – Related party transactions

On 26 September 2007, R.D. Landscape Sp.k., a newly formed Polish subsidiary of the Company, entered into a preliminary purchase agreement to acquire the assets of Brighton Tec Sp. z o.o., a subsidiary of ITR Dori, one of the Company's shareholders. The primary asset of Brighton Tec was a plot of land located in Mokotów, Warsaw. Brighton Tec had been seeking zoning approval for construction of a residential project on this site, rather than the commercial project originally contemplated. On 26 September 2007 the asset sale was consummated for EUR 11,500,000 in cash, which was based on the appraised fair value of the assets. By concluding this sale, all activities and assets of Brighton Tec Sp. z o.o. prior to the incorporation of the Company were transferred to the Company.

## Note 10 - Details of corporations in the Group

On 29 June 2007, ITR Dori assigned and contributed to the Company its shares and rights to shares in all 36 Polish companies, in exchange for which the Company issued 45,000 shares to ITR Dori. On 27 September 2007, GE Real Estate assigned and contributed its shares and rights to shares in 34 of the 36 Polish subsidiaries to the Company, in exchange for which the Company issued 11,890 shares to GE Real Estate, after which GE Real Estate held a 20.9% interest in the Company.
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 31 December 2007.

| 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 Residential Sp. z o.o. | 2003 | 100.0% |
| 7. | Ronson Development Apartments Sp. z o.o. | 2003 | 100.0% |
| 8. | Ronson Development Properties Sp. z o.o. | 2002 | 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 Poznan Sp. z o.o. | 2005 | 100.0% |
| 15. | Ronson Development Innovation Sp. z o.o. (*) | 2006 | 100.0% |
| 16. | Ronson Development Wroclaw 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] | 2006 | 100.0% |
| 21. | Ronson Development Construction Sp. z o.o. | 2006 | 100.0% |

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

| | | | |
|---|---|---|---|
| 22. | Ronson Development City Sp. z o.o. (no activities at 31 December 2007) | 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 31 December 2007) (*) | 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 31 December 2007) (*) | 2007 | 100.0% |
| 36. | Ronson Development Millenium Sp. z o.o. (no activities at 31 December 2007) (*) | 2007 | 100.0% |

| | | | |
|---|---|---|---|
| **B.** | **Held indirectly by the company :** | | |
| 1. | Ronson Development Community Sp.k. (**) | 2007 | 100.0% |
| 2. | Ronson Development Estate Sp.k. (no activities at 31 December 2007) (**) | 2007 | 100.0% |
| 3. | Ronson Development Home Sp.k. (no activities at 31 December 2007) (**) | 2007 | 100.0% |
| 4. | Ronson Development Horizon Sp.k. (no activities at 31 December 2007) (**) | 2007 | 100.0% |
| 5. | Ronson Development Landscape Sp.k. (**) | 2007 | 100.0% |
| 6. | Ronson Development Town Sp.k. (no activities at 31 December 2007) (**) | 2007 | 100.0% |

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

(*) 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. General partner holding a 1%.

## Note 11 – Impairment losses and provisions

During the financial year 2007, no impairment losses were charged.

The net movements in the Group's main provisions took place during the financial year 2007 are disclosed in the Directors' report (see in par.: Additional information to the report – Other).

## Note 12 – Condensed standalone financial statements of Ronson Europe N.V.

### Condensed standalone balance sheet

| *In thousands of PLN* | **31 December 2007 (Unaudited)** | **30 September 2007 (Unaudited)** |
|---|---|---|
| **Assets** | | |
| Investment in subsidiaries | 187,196 | 110,744 |
| Loan granted to subsidiaries | 55,900 | - |
| **Total non-current assets** | **243,096** | **110,744** |
| | | |
| Trade and other receivables | 463 | 1,804 |
| Receivable from subsidiaries | 4 | - |
| Cash and cash equivalents | 44,809 | 18 |
| **Total current assets** | **45,276** | **1,822** |
| **Total assets** | **288,372** | **112,566** |
| | | |
| **Shareholders' equity and liabilities** | | |
| Share capital | 16,933 | 217 |
| Share premium | 215,911 | 89,602 |
| Retained earnings | 38,834 | 6,466 |
| **Total shareholders' equity** | **271,678** | **96,285** |
| | | |
| **Long-term liabilities** | | |
| Loans from subsidiaries | 14,353 | 13,932 |
| **Total long-term liabilities** | **14,353** | **13,932** |
| | | |
| **Current liabilities** | | |
| Trade and other payable | 1,458 | 2,349 |
| Creditors from subsidiaries | 883 | - |
| **Total current liabilities** | **2,341** | **2,349** |
| **Total Shareholders' equity and liabilities** | **288,372** | **112,566** |

## Condensed standalone income statement

| *PLN (thousands, except per share data and number of shares)* | **For the year ended 31 December 2007 (Unaudited)** | **For the 3 months ended 31 December 2007 (Unaudited)** |
|---|---|---|
| Revenue | 4 | 4 |
| General and administrative cost | (1,233) | (1,186) |
| **Operating Loss** | **(1,229)** | **(1,182)** |
| Finance income | 524 | 521 |
| Finance expense | (423) | (423) |
| **Net finance income** | **101** | **98** |
| **Loss before Result from subsidiaries** | **(1,128)** | **(1,084)** |
| Result from subsidiaries after taxation | **39,962** | **33,452** |
| **Net income** | **38,834** | **32,368** |
| Weighted average number of equivalent shares (basic) | **100,265,099** | **198,280,199** |
| Weighted average number of equivalent shares (diluted) | **101,078,143** | **199,906,286** |
| **Net earnings per share of ( EUR 0.02) each (basic and diluted)** | **0.39** | **0.16** |

## Condensed standalone statement of changes in shareholders' equity

| *In thousands of Polish Zlotys (PLN)* | For the 12 months ended 31 December 2007 (Unaudited) | For the 3 months ended 31 December 2007 (Unaudited) |
|---|---|---|
| **Balance as of the beginning of the period** | **-** | **96,285** |
| Contribution in kind upon incorporation | 92,050 | - |
| Issue of new shares against contribution in kind | 20,129 | - |
| Exclusion of a subsidiary from consolidation | (22,360) | - |
| Capital payment | 700 | 700 |
| Share based payment | 806 | 806 |
| Issue of ordinary shares against cash | 141,519 | 141,519 |
| Net income for the period | 38,834 | 32,368 |
| **Balance at the end of the period** | **271,678** | **271,678** |

## Condensed standalone cash flow statement

| *In thousands of Polish Zlotys (PLN)* | For the 12 months ended 31 December 2007 (Unaudited) | For the 3 months ended 31 December 2007 (Unaudited) |
|---|---|---|
| Cash flows from operating activities | **1,973** | **1,472** |
| Cash flows used in investing activities | **(99,600)** | **(98,900)** |
| Cash flows from financing activities | **142,436** | **142,219** |
| **Increase in cash and cash equivalents** | **44,809** | **44,791** |
| **Cash and cash equivalents at the beginning of the period** | **-** | **18** |
| **Cash and cash equivalents at the end of the period** | **44,809** | **44,809** |

**Additional information to the condensed standalone 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 Company's 2006 combined financial statements included in the Company's prospectus dated 10 October 2007, 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 2006 combined financial statements included in the Company's prospectus dated 10 October 2007, have been prepared in accordance with IFRS adopted by the EU to be used for preparation of consolidated financial reporting. The 31 December 2007 Condensed Unconsolidated Financial Statements should be read in conjunction with the audited 2006 combined financial statements included in the Company's prospectus dated 10 October 2007. In addition, the Company has adopted the standards and interpretations with an effective date before 31 December 2007.

As the significant event for the Group also apply to the Company on a stand-alone basis, reference is made to the Directors' Report where the highlights during 2007 are described.