

Ronson Europe N.V.

Interim Financial Report

for the three months

ended

31 March 2011

Consolidated Quarterly Report for the three months ended 31 March 2011

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Directors' Report

Directors' Report

General

Introduction

Ronson Europe N.V. (hereinafter "the Company"), a Dutch public company with its registered office located in Rotterdam, the Netherlands, was incorporated on 18 June 2007. The Company (together with its subsidiaries, the 'Group') is active in the development and sale of residential units, primarily apartments, in multi-family residential real-estate projects to individual customers in Poland.

The shares of the Company are traded on the Warsaw Stock Exchange since 5 November 2007. As at 31 March 2011, 64.2% of the outstanding shares were held by I.T.R. Dori B.V. (hereinafter "ITR Dori"), whereas 15.3% of the outstanding shares are held by GE Real Estate CE Residential B.V. ('GE Real Estate') and the remaining 20.5% of the outstanding shares are held by other investors including Amplico Otwarty Fundusz Emerytalny and ING Otwarty Fundusz Emerytalny whereby each party is holding an interest of between 5% and 10% of the outstanding shares. For major shareholders of the Company reference is made to page 19. On 12 May 2011, the market price was PLN 1.51 per share giving the Company a market capitalization of PLN 411.3 million.

Company overview

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

The Company aims to maximize value for its shareholders by a selective geographical expansion in Poland as well as the creation of a portfolio of real estate development properties. Management believes the Company has positioned itself strongly to navigate the volatile economic environment the Company has found itself in over the past several years. On the one hand, the Polish economy appears to remain stable and is continuing to improve, which potentially bodes well for the Company's prospects. On the other hand, the debt crisis, which continues to play out in much of Europe may continue to have a negative impact on the Polish economy, and the Company's overall prospects. As a result, the Company continues to adhere to a development strategy that allows it quickly to adjust to these uncertain conditions by spreading risks through closely monitoring and potentially modifying the number of projects and their quality and sizes as well as through considering various other geographical locations to commence development as well as maintaining its conservative financial policy compared to other residential developers.

Until 31 March 2011, the Group has completed fourteen projects comprising 1,768 units with a total area of 131,800 m², having delivered to clients 1,703 units with a total area of 121,600 m². 55 units in these completed projects, with a total area of 9,100 m², are expected to be delivered to clients during the remaining of 2011 (see page 13).

As of the date of this Interim Financial Report, the Group is in the midst of developing ten projects comprising a total of 763 units, with a total area of 54,200 m². In these projects, 58 units, with a total area of 7,100 m², are expected to be completed during the remainder of 2011. Moreover, the Company plans to commence six additional new projects and three new stages of other projects that are currently under construction during the remainder of 2011.

In addition, the Group has a pipeline of 21 projects in different stages of preparation, with approximately 5,100 residential units with a total area of approximately 371,000 m² for future development in Warsaw, Poznań, Wrocław and Szczecin.

Directors' Report

Company overview (cont'd)

Despite challenging market conditions, the Company's sales results have been consistently improving since the fourth quarter of 2008, which was the most difficult period for the Company as well as for the entire market. During 2009, net sales amounted to 263 units with the total value PLN 142.3 million and during 2010, net sales amounted to 270 units with the total value PLN 173.3 million, while during the three months ended 31 March 2011, net sales amounted to 132 units with the total value PLN 73.6 million, which management believes compares favorably to the same three-month period in 2010, when the Company recorded net sales of 85 units, with a total value of PLN 54.4 million. The first quarter 2011 results were in line with the Company plans for the full year 2011. The Company expects to benefit from overall improving markets and from the projects already initiated in late 2010 and in the beginning of 2011. During this year, the Company plans to initiate another six projects and three stages of currently run projects. In order to minimize market risk, management continues to break down these new projects into relatively smaller stages.

In April 2011 the Company issued bonds with an aggregate nominal value and issue price of PLN 87.5 million. The bonds carry an interest rate composed of base rate equal to 6M Wibor and a margin, with interest payable semi-annually and mature in April 2014, with full payment due on the maturity date. The bonds will allow the Company to benefit from market opportunities as they arise and will offer the Company the flexibility to purchase new land parcels, thereby supporting the Company's further development and increasing the scale of its operations. The proceeds from the bonds will also provide the Company with the additional capital required to commence construction of new projects and to adhere to current requirements of the Polish banking sector.

Market overview

The Polish economy has proven to be relatively strong even in the recent turbulent times, which in combination with the general paucity of dwellings in Poland (in comparison to all other European countries) creates, what management believes to be, solid long term prospects for further development of the residential real estate market in spite of the volatility that has characterized the market for the past three years. Management believes the Company is well positioned to adapt to changing market conditions and is preparing new projects for development, which will be distinguished in the market by their location, quality and attractive pricing. The Company's positive sales results during 2010 and through the first quarter of 2011 seem to confirm that the Company has indeed successfully adapted to the changing market environment.

In 2010, construction of over 158,000 new apartments was commenced, which is only 10% lower than in the peak year of 2008. This confirms that many developers were able to prepare projects and arrange relevant financing, which resulted in increased competition and increased expectations of the customers. The Company's management is aware of the increasing demands of the Company's customers and has implemented internal processes aimed at improving customer services and responding positively to customer requirements.

In addition, to further minimize market risk, the Company is now taking a very selective approach when initiating new projects. In the preparation phase of all projects, great emphasis is put on splitting the projects into smaller parts. Management is also cognizant of the tightened credit markets. Accordingly, when planning its newest projects, the Company has prepared for increased costs of debt financing as well as for more demanding debt facility structures that are being imposed by the lending banks.

Directors' Report

Business highlights during the three months ended 31 March 2011

A. Projects completed

During the three months ended 31 March 2011, the Group did not complete the construction of any project.

B. Results breakdown by project

Revenue from the sale of residential units is recognized upon the transfer to the buyer of significant risks and rewards of the ownership of the residential unit, i.e. upon signing of the protocol of technical acceptance and the transfer of the key to the buyer of the residential unit. Total revenue recognized during the three months ended 31 March 2011 amounted to PLN 34.1 million, whereas cost of sales amounted to PLN 28.2 million, which resulted in a gross profit amounting to PLN 5.9 million and a gross margin of 17.3%. The decrease in gross margin is primarily explained by the increase in units delivered to customers in two projects, Constans and Gardenia, having a significant lower gross margin when compared to the average gross profit margin realized by the Group.

The following table specifies revenue, cost of sales and gross profit during the three months ended 31 March 2011 on a project by project basis:

Project name	Information on the delivered units		Revenue ^(*)		Cost of sales ^(**)		Gross profit	Gross margin
	Number of units	Area of units (m ²)	PLN	%	PLN	%	PLN	%
			(thousand)		(thousand)		(thousand)	
Nautica I	9	654	5,867	17.2%	4,520	16.0%	1,347	23.0%
Gemini I	4	355	3,775	11.1%	2,812	10.0%	963	25.5%
Galileo	15	1,199	7,667	22.5%	4,976	17.6%	2,691	35.1%
Imaginarium II	1	111	1,474	4.3%	1,153	4.1%	321	21.8%
Constans I + II	3	853	4,927	14.4%	4,623	16.4%	304	6.2%
Gardenia	14	2,321	9,587	28.1%	9,587	34.0%	-	0.0%
Imaginarium I	1	59	612	1.8%	404	1.4%	208	34.0%
Other	N.A	N.A	220	0.6%	137	0.5%	83	37.7%
Total / Average	47	5,552	34,129	100.0%	28,212	100.0%	5,917	17.3%

(*) Revenue is recognized upon the transfer of significant risks and rewards of the ownership of the residential unit to the buyer, i.e. upon signing of the protocol of technical acceptance and the transfer of the key of the residential unit to the buyer.

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

Nautica I

The construction of the Nautica I project was completed in June 2010. The Nautica I project was developed on a land strip of 9,698 m² located in the Ursynów district in Warsaw (Stryjeńskich Street). The project comprises 4 five-storey, multi-family residential buildings with a total of 148 apartments and 1 commercial unit and an aggregate floor space of 10,648 m².

Gemini I

The construction of the Gemini I project was completed in June 2010. The Gemini I project was developed on a land strip of 3,929 m² located in the Ursynów district in Warsaw (KEN Street) situated next to the subway station Imielin. The project comprises one multifamily building of 11 levels with a total of 149 apartments and 15 commercial units with an aggregate floor space of 13,126 m².

Directors' Report

Business highlights during the three months ended 31 March 2011 (cont'd)***B. Results breakdown by project (cont'd)******Galileo***

The construction of the Galileo project was completed in March 2009. The Galileo project was developed on a land strip of 8,598 m² located in the city center district of Poznań. The Galileo housing project comprises 5 six-storey, multi-family residential buildings with a total of 226 apartments and 6 commercial units with an aggregate floor space of 16,700 m².

Imaginarium II

The construction of the Imaginarium II housing estate was completed in August 2009. This project was developed on part of a land strip of 7,042 m² located in the Bielany district in Warsaw. The Imaginarium II housing estate comprises 3 four-storey, multi-family buildings with total 65 apartments with an aggregate usable floor space of 4,700 m².

Constans I + II

The first and second phases of the Constans housing project were completed in July 2010 and November 2010, respectively. This project was developed on part of a land strip of 36,377 m² located in Konstancin near Warsaw. The first and the second phases of the Constans housing project comprise 8 semi-detached units (total 16 units) with an aggregate floor space of 4,471 m² and 5 semi-detached units (total 10 units) with an aggregate floor space of 2,808 m², respectively.

Gardenia

The Gardenia project was completed in December 2010. The project was developed on a land strip of 7,129 m² located in Józefosław near Warsaw. The Gardenia project, a single family housing (houses in a row) project, comprise 22 units with an aggregate floor space of 3,683 m².

Imaginarium I

The construction of the Imaginarium I housing estate was completed in August 2008. This project was developed on part of a land strip of 10,343 m² located in the Bielany district in Warsaw. The Imaginarium I housing estate comprises two-storey buildings with a total of 58 apartments with an aggregate floor space of 3,983 m².

Other

Other revenues are mainly associated with sales of the parking places and storages in other projects that were completed in previous years, as well as rental revenues.

Directors' Report**Business highlights during the three months ended 31 March 2011 (cont'd)****C. Units sold during the year**

The table below presents information on the total units sold (i.e. total number of units for which the Company signed the preliminary sale agreements with the clients), during the three months ended 31 March 2011:

Project name	Location	Units sold until 31 December 2010	Units sold during the 3 months ended 31 March 2011	Units for sale as at 31 March 2011	Total
Nautica I (*)	Warsaw	147	-	2	149
Gemini I (*)	Warsaw	154	-	2	156
Galileo (*)	Poznań	212	6	13	231
Imaginarium II (*)	Warsaw	64	(1)	2	65
Constans I + II (*)	Warsaw	8	1	17	26
Gardenia (*)	Warsaw	16	6	-	22
Imaginarium III (**)	Warsaw	31	5	9	45
Gemini II (**)	Warsaw	-	75	107	182
Constans III (**)	Warsaw	-	-	10	10
Nautica II (**)	Warsaw	1	1	1	3
Naturalis I (**)	Warsaw	10	2	40	52
Naturalis II (**)	Warsaw	-	3	57	60
Sakura I (**)	Warsaw	13	21	86	120
Verdis I (**)	Warsaw	8	10	121	139
Impressio I (**)	Wrocław	1	3	66	70
Panoramica I (**)	Szczecin	-	-	82	82
Total		665	132	615	1,412

(*) For information on the completed projects see "Business highlights during the three months ended 31 March 2011 – B. Results breakdown by project" (pages 3 and 4).

(**) For information on current projects under construction, see "Outlook for the remainder of 2011 – B. Current projects under construction" (pages 13-16).

D. Commencements of new projects

During the three months ended 31 March 2011, the Group commenced the construction of one project/stage, Gemini II, that comprises 182 units (including 167 apartments and 15 commercial units) and with a total area of 13,700 m². For additional information see section "Outlook for the remainder of 2011 – B. Current projects under construction" (pages 13-16).

E. Land purchase

In January 2011, the Group acquired a parcel of land with an area of 7,239 m² located in Warsaw, Wola District, at Jana Kazimierza Street ("Land 2"). Land 2 is located nearby a plot of land with an area of 8,953 m² which the Group had purchased during 2010 ("Land 1").

In combination, Land 1 and Land 2 shall allow the Group to build multifamily buildings that will comprise 639 units with an aggregate floor space of 35,000 m².

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Financial information

The Interim Condensed Consolidated Financial Statements as included in this Interim Financial Report on pages 21 through 36 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), in particular in accordance with IAS 34 and IFRSs endorsed by the European Union. At the date of authorisation of these Interim Condensed Consolidated Financial Statements, in light of the current process of IFRS endorsement in the European Union and the nature of the Group's activities, there is no difference between the IFRSs applied by the Group and the IFRSs endorsed by the European Union. IFRSs comprise standards and interpretations accepted by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

The Interim Condensed Consolidated Financial Statements do not include all the information and disclosures required in annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2010. For additional information see Note 3 of the Interim Condensed Consolidated Financial Statements.

Overview of results

The Company's net income for the three months ended 31 March 2011 was PLN 2,787 thousand and can be summarized as follows:

	For the three months ended	
	31 March	
	2011	2010
	PLN	
	(thousands, except per share data)	
Revenue	34,129	23,895
Cost of sales	(28,212)	(15,680)
Gross profit	5,917	8,215
Selling and marketing expenses	(699)	(947)
Administrative expenses	(3,414)	(3,207)
Other expenses	(555)	(2,920)
Other income	396	295
Result from operating activities	1,645	1,436
Finance income	788	356
Finance expense	(241)	(117)
Net finance income	547	239
Profit before taxation	2,192	1,675
Income taxes benefit/(expense)	595	(342)
Profit for the period	2,787	1,333
Net earnings per share (basic and diluted)	0.010	0.005

Directors' Report

Overview of results (cont'd)

Revenue

Total revenue increased by PLN 10.2 million (42.8%) from PLN 23.9 million during the three months ended 31 March 2010 to PLN 34.1 million during the three months ended 31 March 2011, which is primarily explained by an increase in apartments delivered to the customers in terms of area size (in m²), offset in part by a decrease in average selling price per m² due to the increase in delivering houses which in general have a lower price per m² when compared to apartments.

Cost of sales

Cost of sales increased by PLN 12.5 million (79.9%) from PLN 15.7 million during the three months ended 31 March 2010 to PLN 28.2 million during the three months ended 31 March 2011, which is primarily explained by an increase in houses and apartments delivered to the customers in terms of area size (in m²).

Gross margin

The gross margin during the three months ended 31 March 2011 is 17.3% which compares to a gross margin during the three months ended 31 March 2010 of 34.4%. The decrease in gross margin is primarily explained by the increase in units delivered to customers in two projects, Constans and Gardenia, having a significant lower gross margin when compared to the average gross profit margin realized by the Group.

Selling and marketing expenses

Selling and marketing expenses decreased by PLN 0.2 million (26.2%) from PLN 0.9 million for the three months ended 31 March 2010 to PLN 0.7 million for the three months ended 31 March 2011. The Company decided to diminish selling and marketing activities in the first quarter of 2011, which explains the relatively low amount of selling and marketing expenses during that period.

Administrative expenses

Administrative expenses increased by PLN 0.2 million (6.5%) from PLN 3.2 million during the three months ended 31 March 2010 to PLN 3.4 million during the three months ended 31 March 2011. The increase is primarily the net effect of increasing personnel expenses, which reflects the growing scale of the Company's operations.

Other expenses

Other expenses decreased by PLN 2.4 million (81.0%) from PLN 2.9 million for the three months ended 31 March 2010 to PLN 0.5 million for the three months ended 31 March 2011 which is primarily explained by one-time event related to the write-down expense in connection with the aborted Aurora project amounting to PLN 2.5 million during the three months ended 31 March 2010.

Operating profit

As a result of the factors described above, the Company's operating result increased by PLN 0.2 million (14.6%) from an operating profit of PLN 1.4 million for the three months ended 31 March 2010 to an operating profit of PLN 1.6 million for the three months ended 31 March 2011.

Directors' Report**Overview of results (cont'd)***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 three months ended 31 March 2011		
	PLN (thousands)		
	<u>Total amount</u>	<u>Amount capitalized</u>	<u>Recognized as profit or loss</u>
Finance income	796	(8)	788
Finance expense	<u>(3,088)</u>	<u>2,847</u>	<u>(241)</u>
Net finance (expense)/income	<u>(2,292)</u>	<u>2,839</u>	<u>547</u>

	For the three months ended 31 March 2010		
	PLN (thousands)		
	<u>Total amount</u>	<u>Amount capitalized</u>	<u>Recognized as profit or loss</u>
Finance income	376	20	356
Finance expense	<u>(4,479)</u>	<u>(4,362)</u>	<u>(117)</u>
Net finance (expense)/income	<u>(4,103)</u>	<u>(4,342)</u>	<u>239</u>

Net finance expenses before capitalization decreased by PLN 1.8 million (44.1%) from PLN 4.1 million during the three months ended 31 March 2010 to PLN 2.3 million during the three months ended 31 March 2011 which is a result of a decrease in finance expense due to a decrease in bank loans, as well as an increase in finance income due to an increase in short-term deposits kept by the Company on bank accounts.

Income tax benefit/(expense)

The effective tax rate for the three months ended 31 March 2011 is -27.1% in comparison to 20.4% for the three months ended 31 March 2010. The decrease in the effective tax rate is explained by the recognition of tax assets created following an organisational restructuring of the Group, which allowed the Company to utilize certain tax losses that in prior periods were deemed not to be usable.

Directors' Report**Overview of selected details from the Interim Consolidated Statement of Financial Position**

The following table presents selected details from the Interim Consolidated Statement of Financial Position in which material changes have occurred.

	As at 31 March 2011	As at 31 December 2010
	PLN (thousands)	
Inventory	<u>543,857</u>	<u>543,529</u>
Advances received	<u>45,504</u>	<u>44,347</u>
Loans and borrowings	<u>151,169</u>	<u>182,475</u>

Inventory

The balance of inventory is PLN 543.9 million as of 31 March 2011 as compared to PLN 543.5 million as of 31 December 2010. Inventory increased primarily as a result of the Group's investments associated with direct construction costs for a total amount of PLN 19.6 million, an increase in Land and related expense for a total amount of PLN 4.6 million and a net finance expense capitalized for a total amount of PLN 2.8 million. The increase is offset by cost of sales recognized for a total amount of PLN 29.3 million.

Advances received

The balance of advances received is PLN 45.5 million as of 31 March 2011 as compared to PLN 44.3 million as of 31 December 2010. The increase is a result of advances received from clients regarding sales of residential units for a total amount PLN 35.3 million, which increase is mitigated by revenues recognized from the sale of residential units for a total amount of PLN 34.1 million.

Loans and borrowings

The total of short-term and long-term loans and borrowings is PLN 151.2 million as of 31 March 2011 compared to PLN 182.5 million as of 31 December 2010. The decrease is primarily the effect of repayments of the bank loans taken by the Group for the purpose of acquisition of land parcels for a total amount of PLN 4.3 million and a repayment of loans received from related parties amounting to PLN 26.5 million (repayment related to the principal amount only). Of the mentioned PLN 151.2 million, an amount of PLN 40.2 million comprises facilities with maturity dates not later than 31 March 2012.

The maturity structure of the loans and borrowings reflects the Company's activities in the past 3 to 4 years to partially refinance some of its land acquisitions with short-term and medium-term banking facilities. In addition, for the majority of projects where construction works have already commenced, the Company also entered into loan agreements regarding the financing of construction costs. The Company intends to repay its loans and borrowings, both received for land purchases as well as for construction works from the proceeds expected from customers buying apartments in the projects co-financed with the particular loans.

Directors' Report

Overview of selected details from the Interim Consolidated Statement of Financial Position (cont'd)

Loans and borrowings (cont'd)

The loans and borrowings may be split into four categories: 1) loans from shareholders, 2) banking loans related to residential projects which are completed or under construction, 3) banking loans granted for the financing of land purchases related to projects where the Company has not entered into loan facilities regarding the financing of construction works, and 4) loans from third parties.

Loans from shareholders (related parties) as at 31 March 2011 amounted to PLN 27.4 million comprising a loan principal amount of PLN 26.5 million plus accrued interest of PLN 0.9 million. These loans mature in December 2011.

The bank loans supporting completed projects or projects under construction are tailored to the pace of construction works and of sales. As at 31 March 2011, loans in this category amounted to PLN 34.8 million.

The bank loans granted to finance the land purchases as at 31 March 2011 amounted to PLN 84.9 million in total.

Loans from third parties as at 31 March 2011 amounted to PLN 4.1 million.

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

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

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

	For the three months ended	
	31 March	
	2011	2010
	PLN (thousands)	
Cash flows from/(used in) operating activities	<u>10,713</u>	<u>32,791</u>
Cash flows from investing activities	<u>(6,189)</u>	<u>172</u>
Cash flow (used in)/from financing activities	<u>(32,530)</u>	<u>(40,184)</u>

Cash flows from operating activities totaled PLN 10.7 million for the three months ended 31 March 2011 compared to cash flows from operating activities amounting to PLN 32.8 million during the three months ended 31 March 2010. The decrease is principally due to a decrease in (net) cash flow from advances received from clients regarding sales of residential units from PLN 36.9 million during the three months ended 31 March 2010 (comprising a gross receipt of PLN 60.8 million which was mitigated by revenue recognized for an amount of PLN 23.9 million), to PLN 1.2 million during the three months ended 31 March 2011 (comprising a gross receipt from customers of PLN 35.3 million mitigated by revenue recognized for a total amount of PLN 34.1 million).

The decrease was only partially offset by increases in cash flows from other categories such as the cash inflow from 'trade and other payables and accrued expense' which amounted to PLN 3.2 million during the three months ended 31 March 2011 compared to a cash outflow amounting to PLN 4.0 million during the three months ended 31 March 2010.

Cash flows used in investing activities amounting to PLN 6.2 million during the three months ended 31 March 2011 compared to cash flows from financing activities totaling PLN 0.2 million during the three months ended 31 March 2010. The movement is principally explained by:

- the granting of loans to third parties (joint venture entity Landex Sp. z o.o.) amounting to PLN 3.6 million during the three months ended 31 March 2011 whereas no such loans were granted during the three months ended 31 March 2010, and
- a decrease in collateralized short-term bank deposits amounting to PLN 2.4 million during the three months ended 31 March 2011 compared to an increase in collateralized short-term bank deposits of PLN 2.8 million during the three months ended 31 March 2010.

Cash flows used in financing activities totaled PLN 32.5 million during the three months ended 31 March 2011 compared to cash flows used in financing activities totaling PLN 40.2 million in the three months ended 31 March 2010. The decrease is primarily due to a repayment of secured bank loans amounting to PLN 4.3 million during the three months ended 31 March 2011 compared to a repayment of secured bank loans amounting to PLN 43.4 million during the three months ended 31 March 2010. The decrease is only partially offset by a repayment of related parties loans amounting to PLN 26.5 million during the three months ended 31 March 2011 compared to nil during the three months ended 31 March 2010.

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
2011 (3 months)	3.948	3.840	4.080	4.012
2010 (3 months)	3.987	3.862	4.111	3.862

Source: National Bank of Poland ("NBP")

Selected financial data	EUR		PLN	
	(thousands, except per share data and number of shares)			
	For the three months ended or as at 31 March			
	2011	2010	2011	2010
Revenues	8,645	5,993	34,129	23,895
Gross profit	1,499	2,060	5,917	8,215
Profit before taxation	555	420	2,192	1,675
Profit for the period	706	334	2,787	1,333
Cash flows from operating activities	2,714	8,224	10,713	32,791
Cash flows from/(used in) investment activities	(1,568)	43	(6,189)	172
Cash flows used in financing activities	(8,240)	(10,079)	(32,530)	(40,184)
Decrease in cash and cash equivalents	(7,094)	(1,811)	(28,006)	(7,221)
Inventory	135,558	167,466	543,857	646,753
Total assets	161,823	189,368	649,235	731,340
Advances received	11,342	28,552	45,504	110,267
Long term liabilities	28,839	20,337	115,702	78,543
Short term liabilities (including advances received)	28,257	69,712	113,369	269,229
Shareholders' equity	104,727	99,318	420,164	383,568
Share capital	5,054	5,376	20,762	20,762
Average number of equivalent shares (basic)	272,360,000	272,360,000	272,360,000	272,360,000
Average number of equivalent shares (diluted)	272,999,333	272,999,333	272,999,333	272,999,333
Net earnings per share (basic and diluted)	0.003	0.001	0.010	0.005

* Information is presented in EUR solely for presentation purposes. Due to changes in the Polish Zloty against the Euro exchange rate over the past year, the Statement of Financial Position data may not accurately reflect the actual comparative financial position of the Company. The reader should consider changes in the PLN / EUR exchange rate from 1 January 2010 to 31 March 2011, when reviewing this data.

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

(i) Statement of financial position data were translated using the period end exchange rate published by the National Bank of Poland for the last day of the period.

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

Directors' Report

Outlook for remainder of 2011

A. Completed projects

The table below presents information on the total residential units in the six completed projects that the Company expects to sell and deliver during the remainder of 2011:

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 2011
			Until 31 December 2010	During the 3 months ended 31 March 2011	Total	Until 31 December 2010	During the 3 months ended 31 March 2011	Total	
Galileo ^(**)	Poznań	231	212	6	218	195	15	210	21
Constans I+II ^(**)	Warsaw	26	8	1	9	2	3	5	21
Gardenia ^(**)	Warsaw	22	16	6	22	3	14	17	5
Nautica I ^(**)	Warsaw	149	147	-	147	137	9	146	3
Imaginarium II ^(**)	Warsaw	65	64	(1)	63	62	1	63	2
Gemini I ^(**)	Warsaw	156	154	-	154	149	4	153	3
Total		649	601	12	613	548	46	594	55

^(*) For the purpose of disclosing information related to the particular projects, the word "sell" ("sold") is used, that relates to signing the preliminary sale agreement with the client for the sale of the apartment; whereas the word "deliver" ("delivered") relates to the transferring of significant risks and rewards of the ownership of the residential unit to the client.

^(**) For information on the completed projects see "Business highlights during the year ended 31 March 2011 – B. Results breakdown by project" (pages 3 to 4).

B. Current projects under construction

The table below presents information on ten projects for which completion is scheduled in the remainder of 2011 and 2012. The Company has obtained construction permits for all ten projects and has commenced construction.

Project name	Location	Total area of units (m ²)	Total units	Units sold until 31 March 2011	Expected completion of construction
Constans III	Warsaw	2,700	10	-	2011
Imaginarium III	Warsaw	3,800	45	36	2011
Nautica II	Warsaw	600	3	2	2011
Naturalis I	Warsaw	2,900	52	12	2012
Naturalis II	Warsaw	3,400	60	3	2012
Sakura I	Warsaw	8,100	120 ⁽¹⁾	34	2012
Verdis I	Warsaw	9,400	139 ⁽²⁾	18	2012
Impressio I	Wrocław	4,400	70	4	2012
Panoramika I	Szczecin	5,200	82	-	2012
Gemini II	Warsaw	13,700	182 ⁽³⁾	75	2012
Total		54,200	763	184	

⁽¹⁾ Including 99 apartments and 21 commercial units.

⁽²⁾ Including 128 apartments and 11 commercial units.

⁽³⁾ Including 167 apartments and 15 commercial units.

Directors' Report

Outlook for remainder of 2011 (cont'd)

B. Current projects under construction (cont'd)

Constans III

Description of project

The third phase of the Constans housing project is being developed on a land strip of 36,377 m² located in Konstancin near Warsaw and will comprise 5 semi-detached houses (total 10 units) with an aggregate floor space of 2,700 m².

Stage of development

Construction of the Constans project commenced in February 2008 and is expected to be completed in the second quarter of 2011.

Imaginarium III

Description of project

The Imaginarium III project is being developed on a land strip of 7,600 m² located in the Bielany district in Warsaw (Gwiaździsta Street) and is situated next to the Imaginarium I and Imaginarium II projects. The project is a continuation of the Imaginarium I and Imaginarium II concept in terms of quality and design. The Imaginarium III housing estate comprises 2 four-storey, multi-family buildings with total 45 apartments with an aggregate usable floor space of 3,800 m².

Stage of development

The construction of the Imaginarium III project commenced in May 2010 and is expected to be completed in the third quarter of 2011.

Nautica II

Description of project

The Nautica II project is being developed on a land strip of 1,051 m² located in the Ursynów district in Warsaw (Stryjeńskich Street). The project will comprise one semi-detached unit and one house (in total 3 units) with an aggregate floor space of 600 m².

Stage of development

The construction of the Nautica II project commenced in June 2010 and is expected to be completed in the second quarter of 2011.

Naturalis I and II

Description of project

The first and second phases of the Naturalis project are being developed on a part of a land strip of 31,800 m² located in Łomianki near Warsaw. The first and the second phases of this project will comprise 1 four-storey, multi-family residential building with a total of 52 apartments and an aggregate floor space of 2,900 m² and 1 four-storey, multi-family residential building with a total of 60 apartments and an aggregate floor space of 3,400 m², respectively. In total the Naturalis project shall comprise around 490 units with a total estimated flat usable area of 30,200 m².

Stage of development

The construction of the first and the second phases of the Naturalis project commenced in September 2010 and December 2010, respectively, and is expected to be completed in the second quarter of 2012 for both phases.

Directors' Report

Outlook for remainder of 2011 (cont'd)

B. Current projects under construction (cont'd)

Sakura I

Description of project

The first phase of the Sakura project is being developed on a part of a land strip of 21,000 m² located in the Mokotów district in Warsaw (Kłobucka Street). The first phase of this project will comprise 1 eleven-storey, multi-family residential building with a total of 99 apartments and 21 commercial units and an aggregate floor space of 8,100 m². In total, the Sakura project shall comprise around 450 units with a total estimated flat usable area of 30,500 m².

Stage of development

The construction of the first phase of the Sakura project commenced in September 2010 and is expected to be completed in the second quarter of 2012.

Verdis I

Description of project

The first phase of the Verdis project is being developed on a part of a land strip of 16,300 m² located in the Wola district in Warsaw (Sowińskiego Street). The first phase of this project will comprise 3 seven, eight and ten-storey, multi-family residential buildings with a total of 128 apartments and 11 commercial units and an aggregate floor space of 9,400 m². In total, the Verdis project shall comprise around 380 units with a total estimated flat usable area of 26,100 m².

Stage of development

The construction of the project commenced in November 2010 and is expected to be completed in the third quarter of 2012.

Impressio I

Description of project

The first phase of the Impressio project is being developed on a part of a land strip of 14,500 m² located in the Grabiszyn district in Wrocław. The first phase of this project will comprise 3 four-storey, multi-family residential buildings with a total of 70 apartments and an aggregate floor space of 4,400 m². In total, the Impressio project shall comprise around 190 units with a total estimated flat usable area of 12,800 m².

Stage of development

The construction of the project commenced in October 2010 and is expected to be completed in the second quarter of 2012.

Panoramika I (previously named Mozart)

Description of project

The first phase of the Panoramika project is being developed on a part of a land strip of 30,300 m² located in Szczecin at Duńska Street. The first phase of this project will comprise 2 four and five-storey, multi-family residential buildings with a total of 82 apartments and an aggregate floor space of 5,200 m². In total, the Panoramika project shall comprise around 499 units with a total estimated flat usable area of 36,600 m².

Stage of development

The construction of the project commenced in November 2010 and is expected to be completed in the third quarter of 2012.

Directors' Report

Outlook for remainder of 2011 (cont'd)

B. Current projects under construction (cont'd)

Gemini II

Description of project

The Gemini II project is being developed on a part of a land strip of 4,703 m² located in the Ursynów district in Warsaw (KEN Avenue) situated next to the subway station Imielin, that it is continuation of Gemini I that was completed in 2010. The Gemini II project will comprise 2 eight and eleven-storey, multi-family residential buildings with a total of 167 apartments and 15 commercial units and an aggregate floor space of 13,700 m².

Stage of development

The construction of the project commenced in March 2011 and is expected to be completed in the fourth quarter of 2012.

C. Projects for which construction work is planned to commence during the remainder of 2011

As the Company expects to benefit from overall improving markets, the Company is planning to initiate during 2011 another six projects and three stages of currently run projects. However, in order to minimize the market risk, the management of the Company is breaking down the new projects into relatively smaller stages. Moreover, the commencement plan assumes gradual openings spread during the next few quarters and, consistent with the Company's policy, in the event of any market deterioration or difficulties with securing financing by the banks for the considered projects, management may delay some of those plans.

a) New Projects

Magellan

The Magellan project will be developed on a part of a land strip of 12,150 m² located in Warsaw at Magazynowa Street. The project will comprise 271 units with an aggregate floor space of 21,000 m² and will be divided into 2 or more phases. The Company is considering opening the first phase of this project during 2011. The first stage is to comprise 136 units with an aggregate floor space of 10,500 m².

Picasso

The Picasso project will be developed on a land strip of 8,121 m² located in Wrocław at Na Grobli Street. The project will comprise 158 units with an aggregate floor space of 7,500 m². The Company is considering opening this project during 2011.

Matisse

The Matisse project will be developed on a part of land strip of 25,411 m² located in Wrocław at Buforowa Street. The project will comprise 329 units with an aggregate floor space of 24,600 m² and will be divided into 3 or more phases. The Company is considering opening the first phase of this project during 2011. The first stage is to comprise 105 units with an aggregate floor space of 7,500 m².

Copernicus

The Copernicus project will be developed on a land strip of 5,605 m² located in Poznań at Kościelna Street. The project will comprise 283 units with an aggregate floor space of 17,500 m². The Company is considering opening the project during 2011.

Directors' Report

Outlook for remainder of 2011 (cont'd)***C. Projects for which construction work is planned to commence during the remainder of 2011 (cont'd)******a) New Projects (cont'd)******Plejada***

The Plejada project will be developed on a part of a land strip of 39,604 m² located in Tulce near Poznań. The project will comprise 274 units with an aggregate floor space of 17,800 m² and will be divided into 8 or more phases. The Company is considering opening the first phase and second phase of this project during 2011. The first and second stage is to comprise 30 houses with an aggregate floor space of 2,057 m² and 20 houses with an aggregate floor space of 1,371 m², respectively.

Jana Kazimierza

The Jana Kazimierza project will be developed on a part of a land strip of 16,192 m² located in Warszawa at Jana Kazimierza Street. The project will comprise 639 units with an aggregate floor space of 35,100 m² and will be divided into 4 stages. The Company is considering opening the first phase of this project during 2011. The first stage is to comprise 167 units with an aggregate floor space of 9,100 m².

b) New stages of running projects***Sakura II***

The Sakura II project is a continuation of Sakura I which is currently under construction. The project will comprise 136 units with an aggregate floor space of 8,200 m². The Company is considering commencing development of this project during the fourth quarter of 2011.

Verdis II

The Verdis II project is a continuation of Verdis I which is currently under construction. The project will comprise 63 units with an aggregate floor space of 5,000 m². The Company is considering commencing development of this project during the fourth quarter of 2011.

Impressio II

The Impressio II project is continuation of Impressio I which is currently under construction. The project will comprise 120 units with an aggregate floor space of 8,400 m². The Company is considering commencing development of this project during the fourth quarter of 2011.

Directors' Report**Outlook for remainder of 2011 (cont'd)*****D. Value of the preliminary sales agreements signed with clients for which revenue has not been recognized in the Consolidated Statement of Comprehensive Income for the three months ended 31 March 2011***

The current volume and value of the preliminary sales agreements signed with the clients do not impact the Statement of Comprehensive Income account immediately but only after final settlement of the contracts with the customers (for more details see under "A" above on page 13). The table below presents the value of the preliminary sales agreements executed with the Company's clients in particular for units that have not been recognized in the Consolidated Statement of Comprehensive Income:

Project name	Location	Value of the preliminary sales agreements signed with clients in thousands of PLN	Completed / expected completion of construction
Nautica I ^(*)	Warsaw	885	Completed
Gemini I ^(*)	Warsaw	709	Completed
Galileo ^(*)	Poznań	4,813	Completed
Constans I+II ^(*)	Warsaw	6,446	Completed
Gardenia ^(*)	Warsaw	3,417	Completed
Imaginarium III ^(**)	Warsaw	30,115	2011
Nautica II ^(**)	Warsaw	3,492	2011
Naturalis I ^(**)	Warsaw	3,041	2012
Naturalis II ^(**)	Warsaw	628	2012
Sakura I ^(**)	Warsaw	15,839	2012
Verdis I ^(**)	Warsaw	7,460	2012
Impressio I ^(**)	Wrocław	2,775	2012
Gemini II ^(**)	Wrocław	43,275	2012
Total		122,895	

^(*) For information on the completed projects see "Business highlights during the three months ended 31 March 2011 – B. Results breakdown by project" (pages 3 and 4).

^(**) For information on current projects under construction, see under "B" above (pages 13-16).

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 three months ended 31 March 2011 (12 May 2011), 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 May 2011 Number of shares / % of shares	Increase in number of shares	As of 31 March 2011 Number of shares / % of shares	Increase in number of shares	As of 31 December 2010 Number of shares / % of shares
<i>Shares issued</i>	272,360,000	-	272,360,000	-	272,360,000
<i>Major shareholders:</i>					
I.T.R. Dori B.V.	174,898,374 64.2%	-	174,898,374 64.2%	-	174,898,374 64.2%
GE Real Estate CE Residential B.V.	41,800,000 15.3%	-	41,800,000 15.3%	-	41,800,000 15.3%
Amplico Otworthy Fundusz Emerytalny	N/A Between 5%-10%.	N/A	N/A Between 5%-10%.	N/A	N/A Between 5%-10%.
ING Otworthy Fundusz Emerytalny	N/A Between 5%-10%.	N/A	N/A Between 5%-10%.	N/A	N/A Between 5%-10%.

Changes in ownership of shares and rights to shares by Management Board members in the three months ended 31 March 2011 and until the date of publication of this report*Shares*

The members of the Management Board did not individually own or receive shares in the Company during the period from 1 January 2011 until 12 May 2011, with the exception of Mr David Katz who until 17 April 2011 indirectly held 5.5% of the shares and voting rights in a 50% shareholder of I.T.R Dori B.V. and, as a result, thus indirectly held a 1.8% interest in the Company. His indirect ownership in the Company did not change during the period from 1 January 2011 until 17 April 2011. His indirect ownership was ended as a result of the sale of Mr. Katz's shares in the company through which he held the indirect ownership in I.T.R. Dori B.V. and the Company.

Shares options

The members of the Management Board did not individually receive rights to shares or options on shares in the Company during the period from 1 January 2011 until 12 May 2011. Rights to shares that were granted to individual members of the Management Board before 1 January 2011 but which have not been exercised are as follows:

- Mr Andrzej Gutowski: 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 PLN 5.75, one third per year on the anniversary date of the date of 5 November 2007 for three successive years.

Directors' Report

Additional information to the report (cont'd)

Changes in ownership of shares and rights to shares by Supervisory Board members in the three months ended 31 March 2011 and until the date of publication of this 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 1 January 2011 until 12 May 2011, with the exception of Mr Uri Dori who until 17 April 2011 indirectly held 31.4% of the shares and voting rights in a 50% shareholder of I.T.R Dori B.V. and, as a result, thus indirectly held a 10.1% interest in the Company. Mr Dori's indirect ownership in the Company did not change during the period from 1 January 2011 until 17 April 2011. His indirect ownership was ended as a result of the sale of Mr. Dori's shares in the company through which he held the indirect ownership in I.T.R. Dori B.V. and the Company.

Other

As of 31 March 2011, the Company has issued guarantees for bank loans granted to subsidiaries amounting to a total of PLN 32,905 thousand.

As of 31 March 2011, the Group had no litigations for claims or liabilities that in total would exceed 10% of the Group's equity.

The following net movements in the Group's main provisions took place during the three months ended 31 March 2011:

- a decrease in the provision for deferred tax liabilities of PLN 578 thousand;
- a decrease in the provision for expected costs of development of certain plots of land owned by the Group according to the conditions imposed by local authorities of PLN 1,000 thousand.

Responsibility statement

The Management Board confirms that, to the best of its knowledge, these Interim Condensed Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), in particular in accordance with IAS 34 and IFRSs endorsed by the European Union. At the date of authorisation of these Interim Condensed Consolidated Financial Statements, in light of the current process of IFRS endorsement in the European Union and the nature of the Group's activities, there is no difference between the IFRSs applied by the Group and the IFRSs endorsed by the European Union. IFRSs comprise standards and interpretations accepted by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC"). The Interim Condensed Consolidated Financial Statements give a true and fair view of the state of affairs of the Group at 31 March 2011 and of the net result for the period then ended.

The Directors' report in this Interim Financial Report gives a true and fair view of the situation on the balance sheet date and of developments during the three months period together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

The Management Board

Shraga Weisman
 Chief Executive Officer

Tomasz Łapiński
 Chief Financial Officer

Andrzej Gutowski
 Sales and Marketing Director

Amos Weltsch

David Katz

Karol Pilniewicz

Rotterdam, 12 May 2011

Interim Condensed Consolidated Financial Statements for the three months ended 31 March 2011

Interim Consolidated Statement of Financial Position

As at		31 March 2011 (Unaudited/ Unreviewed)	31 December 2010 (Audited)
<i>In thousands of Polish Zlotys (PLN)</i>	<i>Note</i>		
Assets			
Property and equipment		8,435	8,371
Investment property		8,740	8,740
Loans granted to third parties		4,229	544
Deferred tax assets		3,491	3,444
Total non-current assets		24,895	21,099
Inventory	9	543,857	543,529
Trade and other receivables and prepayments		8,937	13,280
Income tax receivable		655	649
Short-term bank deposits - collateralized		4,009	1,585
Cash and cash equivalents		66,882	94,888
Total current assets		624,340	653,931
Total assets		649,235	675,030
Equity			
Shareholders' equity			
Share capital		20,762	20,762
Share premium		282,873	282,873
Retained earnings		116,529	113,742
Total shareholders' equity		420,164	417,377
Liabilities			
Secured bank loans	10	106,814	49,213
Loans from third parties		4,135	4,032
Deferred tax liability		4,753	5,331
Total non-current liabilities		115,702	58,576
Trade and other payables and accrued expenses		22,212	18,953
Loans from related parties	11	27,431	53,218
Secured bank loans	10	12,789	74,701
Loans from third parties		-	1,311
Advances received		45,504	44,347
Income tax payable		18	43
Provisions		5,415	6,504
Total current liabilities		113,369	199,077
Total liabilities		229,071	257,653
Total equity and liabilities		649,235	675,030

*The notes included on pages 25 to 36 are an integral part
of these interim condensed consolidated financial statements*

Interim Condensed Consolidated Financial Statements for the three months ended 31 March 2011

Interim Consolidated Statement of Comprehensive Income

<i>PLN (thousands, except per share data and number of shares)</i>	<i>Note</i>	For the 3 months ended 31 March 2011 (Unaudited/ Unreviewed)	For the 3 months ended 31 March 2010 (Unaudited/ Unreviewed)
Revenue		34,129	23,895
Cost of sales		(28,212)	(15,680)
Gross profit		5,917	8,215
Selling and marketing expenses		(699)	(947)
Administrative expenses		(3,414)	(3,207)
Other expenses		(555)	(2,920)
Other income		396	295
Result from operating activities		1,645	1,436
Finance income		788	356
Finance expense		(241)	(117)
Net finance income		547	239
Profit before taxation		2,192	1,675
Income tax benefit/(expense)	12	595	(342)
Profit for the period		2,787	1,333
Other comprehensive income		-	-
Total comprehensive income		2,787	1,333
Weighted average number of equivalent shares (basic)		272,360,000	272,360,000
Weighted average number of equivalent shares (diluted)		272,999,333	272,999,333
Net earnings per share (basic)		0.010	0.005
Net earnings per share (diluted)		0.010	0.005

*The notes included on pages 25 to 36 are an integral part
of these interim condensed consolidated financial statements*

Interim Condensed Consolidated Financial Statements for the three months ended 31 March 2011**Interim Consolidated Statement of Changes in Equity**

<i>In thousands of Polish Zlotys (PLN)</i>	<u>Share capital</u>	<u>Share premium</u>	<u>Retained earnings</u>	<u>Total equity</u>
Balance at 1 January 2011	20,762	282,873	113,742	417,377
Net profit for the three months ended 31 March 2011	-	-	2,787	2,787
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	2,787	2,787
Share-based payments (note 13)	-	-	-	-
Balance at 31 March 2011 (Unaudited /Unreviewed)	20,762	282,873	116,529	420,164

<i>In thousands of Polish Zlotys (PLN)</i>	<u>Share capital</u>	<u>Share premium</u>	<u>Retained earnings</u>	<u>Total equity</u>
Balance at 1 January 2010	20,762	282,873	78,583	382,218
Net profit for the three months ended 31 March 2010	-	-	1,333	1,333
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	1,333	1,333
Share-based payments (note 13)	-	-	17	17
Balance at 31 March 2010 (Unaudited /Unreviewed)	20,762	282,873	79,933	383,568

The notes included on pages 25 to 36 are an integral part of these interim condensed consolidated financial statements

Interim Condensed Consolidated Financial Statements for the three months ended 31 March 2011

Interim Consolidated Statement of Cash Flows

	For the 3 months ended 31 March 2011	For the 3 months ended 31 March 2010
	(Unaudited Unreviewed)	(Unaudited Unreviewed)
<i>In thousands of Polish Zlotys (PLN)</i>		
Cash flows from operating activities		
Profit for the period	2,787	1,333
<i>Adjustments to reconcile profit for the period to net cash used in operating activities</i>		
Depreciation	107	103
Finance expense	241	117
Finance income	(788)	(356)
Profit on sale of property and equipment	(11)	-
Share-based payment expense	-	17
Income tax expense/(benefit)	(595)	342
Subtotal	1,741	1,556
Decrease/(increase) in inventory	2,511	3,842
Decrease/(increase) in trade and other receivables and prepayments	4,343	1,315
Increase/(decrease) in trade and other payables and accrued expense	3,259	(4,025)
Increase/(decrease) in provisions	(1,089)	-
Increase/(decrease) in advances received	1,157	36,900
Subtotal	11,922	39,588
Interest paid	(1,864)	(5,422)
Interest received	716	376
Income tax paid	(61)	(1,751)
Net cash from operating activities	10,713	32,791
Cash flows from/(used in) investing activities		
Acquisition of property and equipment	(171)	(135)
Acquisition investment property (termination of finance lease contract)	-	(2,500)
Short-term bank deposit – collateralized	(2,424)	2,807
Loans garneted to third parties	(3,605)	-
Proceeds from sales of property and equipment	11	-
Net cash from/(used in) investing activities	(6,189)	172
Cash used in financing activities		
Proceeds from bank loans	-	3,186
Bank charges	(461)	-
Repayment of loans received from third parties	(1,306)	-
Repayment of loans received from related parties	(26,475)	-
Repayment of bank loans	(4,288)	(43,370)
Net cash used in financing activities	(32,530)	(40,184)
Net change in cash and cash equivalents	(28,006)	(7,221)
Cash and cash equivalents at beginning of period	94,888	58,044
Cash and cash equivalents at end of period	66,882	50,823

The notes included on pages 25 to 36 are an integral part of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Financial Statements for the three months ended 31 March 2011

Notes to the Interim Condensed Consolidated Financial Statements

Note 1 – General and principal activities

Ronson Europe N.V. (hereinafter “the Company”), a Dutch public company with its registered office located in Rotterdam, the Netherlands, was incorporated on 18 June 2007. The Company through its subsidiaries is active in the development and sale of residential units, primarily apartments, in multi-family residential real-estate projects and single family or semi-detached housing projects to individual customers in Poland. Moreover the Group lease real estate the third party.

The shares of the Company are traded on the Warsaw Stock Exchange since 5 November 2007. As at 31 March 2011, 64.2% of the outstanding shares are held by ITR Dori, whereas 15.3% of the outstanding shares are held by GE Real Estate with the remaining 20.5% of the outstanding shares being held by other investors, including Amplico OFE and ING OFE whereby each party is holding an interest of between 5% and 10% of the outstanding shares.

The Interim Condensed Consolidated Financial Statements of the Group have been prepared for the three months ended 31 March 2011 and contain comparative data for the three months ended 31 March 2010 and as at 31 December 2010. The Interim Condensed Consolidated Financial Statements of the Company for the three months ended 31 March 2011 comprise the Company and its subsidiaries (together hereinafter “the Group”), and have not been subject to review or audit by an independent auditor.

The information about the companies from which the financial data are included in these Interim Condensed Consolidated Financial Statements and the extent of ownership and control are presented in Note 7.

The Interim Condensed Consolidated Financial Statements for the three months ended 31 March 2011 were authorised for issuance by the Management Board on 12 May 2011.

Note 2 – Basis of preparation of Interim Condensed Consolidated Financial Statements

These Interim Condensed Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), in particular in accordance with IAS 34 and IFRSs endorsed by the European Union. At the date of authorisation of these Interim Condensed Consolidated Financial Statements, in light of the current process of IFRS endorsement in the European Union and the nature of the Group’s activities, there is no difference between the IFRSs applied by the Group and the IFRSs endorsed by the European Union. IFRSs comprise standards and interpretations accepted by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”).

The Interim Condensed Consolidated Financial Statements do not include all the information and disclosures required in annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2010.

The Consolidated Financial Statements of the Group for the year ended 31 December 2010 are available upon request from the Company’s registered office at Weena 210-212, 3012 NJ Rotterdam, the Netherlands or at the Company’s website: www.ronson.pl

Interim Condensed Consolidated Financial Statements for the three months ended 31 March 2011

Notes to the Interim Condensed Consolidated Financial Statements

Note 2 – Basis of preparation of Interim Condensed Consolidated Financial Statements (cont'd)

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

Note 3 – Summary of significant accounting policies

Except as described below, the accounting policies applied by the Company in these Interim Condensed Consolidated Financial Statements are with the same as those applied by the Company in its consolidated financial statements for the year ended 31 December 2010.

Exceptional items are disclosed and described separately in these Interim Condensed Consolidated Financial Statements where it is necessary to do so to provide further understanding of the financial performance of the Group during the three months ended 31 March 2011. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2011.

- Amendments to IAS 32 *Financial instruments: presentation: Classification of Rights Issues* – effective for financial years beginning on or after 1 February 2010,
- IAS 24 *Related Party Disclosures* (revised in November 2009) – effective for financial years beginning on or after 1 January 2011,
- Amendments to IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction: Prepayments of a Minimum Funding Requirements* – effective for financial years beginning on or after 1 January 2011,
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* – effective for financial years beginning on or after 1 July 2010,
- *Improvements to IFRSs* (issued in May 2010) – some improvements are effective for annual periods beginning on or after 1 July 2010, the rest is effective for annual periods beginning on or after 1 January 2011.

Adoption of the above new standards and amendments to standards did not have impact on the financial position or performance of the Group.

Interim Condensed Consolidated Financial Statements for the three months ended 31 March 2011

Notes to the Interim Condensed Consolidated Financial Statements

Note 4 – The use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reporting period. Actual results may differ from these estimates.

In preparing these Interim Condensed Consolidated Financial Statements, the significant judgements made by the Management Board in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2010.

Note 5 – Functional and reporting currency

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

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

Note 6 – Seasonality

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

Note 7 – Composition of the Group

The Polish companies whose financial data have been included in these Interim Condensed Consolidated Financial Statements are the same as were included and disclosed in the Group's annual consolidated financial statements as at 31 December 2010.

Interim Condensed Consolidated Financial Statements for the three months ended 31 March 2011

Notes to the Interim Condensed Consolidated Financial Statements

Note 8 - Segment reporting

The Group's operating segments are defined as separate entities developing particular residential projects, which for the reporting purposes were aggregated. The aggregation for reporting purpose is based on geographical locations (Warsaw, Poznań, Wrocław and Szczecin) and type of activity (development of apartments, development of houses). Moreover, for one particular entity the reporting was based on type of income: rental income from investment property.

According to Management Board's assessment, the operating segments identified have similar economic characteristics. Aggregation based on the type of development within the geographical location has been applied since primarily the location and the type of development determine the average margin that can be realized on each project and the project's risk factors. Considering the fact that the production process for apartments is different from that for houses and considering the fact that the characteristics of customers buying apartments slightly differ from those of customers interested in buying houses, aggregation by type of development within the geographical location has been used for segment reporting and disclosure purposes.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated indirectly based on reasonable criteria. Unallocated items comprise head office expenses and income tax assets and liabilities and unallocated cash and cash equivalents.

Data presented in the table below are aggregated by type of development within the geographical location:

	As at 31 March 2011 (Unaudited/Unreviewed)										
	Warsaw			Poznań		Wrocław		Szczecin		Unallocated	Total
	Apartments	Houses	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses		
Segment assets	274,263	75,677	8,740	92,678	-	79,245	2,400	57,043	7,373	-	597,419
Unallocated assets	-	-	-	-	-	-	-	-	-	51,816	51,816
Total assets	274,263	75,677	8,740	92,678	-	79,245	2,400	57,043	7,373	51,816	649,235
Segment liabilities	129,656	21,801	-	37,305	-	10,570	1	18,889	-	-	218,222
Unallocated liabilities	-	-	-	-	-	-	-	-	-	10,849	10,849
Total liabilities	129,656	21,801	-	37,305	-	10,570	1	18,889	-	10,849	229,071

	As at 31 December 2010										
	Warsaw			Poznań		Wrocław		Szczecin		Unallocated	Total
	Apartments	Houses	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses		
Segment assets	278,574	88,339	8,740	108,577	-	72,657	2,392	53,457	7,280	-	620,016
Unallocated assets	-	-	-	-	-	-	-	-	-	55,014	55,014
Total assets	278,574	88,339	8,740	108,577	-	72,657	2,392	53,457	7,280	55,014	675,030
Segment liabilities	141,507	38,688	-	39,503	-	8,700	1	16,972	1	-	245,372
Unallocated liabilities	-	-	-	-	-	-	-	-	-	12,281	12,281
Total liabilities	141,507	38,688	-	39,503	-	8,700	1	16,972	1	12,281	257,653

Interim Condensed Consolidated Financial Statements for the three months ended 31 March 2011

Notes to the Interim Condensed Consolidated Financial Statements

Note 8 - Segment reporting (cont'd)

<i>In thousands of Polish Zlotys (PLN)</i>											
For the three months ended 31 March 2011 (Unaudited/Unreviewed)											
	Warsaw			Poznań		Wrocław		Szczecin		Unallocated	Total
	Apartments	Houses	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses		
Revenue	11,816	14,514	132	7,667	-	-	-	-	-	-	34,129
Segment result	2,193	(60)	48	2,767	-	10	(2)	(45)	(1)	-	4,910
Unallocated result	-	-	-	-	-	-	-	-	-	(3,265)	(3,265)
Result from operating activities	2,193	(60)	48	2,767	-	10	(2)	(45)	(1)	(3,265)	1,645
Net finance income	90	(3)	-	86	-	(3)	-	(1)	-	378	547
Profit before taxation	2,283	(63)	48	2,853	-	7	(2)	(46)	(1)	(2,887)	2,192
Income tax benefit	-	-	-	-	-	-	-	-	-	-	595
Profit for the period											2,787
Capital expenditure	-	-	-	-	-	-	-	-	-	171	171

<i>In thousands of Polish Zlotys (PLN)</i>											
For the three months ended 31 March 2010 (Unaudited/Unreviewed)											
	Warsaw			Poznań		Wrocław		Szczecin		Unallocated	Total
	Apartments	Houses	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses		
Revenue	9,560	-	104	14,231	-	-	-	-	-	-	23,895
Segment result	2,521	(77)	-	2,105	(7)	53	-	(2)	-	-	4,593
Unallocated result	-	-	-	-	-	-	-	-	-	(3,157)	(3,157)
Result from operating activities	2,521	(77)	-	2,105	(7)	53	-	(2)	-	(3,157)	1,436
Net finance income	33	(1)	-	(25)	(1)	(2)	-	(1)	-	236	239
Profit before taxation	2,554	(78)	-	2,080	(8)	51	-	(3)	-	(2,921)	1,675
Income tax expense	-	-	-	-	-	-	-	-	-	-	(342)
Profit for the period											1,333
Capital expenditure	109	-	-	-	-	-	-	-	-	26	135

Interim Condensed Consolidated Financial Statements for the three months ended 31 March 2011
Notes to the Interim Condensed Consolidated Financial Statements
Note 9 – Inventory

Movements in Inventory during the three months ended 31 March 2011 and during the year ended 31 December 2010 were as follows:

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 1 January 2011	Transferred to finished goods	Additions	Closing balance 31 March 2011
Land and related expense	380,257	-	4,581	384,838
Construction costs	23,069	-	19,670	42,739
Planning and permits	17,845	-	827	18,672
Borrowing costs ⁽¹⁾	47,419	-	2,839	50,258
Other	2,216	-	404	2,620
Work in progress	470,806	-	28,321	499,127

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 1 January 2011	Transferred from work in progress	Recognized in the statement of comprehensive income	Closing balance 31 March 2011
Finished goods	74,610	-	(29,306)	45,304

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 1 January 2011	Revaluation write down recognized in statement of comprehensive income		Closing balance 31 March 2011
		Increase	Release	
Write-down	(1,887)	-	1,313	(574)
Total inventories at the lower of cost or net realizable value	543,529			543,857

(1) Borrowing costs are capitalized to the value of inventory with 7.7% average effective capitalization interest rate.

Interim Condensed Consolidated Financial Statements for the three months ended 31 March 2011

Notes to the Interim Condensed Consolidated Financial Statements

Note 9 – Inventory (cont'd)

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 1 January 2010	Transferred to property and equipment	Share in work in progress of a joint venture	Transferred to finished goods	Additions	Closing balance 31 December 2010
Land and related expense	389,730	(554)	12,402	(29,403)	8,082	380,257
Construction costs	138,448	(4,877)	-	(151,708)	41,206	23,069
Planning and permits	18,984	(120)	117	(4,959)	3,823	17,845
Borrowing costs ⁽¹⁾	40,997	(198)	289	(8,038)	14,369	47,419
Other	4,331	(54)	174	(2,191)	(44)	2,216
Work in progress	592,490	(5,803)	12,982	(196,299)	67,436	470,806
<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 01 January 2010			Transferred from work in progress	Recognized in the statement of comprehensive income	Closing balance 31 December 2010
Finished goods	53,763			196,299	(175,452)	74,610
<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 01 January 2010			Revaluation write down recognized in statement of comprehensive income		Closing balance 31 December 2010
				Increase	Release	
Write-down	-			(2,188)	301	(1,887)
Total inventories at the lower of cost or net realizable value	646,253					543,529

(1) Borrowing costs are capitalized to the value of inventory with 6.9% average effective capitalization interest rate.

Interim Condensed Consolidated Financial Statements for the three months ended 31 March 2011**Notes to the Interim Condensed Consolidated Financial Statements****Note 10 – Secured bank loans**

The following non-current and current Secured bank loans were issued and repaid during the three months ended 31 March 2011 and during the year ended 31 December 2010:

<i>In thousands of Polish Zloty (PLN)</i>	For the three months ended 31 March 2011	For the year ended 31 December 2010
	(Unaudited / Unreviewed)	
Opening balance	123,914	188,678
New bank loan drawdown	-	3,186
Bank loans repayments	(4,288)	(69,031)
Bank charges	(461)	(244)
Bank charges amortization	117	1,338
Accrued interest/(interest repayment) on bank loans, net	321	(13)
Total closing balance	119,603	123,914
Closing balance includes:		
Current liabilities	12,789	74,701
Non-current liabilities	106,814	49,213
Total closing balance	119,603	123,914

Note 11 – Loans from related parties

The following Loans from related parties were issued and repaid during the three months ended 31 March 2011 and during the year ended 31 December 2010:

<i>In thousands of Polish Zloty (PLN)</i>	For the three months ended 31 March 2011	For the year ended 31 December 2010
	(Unaudited / Unreviewed)	
Opening balance	53,218	60,329
Repayment of loans from related parties	(26,475)	-
Accrued interest	688	3,177
Interest repayment	-	(10,288)
Total closing balance	27,431	53,218
Closing balance includes:		
Current liabilities	27,431	53,218
Non-current liabilities	-	-
Total closing balance	27,431	53,218

Interim Condensed Consolidated Financial Statements for the three months ended 31 March 2011**Notes to the Interim Condensed Consolidated Financial Statements****Note 12 – Income tax expense**

	For the 3 months ended 31 March 2011 (Unaudited / Unreviewed)	For the 3 months ended 31 March 2010 (Unaudited / Unreviewed)
<i>In thousands of Polish Zlotys (PLN)</i>		
Current tax expense	31	604
Deferred tax expense/(benefit)		
Origination and reversal of temporary differences	348	(3,070)
Benefit of tax losses recognized	(974)	2,808
Total deferred tax benefit	(626)	(262)
Total income tax (benefit)/expense	(595)	342

Note 13 – Share-based payments

The cost impact of the share-based payment on the financial statements of the Company was an expense of nil for the three months ended 31 March 2011 (three months ended 31 March 2010: PLN 17 thousand which was recognized in the statement of comprehensive income with a corresponding increase in equity).

Interim Condensed Consolidated Financial Statements for the three months ended 31 March 2011**Notes to the Interim Condensed Consolidated Financial Statements****Note 14 – Investment commitments, Contracted proceeds not yet received and Contingencies****(i) Investment commitments:**

The amounts in the table below present unpaid investment commitments of the Group in respect of construction services to be rendered by the general contractors:

For the period ended	As at 31	As at 31
<i>In thousands of Polish Zlotys (PLN)</i>	March 2011	December 2010
Gemini II	48,400	-
Verdis	31,657	35,177
Sakura	21,986	25,286
Panoramica I	13,961	15,946
Impressio I	11,554	14,939
Imaginarium III	6,127	8,224
Naturalis I	7,981	8,107
Naturalis II	8,021	11,149
Nautica II	559	1,359
Constans	323	702
Total	150,569	120,889

(ii) Contracted proceeds not yet received:

The table below presents amounts to be received from the customers having bought apartments from the Group and which are based on the value of the sale and purchase agreements signed with the clients until 31 March 2011 after deduction of payments received at the reporting date (such payments being presented in the Interim Consolidated Statement of Financial Position as Advances received):

For the period ended	As at 31	As at 31
<i>In thousands of Polish Zlotys (PLN)</i>	March 2011	December 2010
Gemini II	35,664	-
Imaginarium III	12,028	13,417
Verdis I	6,244	3,139
Sakura I	4,521	5,435
Constans	4,478	2,711
Galileo	4,246	6,697
Nautica II	2,460	-
Naturalis I	2,360	2,124
Impressio I	2,314	632
Gardenia	1,954	2,996
Nautica I	589	703
Naturalis II	565	-
Gemini I	156	415
Imaginarium II	-	124
Total	77,579	38,393

(iii) Contingencies:

None.

Interim Condensed Consolidated Financial Statements for the three months ended 31 March 2011

Notes to the Interim Condensed Consolidated Financial Statements

Note 15 – Related party transactions

There were no transactions and balances with related parties during three months ended 31 March 2011 other than those already disclosed in the 2010 annual accounts. During the three months ended 31 March 2011, the Group repaid 50% of the loans received from related parties amounting to PLN 26.5 million. The repayment related to principal amount only.

Note 16 – Impairment losses and provisions

During the three months ended 31 March 2011, no material impairment losses were charged.

The following net movements in the Group's main provisions took place during the three months ended 31 March 2011:

- a decrease in the provision for deferred tax liabilities of PLN 578 thousand.
- an decrease in the provision for expected costs of development of certain plots of land owned by the Group according to the conditions imposed by local authorities of PLN 1,000 thousand.

Note 17 – Events during the period

Land purchase

In January 2011, the joint venture company Landex Sp. z o.o. has executed preliminary sale purchase agreement by finalising acquisition of the land with an area of 7,239 m² located in Warsaw, Wola District, at Jana Kazimierza Street.

Bank loans

In January 2011, the Company entered into annex to loan facilities with Millennium Bank for financing land acquisitions for a total amount of PLN 17.1. Based on the signed annexes, the Company repaid 25% of the loan amounted to PLN 4.3 million the repayment dates of the remaining amount PLN 12.8 million have been extended to 31 January 2012.

In March 2011, the Company entered into annexes to loan facilities with BZWBK S.A. for financing land acquisitions for a total amount of PLN 57.4 million. Based on the signed annexes, the repayment dates of these loans have been extended from 31 March 2011 to 1 July 2012. The loan agreements executed with BZWBK S.A. envisage also entering into a new agreement supporting construction of project Panoramika in Szczecin for amount of (PLN 14 million).

Related parties loans

In March 2011, the Company repaid 50% of the loans received from related parties amounting to PLN 26.5 million. The repayment related to principal amount only.

Interim Condensed Consolidated Financial Statements for the three months ended 31 March 2011

Notes to the Interim Condensed Consolidated Financial Statements**Note 18 – Subsequent events****Bonds**

On 18 April 2011, the Company issued 5,134 series A bonds with an aggregate nominal value of PLN 51.3 million and 3,616 series B bonds with an aggregate nominal value of PLN 36.2 million. The nominal value of one bond amounts to PLN 10,000 (ten thousand zlotys) and is equal to its issue price. The Bonds have a variable coupon determined based on the WIBOR rate for six-month deposits increased by a margin specified in the Indenture – which is different for the Series A Bonds and the Series B Bonds. Coupons are payable semi-annually in accordance with the National Depository for Securities (hereinafter “NDS”) Rules. The Company shall redeem the Bonds on the third anniversary of the issue date (18 April 2014). The Bonds shall be redeemed through the payment of an amount equal to the nominal value of the Bonds to be redeemed. Under the Indenture applicable to the Series B Bonds the Company has the right to demand early redemption of any number of the Series B Bonds to be effected on either of the following two dates: (i) on the coupon payment date falling 12 months prior to the Series B Bonds redemption date; and (ii) on the coupon payment date falling six months prior to the Series B Bonds redemption date. The number of the Series B Bonds held by an investor, which is subject to mandatory early redemption, shall be agreed pursuant to the applicable regulations of the NDS.

The Management Board

Shraga Weisman
Chief Executive Officer

Tomasz Łapiński
Chief Financial Officer

Andrzej Gutowski
Sales and Marketing Director

Amos Weltsch

David Katz

Karol Pilniewicz

Rotterdam. 12 May 2011