# Ronson Europe N.V.

# Interim Financial Report

## for the six months ended

## 30 June 2010

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# 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 through its subsidiaries (hereinafter "the Group"), 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 to individual customers in Poland.

The shares of the Company are traded on the Warsaw Stock Exchange since 5 November 2007. As at 30 June 2010, 64.2% of the outstanding shares are 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. (hereinafter "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. For major shareholders of the Company reference is made to page 17. On 17 August 2010, the market price was PLN 1.60 per share giving the Company a market capitalization of PLN 435.8 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 become 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 currently challenging economic environment. On the one hand, the Polish economy appears to have stabilized and is improving, which potentially bodes well for the Company's prospects. On the other hand, the debt crisis playing out in Europe and its destabilizing impact on the Euro 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.

Until 30 June 2010, the Group has completed construction of twelve projects comprising 1,719 units with a total area of 120,900 m$^2$, having delivered to clients 1,355 units with a total area of 92,900 m$^2$. 355 units in these completed projects, with a total area of 27,000 m$^2$, are expected to be delivered during the remainder of 2010 and 2011 (see page 13).

## Company overview (cont'd)

As of the date of this Interim Financial Report, the Group is in the midst of developing four projects comprising a total of 106 units, with a total area of 18,200 $m^2$, which are expected to be completed during the remainder of 2010 and 2011. In addition, the Group has a pipeline of 21 projects in different stages of preparation, comprising approximately 5,300 residential units with a total area of approximately 380,000 $m^2$ for future development in Warsaw, Poznań, Wrocław and Szczecin. The Company plans to commence five new projects during the remainder of 2010 while the sale process of four of these projects has already commenced during July and August 2010.

Despite the challenging market conditions, the Company's sales results have been gradually improving since the fourth quarter of 2008, which was the most difficult period for the Company to date - as well as for the entire market. During 2009, the Company sold 263 units with the total value PLN 142.3 million, while in the first half of 2010, the net sales amounted to 158 units with the total value PLN 101.5 million, which management believes was a strong result given the market conditions and the size of the Company's offerings. As the number of units offered by the Company diminishes due to progressing sales, the Company expects to benefit from overall improving markets whereby the Company has already opened two new projects in the first half of 2010 and plans to initiate five more new projects during the remainder of 2010. However, in order to minimize market risk, management is scaling down these new projects into relatively smaller stages. Moreover, the commencement plan assumes gradual openings spread over the coming quarters.

## 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, solid long term prospects for further development of the residential real estate market in spite of the recent downturn. In the opinion of management, 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. Positive sales results of the Company during the whole of 2009 and during the first half of 2010 seem to confirm that the Company has indeed successfully adapted to the changing market environment.

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.

# Business highlights during the six months ended 30 June 2010

## *A. Projects completed*

During the six months ended 30 June 2010 the Group completed the construction of two projects: Gemini and Nautica, comprising 164 and 149 units with a total area of 13,200 m$^2$ and 10,600 m$^2$, respectively. For additional information see section 'B. Results breakdown by projects' below.

## *B. Results breakdown by project*

Total revenue of the Group recognized during the six months ended 30 June 2010 amounted to PLN 49.5 million, whereas cost of sales before write-down adjustment amounted to PLN 33.4 million and after write-down adjustment amounted to PLN 35.3 million, which resulted in a gross profit before write-down adjustment amounting to PLN 16.1 million and a gross margin of 32.5% and after write-down adjustment amounting to PLN 14.2 million and a gross margin of 28.7%.

The following table specifies revenue, cost of sales, gross profit and gross margin during the six months ended 30 June 2010 on a project by project basis:

| | Information on the delivered units | | Revenue | | Cost of sales (*) | | Gross profit | Gross margin |
|---|---|---|---|---|---|---|---|---|
| **Project** | **Number of units** | **Area of units (m2)** | **PLN (thousands)** | **%** | **PLN (thousands)** | **%** | **PLN (thousands)** | **%** |
| Galileo | 45 | 3,488 | 25,709 | 51.8% | 16,724 | 50.0% | 8,985 | 34.9% |
| Nautica | 18 | 1,182 | 9,496 | 19.2% | 7,087 | 21.2% | 2,409 | 25.4% |
| Imaginarium II | 16 | 956 | 10,098 | 20.4% | 6,793 | 20.3% | 3,305 | 32.7% |
| Gemini | 3 | 240 | 1,690 | 3.4% | 1,213 | 3.6% | 477 | 28.2% |
| Meridian | 1 | 174 | 1,466 | 3.0% | 851 | 2.5% | 615 | 42.0% |
| Imaginarium I | 1 | 58 | 541 | 1.1% | 378 | 1.1% | 163 | 30.1% |
| Other | N.A | N.A | 545 | 1.1% | 392 | 1.3% | 153 | 28.1% |
| **Total / Average** | **84** | **6,098** | **49,545** | **100.0%** | **33,438** | **100.0%** | **16,107** | **32.5%** |
| Write-down adjustment | N.A | N.A | N.A | N.A | 1,866 | N.A | (1,866) | N.A |
| **Results after write-down adjustment** | **84** | **6,098** | **49,545** | **100.0%** | **35,304** | **100.0%** | **14,241** | **28.7%** |

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

### *Galileo*

The construction of the Galileo project was completed in March 2009. The Galileo project was developed on a land strip of 8,598 m$^2$ located in the city center district of Poznań. The Galileo housing project comprises 5 six-storey apartment buildings with a total of 226 apartments and 6 commercial units with an aggregate floor space of 16,700 m$^2$.

### *Gemini*

The construction of the Gemini project was completed in June 2010. The Gemini project was developed on land strip of 3,929 m$^2$ 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 13,200 m$^2$.

## Business highlights during the six months ended 30 June 2010 (cont'd)

### *B. Results breakdown by project (cont'd)*

***Nautica***

The construction of the Nautica project was completed in June 2010. The Nautica project was developed on 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 10,600 $m^2$.

***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 $m^2$ located in the Bielany district in Warsaw. The Imaginarium II housing estate comprises 3 multifamily buildings with total 65 apartments with an aggregate usable floor space of 4,700 $m^2$.

***Meridian***

The construction of the Meridian housing estate was completed in October 2007. This project was developed on a land strip of 5,196 $m^2$ 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 $m^2$.

***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 $m^2$ 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 $m^2$.

***Other***

Other revenues comprise mainly revenues from the sale of the parking places and storages in other projects that were completed in previous years, as well as rental revenues.

***Write-down adjustment***

During the six month ended 30 June 2010, as a result of Net Realizable Value (NRV) analyses and reviews, a write-down adjustment for the Gardenia project (under construction) was made in the amount of PLN 1,866 thousand.

# Business highlights during the six months ended 30 June 2010 (cont'd)

## *C. Units sold during the period*

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 six months ended 30 June 2010:

| Project name | Location | Units sold until 31 December 2009 | Units sold during the six months ended 30 June 2010 | Units for sale as at 30 June 2010 | Total |
|---|---|---|---|---|---|
| Nautica (*) | Warsaw | 99 | 39 | 11 | 149 |
| Gemini (*) / (1) | Warsaw | 92 | 50 | 14 | 156 |
| Galileo (*) / (2) | Poznań | 147 | 33 | 51 | 231 |
| Imaginarium II (*) | Warsaw | 58 | 6 | 1 | 65 |
| Imaginarium III (**) | Warsaw | - | 18 | 27 | 45 |
| Gardenia (**) | Warsaw | - | 9 | 13 | 22 |
| Imaginarium I (*) | Warsaw | 56 | 2 | - | 58 |
| Meridian (*) | Warsaw | 205 | - | 1 | 206 |
| Constans (**) | Warsaw | 2 | 1 | 33 | 36 |
| Nautica II (**) | Warsaw | - | - | 3 | 3 |
| **Total** | | **659** | **158** | **154** | **971** |

*(*) For information on the completed projects see "Business highlights during the six months ended 30 June 2010 – B. Results breakdown by project" (pages 3 and 4).*

*(**) For information on current projects under construction, see "Outlook for the remainder of 2010 – B. Current projects under construction" (pages 13-14).*

*(1) After deduction of 8 units that were transferred to property and equipment.*

*(2) After deduction of 2 units that were transferred to property and equipment.*

## *D. Commencements of new projects*

During the six months ended 30 June 2010, the Group commenced the construction of two new projects, Imaginarium III and Nautica II, comprising 45 and 3 units with a total area of 3,800 $m^2$ and 700 $m^2$, respectively. For additional information see section "Outlook for the remainder of 2010 – B. Current projects under construction" (pages 13-14).

## Financial information

The Interim Condensed Consolidated Financial Statements as included in this Interim Financial Report on pages 20 through 38 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 2009. For additional information see Note 3 of the Interim Condensed Consolidated Financial Statements (pages 25-26).

## Overview of results

The Company's net profit for the six months ended 30 June 2010 was PLN 2,594 thousand and can be summarized as follows:

| | **For the six months ended 30 June** | |
|---|---|---|
| | **2010** | **2009** |
| | **PLN (thousands, except per share data)** | |
| Revenue | 49,545 | 42,070 |
| Cost of sales | (35,304) | (26,709) |
| **Gross profit** | **14,241** | **15,361** |
| Selling and marketing expenses | (2,322) | (1,267) |
| Administrative expenses | (6,482) | (6,770) |
| Other expenses | (3,249) | (207) |
| Other income | 437 | 1,022 |
| **Result from operating activities** | **2,625** | **8,139** |
| Finance income | 805 | 356 |
| Finance expense | (178) | (774) |
| **Net finance income/(expense)** | **627** | **(418)** |
| **Profit before taxation** | **3,252** | **7,721** |
| Income taxes expense | (658) | (1,606) |
| **Net profit for the period** | **2,594** | **6,115** |
| **Net earnings per share (basic and diluted)** | **0.010** | **0.027** |

## Overview of results (cont’d)

### *Revenue*

Total revenue increased by PLN 7.5 million (17.8%) from PLN 42.1 million during the six months ended 30 June 2009 to PLN 49.6 million during the six months ended 30 June 2010, which increase is primarily explained by an increase in apartments delivered to the customers in terms of area size (in $m^2$), offset in part by a decrease in average selling price per $m^2$.

### *Cost of sales*

Cost of sales increased by PLN 8.6 million (32.2%) from PLN 26.7 million during the six months ended 30 June 2009 to PLN 35.3 million during the six months ended 30 June 2010, which is primarily explained by an increase both in number and in total area size (in $m^2$) of apartments delivered to the customers as well as by a write-down adjustment on projects under construction (Gardenia project).

### *Selling and marketing expenses*

Selling and marketing expenses increased by PLN 1.0 million (83.3%) from PLN 1.3 million for the six months ended 30 June 2009 to PLN 2.3 million for the six months ended 30 June 2010 which is primarily explained by increase in the number of projects which the Group is developing and planning to commence.

### *Administrative expenses*

Administrative expenses decreased by PLN 0.3 million (4.3%) from PLN 6.8 million for the six months ended 30 June 2009 to PLN 6.5 million for the six months ended 30 June 2010.

### *Other expenses*

Other expenses increased by PLN 3.0 million from PLN 0.2 million for the six months ended 30 June 2009 to PLN 3.2 million for the six months ended 30 June 2010 which is primarily explained by one-time event related to the write-down expense in connection with the abandoned Aurora project amounting to PLN 2.5 million. For additional information see “Additional information to the report” (page 18).

### *Other income*

Other income decreased by PLN 0.6 million (57.2%) from PLN 1.0 million for the six months ended 30 June 2009 to PLN 0.4 million for the six months ended 30 June 2010, which is primarily explained by a decrease in the total revenues from contractual penalties and compensation.

### *Operating profit*

As a result of the factors described above, the Company’s result from operating activities decreased by PLN 5.5 million from an operating profit of PLN 8.1 million for the six months ended 30 June 2009 to an operating profit of PLN 2.6 million for the six months ended 30 June 2010.

# Overview of results (cont'd)

***Net finance income/(expense)***

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 statement of comprehensive income.

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

| | For the six months ended 30 June 2010 PLN (thousands) | | |
|---|---|---|---|
| | **Total amount** | **Amount capitalized** | **Recognized as profit or loss** |
| Finance income | 840 | (35) | 805 |
| Finance expense | (8,378) | 8,200 | (178) |
| **Net finance (expense)/income** | **(7,538)** | **8,165** | **627** |

| | For the six months ended 30 June 2009 PLN (thousands) | | |
|---|---|---|---|
| | **Total amount** | **Amount capitalized** | **Recognized as profit or loss** |
| Finance income | 356 | - | 356 |
| Finance expense | (9,731) | 8,957 | (774) |
| **Net finance (expense)/income** | **(9,375)** | **8,957** | **(418)** |

Net finance expenses before capitalization decreased by PLN 1.8 million (19.6%) from PLN 9.4 million during the six months ended 30 June 2009 to PLN 7.6 million during the six months ended 30 June 2010, which is a result of a decrease in loans received from banks and an increase in the total amount of short-term deposits kept by the Company on bank accounts.

## 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 had occurred.

| | As at 30 June 2010 | As at 31 December 2009 |
|---|---|---|
| | PLN (thousands) | |
| Inventory | 642,876 | 646,253 |
| Advances received | 137,001 | 73,367 |
| Loans and borrowings | 181,669 | 249,007 |

### *Inventory*

The balance of inventory is PLN 642.9 million as of 30 June 2010 compares to a balance of PLN 646.3 million as of 31 December 2009. The decrease is primarily a result of cost of sales recognized for a total amount of PLN 34.8 million which is mitigated by the Group's investments associated with direct construction costs for a total amount of PLN 24.5 million and a net finance expense capitalized for a total amount of PLN 8.2 million.

### *Advances received*

The balance of advances received is PLN 137.0 million as of 30 June 2010 comparing to a balance of PLN 73.4 million as of 31 December 2009. The increase is a result of advances received from clients regarding sales of residential units for a total amount PLN 113.1 million. The increase is mitigated by revenue recognized from sale of residential units for a total amount of PLN 49.5 million.

### *Loans and borrowings*

The total of short-term and long-term loans and borrowings is PLN 181.7 million as of 30 June 2010 compares to a balance of PLN 249.0 million as of 31 December 2009. The decrease is primarily the effect of repayments of the bank loans taken by the Group for the purpose of financing construction costs of the projects and acquisition of lands for a total amount of PLN 69 million and repayments of accrued interest from shareholders loans amounting to PLN 5 million. Of the mentioned PLN 181.7 million, an amount of PLN 114.0 million comprises facilities with maturity dates not later than 30 June 2011.

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. The Company intends to repay part of its short-term loans and borrowings.

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

***Loans and borrowings (cont'd)***

The loans and borrowings can be split into three categories: 1) loans from shareholders, 2) banking loans related to residential projects which are completed or under construction, and 3) banking loans granted for financing of land purchases.

The loans from shareholders (related parties) as of 30 June 2010 amounted to PLN 56.9 million comprising a loan principal amount of PLN 52.9 million plus accrued interest of PLN 4.0 million. The maturity date of these loans is October 2011.

The bank loans supporting completed projects or projects under construction are tailored to the pace of construction works and sales. As at the end of 30 June 2010, the Company's debt in this category amounted to nil.

The bank loans granted to finance the land purchases amounted as of 30 June 2010 (loan principal) to PLN 124.8 million in total. Despite the fact that the maturity of the majority of the loans used to finance the land parcels is short-term (PLN 110.1 million), i.e. the majority of these loans are maturing before the end of June 2011, as long as the banks are enjoying at least a 50% loan to value ratio and the Company is servicing loans according to the loan agreements, the Company's management believes that the Company will be able to extend the maturity of all of its short-term loans in this category.

# 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 six months ended 30 June | |
|---|---|---|
| | 2010 | 2009 |
| | PLN (thousands) | |
| Cash flows from/(used in) operating activities | 65,839 | (20,389) |
| Cash flows (used in)/from investing activities | (1,316) | 1,952 |
| Cash flow used in financing activities | (65,943) | (205) |

The net cash flow from operating activities amounted to PLN 65.8 million for the six months ended 30 June 2010 which compares to a net cash flow used in operating activities amounting to PLN 20.4 million during the six months ended 30 June 2009. The increase is principally due to:

- an increase in cash flow from advances received from clients regarding sales of residential units from PLN 46.5 million during the six months ended 30 June 2009 which were mitigated by revenue recognized for a total amount of PLN 42.1 million, to advances received in the amount of PLN 113.1 million during the six months ended 30 June 2010 which were mitigated by revenue recognized for a total amount of PLN 49.5 million;
- a decrease in the cash flow used in inventory from PLN 43.8 million during the six months ended 30 June 2009 to a cash inflow from inventory amounting to PLN 3.8 million during the six months ended 30 June 2010;
- a decrease in the cash flow used in trade and other payables and accrued expense from PLN 9.2 million during the six months ended 30 June 2009 to a cash inflow from trade and other payables and accrued expense PLN 6.1 million during the six months ended 30 June 2010.

Cash flows used in financing activities totaled PLN 65.9 million during the six months ended 30 June 2010, as compared to cash flows used in financing activities totaled PLN 0.2 million in the six months ended 30 June 2009. The increase is principally due to:

- the repayment of secured bank loans amounting to PLN 69.0 million during the six months ended 30 June 2010 compared to PLN 6.0 million during the six months ended 30 June 2009.

# 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 |
|---|---|---|---|---|
| **2010 (6 months)** | **3.9993** | **3.8356** | **4.1770** | **4.1458** |
| **2009 (6 months)** | 4.4742 | 3.9170 | 4.8999 | 4.4696 |

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

| Selected financial data | EUR | | PLN | |
|---|---|---|---|---|
| | (thousands, except per share data and number of shares) | | | |
| | For the six months ended 30 June or as at 30 June | | | |
| | **2010** | **2009** | **2010** | **2009** |
| Revenues | **12,389** | 9,403 | **49,545** | 42,070 |
| Gross profit | **3,561** | 3,433 | **14,241** | 15,361 |
| Profit before taxation | **813** | 1,726 | **3,252** | 7,721 |
| Profit for the period | **649** | 1,367 | **2,594** | 6,115 |
| Cash flows from/(used in) operating activities | **16,464** | (4,557) | **65,839** | (20,389) |
| Cash flows (used in)/from investment activities | **(329)** | 436 | **(1,316)** | 1,952 |
| Cash flows used in financing activities | **(16,490)** | (46) | **(65,943)** | (205) |
| Decrease in cash and cash equivalents | **(355)** | (4,167) | **(1,420)** | (18,642) |
| Inventory | **155,059** | 140,754 | **642,876** | 629,116 |
| Total assets | **176,173** | 151,938 | **730,415** | 679,104 |
| Advances received | **33,044** | 13,127 | **137,001** | 58,673 |
| Long term liabilities | **17,409** | 14,162 | **72,176** | 63,299 |
| Short term liabilities (including advances received) | **65,943** | 71,636 | **273,399** | 320,186 |
| Shareholders' equity | **92,822** | 66,140 | **384,840** | 295,619 |
| Share capital | **5,054** | 4,539 | **20,762** | 16,953 |
| Average number of equivalent shares (basic) | **272,360,000** | 226,966,666 | **272,360,000** | 226,966,666 |
| Average number of equivalent shares (diluted) | **272,999,333** | 227,605,999 | **272,999,333** | 227,605,999 |
| Net earnings per share (basic and diluted) | **0.002** | 0.006 | **0.010** | 0.027 |

**Information is presented in EUR solely for presentation purposes. Due to the fluctuation of the Polish Zloty against the Euro over the past 2 years, the Statement of Financial Position presented in EUR data does 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 2009 to 30 June 2010, 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.*

# Outlook for the remainder of 2010 and for 2011

## *A. Completed projects*

The table below presents information on the total residential units in the five completed projects that the Company expects to sell and deliver during the remainder of 2010 and 2011:

| | | | Number of residential units sold (*) | | | Number of residential units delivered (*) | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Project name** | **Location** | **Total units** | **Until 31 December 2009** | **During the six months ended 30 June 2010** | **Total** | **Until 31 December 2009** | **During the six months ended 30 June 2010** | **Total** | **Number of residential units expected to be delivered (*) until 31 December 2011** |
| Galileo (**) / (1) | Poznań | 231 | 147 | 33 | 180 | 124 | 45 | 169 | 62 |
| Nautica (**) | Warsaw | 149 | 99 | 39 | 138 | - | 18 | 18 | 131 |
| Imaginarium II (**) | Warsaw | 65 | 58 | 6 | 64 | 43 | 16 | 59 | 6 |
| Gemini (**)/ (2) | Warsaw | 156 | 92 | 50 | 142 | - | 3 | 3 | 153 |
| Meridian (**) | Warsaw | 206 | 205 | - | 205 | 204 | 1 | 205 | 1 |
| Imaginarium I (**) | Warsaw | 58 | 56 | 2 | 58 | 55 | 1 | 56 | 2 |
| **Total** | | **865** | **657** | **130** | **787** | **426** | **84** | **510** | **355** |

*(*) 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 six months ended 30 June 2010 – B. Results breakdown by project" (pages 2 to 3).*

*(1) After deduction of 2 units that were transferred to property and equipment.*

*(2) After deduction of 8 units that were transferred to property and equipment.*

## *B. Current projects under construction*

The table below presents information on four projects for which completion is scheduled in the remainder of 2010 and in 2011. The Company has obtained construction permits for all four projects and has commenced construction.

| **Project name** | **Location** | **Area of plot ($m^2$)** | **Total area of units ($m^2$)** | **Total units** | **Units sold until 30 June 2010** | **Expected completion of construction** |
|---|---|---|---|---|---|---|
| Constans | Warsaw | 36,377 | 10,000 | 36 | 3 | 2010 |
| Gardenia | Warsaw | 7,129 | 3,700 | 22 | 9 | 2010 |
| Imaginarium III | Warsaw | 7,600 | 3,800 | 45 | 18 | 2011 |
| Nautica II | Warsaw | 1,051 | 700 | 3 | - | 2011 |
| **Total** | | **52,157** | **18,200** | **106** | **30** | |

# Outlook for the remainder of 2010 and for 2011 (cont'd)

## *B. Current projects under construction (cont'd)*

### *Constans*

*Description of project*

The Constans housing project is being developed on a land strip of 36,377 $m^2$ located in Konstancin near Warsaw and will comprise 18 semi-detached units (total 36 units) with an aggregate floor space of 10,000 $m^2$. The project is divided into three phases. The first phase comprises 8 semi-detached units, the second phase comprises 6 semi-detached units and the third phase comprises 4 semi-detached units.

*Stage of development*

The construction of the Constans project commenced in February 2008, whereby the first phase is expected to be completed in the third quarter of 2010, the second and the third phases are expected to be completed in the fourth quarter of 2010.

### *Gardenia*

*Description of project*

The Gardenia project is being developed on a land strip of 7,129 $m^2$ located in Józefosław near Warsaw. The Gardenia project, a single family housing (houses in a row) project, will comprise 22 units with an aggregate floor space of 3,700 $m^2$.

*Stage of development*

The construction of the Gardenia project commenced in August 2008 and is expected to be completed in the third quarter of 2010.

### *Imaginarium III*

*Description of project*

The Imaginarium III project is being developed on a land strip of 7,600 $m^2$ 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 multifamily buildings with total 45 apartments with an aggregate usable floor space of 3,800 $m^2$.

*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 $m^2$ 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 700 $m^2$.

*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.

# Outlook for the remainder of 2010 and for 2011 (cont'd)

## *C. Projects for which construction work is planned to commence during the remainder of 2010*

As the number of available apartments diminishes due to progressing sales, the Company expects to benefit from improving market conditions and plans to initiate five new projects during the remainder of 2010. However, in order to minimize the market risk, the management of the Company is scaling down new projects into relatively smaller stages and intends to deploy those stages to best meet market demand.

***Impressio (previously named Goya)***

The Impressio project will be developed on a land strip of 14,500 $m^2$ located in the Grabiszyn district in Wrocław. The project will comprise 190 units with an aggregate floor space of 12,900 $m^2$ and will be divided into 2 phases. The first phase will comprise of 70 units for which the sales process has commenced in August 2010.

***Naturalis (previously named Osiedle Wiślane)***

The Naturalis project will be developed on a land strip of 31,800 $m^2$ located in Łomianki near Warsaw. The project will comprise 493 units with an aggregate floor space of 29,800 $m^2$ and will be divided into 8 phases. The first phase will comprise of 52 units for which the sales process has commenced in July 2010.

***Verdis (previously named Orion)***

The Verdis project will be developed on a land strip of 16,300 $m^2$ located in the Wola district in Warsaw (Sowińskiego Street). The project will comprise 366 units with an aggregate floor space of 26,200 $m^2$ and will be divided into 3 or more phases. The first phase will comprise of 139 units for which the sales process has commenced in August 2010.

***Sakura (previously named Kłobucka)***

The Sakura project will be developed on a land strip of 21,000 $m^2$ located in the Mokotów district in Warsaw (Kłobucka Street). The project will comprise 454 units with an aggregate floor space of 28,385 $m^2$ and will be divided into 4 phases. The first phase will comprise of 120 units for which the sales process has commenced in August 2010.

***Gemini II***

The Gemini II project will be developed on a land strip of 4,700 $m^2$ located in the Ursynów district in Warsaw (KEN Street) situated next to the subway station Imielin. The project will comprise 182 units with an aggregate floor space of 13,700 $m^2$. The Company is considering commencing development of this project during the third quarter of 2010.

# Outlook for the remainder of 2010 and for 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 six months ended 30 June 2010*

The current sales (i.e. volume and value of the preliminary sales agreements signed with the clients) do not impact 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 | Construction completed / expected completion of construction |
|---|---|---|---|
| Nautica (*) | Warsaw | 77,104 | Completed |
| Gemini (*) | Warsaw | 87,481 | Completed |
| Imaginarium II (*) | Warsaw | 5,158 | Completed |
| Galileo (*) | Poznań | 5,827 | Completed |
| Imaginarium I (*) | Warsaw | 1,705 | Completed |
| Imaginarium III (**) | Warsaw | 13,330 | 2011 |
| Constans (**) | Warsaw | 5,809 | 2010 |
| Gardenia (**) | Warsaw | 6,078 | 2010 |
| **Total** | | **202,492** | |

*(*) For information on the completed projects see "Business highlights during the six months ended 30 June 2010 – B. Results breakdown by project" (pages 3 and 4).*

*(**) For information on current projects under construction, see "Outlook for the remainder of 2010 – B. Current projects under construction" (pages 13-14).*

## *E. Main risks and uncertainties during the remainder of 2010*

The economic situation in Europe, and in Poland, and the uncertainties in the housing market make it very difficult to pronounce a concrete estimate of the result for 2010. The state of the Polish economy, the banking industry and the consumers' interest in new housing projects are considered to be the most significant uncertainties for the remainder of the financial year.

## *Additional information to the report*

To the best of the Company's knowledge, as of the date of publication of this short report for the six months ended 30 June 2010 (17 August 2010), 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 17 August 2010 Number of shares / % of shares** | **Increase in number of shares** | **As of 30 June 2010 Number of shares / % of shares** | **Increase in number of shares** | **As of 31 December 2009 Number of shares / % of shares** |
|---|---|---|---|---|---|
| ***Shares issued*** | ***272,360,000*** | **-** | ***272,360,000*** | **-** | ***272,360,000*** |
| ***Major shareholders:*** | | | | | |
| **I.T.R. Dori B.V.** | 174,898,374<br>64.2% | - | 174,898,374<br>64.2% | - | 174,898,374<br>64.2% |
| **GE Real Estate CE Residential B.V.** | 41,800,000<br>15.3% | - | 41,800,000<br>15.3% | - | 41,800,000<br>15.3% |
| **Amplico Otwarty Fundusz Emerytalny** | N/A<br>Between 5%-10%. | N/A | N/A<br>Between 5%-10%. | N/A | N/A<br>Between 5%-10%. |
| **ING Otwarty Fundusz Emerytalny** | N/A<br>Between 5%-10%. | N/A | N/A<br>Between 5%-10%. | N/A | N/A<br>Between 5%-10%. |

### *Shares*

The members of the Management Board did not individually own or receive shares in the Company during the period from 1 January 2010 until 17 August 2010, with the exception of Mr David Katz who indirectly holds 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 holds a 1.8% interest in the Company. His indirect ownership in the Company did not change during the period from 1 January 2010 until 17 August 2010.

### *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 2010 until 17 August 2010. Rights to shares that were granted to individual members of the Management Board before 1 January 2010 but which have not been exercised as of the date of publication of this report 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.

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

***Changes in ownership of shares and rights to shares by Supervisory Board members in the six months ended 30 June 2010 and until the date of publication of the report***

The members of the Supervisory Board did not individually own any shares and/or rights to shares in the Company during the period from 1 January 2010 until 17 August 2010, with the exception of Mr Uri Dori who indirectly holds 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 holds a 10.1% interest in the Company. Mr Dori's indirect ownership in the Company did not change during the period from 1 January 2010 until 17 August 2010.

***Other***

As of 30 June 2010, the Company has issued guarantees for bank loans granted to subsidiaries amounting to a total of PLN 20,043 thousand.

As of 30 June 2010, 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 six months ended 30 June 2010:

- a decrease in the provision for deferred tax liabilities of PLN 1,893 thousand (an increase of PLN 1,635 thousand during the six months ended 30 June 2009).
- an increase in the provision for tax liabilities for tax control of PLN 13 thousand (a decrease of PLN 100 thousand during the six month ended 30 June 2009).

During the six months ended 30 June 2010 the Group made write-down for project under construction, Gardenia project, in the amount of PLN 1,866 thousand (Nil during the six months ended 30 June 2009).

***Aurora***

In May 2009, the Company entered into a settlement agreement with the seller of a land plot in Poznań (project Aurora), which concluded the dispute between the parties that started in September 2008. The seller has confirmed that the original agreement related to acquisition of land has expired and has committed to pay back the advance payment (PLN 12.4 million) upon satisfaction of certain conditions. While the Company decided to enter into this compromise agreement despite the fact that the Management Board was confident about the Company's ultimate success in any court proceeding. The Management Board was of the opinion that entering into a court proceeding would nonetheless be long, expensive and complicated. Based on the compromise agreement reached, the parties agreed to a reduction of the repayment to a final settlement of PLN 9.0 million (plus statutory interest accrued since 1 August 2009 on the unpaid amount) if repaid by end of April 2010. Notwithstanding the said compromise agreement, the Management of the Company has assessed chances of the Seller to arrange relevant financial resources and to finalize the settlement within agreed timeframe as unlikely and decided to not proceed with any write-off.

On 30 of April 2010, the seller repaid the full PLN 9.0 million plus PLN 0.9 million of interest after which all settlements between the Company and the seller were cleared. As a result of the above described settlement, the Company recognized a write-down expense for the abandoned project to the amount of PLN 2.5 million. This write-down expense is included in the Interim Consolidated Statement of Comprehensive Income in "Other expenses".

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

***Responsibility statement***

The Management Board confirms that, to the best of its knowledge, these Interim Condensed Consolidated Financial Statements have been prepared in accordance with 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 30 June 2010 and of the net result for the period then ended.

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

**The Management Board**

| | | |
|---|---|---|
| **Shraga Weisman**<br>Chief Executive Officer | **Tomasz Łapiński**<br>Chief Financial Officer | **Andrzej Gutowski**<br>Sales and Marketing Director |
| **Amos Weltsch** | **David Katz** | **Karol Pilniewicz** |

**Rotterdam, 17 August 2010**

# INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| *In thousands of Polish Zlotys (PLN)* | *Note* | As at 30 June 2010 (Reviewed) / (unaudited) | As at 31 December 2009 |
|---|---|---|---|
| **Assets** | | | |
| Property and equipment | | 7,103 | 1,319 |
| Investment property | | 8,740 | 8,740 |
| Deferred tax assets | | 2,112 | 3,891 |
| **Total non-current assets** | | **17,955** | **13,950** |
| Inventory | *9* | 642,876 | 646,253 |
| Trade and other receivables and prepayments | | 8,791 | 19,884 |
| Income tax receivable | | 463 | 190 |
| Short-term bank deposits - collateralized | | 3,706 | 5,070 |
| Cash and cash equivalents | | 56,624 | 58,044 |
| **Total current assets** | | **712,460** | **729,441** |
| **Total assets** | | **730,415** | **743,391** |
| **Equity** | | | |
| **Shareholders' equity** | | | |
| Share capital | | 20,762 | 20,762 |
| Share premium | | 282,873 | 282,873 |
| Retained earnings | | 81,205 | 78,583 |
| **Total shareholders' equity** | | **384,840** | **382,218** |
| **Liabilities** | | | |
| Loans from related parties | *10* | 52,948 | 52,948 |
| Secured bank loans | *11* | 14,700 | 54,346 |
| Deferred tax liability | | 4,528 | 6,421 |
| **Total non-current liabilities** | | **72,176** | **113,715** |
| Trade and other payables and accrued expenses | | 19,145 | 27,729 |
| Loans from related parties | *10* | 3,956 | 7,381 |
| Secured bank loans | *11* | 110,065 | 134,332 |
| Advances received | | 137,001 | 73,367 |
| Income tax payable | | 133 | 1,563 |
| Provisions | | 3,099 | 3,086 |
| **Total current liabilities** | | **273,399** | **247,458** |
| **Total liabilities** | | **345,575** | **361,173** |
| **Total equity and liabilities** | | **730,415** | **743,391** |

*The notes included on pages 24 to 38 are an integral part of these interim condensed consolidated financial statements*

# INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| *PLN (thousands, except per share data and number of shares)* | ***Note*** | **For the 6 months ended 30 June 2010 (Reviewed) / (unaudited)** | **For the 3 months ended 30 June 2010 (Unaudited) / (unreviewed)** | **For the 6 months ended 30 June 2009 (Reviewed) / (unaudited)** | **For the 3 months ended 30 June 2009 (Unaudited) / (unreviewed)** |
|---|---|---|---|---|---|
| Revenue | | 49,545 | 25,650 | 42,070 | 26,914 |
| Cost of sales | | (35,304) | (19,624) | (26,709) | (17,302) |
| **Gross profit** | | **14,241** | **6,026** | **15,361** | **9,612** |
| Selling and marketing expenses | | (2,322) | (1,375) | (1,267) | (993) |
| Administrative expenses | | (6,482) | (3,275) | (6,770) | (4,013) |
| Other expenses | | (3,249) | (329) | (207) | (138) |
| Other income | | 437 | 142 | 1,022 | 354 |
| **Result from operating activities** | | **2,625** | **1,189** | **8,139** | **4,822** |
| Finance income | | 805 | 449 | 356 | (42) |
| Finance expense | | (178) | (61) | (774) | (382) |
| **Net finance income/(expense)** | | **627** | **388** | **(418)** | **(424)** |
| **Profit before taxation** | | **3,252** | **1,577** | **7,721** | **4,398** |
| Income tax expense | *12* | (658) | (316) | (1,606) | (841) |
| **Profit for the period** | | **2,594** | **1,261** | **6,115** | **3,557** |
| Other comprehensive income | | - | - | - | - |
| **Total comprehensive income for the period, net of tax** | | **2,594** | **1,261** | **6,115** | **3,557** |
| Weighted average number of equivalent shares (basic) | | **272,360,000** | **272,360,000** | **226,966,666** | **226,966,666** |
| Weighted average number of equivalent shares (diluted) | | **272,999,333** | **272,999,333** | **227,605,999** | **227,605,999** |
| **Net earnings per share (basic)** | | **0.010** | **0.005** | **0.027** | **0.016** |
| **Net earnings per share (diluted)** | | **0.010** | **0.005** | **0.027** | **0.016** |

*The notes included on pages 24 to 38 are an integral part of these interim condensed consolidated financial statements*

# INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| *In thousands of Polish Zlotys (PLN)* | Share capital | Share premium | Retained earnings | Total equity |
|---|---|---|---|---|
| **Balance at 1 January 2010** | **20,762** | **282,873** | **78,583** | **382,218** |
| Net profit for the six months ended 30 June 2010 | - | - | 2,594 | 2,594 |
| Other comprehensive income | - | - | - | - |
| **Total comprehensive income** | - | - | 2,594 | 2,594 |
| Share-based payments (note 13) | - | - | 28 | 28 |
| **Balance at 30 June 2010 (Reviewed)/(unaudited)** | **20,762** | **282,873** | **81,205** | **384,840** |

| *In thousands of Polish Zlotys (PLN)* | Share capital | Share premium | Retained earnings | Total equity |
|---|---|---|---|---|
| **Balance at 1 January 2009** | **16,953** | **215,105** | **57,425** | **289,483** |
| Net profit for the six months ended 30 June 2009 | - | - | 6,115 | 6,115 |
| Other comprehensive income | - | - | - | - |
| **Total comprehensive income** | **-** | **-** | **6,115** | **6,115** |
| Share-based payments (note 13) | - | - | 21 | 21 |
| **Balance at 30 June 2009 (Reviewed)/(unaudited)** | **16,953** | **215,105** | **63,561** | **295,619** |

*The notes included on pages 24 to 38 are an integral part of these interim condensed consolidated financial statements.*

# INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

| *In thousands of Polish Zlotys (PLN)* | For the six months ended 30 June 2010 (Reviewed) / (unaudited) | For the six months ended 30 June 2009 (Reviewed) / (unaudited) |
|---|---|---|
| **Cash flows from/(used in) operating activities** | | |
| Profit for the period | 2,594 | 6,115 |
| *Adjustments to reconcile profit for the period to net cash used in operating activities:* | | |
| Depreciation | 199 | 248 |
| Finance expense | 178 | 774 |
| Finance income | (805) | (356) |
| Losses on sale of property and equipment | - | 7 |
| Write-down of inventory | 1,866 | - |
| Share-based payment expense | 28 | 21 |
| Income tax expense | 658 | 1,606 |
| ***Subtotal*** | ***4,718*** | ***8,415*** |
| Decrease/(increase) in inventory | 3,873 | (43,831) |
| Decrease/(increase) in trade and other receivables and prepayments | 11,093 | 10,335 |
| Increase/(decrease) in trade and other payables and accrued expense | (6,084) | 9,253 |
| Increase/(decrease) in provisions | 13 | (100) |
| Increase/(decrease) in advances received | 63,634 | 4,339 |
| ***Subtotal*** | ***77,247*** | ***(11,589)*** |
| Interest paid | (9,773) | (8,557) |
| Interest received | 840 | 356 |
| Income tax paid | (2,475) | (599) |
| **Net cash from/(used in) operating activities** | **65,839** | **(20,389)** |
| **Cash flows (used in)/from investing activities** | | |
| Acquisition of property and equipment | (180) | (267) |
| Acquisition of investment property (payment for termination of finance lease contract) | (2,500) | - |
| Short-term bank deposit - collateralized | 1,364 | 2,182 |
| Proceeds from sales of property and equipment | - | 37 |
| **Net cash (used in)/from investing activities** | **(1,316)** | **1,952** |
| **Cash flows used in financing activities** | | |
| Proceeds from bank loans, net of bank charges | 3,088 | 5,812 |
| Repayment of bank loans | (69,031) | (6,017) |
| **Net cash used in financing activities** | **(65,943)** | **(205)** |
| **Net change in cash and cash equivalents** | **(1,420)** | **(18,642)** |
| Cash and cash equivalents at beginning of period | 58,044 | 39,323 |
| **Cash and cash equivalents at end of period** | **56,624** | **20,681** |

*The notes included on pages 24 to 38 are an integral part of these interim condensed consolidated financial statements.*

# 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 (together with its Polish subsidiaries, hereinafter "the Group") 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.

The shares of the Company are traded on the Warsaw Stock Exchange since 5 November 2007. As at 30 June 2010, 64.2% of the outstanding shares are held by I.T.R. Dori B.V. ('ITR Dori'), 15.3% of the outstanding shares are held by GE Real Estate CE Residential B.V. ('GE Real Estate') whereas the remaining 20.5% of the outstanding shares are held by other investors including Amplico Otwarty Fundusz Emerytalny and ING Otwarty Fundusz Emerytalny each holding between 5% and 10% of the outstanding shares.

The Interim Condensed Consolidated Financial Statements of the Group have been prepared for the six months ended 30 June 2010 and contain comparative data for the six months ended 30 June 2009 and as at 31 December 2009. The Interim Condensed Consolidated Financial Statements of the Company for the six months ended 30 June 2010 comprise the Group, and have been reviewed by the Company's external auditors. The Consolidated Statement of Comprehensive Income and respective notes cover also the three months ended 30 June 2010 and contain comparative data for the three months ended 30 June 2009 – these data were not subject to review or audit by an independent auditor.

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

The Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2010 were authorised for issuance by the Management Board on 17 August 2010.

## 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 Interim 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 2009.

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

The Consolidated Financial Statements of the Group for the year ended 31 December 2009 are available upon request from the Company's registered office at Weena 210-212, 3012 NJ Rotterdam, the Netherlands or at the Company's website: www.ronson.pl

These Interim Condensed Consolidated Financial Statements have been prepared based on the assumption that the Group companies will continue as going concern in the foreseeable future. As at the date of authorisation of these Interim Condensed Consolidated Financial Statements, the Company's Management Board is not aware of any facts or circumstances that would indicate a threat to the continued activity of the Group. A separate comment shall be made regarding the maturity structure of the Company's loan facilities, which in majority, are classified as short-term debt. The structure of the debt financing reflects the Company's past transactions involving leveraged land acquisitions and the current practice by the banking sector assuming extension of the maturity of land backed loans for the period of up to 12-18 months only. The Management of the Company is confident about the value of the land which is used as the collateral for the loan facilities as well as about a continued cooperation by the banks and the Company's ability to service its loan obligations in an orderly fashion. Until now, the Company has not breached any loan covenant, which would expose the Company for risk of obligatory and immediate repayment of any loan and has been able to extend all expiring loan facilities.

## Note 3 – Summary of significant accounting policies

The accounting policies adopted in the preparation of the Interim Condensed Consolidated Financial Statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2009, except for the adoption of the following new or amended Standards and Interpretations applicable to annual reporting periods beginning on or after 1 January 2010 as noted below:

- IFRS 2 *Share-based payment: Group Cash-settled Share-based Payment Transactions* – applicable to annual reporting periods beginning on or after 1 January 2010. The standard has been amended to clarify the accounting for group cash-settled share-based payment transactions. This amendment supersedes IFRIC 8 and IFRIC 11. The adoption of this amendment did not have any impact on the financial position or performance of the Group.
- IFRS *3 Business Combinations (revised) and IAS 27 Consolidated and Separate Financial Statements (amended)* – applicable to annual reporting periods beginning on or after 1 July 2009. IFRS 3 (revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration, and business combinations achieved in stages. The adoption of this amendment did not have any impact on the financial position or performance of the Group.
- IAS 27 (amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The adoption of this amendment did not have any impact on the financial position or performance of the Group.
- IAS 39 *Financial Instruments: Recognition and Measurement: Eligible Hedged Items* – applicable to annual reporting periods beginning on or after 1 July 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The adoption of this amendment did not have an impact on the financial position or performance of the Group.

## Note 3 – Summary of significant accounting policies (cont'd)

- IFRIC 17 *Distribution of Non-cash Assets to Owners* – applicable to annual reporting periods beginning on or after 1 July 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation did not have any effect on the financial position or performance of the Group
- Improvements to IFRSs (issued May 2008) – in May 2008 The Board issued its first omnibus of amendments to its standards. The Company has implemented the following amendments from 1 January 2010:
  - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: clarifies when a subsidiary is classified as held for sale, all its assets and liabilities are classified as held for sale, even when the entity remains a non-controlling interest after the sale transaction. The amendment is applied prospectively and did not have any impact on the financial position or performance of the Group.
- Improvements to IFRSs (issued April 2009) – in April 2009 the Board issued its second omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard.
  - IAS 39 *Financial Instruments: Recognition and Measurement*: The amendment clarifies that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract. The amendment clarifies that the scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquire at future date, applies only to binding forward contracts, and not derivative contracts where further actions by either party are still to be taken. The amendment did not have any effect on the financial position or performance of the Group.

The changes in the following standards did not have any impact on the accounting policies, the financial position or performance of the Company:

- IFRS 2 *Share-based Payment*
- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*
- IFRS 8 *Operating segments*
- IAS 36 *Impairment of Assets*
- IAS 7 *Statement of cash-flows*
- IAS 1 *Presentation of Financial Statements*
- IAS 17 *Leases*
- IAS 38 *Intangible Assets*
- IFRIC 9 *Reassessment of Embedded Derivatives*
- IFRIC 16 *Hedge of a Net Investment in a Foreign Operation*

The Group has not early adopted any other standard, interpretation or amendment that was issued but is not yet effective.

## 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 2009 that were presented in Note 2(d) of the consolidated financial statements for the year ended 31 December 2009.

## 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') being Polish Zloty ('PLN'). The Consolidated Financial Statements are presented in thousands of Polish Zloty which is the parent company functional and presentation currency. Although the Company is a Dutch Company, it operates mainly in Poland.

## 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 seasonality.

## Note 7 – Composition of the Group

The Polish companies whose financial data have been included in these Interim Condensed Consolidated Financial Statements, the year of their incorporation and the percentage of ownership and voting rights directly and indirectly held by the Company as at 30 June 2010 in each entity are presented on the following page.

The projects managed by the 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.

## Note 7 – Details of corporations in the Group (cont'd)

| | Entity name | Year of incorporation | Share of ownership & voting rights (end of period) |
|---|---|---|---|
| a. | **held directly by the Company :** | | |
| 1. | Ronson Development Management Sp. z o.o. | 1999 | 100.0% |
| 2. | Ronson Development 2000 Sp. z o.o. | 2000 | 100.0% |
| 3. | Ronson Development Warsaw Sp. z o.o. | 2000 | 100.0% |
| 4. | Ronson Development Investments Sp. z o.o. | 2002 | 100.0% |
| 5. | Ronson Development Metropol Sp. z o.o. | 2002 | 100.0% |
| 6. | Ronson Development Properties Sp. z o.o. | 2002 | 100.0% |
| 7. | Ronson Development Apartments Sp. z o.o. | 2003 | 100.0% |
| 8. | Ronson Development Residential Sp. z o.o. | 2003 | 100.0% |
| 9. | Ronson Development Enterprise Sp. z o.o. | 2004 | 100.0% |
| 10. | Ronson Development Company Sp. z o.o. | 2005 | 100.0% |
| 11. | Ronson Development Creations Sp. z o.o. | 2005 | 100.0% |
| 12. | Ronson Development Buildings Sp. z o.o. | 2005 | 100.0% |
| 13. | Ronson Development Structure Sp. z o.o. | 2005 | 100.0% |
| 14. | Ronson Development Poznań Sp. z o.o. | 2005 | 100.0% |
| 15. | Ronson Development Innovation Sp. z o.o. | 2006 | 100.0% |
| 16. | Ronson Development Wrocław Sp. z o.o. | 2006 | 100.0% |
| 17. | Ronson Development Capital Sp. z o.o. | 2006 | 100.0% |
| 18. | EEE Development Sp. z o.o. | 2006 | 100.0% |
| 19. | Ronson Development Habitat Sp. z o.o. | 2006 | 100.0% |
| 20. | Ronson Development Sp. z o.o. | 2006 | 100.0% |
| 21. | Ronson Development Construction Sp. z o.o. | 2006 | 100.0% |
| 22. | Ronson Development City Sp. z o.o. (no activities at 30 June 2010) | 2006 | 100.0% |
| 23. | Ronson Development Village Sp. z o.o. (1) | 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. (1) | 2007 | 100.0% |
| 27. | Ronson Development Continental Sp. z o.o. (1) | 2007 | 100.0% |
| 28. | Ronson Development Universal Sp. z o.o. (1) | 2007 | 100.0% |
| 29. | Ronson Development Retreat Sp. z o.o. | 2007 | 100.0% |
| 30. | Ronson Development South Sp. z o.o. (1) | 2007 | 100.0% |
| 31. | Ronson Development West Sp. z o.o. (1) | 2007 | 100.0% |
| 32. | Ronson Development East Sp. z o.o. (no activities at 30 June 2010) (1) | 2007 | 100.0% |
| 33. | Ronson Development North Sp. z o.o. (1) | 2007 | 100.0% |
| 34. | Ronson Development Providence Sp. z o.o. | 2007 | 100.0% |
| 35. | Ronson Development Destiny Sp. z o.o. (no activities at 30 June 2010) (1) | 2007 | 100.0% |
| 36. | Ronson Development Millenium Sp. z o.o. (no activities at 30 June 2010) (1) | 2007 | 100.0% |
| 37. | Ronson Development Finco Sp. z o.o. | 2009 | 100.0% |
| 38. | Ronson Development Nautica Sp. z o.o. (no activities at 30 June 2010) | 2010 | 100.0% |
| 39. | Ronson Development Gemini Sp. z o.o. (no activities at 30 June 2010) | 2010 | 100.0% |
| b. | **held indirectly by the Company :** | | |
| 40. | AGRT Sp. z o.o. | 2007 | 100.0% |
| 41. | Ronson Development Community Sp.k. | 2007 | 100.0% |
| 42. | Ronson Development Estate Sp.k. | 2007 | 100.0% |
| 43. | Ronson Development Home Sp.k. | 2007 | 100.0% |
| 44. | Ronson Development Horizon Sp.k. | 2007 | 100.0% |
| 45. | Ronson Development Landscape Sp.k. | 2007 | 100.0% |
| 46. | Ronson Development Town Sp.k. (no activities at 30 June 2010) | 2007 | 100.0% |
| 47. | Ronson Development Eclipse Sp.k. (no activities at 30 June 2010) | 2009 | 100.0% |
| 48. | Ronson Development Magellan Sp.k. (no activities at 30 June 2010) | 2009 | 100.0% |
| 49. | Ronson Development Monet Sp.k. (no activities at 30 June 2010) | 2009 | 100.0% |
| 50. | Ronson Development Orion Sp.k. (no activities at 30 June 2010) | 2009 | 100.0% |
| 51. | Ronson Development Osiedle Hrabskie Sp.k. (no activities at 30 June 2010) | 2009 | 100.0% |
| 52. | Ronson Development Plejada Sp.k. (no activities at 30 June 2010) | 2009 | 100.0% |
| 53. | Ronson Development Renoir Sp.k. (no activities at 30 June 2010) | 2009 | 100.0% |
| 54. | Ronson Development Renaissance Sp.k. (no activities at 30 June 2010) | 2009 | 100.0% |
| 55. | Ronson Development Tamka Sp.k. (no activities at 30 June 2010) | 2009 | 100.0% |
| 56. | Ronson Development Copernicus Sp.k. (no activities at 30 June 2010) | 2009 | 100.0% |

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

## 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 and development of houses). Moreover, for one particular entity the reporting was based on type of income: rental income from investment property.

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

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated indirectly based on reasonable criteria. 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:

| *In thousands of Polish Zlotys (PLN)* | **As at 30 June 2010 (Reviewed)/(unaudited)** | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Warsaw** | | | **Poznań** | | **Wrocław** | | **Szczecin** | | **Unallocated** | **Total** |
| | **Apartments** | **Houses** | **Rental** | **Apartments** | **Houses** | **Apartments** | **Houses** | **Apartments** | **Houses** | | |
| **Segment assets** | 335,680 | 108,769 | 8,740 | 97,695 | 8,473 | 69,969 | 2,427 | 53,013 | 7,284 | - | 692,050 |
| Unallocated assets | - | - | - | - | - | - | - | - | | 38,365 | 38,365 |
| **Total assets** | **335,680** | **108,769** | **8,740** | **97,695** | **8,473** | **69,969** | **2,427** | **53,013** | **7,284** | **38,365** | **730,415** |
| **Segment liabilities** | 226,920 | 44,166 | - | 39,068 | 75 | 7,669 | - | 17,115 | - | - | 335,013 |
| Unallocated liabilities | - | - | - | - | - | - | - | - | - | 10,562 | 10,562 |
| **Total liabilities** | **226,920** | **44,166** | **-** | **39,068** | **75** | **7,669** | **-** | **17,115** | **-** | **10,562** | **345,575** |

| *In thousands of Polish Zlotys (PLN)* | **As at 31 December 2009** | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Warsaw** | | | **Poznań** | | **Wrocław** | | **Szczecin** | | **Unallocated** | **Total** |
| | **Apartments** | **Houses** | **Rental** | **Apartments** | **Houses** | **Apartments** | **Houses** | **Apartments** | **Houses** | | |
| **Segment assets** | 315,967 | 108,221 | 8,740 | 118,869 | 8,379 | 68,758 | 2,361 | 51,848 | 7,318 | - | 690,461 |
| Unallocated assets | - | - | - | - | - | - | - | - | | 52,930 | 52,930 |
| **Total assets** | **315,967** | **108,221** | **8,740** | **118,869** | **8,379** | **68,758** | **2,361** | **51,848** | **7,318** | **52,930** | **743,391** |
| **Segment liabilities** | 212,699 | 50,977 | 2,500 | 56,806 | 42 | 8,445 | - | 16,791 | 1 | - | 348,261 |
| Unallocated liabilities | - | - | - | - | - | - | - | - | - | 12,912 | 12,912 |
| **Total liabilities** | **212,699** | **50,977** | **2,500** | **56,806** | **42** | **8,445** | **-** | **16,791** | **1** | **12,912** | **361,173** |

# Note 8 - Segment reporting (cont'd)

*In thousands of Polish Zlotys (PLN)* — **For the six months ended 30 June 2010 (Reviewed)/(unaudited)**

| | Warsaw | | | Poznań | | Wrocław | | Szczecin | | Unallocated | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Apartments | Houses | Rental | Apartments | Houses | Apartments | Houses | Apartments | Houses | | |
| **Revenue** | 23,633 | - | 203 | 25,709 | - | - | - | - | - | - | 49,545 |
| **Segment result** | 5,434 | (2,212) | - | 5,845 | (21) | 22 | (1) | (6) | (1) | - | 9,060 |
| Unallocated result | - | - | - | - | - | - | - | - | - | (6,435) | (6,435) |
| **Result from operating activities** | **5,434** | **(2,212)** | **-** | **5,845** | **(21)** | **22** | **(1)** | **(6)** | **(1)** | **(6,435)** | **2,625** |
| Net finance income | 10 | 96 | - | (11) | (1) | - | - | (2) | - | 535 | 627 |
| **Profit before taxation** | **5,444** | **(2,116)** | **-** | **5,834** | **(22)** | **22** | **(1)** | **(8)** | **(1)** | **(5,900)** | **3,252** |
| Income tax expense | | | | | | | | | | | (658) |
| **Profit for the period** | | | | | | | | | | | **2,594** |
| **Capital expenditure** | **147** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **33** | **180** |

*In thousands of Polish Zlotys (PLN)* — **For the six months ended 30 June 2009 (Reviewed)/(unaudited)**

| | Warsaw | | Poznań | | Wrocław | | Szczecin | | Unallocated | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | Apartments | Houses | Apartments | Houses | Apartments | Houses | Apartments | Houses | | |
| **Total external revenues** | 6,614 | - | 35,456 | - | - | - | - | - | - | 42,070 |
| **Segment result** | 1,459 | (144) | 13,421 | (4) | 149 | (2) | (8) | (2) | - | 14,869 |
| Unallocated result | - | - | - | - | - | - | - | - | (6,730) | (6,730) |
| **Result from operating activities** | **1,459** | **(144)** | **13,421** | **(4)** | **149** | **(2)** | **(8)** | **(2)** | **(6,730)** | **8,139** |
| Net finance expense | 106 | 5 | (515) | 3 | 9 | (1) | (8) | - | (17) | (418) |
| **Profit before taxation** | **1,565** | **(139)** | **12,906** | **(1)** | **158** | **(3)** | **(16)** | **(2)** | **(6,747)** | **7,721** |
| Income tax expense | | | | | | | | | | (1,606) |
| **Profit for the period** | | | | | | | | | | **6,115** |
| **Capital expenditure** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **267** | **267** |

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

| *In thousands of Polish Zlotys (PLN)* | For the three months ended 30 June 2010 (unaudited)/(unreviewed) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Warsaw** | | | **Poznań** | | **Wrocław** | | **Szczecin** | | **Unallocated** | **Total** |
| | **Apartments** | **Houses** | **Rental** | **Apartments** | **Houses** | **Apartments** | **Houses** | **Apartments** | **Houses** | | |
| **Revenue** | 14,073 | - | 99 | 11,478 | - | - | - | - | - | - | 25,650 |
| **Segment result** | 2,913 | (2,135) | - | 3,740 | (14) | (31) | (1) | (4) | (1) | - | 4,467 |
| Unallocated result | - | - | - | - | - | - | - | - | - | (3,278) | (3,278) |
| **Result from operating activities** | **2,913** | **(2,135)** | **-** | **3,740** | **(14)** | **(31)** | **(1)** | **(4)** | **(1)** | **(3,278)** | **1,189** |
| Net finance income | (23) | 97 | - | 14 | - | 2 | - | (1) | - | 299 | 388 |
| **Profit before taxation** | **2,890** | **(2,038)** | **-** | **3,754** | **(14)** | **(29)** | **(1)** | **(5)** | **(1)** | **(2,979)** | **1,577** |
| Income tax expense | | | | | | | | | | | (316) |
| **Profit for the period** | | | | | | | | | | | **1,261** |
| **Capital expenditure** | **38** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **7** | **45** |

| *In thousands of Polish Zlotys (PLN)* | For the three months ended 30 June 2009 (unaudited)/(unreviewed) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Warsaw** | | **Poznań** | | **Wrocław** | | **Szczecin** | | **Unallocated** | **Total** |
| | **Apartments** | **Houses** | **Apartments** | **Houses** | **Apartments** | **Houses** | **Apartments** | **Houses** | | |
| **Total external revenues** | 1,870 | - | 25,044 | - | - | - | - | - | - | 26,914 |
| **Segment result** | (240) | (291) | 9,413 | (1) | 69 | - | (2) | (1) | - | 8,947 |
| Unallocated result | - | - | - | - | - | - | - | - | (4,125) | (4,125) |
| **Result from operating activities** | **(240)** | **(291)** | **9,413** | **(1)** | **69** | **-** | **(2)** | **(1)** | **(4,125)** | **4,822** |
| Net finance expense | 42 | 25 | (539) | 3 | 2 | (1) | (1) | - | 45 | (424) |
| **Profit before taxation** | **(198)** | **(266)** | **8,874** | **2** | **71** | **(1)** | **(3)** | **(1)** | **(4,080)** | **4,398** |
| Income tax expense | | | | | | | | | | (841) |
| **Profit for the period** | | | | | | | | | | **3,557** |
| **Capital expenditure** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **18** | **18** |

## Note 9 – Inventory

Movements in Inventory during the six months ended 30 June 2010 were as follows:

| *In thousands of Polish Zlotys (PLN)* | Opening balance 01 January 2010 | Transferred to property and equipment | Transferred to finished units | Additions | Closing balance 30 June 2010 |
|---|---|---|---|---|---|
| | | (Reviewed) / (unaudited) | (Reviewed) / (unaudited) | (Reviewed) / (unaudited) | (Reviewed) / (unaudited) |
| Land and related expense | 389,730 | (554) | (21,593) | 1,917 | 369,500 |
| Construction costs | 138,448 | (4,877) | (109,492) | 24,476 | 48,555 |
| Planning and permits | 18,984 | (120) | (3,632) | 1,771 | 17,003 |
| Borrowing costs | 41,009 | (198) | (6,711) | 8,165 | 42,265 |
| Other | 4,319 | (54) | (1,633) | 936 | 3,568 |
| ***Work in progress*** | **592,490** | **(5,803)** | **(143,061)** | **37,265** | **480,891** |

| *In thousands of Polish Zlotys (PLN)* | Opening balance 01 January 2010 | Transferred from work in progress | Recognized in the statement of comprehensive income | Closing balance 30 June 2010 |
|---|---|---|---|---|
| | | (Reviewed) / (unaudited) | (Reviewed) / (unaudited) | (Reviewed) / (unaudited) |
| ***Finished goods*** | **53,763** | **143,061** | **(32,973)** | **163,851** |

| *In thousands of Polish Zlotys (PLN)* | Opening balance 01 January 2010 | Revaluation write down recognized in statement of comprehensive income | Closing balance 30 June 2010 |
|---|---|---|---|
| | | (Reviewed) / (unaudited) | (Reviewed) / (unaudited) |
| ***Write-down*** | **-** | **(1,866)** | **(1,866)** |
| **Inventory, valued at lower of cost or net realisable value** | **646,253** | | **642,876** |

In view of the market situation in the property market in which the Group operates, at the end of June 2010 the Group took a particularly rigorous approach to the inventory review with regard to its valuation to net realisable value. As a result, the Group made a write-down adjustment for one of its project under construction, the Gardenia project, in the total amount of PLN 1,866 thousand which amount is included as part of cost of sales in the Interim Consolidated Statement of Comprehensive Income.

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## Note 9 – Inventory (cont'd)

Movements in Inventory during the year ended 31 December 2009 were as follows:

| *In thousands of Polish Zlotys (PLN)* | Opening balance 01 January 2009 | Transferred to property and equipment | Transferred to finished units | Additions | Closing balance 31 December 2009 |
|---|---|---|---|---|---|
| Land and related expenses | 408,098 | (108) | (23,729) | 5,469 | 389,730 |
| Construction costs | 107,595 | (510) | (83,128) | 114,491 | 138,448 |
| Planning and permits | 13,627 | (12) | (2,028) | 7,397 | 18,984 |
| Borrowing costs | 29,243 | (39) | (6,131) | 17,936 | 41,009 |
| Other | 7,579 | (13) | (2,970) | (277) | 4,319 |
| ***Work in progress*** | **566,142** | **(682)** | **(117,986)** | **145,016** | **592,490** |

| *In thousands of Polish Zlotys (PLN)* | Opening balance 01 January 2009 | | Transferred from work in progress | Recognized in the statement of comprehensive income | Closing balance 31 December 2009 |
|---|---|---|---|---|---|
| ***Finished units*** | **10,868** | | **117,986** | **(75,091)** | **53,763** |
| **Inventory, valued at lower of cost or net realisable value** | **577,010** | | | | **646,253** |

## Note 10 – Loans from related parties

The following Loans from related parties were issued and repaid during the six months ended 30 June 2010 and during the year ended 31 December 2009:

| *In thousands of Polish Zloty (PLN)* | For the six months ended 30 June 2010 (Reviewed) / (unaudited) | For the year ended 31 December 2009 |
|---|---|---|
| **Opening balance** | **60,329** | **57,619** |
| Accrued interest | 1,575 | 3,177 |
| Interest repayment | (5,000) | (467) |
| **Total closing balance** | **56,904** | **60,329** |
| **Closing balance includes:** | | |
| Current liabilities | 3,956 | 7,381 |
| Non-current liabilities | 52,948 | 52,948 |
| **Total closing balance** | **56,904** | **60,329** |

The maturity dates of the loans have been presented in the annual consolidated financial statements for the year ended 31 December 2009. There have been no changes in terms and conditions of the loans during the six months ended 30 June 2010

## Note 11 – Secured bank loans

The following non-current and current Secured bank loans were issued and repaid during the six months ended 30 June 2010 and during the year ended 31 December 2009:

| *In thousands of Polish Zloty (PLN)* | For the six months ended 30 June 2010 (Reviewed) / (unaudited) | For the year ended 31 December 2009 |
|---|---|---|
| **Opening balance** | **188,678** | **225,133** |
| New bank loan drawdown | 3,186 | 24,275 |
| Bank loans repayments | (69,031) | (60,386) |
| Bank charges | (98) | (1,884) |
| Bank charges amortization | 1,039 | 1,939 |
| Accrued interest/(interest repayment) on bank loans, net | 991 | (399) |
| **Total closing balance** | **124,765** | **188,678** |
| | | |
| **Closing balance includes:** | | |
| Current liabilities | 110,065 | 134,332 |
| Non-current liabilities | 14,700 | 54,346 |
| **Total closing balance** | **124,765** | **188,678** |

The maturity dates of the loans have been presented in the annual consolidated financial statements for the year ended 31 December 2009. With the exception of two loans totalling PLN 37.2 million, all other loans were extended during the six months ended 30 June 2010. The maturity of loans granted by BZWBK S.A. totalling PLN 57.4 million was changed to 31 March 2011, and the maturity of two loans granted by PKO BP S.A. (each amounting to PLN 14.7 million) was extended to 31 December 2010 and to 31 December 2012, respectively.

## Note 12 – Income tax expense

| *In thousands of Polish Zlotys (PLN)* | For the 6 months ended 30 June 2010 (Reviewed) / (unaudited) | For the 3 months ended 30 June 2010 (Unaudited) / (unreviewed) | For the 6 months ended 30 June 2009 (Reviewed) / (unaudited) | For the 3 months ended 30 June 2009 (Unaudited) / (unreviewed) |
|---|---|---|---|---|
| **Current tax expense** | **773** | **169** | **432** | **310** |
| **Deferred tax expense/(benefit)** | | | | |
| Origination and reversal of temporary differences | (3,020) | 50 | 2,859 | 1,882 |
| Benefit of tax losses recognized | 2,905 | 97 | (1,685) | (1,351) |
| **Total deferred tax expense/(benefit)** | **(115)** | **147** | **1,174** | **531** |
| | | | | |
| **Total income tax expense** | **658** | **316** | **1,606** | **841** |

## Note 13 – Share-based payments

During the fourth quarter of 2007, a 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 is 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) and can only be settled in shares. Options granted shall vest over three and five years, one third and one fifth in each year after one year from the date of grant, respectively.

On 5 November 2007, a total of 1,900,000 options with an exercise price of PLN 5.75 per share were granted to selected employees of the Company. Of the above total, 700,000 options will vest over a three year period having an option term of five years, whereas the remaining 1,200,000 options will vest over five years having an option term of seven years. The latter options were granted to Mr. Dror Kerem, the former President of the Management Board and the former Chief Executive Officer of the Company.

Until 30 June 2010, the selected employees that joined the option programme (granted in 2007) had not exercised any of their options. Following the resignation of key management employees during 2008 and during 2009, a total of 1,260,667 options ceased to exist. The details regarding the number of the options outstanding as of 30 June 2010 are provided below:

| | Number of options | | | |
|---|---|---|---|---|
| **Vesting dates** | **Granted** | **Exercised** | **Ceased to exist** | **Outstanding** |
| 5 November 2008 | 473,333 | - | (50,000) | 423,333 |
| 5 November 2009 | 473,333 | - | (317,333) | 156,000 |
| 5 November 2010 | 473,334 | - | (413,334) | 60,000 |
| 5 November 2011 | 240,000 | - | (240,000) | - |
| 5 November 2012 | 240,000 | - | (240,000) | - |
| **Total** | **1,900,000** | **-** | **(1,260,667)** | **639,333** |

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

The cost impact of the share-based payment on the financial statements of the Company was an expense of PLN 28 thousand for six months ended 30 June 2010 (six months ended 30 June 2009: PLN 21 thousand) recognized in the statement of comprehensive income with a corresponding increase in equity.

## 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:

| *In thousands of Polish Zlotys (PLN)* | As at 30 June 2010 | As at 31 December 2009 |
|---|---|---|
| | (Reviewed)/(unaudited) | |
| Imaginarium III | 12,470 | - |
| Nautica II | 1,698 | - |
| Nautica | 1,202 | 7,410 |
| Gemini | 336 | 11,211 |
| Constans | 707 | 1,934 |
| **Total** | **16,413** | **20,555** |

### (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 30 June 2010 after deduction of payments received at the reporting date (such payments being presented in the Interim Consolidated Statement of Financial Position as Advances received):

| *In thousands of Polish Zlotys (PLN)* | As at 30 June 2010 | As at 31 December 2009 |
|---|---|---|
| | (Reviewed)/(unaudited) | |
| Gemini | 27,817 | 32,003 |
| Nautica | 16,403 | 31,067 |
| Galileo | 3,771 | 9,043 |
| Imaginarium III | 11,079 | - |
| Imaginarium II | 1,464 | 4,772 |
| Gardenia | 3,385 | - |
| Constans | 1,757 | 336 |
| Meridian | 28 | 7 |
| **Total** | **65,704** | **77,228** |

### (iii) Contingencies:

None.

## Note 15 – Related party transactions

There were no material transactions and balances with related parties during the six months ended 30 June 2010 other than were already disclosed in 2009 annual accounts and in note 10 of these Interim Condensed Consolidated Financial Statements. During the six months ended 30 June 2010 and during the year ended 31 December 2009, the Group paid previously accrued interest on related party loans amounting to PLN 5.0 million and PLN 0.5 million, respectively.

## Note 16 – Impairment losses and provisions

During the six months ended 30 June 2010 and 30 June 2009, no material impairment losses were charged.
The following net movements in the Group's main provisions took place during the six months ended 30 June 2010 and during the three months ended 30 June 2010:

- *Provision for deferred tax liabilities:* during the six months ended 30 June 2010 a decrease of PLN 1,893 thousand (during the six months ended 30 June 2009 an increase of PLN 1,635 thousand) and during the three months ended 30 June 2010 a decrease of PLN 498 thousand (during the three months ended 30 June 2009 an increase of PLN 1,021 thousand).
- *Provision for tax liabilities for tax control:* during the six months ended 30 June 2010 an increase of PLN 13 thousand (during the six months ended 30 June 2009 a decrease of PLN 100 thousand) and during the three months ended 30 June 2010 an increase of PLN 13 thousand (during the three months ended 30 June 2009 a decrease of PLN 100 thousand).

## Note 17 – Events during the period

### *Bank loans*

The Company has signed an annex extending the maturity of a loan facility (PLN 14.7 million) which was used for refinancing of the land purchase in respect of the Verdis project (previously named Orion). The final repayment date has been postponed from January 2010 until December 2010. The Company is involved in discussions regarding a further extension of this facility and other conditions of the construction facility for this project. The Company has also signed an annex extending the maturity of a loan facility (PLN 14.7 million) which was used for refinancing of the land purchase in respect of the Magellan project. The final repayment date has been postponed from January 2010 until December 2012. Moreover the Company is involved in discussions regarding further extension of the land loan supporting the project at Kłobucka Street in Warsaw (Sakura) as well as regarding conditions of the new loan which is expected to finance the construction expenditure of this project.

In May 2010, the Company entered into annexes to certain loan facilities received in the past from 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 2010 to 31 March 2011.

The Company repaid the loans used for the Constans, Imaginarium, Galileo, Copernicus and Gemini projects thereby reducing its banking debt by PLN 69.0 million in total.

### *Aurora*

In May 2009, the Company entered into a settlement agreement with the seller of a land plot in Poznań (project Aurora), which concluded the dispute between parties that started in September 2008. The seller has confirmed that the original agreement related to acquisition of land has expired and has committed to pay back the advance payment (PLN 12.4 million) upon satisfaction of certain conditions. While the Company decided to enter into this compromise agreement despite the fact that the Management Board was confident about the Company's ultimate success in any court proceeding. The Management Board was of the opinion that a court proceeding would nonetheless be long, expensive and complicated. Based on the compromise agreement reached, the parties agreed to a reduction of the repayment to a final settlement of PLN 9.0 million (plus statutory interest accrued since 1 August 2009 on the unpaid amount) if repaid by the end of April 2010. Notwithstanding the said compromise agreement, the Management of the Company has assessed chances of the Seller to arrange relevant financial resources and to finalize the settlement within agreed timeframe as unlikely and decided to not proceed with any write-off.

## Note 17 – Events during the period (cont'd)

At 30 April 2010, the seller repaid the full PLN 9.0 million plus PLN 0.9 million of interest, after which all settlements between the Company and the seller were cleared. As a result of the settlement, the Company recognized a write-down expense for the abandoned project amounting to PLN 2.5 million which is included in the Interim Consolidated Statement of Comprehensive Income under "Other expenses".

***Projects completion***

In June 2010, the Company completed the construction of the Gemini project comprising 164 units with a total area of 13,200 $m^2$. From this completed project 8 units with a total area of 869 $m^2$ were transferred to property and equipment.

In June 2010, the Company completed the construction of the Nautica project comprising 149 units with a total area of 10,600 $m^2$.

***Commencements of new projects***

During the six months ended 30 June 2010, the Group commenced the construction of two new projects, Imaginarium III and Nautica II, comprising 45 and 3 units with a total area of 3,800 $m^2$ and 700 $m^2$, respectively.

## Note 18 – Subsequent events

***Commencements of new projects***

In July and August 2010, the Company commenced sales activities for four projects, including the first stages of the Naturalis, Verdis, Sakura and Impressio projects, introducing 381 units on offer. The Company received valid building permits for all the above mentioned projects, following which the construction works are expected to commence already in the third quarter of 2010.

***Bank loans***

The Company entered into bank loan facility agreement amounting to PLN 9.3 million with respect to financing of construction costs of the first phase of Impressio project

**The Management Board**

| | | |
|---|---|---|
| **Shraga Weisman**<br>Chief Executive Officer | **Tomasz Łapiński**<br>Chief Financial Officer | **Andrzej Gutowski**<br>Sales and Marketing Director |
| **Amos Weltsch** | **David Katz** | **Karol Pilniewicz** |

**Rotterdam. 17 August 2010**

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

ERNST & YOUNG

Ernst & Young Accountants LLP
Zwartewaterallee 56
8031 DX Zwolle, The Netherlands
P.O. Box 634
8000 AP Zwolle, The Netherlands
Tel.: +31 (0) 88 - 407 9442
Fax: +31 (0) 88 - 407 9405
www.ey.nl

TO THE: BOARD OF DIRECTORS, THE SUPERVISORY BOARD AND SHAREHOLDERS OF RONSON EUROPE N.V.

## Review report

*Introduction*

We have reviewed the accompanying interim consolidated statement of financial position of Ronson Europe N.V., Rotterdam (the "Company") as at June 30, 2010 and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and notes to the interim condensed consolidated financial statements. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting as adopted by the European Union ("IAS 34"). Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

*Scope*

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Opinion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

**Zwolle, August 17, 2010**

**Ernst & Young Accountants LLP**

**Signed by: A.J. Buisman**