

Ronson Europe N.V.

Interim Financial Report
for the six months
ended
30 June 2013

Interim Financial Report for the six months ended 30 June 2013

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Directors' report

Directors' Report

General

Introduction

Ronson Europe N.V. (hereinafter "the Company"), a Dutch public company with its registered office located in Rotterdam, the Netherlands, was incorporated on 18 June 2007. The Company 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 2013, 32.1% of the outstanding shares are controlled by I.T.R. 2012 B.V., a further 32.1% of the outstanding shares are controlled by I.T.R. Dori B.V. (both cooperating through the ITRD Partnership), 15.3% of the outstanding shares are held by GE Real Estate CE Residential B.V. ('GE Real Estate') and the remaining 20.5% of the outstanding shares are held by other investors including Amplico Otworthy Fundusz Emerytalny and ING Otworthy Fundusz Emerytalny each holding between 5% and 10% of the outstanding shares. For major shareholders of the Company reference is made to page 19. On 6 August 2013, the market price was PLN 1.42 per share giving the Company a market capitalization of PLN 386.8 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 maintain its position as a leading residential development company throughout Poland.

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

As at 30 June 2013, the Group has 841 units available for sale in ten locations, of which six are ongoing projects, comprising a total of 959 units, with a total area of 50,500 m². The construction of 158 units, with a total area of 9,900 m², is expected to be completed during the remainder of 2013.

In addition, the Group has a pipeline of 22 projects in different stages of preparation, representing approximately 5,200 residential units with a total area of approximately 336,700 m² for future development in Warsaw, Poznań, Wrocław and Szczecin. The Group is considering commencement of three new stages of projects that are currently under construction comprising 288 units with a total area of 16,300 m², and two new projects comprising 256 units with a total area of 16,500 m², during the remainder of 2013.

During the six months ended 30 June 2013, the Company realized sales of 295 units with the total value PLN 114.2 million which compares favorably to sales of 168 units with a total value of PLN 70.3 million during the six months ended 30 June 2012. These results would appear to reflect an improving market position of the Company in comparison to other developers listed in WSE, who reported slower dynamics and even decreasing sale results in this period.

On 14 June 2013, the Company issued bonds with an aggregate nominal value and issue price of PLN 107 million. The bonds carry an interest rate composed of a base rate equal to 6 months Wibor plus a margin, with interest payable semi-annually and maturing in June 2016 (PLN 23.5 million) and June 2017 (PLN 83.5 million), respectively, with full payment due on the maturity date. The bonds have been issued in order to enable the Company to refinance the PLN 66.8 million in bonds issued by the Company in April 2011. The proceeds from the bonds will also provide the Company with additional capital required to purchase land for new projects as well as to commence construction of new projects. For additional information see Note 10 of the Interim Condensed Consolidated Financial Statements.

Directors' report

Dividend policy

On 8 May 2013, the Company issued current report number 4/2013, announcing that the Company's Management Board would recommend to the General Meeting of Shareholders to change its dividend policy and to start paying dividend in 2013. On 14 May 2013, current report number 5/2013 was issued, stating that the Supervisory Board issued a positive opinion on the recommendations of the Management Board. On 27 June 2013, the Annual General Meeting of Shareholders approved the proposal to declare a dividend for the financial year 2012 in the amount of PLN 8,170,800 in total or PLN 0.03 per ordinary share in cash. This is equal to 26% of the net profit attributable to the equity holders of the parent company in 2012. For more details on the payment of the dividend declared for the financial year 2012, please refer to "Additional information to the report – Dividend payment" on page 20.

Since the incorporation of the Company and the IPO in 2007, the Company has retained its profits and did not distribute dividends, in accordance with the dividend policy as set out in the prospectus. The new dividend policy assumes dividend payouts to the shareholders. The Management Board believes that the expected operating, financial and cash-flow position of the Company might allow for increasing the dividend payout in the future. According to the new policy, the Board of Supervisory Directors will be evaluating the future recommendations of the Board of Managing Directors with respect to the potential dividend payouts taking into account (i) the current and expected balance sheet of the Company, with close observance of the all balance-sheet linked debt covenants, (ii) the financial needs of the Company aiming to be ranked amongst leading residential developers in Poland and (iii) changing market environment.

Market overview

The Polish economy has proven to be relatively strong even in the recent turbulent times, which in combination with the general paucity of dwellings in Poland (in comparison to all other European countries) creates, what management believes to be, solid long term prospects for further development of the residential real estate market in spite of the volatility that has characterized the market for the past five years. Management believes the Company is well positioned to adapt to changing market conditions. The Company's sales results during 2010, 2011, 2012 and during first six month of 2013 seem to confirm that the Company continues to adapt positively to the changing market environment.

In 2012, the construction of 142,000 new apartments was commenced in Poland, a decrease of 12% compared to 2011. The trend observed in 2010 and in 2011, when increasing activities of developers resulted in an increased offer of apartments available for sale on the market, changed in 2012, as many developers faced difficulties in finding customers for their products. Simultaneously, competition among real estate developers significantly increased, which has, in turn, led to increased customer demands and expectations relating to quality, a more advanced stage of construction and higher expectations for lower priced apartments. Moreover, an increasing number of customers have indicated interest in more "economical-sized" apartments, i.e. the same number of rooms in a smaller area. Such trend resulted also from changing regulations, which limited the amount of mortgage offered to customers by the banking sector in Poland (so called "Recommendation T" implemented by the Polish Financial Supervision Authority imposing, among others, new criteria of evaluating customers) as well as from the governmental program supporting families buying their first apartment (by subsidizing costs of the mortgage loans). The purchasing power of the customers using the mortgage loans also diminished in 2012, as customers were offered fewer mortgage loans. It was estimated that the total amount of new mortgage loans granted in 2012 was 8% lower than during 2011 and was expected to continue to decline in 2013, however the trends observed in last months, especially during second quarter 2013, do not confirm such pessimistic forecasts..

Another unique factor affecting the Polish residential market is related to the governmental plans supporting and subsidizing young couples purchasing their first apartments. The most recent program called "Rodzina na Swoim" ("Family on its own") expired at the end of 2012, whereas the next program prepared by the government is expected to go into effect no earlier than 2014. Taking into consideration all those circumstances, various real estate advisors estimated that the sale of the total number of dwellings in major Polish metropolitan areas would fall by 15% to 20% in 2013, while in Warsaw the market was projected to shrink by 10% to 15% from last year. Results from the first half of 2013 suggest that those estimates were too pessimistic. The number of apartments sold in Warsaw during first half of 2013 amounted to 6.0 thousand units, which was only 5% lower than in the corresponding period in 2012, when it amounted to 6.3 thousand. During the first half of 2013, the prices of the apartments stabilized, which became an important reason for many customers awaiting further discounts not to delay their purchase. The prices of Warsaw apartments have already stabilized for many months and according to many analysts, the residential market in Warsaw (as well as in many other major Polish cities) has reached an equilibrium.

Directors' report

Market overview (cont'd)

Moreover during the first six months of 2013, the National Bank of Poland continued cuts in interest rates and the main reference interest rate dropped significantly - from 4.5% in November 2012 to a record low level of only 2.5% in July 2013.

Sharp decreases in interest rates have positively impacted the residential market, as on the one hand mortgage loans became more affordable to the potential clients and on the other hand more customers purchase apartments for cash, as they consider this real estate investment as an attractive alternative to the very low interest earned on banking deposits. To that end (according to the estimates of real estate brokers), the number of clients purchasing apartments for cash doubled in comparison to the trends observed in 2012.

Management believes that all of the above factors taken together suggest ongoing improvement in the Polish residential market in the coming quarters.

Meanwhile, on the construction side, arranging the financing of construction sites has become more challenging for developers due to implementation of a new law that entered into force in Poland in April 2012, which requires construction processes to be financed from debt as well as equity or, alternatively, to be secured by additional bank guarantees increasing security of customers' deposits, if such deposits are being used for financing the construction.

In addition, to further minimize market risk, the Company is 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 itself for more demanding debt facility structures that are being imposed by the lending banks especially anticipating the requirements under the new developers' law.

Directors' report**Business highlights during the six months ended 30 June 2013****A. Projects completed**

During the six months ended 30 June 2013, the Group completed the construction of the second phase of the Sakura project comprising 136 units with an aggregate floor space of 8,300 m². For additional information see section 'B. Results breakdown by projects' below.

B. Results breakdown by project

Revenue from the sale of residential units is recognized upon the transfer to the buyer of significant risks and rewards of the ownership of the residential unit, i.e. upon signing of the protocol of technical acceptance and the transfer of the key to the buyer of the residential unit. Total revenue of the Group recognized during the six months ended 30 June 2013 amounted to PLN 110.7 million, whereas cost of sales amounted to PLN 84.5 million, which resulted in a gross profit amounting to PLN 26.2 million with a gross margin of 23.6%.

The following table specifies revenue, cost of sales, gross profit and gross margin during the six months ended 30 June 2013 on a project by project basis:

Project name	Information on the delivered units		Revenue ^(*)		Cost of sales ^(**)		Gross profit	Gross margin
	Number of units	Area of units (m ²)	PLN		PLN		PLN	
			(thousand)	%	(thousand)	%	(thousand)	%
Gemini II	61	4,607	37,291	33.7%	22,650	26.7%	14,641	39.3%
Verdis I	39	2,802	19,892	18.0%	13,670	16.2%	6,222	31.3%
Sakura I	10	777	5,349	4.8%	4,265	5.0%	1,084	20.3%
Sakura II	56	3,131	21,381	19.3%	18,308	21.7%	3,073	14.4%
Impressio I	13	824	4,914	4.4%	5,047	6.0%	(133)	-2.7%
Constans	6	1,637	6,220	5.6%	6,402	7.6%	(182)	-2.9%
Naturalis I	17	877	4,632	4.2%	3,988	4.7%	644	13.9%
Naturalis II	2	112	623	0.6%	542	0.6%	81	13.0%
Panoramika I	28	1,619	7,431	6.7%	7,060	8.4%	371	5.0%
Chilli I	9	643	2,645	2.4%	2,428	2.9%	217	8.2%
Other	N.A.	N.A.	303	0.3%	157	0.2%	146	48.2%
Total / Average	241	17,029	110,681	100.0%	84,517	100.0%	26,164	23.6%

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

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

Directors' report

Business highlights during the six months ended 30 June 2013 (cont'd)

B. Results breakdown by project (cont'd)

Gemini II

The construction of the Gemini II project was completed in December 2012. The Gemini II project was developed on a land strip of 4,703 m² located in the Ursynów district in Warsaw (KEN Avenue) situated next to the subway station Imielin. The Gemini II project comprises 2 eight and eleven-storey, multi-family residential buildings with a total of 167 apartments and 15 commercial units and an aggregate floor space of 13,900 m².

Verdis I

The construction of the Verdis I was completed in December 2012. The Verdis I project was developed on a part of a land strip of 16,300 m² located in the Wola district in Warsaw (Sowińskiego Street). The Verdis I project comprises 3 seven, eight and ten-storey, multi-family residential buildings with a total of 128 apartments and 11 commercial units and an aggregate floor space of 9,400 m².

Sakura I and II

The construction of the Sakura I and Sakura II projects were completed in May 2012 and May 2013, respectively. The Sakura I and Sakura II projects were developed on a part of a land strip of 21,000 m² located in the Mokotów district in Warsaw (Kłobucka Street). The Sakura I and Sakura II projects comprise 1 eleven-storey, multi-family residential building with a total of 99 apartments and 21 commercial units and an aggregate floor space of 8,100 m² and 1 seven and eleven-storey, multi-family residential building with a total of 136 apartments and an aggregate floor space of 8,300 m², respectively.

Impressio I

The construction of the Impressio I project was completed in June 2012. The Impressio I project was developed on a part of a land strip of 14,500 m² located in the Grabiszyn district in Wrocław. The Impressio I project comprises 3 four-storey, multi-family residential buildings with a total of 70 apartments and an aggregate floor space of 4,500 m².

Constans

The first, second and the third phases of the Constans housing project were completed in July 2010, November 2010 and June 2011, respectively. This project was developed on part of a land strip of 36,377 m² located in Konstancin near Warsaw. The first, second and the third phases of the Constans housing project comprise 8 semi-detached units (total 16 units) with an aggregate floor space of 4,471 m², 5 semi-detached units (total 10 units) with an aggregate floor space of 2,758 m² and 4 semi-detached units (total 8 units) with an aggregate floor space of 2,176 m², respectively.

Naturalis I and II

The construction of the Naturalis I and II projects were completed in December 2012 and August 2012, respectively. The Naturalis I and II projects were developed on a part of a land strip of 31,800 m² located in Łomianki near Warsaw. The Naturalis I and II projects comprise 1 four-storey, multi-family residential building with a total of 52 apartments and an aggregate floor space of 2,900 m² and 1 four-storey, multi-family residential building with a total of 60 apartments and an aggregate floor space of 3,400 m², respectively.

Panoramika I

The construction of the Panoramika I project was completed in October 2012. The Panoramika I project was developed on a part of a land strip of 30,300 m² located in Szczecin at Duńska Street. The Panoramika I project comprises 2 four and five-storey, multi-family residential buildings with a total of 90 apartments and an aggregate floor space of 5,300 m².

Chilli I

The construction of the Chilli I project was completed in July 2012. The Chilli I project was developed on a part of a land strip of 39,604 m² located in Tulce near Poznań. The Chilli I project comprises 30 units with an aggregate floor space of 2,100 m².

Other

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

Directors' report**Business highlights during the six months ended 30 June 2013 (cont'd)****C. Units sold during the year**

The table below presents information on the total units sold (i.e. total number of units for which the Company signed the preliminary sale agreements with the clients), during the six months ended 30 June 2013:

Project name	Location	Units sold until 31 December 2012	Units sold during the six months ended 30 June 2013	Units for sale as at 30 June 2013	Total
Constans ^(*)	Warsaw	21	7	6	34
Gemini II ^(*)	Warsaw	166	13	3	182
Verdis I ^(*)	Warsaw	105	19	15	139
Verdis II ^(**)	Warsaw	19	19	40	78
Verdis III ^(**)	Warsaw	-	-	146	146
Sakura I ^(*)	Warsaw	94	11	15	120
Sakura II ^(*)	Warsaw	47	65	24	136
Sakura III ^(**)	Warsaw	-	-	145	145
Naturalis I ^(*)	Warsaw	20	12	20	52
Naturalis II ^(*)	Warsaw	27	3	30	60
Naturalis III ^(**)	Warsaw	14	3	43	60
Impressio I ^(*)	Wrocław	48	16	6	70
Chilli I ^(*)	Poznań	19	8	3	30
Chilli II ^(**)	Poznań	2	6	12	20
Panoramika I ^(*)	Szczecin	33	27	30	90
Espresso I ^(**)	Warsaw	96	67	47	210
Espresso II ^(**)	Warsaw	-	-	152	152
Młody Grunwald I ^(**)	Poznań	25	19	104	148
Total		736	295	841	1,872

(*) For information on the completed projects see "Business highlights during the six months ended 30 June 2013 – B. Results breakdown by project" (pages 4 and 5).

(**) For information on current projects under construction and/or on sale, see "Outlook for the remainder of 2013 – B. Current projects under construction and/or on sale" (pages 14-16).

D. Commencements of new projects

The table below presents information on the projects for which construction and/or sale commenced during the six months ended 30 June 2013:

Project name	Location	Number of units	Area of units (m²)
Sakura III ^(*)	Warsaw	145	7,300
Verdis III ^(*)	Warsaw	146	7,700
Espresso II ^(*)	Warsaw	152	7,600
Total		443	22,600

(*) For information on current projects under construction and/or on sale, see "Outlook for the remainder of 2013 – B. Current projects under construction and/or on sale" (pages 14-16).

Directors' report

Financial information

The Interim Condensed Consolidated Financial Statements as included in this Interim Financial Report on pages 21 through 41 have been prepared in accordance with IAS 34 of the International Financial Reporting Standards ("IFRS") as endorsed by the EU. At the date of authorization of these Interim Condensed Consolidated Financial Statements, in light of the current process of IFRS endorsement in the European Union and the nature of the Group's activities, there is no difference between the full IFRSs and the IFRSs endorsed by the European Union, except for IFRS 10-12 impact, which effective date was moved to 1 January 2014. 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 2012. For additional information see Note 3 of the Interim Condensed Consolidated Financial Statements.

Overview of results

The net profit attributable to the equity holders of the parent company for the six months ended 30 June 2013 was PLN 13,210 thousand and can be summarized as follows:

	For the six months 30 June	
	2013	2012
	PLN	
	(thousands, except per share data)	
Revenue	110,681	41,869
Cost of sales	(84,517)	(32,885)
Gross profit	26,164	8,984
Selling and marketing expenses	(3,116)	(2,662)
Administrative expenses	(8,061)	(7,185)
Other expense	(1,471)	(663)
Other income	353	692
Result from operating activities	13,869	(834)
Finance income	866	2,183
Finance expense	(2,061)	(446)
Net finance income/(expense)	(1,195)	1,737
Profit before taxation	12,674	903
Income tax benefit	313	821
Net profit for the period before non-controlling interests	12,987	1,724
Non-controlling interests	223	185
Net profit for the period attributable to the equity holders of the parent	13,210	1,909
Net earnings per share attributable to the equity holders of the parent (basic and diluted)	0.049	0.007

Directors' report

Overview of results (cont'd)

Revenue

Total revenue increased by PLN 68.8 million (164.4%) from PLN 41.9 million during the six months ended 30 June 2012 to PLN 110.7 million during the six months ended 30 June 2013, which is primarily explained by an increase in apartments delivered to the customers in terms of area size (in m²). The increase is offset in part by a slight decrease in the average selling price per m².

Cost of sales

Cost of sales increased by PLN 51.6 million (157.0%) from PLN 32.9 million during the six months ended 30 June 2012 to PLN 84.5 million during the six months ended 30 June 2013, which is primarily explained by the cost associated with the increase in apartments delivered to the customers in terms of area size (in m²), which is partly offset by a slight decrease in the average cost of sales per m².

Gross margin

The gross margin during the six months ended 30 June 2013 was 23.6% which compares to a gross margin during the six months ended 30 June 2012 of 21.5%. The increase in gross margin is primarily explained by a slight decrease in the cost of sales per m². The increase is offset in part by a slight decrease in the average selling price per m².

Selling and marketing expenses

Selling and marketing expenses increased by PLN 0.5 million (17.1%) from PLN 2.6 million for the six months ended 30 June 2012 to PLN 3.1 million for the six months ended 30 June 2013. The increase of expenses reflects the changing market dynamics, which demands that developers undertake a more proactive sales and marketing effort in a more competitive environment. Simultaneously the number of units sold by the Company increased in the period by 76% (from 168 during six months ended 30 June 2012 to 295 units during corresponding period in 2013).

Administrative expenses

Administrative expenses increased by PLN 0.9 million (12.2%) from PLN 7.2 million for the six months ended 30 June 2012 to PLN 8.1 million for the six months ended 30 June 2013. The increase is primarily explained by an increase in the Management Board bonus which is calculated in proportion to the profit before tax, as well as increase in the sales department bonus due to the increase in sales.

Other expenses

Other expenses increased by PLN 0.8 million from PLN 0.7 million for the six months ended 30 June 2012 to PLN 1.5 million for the six months ended 30 June 2013.

Other income

Other income decreased by PLN 0.3 million from PLN 0.7 million for the six months ended 30 June 2012 to PLN 0.4 million for the six months ended 30 June 2013.

Result from operating activities

As a result of the factors described above, the Company's operating result increased by PLN 14.7 million, from an operating loss of PLN 0.8 million for six months ended 30 June 2012 to an operating profit of PLN 13.9 million for six months ended 30 June 2013.

Directors' report**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 2013		
	PLN (thousands)		
	<u>Total amount</u>	<u>Amount capitalized</u>	<u>Recognized as profit or loss</u>
Finance income	959	(93)	866
Finance expense	(9,897)	7,836	(2,061)
Net finance income/(expense)	<u>(8,938)</u>	<u>7,743</u>	<u>(1,195)</u>
	For the six months ended 30 June 2012		
	PLN (thousands)		
	<u>Total amount</u>	<u>Amount capitalized</u>	<u>Recognized as profit or loss</u>
Finance income	2,234	(51)	2,183
Finance expense	(9,981)	9,535	(446)
Net finance income/(expense)	<u>(7,747)</u>	<u>9,484</u>	<u>1,737</u>

Net finance expenses before capitalization increased by PLN 1.2 million (15.4%) from PLN 7.7 million during the six months ended 30 June 2012 to PLN 8.9 million during the six months ended 30 June 2013, which was a result of an increase in the average net debt position during the period from PLN 122.9 million during the six months ended 30 June 2012 to PLN 154.7 million during the six months ended 30 June 2013, as well as a result of accelerated recognition of the one-time costs related to the bonds issued in 2011, which were repurchased before maturity. The increase was offset in part by a decrease in the reference rates (WIBOR). Moreover due to increased proportion of the finished goods in the Company's inventory (finished apartments), the Company decreased amount of financial expense capitalized.

Income tax benefit

During the six months ended 30 June 2013 the Group realized a tax benefit of PLN 0.3 million, in comparison to a tax benefit of PLN 0.8 million for the six months ended 30 June 2012. The tax benefit during the six months ended 30 June 2013 and 30 June 2012 is explained by the recognition of tax assets. The recognition of the tax assets took place after an organizational restructuring of the Group, which allowed the Company to utilize certain tax losses that in prior periods were deemed not to be usable.

Non-controlling interests

Non-controlling interests comprise the share of minority shareholders in profit and losses from subsidiaries that are not 100% owned by the Company and amounted to PLN 223 thousand (positive) for the six months ended 30 June 2013, as compared to PLN 185 thousand (positive) for the six months ended 30 June 2012.

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

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

	As at 30 June 2013	As at 31 December 2012
	PLN (thousands)	
Inventory	<u>632,534</u>	<u>668,080</u>
Advances received	<u>54,726</u>	<u>68,492</u>
Loans and borrowings	<u>219,762</u>	<u>207,557</u>

Inventory

The balance of inventory is PLN 632.5 million as of 30 June 2013 compared to PLN 668.1 million as of 31 December 2012. The decrease in inventory is primarily explained by cost of sales recognized for a total amount of PLN 84.2 million. The decrease is offset in part by the Group's investments associated with direct construction costs for a total amount of PLN 35.6 million and a net finance expense capitalized for a total amount of PLN 7.7 million.

Advances received

The balance of advances received is PLN 54.7 million as of 30 June 2013 compared to PLN 68.5 million as of 31 December 2012. The decrease is a result of revenues recognized from the sale of residential units for a total amount of PLN 110.7 million and is offset in part by advances received from clients regarding sales of residential units for a total amount PLN 96.9 million.

Loans and borrowings

The total of short-term and long-term loans and borrowings is PLN 219.8 million as of 30 June 2013 compared to PLN 207.6 million as of 31 December 2012. The increase in loans and borrowings is primarily explained by issuance of new bond loans (Series C and D) for the total amount PLN 104.2 million (net of issue costs), as well as proceeds from bank loans net of bank charges for a total amount of PLN 10.2 million. The increase is offset in part by the effect of repayment of bonds loans (Series A and B) for the total amount PLN 66.8 million, as well as repayment of bank loans for the total amount PLN 36.2 million. Of the mentioned PLN 219.8 million, an amount of PLN 82.8 million comprises facilities maturing no later than 30 June 2014.

The maturity structure of the loans and borrowings reflects the Company's recent activities related to bonds issued in April 2011 and in June 2013. Simultaneously, the banking loans that were obtained by the Company in the past 4 to 5 years to partially refinance some of its land acquisitions with short-term and medium-term banking facilities are gradually converted into construction loans (when the Company commences construction in a particular project) and repaid by the Company after construction is completed and the apartments are sold to the customers. In addition, for the majority of projects where construction works have already commenced, the Company also entered into new loan agreements regarding the financing of construction costs. The Company intends to repay its loans and borrowings, both received for land purchases as well as for construction works from the proceeds expected from customers buying apartments in the projects co-financed with the particular loans as well as with the bonds.

Directors' report**Overview of selected details from the Interim Consolidated Statement of Financial Position (cont'd)***Loans and borrowings (cont'd)*

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

Floating rate bond loans as at 30 June 2013 amounted to PLN 125.4 million comprising a loan principal amount of PLN 127.7 million plus accrued interest of PLN 0.6 million minus one-time costs directly attributed to the bond issuances which are amortized based on the effective interest method (PLN 2.9 million). For additional information see Note 10 of the Interim Condensed Consolidated Financial Statements.

The bank loans supporting completed projects or projects under construction are tailored to the pace of construction works and of sales. As at 30 June 2013, loans in this category amounted to PLN 31.2 million.

The bank loans granted to finance the land purchases as at 30 June 2013 amounted to PLN 48.8 million in total.

Loans from third parties as at 30 June 2013 amounted to PLN 14.4 million.

Overview of cash flow results

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

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

	For the six months ended	
	30 June	
	2013	2012
	PLN (thousands)	
Cash flow from/(used in) operating activities	<u>23,233</u>	<u>(12,913)</u>
Cash flow from/(used in) investing activities	<u>556</u>	<u>1,241</u>
Cash flow from/(used in) financing activities	<u>11,283</u>	<u>3,023</u>

Cash flow from/(used in) operating activities

The Company's net cash inflow from operating activities for the six months ended 30 June 2013 amounted to PLN 23.2 million which compares to a net cash outflow used in operating activities during the six months ended 30 June 2012 amounting to PLN 12.9 million. The increase is principally explained by:

- a net cash inflow from inventory amounting to PLN 43.3 million during the six months ended 30 June 2013 as compared to a net cash outflow used in inventory amounting to PLN 42.6 million during the six months ended 30 June 2012. The main reason for increasing cash inflow from inventory was an increase in the cost of sales recognized.

This effect was offset in part by:

- a net cash outflow from advances received from clients regarding sales of residential units from cash inflow PLN 96.9 million during the six months ended 30 June 2013, which were offset by revenue recognized for a total amount of PLN 110.7 million, comparing to a net cash inflow from advances received in the amount of PLN 83.3 million during the six months ended 30 June 2012, which were offset by revenue recognized for a total amount of PLN 41.9 million.

Directors' report

Overview of cash flow results (cont'd)

Cash flow from/(used in) investing activities

The Company's net cash inflow from investing activities amounting to PLN 0.6 million during the six months ended 30 June 2013 compared to a net cash inflow from investing activities totaling PLN 1.2 million during the six months ended 30 June 2012. The decrease is primarily explained by:

- a decrease in amounts released from Short-term bank deposits (collateralized) from PLN 1.5 million during the six months ended 30 June 2012 to PLN 0.5 million during the six months ended 30 June 2013.

The decrease is partly offset by:

- a net cash outflow used for granting of loans to related parties amounting to PLN 0.3 million during the six months ended 30 June 2013 compared to PLN 0.8 million during the six months ended 30 June 2012.

Cash flow from/(used in) financing activities

The Company's net cash inflow from financing activities amounted to PLN 11.3 million during the six months ended 30 June 2013 compared to a net cash inflow totaling PLN 3.0 million in the six months ended 30 June 2012. The increase is primarily due to:

- proceeds from issuance of newly issued bond loans for a total amount PLN 104.2 million (net of issue costs) during the six months ended 30 June 2013 compared to PLN nil during the six months ended 30 June 2012.

The increase is partly offset by

- a repayment of bonds loans (issued in April 2011) for the total amount PLN 66.8 million during the six months ended 30 June 2013 compared to a repayment of bond loans amounting to nil during the six months ended 30 June 2012;
- a repayment of secured bank loans amounting to PLN 36.2 million during the six months ended 30 June 2013 compared to a repayment of secured bank loans amounting to 10.7 million during the six months ended 30 June 2012, and
- proceeds from bank loans (net of bank charges) amounting to PLN 10.2 million during the six months ended 30 June 2013 compared to PLN 13.0 million during the six months ended 30 June 2012.

Quarterly reporting by the Company

As a result of requirements (indirectly) pertaining to I.T.R. Dori B.V., one of the Company's larger shareholders, whose ultimate parent company is listed on the Tel Aviv stock exchange, the first quarter reports, semi-annual reports and third quarter reports are subject to a full scope review by the Company's auditors. For the Company itself, being domiciled in the Netherlands and listed on the Warsaw stock exchange, only the semi-annual report is subject to a review by the Company's auditors. The Company has agreed with the ultimate parent company of I.T.R. Dori B.V. that the costs for the first and third quarter audit review will be fully reimbursed to the Company. The Company considers having its first and third quarter report provided with a review report a benefit to all of its shareholders.

Directors' report

Selected financial data

PLN/EUR	Exchange rate of Euro versus the Polish Zloty			
	Average exchange rate	Minimum exchange rate	Maximum exchange rate	Period end exchange rate
2013 (6 months)	4.177	4.067	4.343	4.329
2012 (6 months)	4.245	4.106	4.514	4.261

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			
	2013	2012	2013	2012
Revenues	26,498	9,863	110,681	41,869
Gross profit	6,264	2,116	26,164	8,984
Profit before taxation	3,034	213	12,674	903
Net profit for the period attributable to the equity holders of the parent	3,163	450	13,210	1,909
Cash flows from/(used in) operating activities	5,562	(3,042)	23,233	(12,913)
Cash flows from/(used in) investment activities	133	292	556	1,241
Cash flows from/(used in) financing activities	2,701	712	11,283	3,023
Increase/(decrease) in cash and cash equivalents	8,396	(2,037)	35,072	(8,649)
Inventory	146,116	160,364	632,534	683,313
Total assets	180,926	191,199	783,228	814,697
Advances received	12,642	30,230	54,726	128,812
Long term liabilities	33,259	29,846	143,979	127,172
Short term liabilities (including advances received)	40,348	60,395	174,665	257,344
Equity attributable to the equity holders of the parent	106,467	100,003	460,897	426,112
Share capital	5,054	5,054	20,762	20,762
Average number of equivalent shares (basic and diluted)	272,360,000	272,360,000	272,360,000	272,360,000
Earnings per share (basic and diluted)	0.0117	0.002	0.049	0.007

* Information is presented in EUR solely for presentation purposes. Due to changes in the Polish Zloty against the Euro exchange rate over the past period, the Statement of Financial Position data may not accurately reflect the actual comparative financial position of the Company. The reader should consider changes in the PLN / EUR exchange rate from 1 January 2012 to 30 June 2013, 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.

Directors' report

Outlook for the remainder of 2013

A. Completed projects

The table below presents information on the total residential units in the completed projects/stages that the Company expects to sell and deliver during the remainder of 2013 and during 2014:

Project name	Location	Number of residential units delivered (*)			Number of residential units expected to be delivered (*)			Total project
		Until 31 December 2012	During the period ended 30 June 2013	Total units delivered	Sold until 30 June 2013	Not sold as at 30 June 2013	Total units expected to be delivered	
Constans ^(**)	Warsaw	19	6	25	3	6	9	34
Gemini II ^(**)	Warsaw	106	61	167	12	3	15	182
Verdis I ^(**)	Warsaw	67	39	106	18	15	33	139
Naturalis I ^(**)	Warsaw	7	17	24	8	20	28	52
Naturalis II ^(**)	Warsaw	26	2	28	2	30	32	60
Sakura I ^(**)	Warsaw	86	10	96	9	15	24	120
Sakura II ^(**)	Warsaw	-	56	56	56	24	80	136
Impressio I ^(**)	Wrocław	43	13	56	8	6	14	70
Chilli I ^(**)	Poznań	14	9	23	4	3	7	30
Panoramika I ^(**)	Szczecin	23	28	51	9	30	39	90
Total		391	241	632	129	152	281	913

^(*) 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 2013 – B. Results breakdown by project" (pages 4 to 5).

B. Current projects under construction and/or on sale

The table below presents information on projects for which completion is scheduled in the remainder of 2013, in 2014 and in 2015:

Project name	Location	Total area of units (m ²)	Total units	Units sold until 30 June 2013	Expected completion of construction
Naturalis III	Warsaw	3,400	60	17	2013
Chilli II	Poznań	1,600	20	8	2013
Verdis II	Warsaw	4,900	78	38	2013
Espresso I	Warsaw	9,500	210	163	2014
Młody Grunwald I	Poznań	8,500	148	44	2014
Sakura III	Warsaw	7,300	145	-	2015
Verdis III	Warsaw	7,700	146	-	2015
Espresso II	Warsaw	7,600	152	-	2015
Total		50,500	959	270	

Directors' report

Outlook for the remainder of 2013 (cont'd)

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

Naturalis III

Description of project

The Naturalis III project is being developed on a part of a land strip of 31,800 m² located in Łomianki near Warsaw and is a continuation of Naturalis I and II, which were completed during 2012. The Naturalis III project will comprise 1 four-storey, multi-family residential building with a total of 60 apartments and an aggregate floor space of 3,400 m². In total, the Naturalis project shall comprise approximately 490 units with a total estimated flat usable area of 30,200 m².

Stage of development

The construction of the Naturalis III project commenced in December 2011, while completion is expected in the third quarter of 2013.

Sakura III

Description of project

The third phase of the Sakura project is being developed on a part of a land strip of 21,000 m² located in the Mokotów district in Warsaw (Kłobucka Street) and is a continuation of Sakura I and Sakura II, which were completed during 2012 and 2013. The third phase of this project will comprise 1 six and seven-storey, multi-family residential building with a total of 145 apartments and an aggregate floor space of 7,300 m². In total, the Sakura project shall comprise around 514 units with a total estimated flat usable area of 30,700 m².

Stage of development

The sales of the Sakura III project commenced in June 2013 and the construction expected to be commenced in the third quarter of 2013, while completion is expected in the first quarter of 2015.

Verdis II and III

Description of project

The second and the third phases of the Verdis project are being developed on a part of a land strip of 16,300 m² located in the Wola district in Warsaw (Sowińskiego Street) and are a continuation of Verdis I, which was completed during 2012. The second and the third phase of this project will comprise 2 seven-storey, multi-family residential buildings with a total of 72 apartments and 6 commercial units and an aggregate floor space of 4,900 m² and 2 seven and eleven-storey, multi-family residential buildings with a total of 140 apartments and 6 commercial units and an aggregate floor space of 7,700 m², respectively. In total, the Verdis project shall comprise around 441 units with a total estimated flat usable area of 26,000 m².

Stage of development

The construction of the Verdis II project commenced in August 2012, while completion is expected in the fourth quarter of 2013. The sales of the Verdis III project commenced in June 2013 and the construction expected to be commenced in the third quarter of 2013, while completion is expected in the second quarter of 2015.

Chilli II

Description of project

The second phase of the Chilli project is being developed on a part of a land strip of 39,604 m² located in Tulce near Poznań, and is a continuation of Chilli I, which was completed during 2012. The second phase of this project will comprise 20 units with an aggregate floor space of 1,600 m². In total, the Chilli project shall comprise around 274 units with a total estimated usable area of 17,800 m².

Stage of development

The construction of the Chilli II project commenced in May 2012, while completion is expected in the third quarter of 2013.

Directors' report

Outlook for the remainder of 2013 (cont'd)

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

Espresso I and II

Description of project

The first phase and the second of the Espresso project are being developed on a part of a land strip of 16,192 m² located in Warsaw at Jana Kazimierza Street. The first and the second phase of this project will comprise 2 seven, eight, nine and ten-storey, multi-family residential buildings with a total of 202 apartments and 8 commercial units and an aggregate floor space of 9,500 m² and 2 seven and eight -storey, multi-family residential buildings with a total of 142 apartments and 10 commercial units and an aggregate floor space of 7,600 m², respectively. In total, the Espresso project shall comprise around 670 units with a total estimated usable area of 34,500 m².

Stage of development

The construction of the Espresso I project commenced in March 2012, while completion is expected in the first quarter of 2014. The sales of the Espresso II project commenced in June 2013 and the construction expected to be commenced in the third quarter of 2013, while completion is expected in the second quarter of 2015.

Młody Grunwald I

Description of project

The first phase of the Młody Grunwald project is being developed on a part of a land strip of 15,449 m² located in Poznań at Jeleniogórska Street. The first phase of this project will comprise 3 six-storey, multi-family residential buildings with a total of 136 apartments and 12 commercial units and an aggregate floor space of 8,500 m². In total, the Młody Grunwald project shall comprise around 428 units with a total estimated usable area of 25,000 m².

Stage of development

The construction of the Młody Grunwald I project commenced in September 2012, while completion is expected in the second quarter of 2014.

C. Projects for which construction work is planned to commence during the remainder of 2013

As the Company is aware of increasing competition in the market, the Company has been careful to manage the number of new projects and the makeup of such projects in order to best satisfy consumer demand. During the remainder of 2013, the Company is considering the commencement of development on another three stages of currently run projects and two new projects, which management believes are well suited to current customer requirements, including smaller apartments at more economical prices. Furthermore, in order to minimize market risk, the Company's management breaks down the new projects into relatively smaller stages. In the event of any market deterioration or difficulties with securing financing by the banks for the considered projects, management may further delay some of those plans.

a) New Projects

Moko (previously named Magellan)

The Moko project will be developed on a land strip of 12,150 m² located in Warsaw at Magazynowa Street. The project will comprise 405 units with an aggregate floor space of 23,100 m² and will be divided into 2 or more phases. The first stage is to comprise 191 units with an aggregate floor space of 11,000 m². The Company is considering commencing construction of the first phase of this project during the remainder of 2013.

Tamka

The Tamka project will be developed on a land strip of 2,515 m² located in Warsaw city centre at Tamka Street. The project will comprise around 65 units with an aggregate floor space of 5,500 m². The Company is considering commencing construction of the project during the remainder of 2013.

Directors' report

Outlook for the remainder of 2013 (cont'd)

C. Projects for which construction work is planned to commence during the remainder of 2013 (cont'd)

b) New stages of running projects

Impressio II

The Impressio II project is continuation of Impressio I. The project will comprise 143 units with an aggregate floor space of 8,400 m². The Company is considering commencing construction of this project during the remainder of 2013.

Panoramika II

The Panoramika II project is continuation of Panoramika I. The project will comprise 107 units with an aggregate floor space of 5,700 m². The Company is considering commencing construction of this project during the remainder of 2013.

Chilli III

The Chilli III project is continuation of Chilli I and II. The project will comprise 38 units with an aggregate floor space of 2,200 m². The Company is considering commencing construction of this project during the remainder of 2013.

Directors' report**Outlook for the remainder of 2013 (cont'd)*****D. Value of the preliminary sales agreements signed with clients for which revenue has not been recognized in the Consolidated Statement of Comprehensive Income***

The current volume and value of the preliminary sales agreements signed with the clients do not impact the Statement of Comprehensive Income account immediately but only after final settlement of the contracts with the customers (for more details see under "A – Completed projects" above on page 14). The table below presents the value of the preliminary sales agreements executed with the Company's clients in particular for units that have not been recognized in the Consolidated Statement of Comprehensive Income:

Project name	Location	Value of the preliminary sales agreements signed with clients in thousands of PLN	Completed / expected completion of construction
Gemini II ^(*)	Warsaw	7,956	Completed
Verdis I ^(*)	Warsaw	9,118	Completed
Sakura I ^(*)	Warsaw	4,322	Completed
Sakura II ^(*)	Warsaw	21,828	Completed
Naturalis I ^(*)	Warsaw	2,415	Completed
Panoramika I ^(*)	Szczecin	2,336	Completed
Constans ^(*)	Warsaw	2,885	Completed
Impressio I ^(*)	Wrocław	3,443	Completed
Chilli I ^(*)	Poznań	1,184	Completed
Naturalis II ^(*)	Warsaw	757	Completed
<i>Subtotal completed projects</i>		56,244	
Verdis II ^(**)	Warsaw	14,385	2013
Naturalis III ^(**)	Warsaw	4,401	2013
Chilli II ^(**)	Warsaw	2,602	2013
Espresso I ^(**)	Warsaw	44,392	2014
Młody Grunwald I ^(**)	Poznań	11,443	2014
<i>Subtotal projects under construction</i>		77,223	
Total		133,467	

^(*) For information on the completed projects see "Business highlights during the six months ended 30 June 2013 – B. Results breakdown by project" (pages 4 to 5).

^(**) For information on current projects under construction and/or on sale, see under "B" above (pages 14-16).

E. Main risks and uncertainties during the remainder of 2013

The economic situation in Europe and in Poland and the ongoing uncertainties in the housing market make it very difficult to predict results for 2013 precisely. The level of development of the Polish economy, the performance of the banking industry and consumers' interest in new housing projects, as well as increasing competition in the market are considered to be the most significant uncertainties for the financial year ending 31 December 2013.

Directors' report

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 2013 (6 August 2013), 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 6 August 2013 Number of shares / % of shares	Change in number of shares	As of 30 June 2013 Number of shares / % of shares	Change in number of shares	As of 31 December 2012 Number of shares / % of shares
<i>Shares issued</i>	272,360,000	-	272,360,000	-	272,360,000
<i>Major shareholders:</i>					
I.T.R. 2012 B.V. ^(*)	87,449,187 32.1%	-	87,449,187 32.1%	-	87,449,187 32.1%
I.T.R. Dori B.V. ^(*)	87,449,187 32.1%	-	87,449,187 32.1%	-	87,449,187 32.1%
GE Real Estate CE Residential B.V. ^(**)	41,800,000 15.3%	-	41,800,000 15.3%	-	41,800,000 15.3%
Amplico Otworthy Fundusz Emerytalny	N/A Between 5%-10%.	N/A	N/A Between 5%-10%.	N/A	N/A Between 5%-10%.
ING Otworthy Fundusz Emerytalny	N/A Between 5%-10%.	N/A	N/A Between 5%-10%.	N/A	N/A Between 5%-10%.

^(*) In December 2012, I.T.R. 2012 B.V. and I.T.R. Dori B.V. entered into a partnership, the ITRD Partnership, which holds the voting rights attached to 174,898,374 shares in the Company representing 64.2% of the total number of shares in the Company, which voting rights were previously held by I.T.R. Dori B.V.

^(**) In July 2013, both I.T.R. 2012 B.V. and I.T.R. Dori B.V. entered into an agreement with GE Real Estate CE Residential B.V. whereby I.T.R. 2012 B.V. and I.T.R. Dori B.V. will acquire from GE Real Estate Residential B.V. its 15.3% stake of the shares in the Company. Each of I.T.R. 2012 B.V. and I.T.R. Dori B.V. will acquire 7.65% of shares in the Company. Completion of this transaction is expected to occur in November 2013 subject to the satisfaction of some conditions precedent. If not all of the conditions precedent are satisfied by December 20, 2013 (or such later date as may be agreed upon by the parties), the agreement will be terminated.

Changes in ownership of shares and rights to shares by Management Board members in the six months ended 30 June 2013 and until the date of publication of this report

Shares

The following members of the Management Board own shares in the Company:

- Mr Ronen Ashkenazi as at 30 June 2013 and as at the day of publishing this report, indirectly held a 5.9% interest in the Company.
- Mr Israel Greidinger, as at 30 June 2013 and as at the day of publishing this report, indirectly held 7.06% of the shares and 7.59% of the voting rights in the Company.

Changes in ownership of shares and rights to shares by Supervisory Board members in the six months ended 30 June 2013 and until the date of publication of the report

None

Directors' report

Additional information to the report (cont'd)

Changes in the Management Board during the six months ended 30 June 2013 and until the date of publication of this report

On 27 June 2013, the General Meeting of Shareholders adopted resolution appointing Mr. Pierre Decla as a member of the Management Board and managing director B for a term of four years. Mr. Decla replaces Mr. Karol Pilniewicz who had stepped down as managing director B as of 31 October 2012.

Dividend payment

On 27 June 2013, the General Meeting of Shareholders approved the proposal by the Management Board to pay out a dividend for the financial year 2012 amounting to PLN 8,170,800 in total or PLN 0.03 per ordinary share. The dividend day was determined as 1 August 2013. The dividend payment date will be 20 August 2013, to be payable through the National Depository of Securities S.A. (Krajowy Depozyt Papierów Wartościowych S.A.) with its registered seat in Warsaw.

Other

As of 30 June 2013, the Company has issued guarantees for bank loans granted to subsidiaries amounting to a total of PLN 21,710 thousand.

As of 30 June 2013, 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 2013:

- a decrease in the provision for deferred tax liabilities of PLN 4,840 thousand (a decrease of PLN 182 thousand during the six months ended 30 June 2012).

Responsibility statement

The Management Board confirms that, to the best of its knowledge, these Interim Condensed Consolidated Financial Statements have been prepared in accordance with IAS 34 of the International Financial Reporting Standards ("IFRS") as endorsed by the EU. At the date of authorization of these Interim Condensed Consolidated Financial Statements, in light of the current process of IFRS endorsement in the European Union and the nature of the Group's activities, there is no difference between the IFRSs applied by the Group and the IFRSs endorsed by the European Union. IFRSs comprise standards and interpretations accepted by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC"). The Interim Condensed Consolidated Financial Statements give a true and fair view of the state of affairs of the Group at 30 June 2013 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 six months management board report gives a true and fair view of the important events of the past six-month period and their impact on the interim financial statements, as well as the principal risks and uncertainties for the period to come, and the most important related party transactions.

The Management Board

Shraga Weisman
Chief Executive Officer

Tomasz Łapiński
Chief Financial Officer

Andrzej Gutowski
Sales and Marketing Director

Israel Greidinger

Ronen Ashkenazi

Pierre Decla

Rotterdam, 6 August 2013

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2013**Interim Condensed Consolidated Statement of Financial Position**

As at		30 June 2013 (Reviewed/ Unaudited)	31 December 2012 (Audited)
<i>In thousands of Polish Zlotys (PLN)</i>	<i>Note</i>		
Assets			
Property and equipment		8,064	8,660
Investment property		8,279	8,279
Loans granted to third parties		1,103	1,043
Loans granted to related parties		8,280	7,704
Deferred tax assets		7,311	11,798
Total non-current assets		33,037	37,484
Inventory	9	632,534	668,080
Trade and other receivables and prepayments		32,734	30,661
Income tax receivable		2,430	2,422
Short-term bank deposits - collateralized		2,493	2,944
Cash and cash equivalents		80,000	44,928
Total current assets		750,191	749,035
Total assets		783,228	786,519
Equity			
Share capital		20,762	20,762
Share premium		282,873	282,873
Retained earnings		157,262	152,223
Equity attributable to equity holders of the parent		460,897	455,858
Non-controlling interests		3,687	3,910
Total equity		464,584	459,768
Liabilities			
Floating rate bond loans	10	104,198	86,756
Secured bank loans	11	18,301	39,893
Loans from third parties		14,451	13,932
Other payables		339	816
Deferred tax liability		6,690	11,530
Total non-current liabilities		143,979	152,927
Trade and other payables and accrued expenses		28,706	38,090
Floating rate bond loans	10	21,198	1,657
Secured bank loans	11	61,614	65,319
Advances received		54,726	68,492
Dividend payable	12	8,171	-
Income tax payable		31	35
Provisions		219	231
Total current liabilities		174,665	173,824
Total liabilities		318,644	326,751
Total equity and liabilities		783,228	786,519

*The notes included on pages 25 to 41 are an integral part
of these interim condensed consolidated financial statements*

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2013

Interim Condensed Consolidated Statement of Comprehensive Income

		For the 6 months ended 30 June 2013 (Reviewed) / (unaudited)	For the 3 months ended 30 June 2013 (Reviewed) / (unaudited)	For the 6 months ended 30 June 2012 (Reviewed) / (unaudited)	For the 3 months ended 30 June 2012 (Unaudited) / (unreviewed)
<i>PLN (thousands, except per share data and number of shares)</i>	<i>Note</i>				
Revenue		110,681	56,534	41,869	34,603
Cost of sales		(84,517)	(45,380)	(32,885)	(27,485)
Gross profit		26,164	11,154	8,984	7,118
Selling and marketing expenses		(3,116)	(1,619)	(2,662)	(1,599)
Administrative expenses		(8,061)	(3,964)	(7,185)	(3,402)
Other expenses		(1,471)	(844)	(663)	(228)
Other income		353	262	692	196
Result from operating activities		13,869	4,989	(834)	2,085
Finance income		866	417	2,183	1,098
Finance expense		(2,061)	(1,484)	(446)	(348)
Net finance income/(expense)		(1,195)	(1,067)	1,737	750
Profit before taxation		12,674	3,922	903	2,835
Income tax benefit	13	313	52	821	71
Profit for the period		12,987	3,974	1,724	2,906
Other comprehensive income		-	-	-	-
Total comprehensive income for the period, net of tax		12,987	3,974	1,724	2,906
Total comprehensive income attributable to:					
Equity holders of the parent		13,210	4,107	1,909	2,993
Non-controlling interests		(223)	(133)	(185)	(87)
Total comprehensive income for the period, net of tax		12,987	3,974	1,724	2,906
Weighted average number of ordinary shares (basic and diluted)		272,360,000	272,360,000	272,360,000	272,360,000
<i>In Polish Zlotys (PLN)</i>					
Earnings per share attributable to the equity holders of the parent (basic and diluted)		0.049	0.015	0.007	0.011

The notes included on pages 25 to 41 are an integral part of these interim condensed consolidated financial statements

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2013

Interim Condensed Consolidated Statement of Changes in Equity

<i>In thousands of Polish Zlotys (PLN)</i>	Attributable to the Equity holders of parent				Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Total		
Balance at 1 January 2013	20,762	282,873	152,223	455,858	3,910	459,768
Dividend declared for FY 2012 (*)	-	-	(8,171)	(8,171)	-	(8,171)
Comprehensive income:						
Profit for the six months ended 30 June 2013	-	-	13,210	13,210	(223)	12,987
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	5,039	5,039	(223)	4,816
Balance at 30 June 2013 (Reviewed/Unaudited)	20,762	282,873	157,262	460,897	3,687	464,584

<i>In thousands of Polish Zlotys (PLN)</i>	Attributable to the Equity holders of parent				Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Total		
Balance at 1 January 2012	20,762	282,873	120,568	424,203	4,254	428,457
Comprehensive income:						
Profit for the six months ended 30 June 2012	-	-	1,909	1,909	(185)	1,724
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	1,909	1,909	(185)	1,724
Balance at 30 June 2012 (Reviewed/Unaudited)	20,762	282,873	122,477	426,112	4,069	430,181

(*) On 27 June 2013, the General Meeting of Shareholders approved the proposal by the Management Board to pay out a dividend for the financial year 2012 amounting to PLN 8,170,800 in total or PLN 0.03 per ordinary share. The dividend day was determined as 1 August 2013. The dividend payment date will be 20 August 2013, to be payable through the National Depository of Securities S.A. (Krajowy Depozyt Papierów Wartościowych S.A.) with its registered seat in Warsaw.

The notes included on pages 25 to 41 are an integral part of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2013**Interim Condensed Consolidated Statement of Cash Flows**

	For the 6 months ended 30 June 2013	For the 6 months ended 30 June 2012
	(Reviewed) / (unaudited)	(Reviewed/ Unaudited)
<i>In thousands of Polish Zlotys (PLN)</i>		
Cash flows from/(used in) operating activities		
Profit for the period	12,987	1,724
<i>Adjustments to reconcile profit for the period to net cash used in operating activities</i>		
Depreciation	351	385
Finance expense	2,061	446
Finance income	(866)	(2,183)
Profit on sale of property and equipment	(110)	(239)
Write-down of inventory	-	(99)
Income tax benefit	(313)	(821)
Subtotal	14,110	(787)
Decrease/(increase) in inventory	43,289	(42,610)
Decrease/(increase) in trade and other receivables and prepayments	(2,073)	(5,728)
Increase/(decrease) in trade and other payables and accrued expenses	(9,861)	2,121
Increase/(decrease) in provisions	(12)	(15)
Increase/(decrease) in advances received	(13,766)	41,421
Subtotal	31,687	(5,598)
Interest paid	(8,981)	(9,296)
Interest received	579	2,172
Income tax paid	(52)	(191)
Net cash from/(used in) operating activities	23,233	(12,913)
Cash flows from/(used in) investing activities		
Acquisition of property and equipment	(260)	(221)
Loans garneted to related party	(250)	(771)
Short-term bank deposits - collateralized	451	1,473
Proceeds from sale of property and equipment	615	760
Net cash from/(used in) investing activities	556	1,241
Cash flows from/(used in) financing activities		
Proceeds from bank loans, net of bank charges	10,175	13,013
Repayment of bank loans	(36,196)	(10,761)
Proceeds from bond loans, net of issue costs	104,164	-
Repayment of bonds loans	(66,840)	-
Loans received from third parties	180	771
Repayment loans from third parties	(200)	-
Net cash from/(used in) financing activities	11,283	3,023
Net change in cash and cash equivalents	35,072	(8,649)
Cash and cash equivalents at beginning of period	44,928	94,622
Cash and cash equivalents at end of period	80,000	85,973

The notes included on pages 25 to 41 are an integral part of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2013

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, “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. Moreover, the Group leases real estate to third parties.

The shares of the Company are traded on the Warsaw Stock Exchange since 5 November 2007. As at 30 June 2013, 32.1% of the outstanding shares are controlled by I.T.R. 2012 B.V., a further 32.1% of the outstanding shares are controlled by I.T.R. Dori B.V. (both cooperating in ITRD Partnership), whereas 15.3% of the outstanding shares are held by GE Real Estate CE Residential B.V. (‘GE Real Estate’) and the remaining 20.5% of the outstanding shares are held by other investors including Amplico Otwarty Fundusz Emerytalny and ING Otwarty Fundusz Emerytalny each holding between 5% and 10% of the outstanding shares. The number of shares held by the investors is equal to the number of votes, as there are no privileged shares issued by the Company.

The Interim Condensed Consolidated Financial Statements of the Group have been prepared for the six months ended 30 June 2013 and contain comparative data for the six months ended 30 June 2012 and as at 31 December 2012. The Interim Condensed Consolidated Financial Statements of the Company for the six months ended 30 June 2013 have been reviewed by the Company’s external auditors. The Interim Condensed Consolidated Statement of Comprehensive Income and respective notes cover also comparative data for the three months ended 30 June 2012 – these data were not subject to review or audit by an independent auditor.

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

The Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2013 were authorized for issuance by the Management Board on 6 August 2013.

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

These Interim Condensed Consolidated Financial Statements have been prepared in accordance with IAS 34 of the International Financial Reporting Standards (“IFRS”) as endorsed by the EU. At the date of authorization of these Interim Condensed Consolidated Financial Statements, in light of the current process of IFRS endorsement in the European Union and the nature of the Group’s activities, there is no difference between the full IFRSs and the IFRSs endorsed by the European Union, except for IFRS 10-12 impact, which effective date was moved to 1 January 2014. 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 2012.

The Consolidated Financial Statements of the Group for the year ended 31 December 2012 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 on the assumption that the Group is a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the normal course of its operations.

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2013

Notes to the Interim Condensed Consolidated Financial Statements

Note 3 – Summary of significant accounting policies

Except as described below, the accounting policies applied by the Company in these Interim Condensed Consolidated Financial Statements are the same as those applied by the Company in its consolidated financial statements for the year ended 31 December 2012.

The following standards and amendments became effective as of 1 January 2013:

- Amendments to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income*
- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards - Government Loans*
- Amendments to IFRS 7 *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities- Amendments to IFRS 7*
- Amendments to IAS 12 *Income Taxes: Deferred Tax: Recovery of Underlying Assets*
- IFRS 13 *Fair Value Measurement*
- Amendments to IAS 19 *Employee Benefits*
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*
- Improvements to IFRSs (issued in May 2012):
 - IAS 1 – Clarification of the requirement for comparative information
 - IAS 16 – Classification of servicing equipment
 - IAS 32 – Tax effects of distributions to holders of equity instruments
 - IAS 34 – Interim financial reporting and segment information for total assets and liabilities

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

The Group has not early adopted any other standard, interpretation or amendment that was issued but is not yet effective. The Adoption of: IFRS 10 *Consolidated Financial Statements*, restated IAS 27 *Separate Financial Statements*, IFRS 11 *Joint Arrangements*, restated IAS 28 *Investments in Associates and Joint Ventures* and IFRS 12 *Disclosure of Interests in Other Entities* was delayed as allowed till 2014. Based on the preliminary analyses performed, IFRS 10, IFRS 12, restated IAS 27 and restated IAS 28 are not expected to have any impact on the currently held investments of the Group. The application of IFRS 11 will impact the financial position of the Group by eliminating proportionate consolidation of the joint venture in Ronson IS sp. z o.o. and in Ronson IS Sp. z o.o. Sp.k.. With the application of the new standard, these investments will be accounted for using the equity method of accounting.

Note 4 – The use of estimates and judgments

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

In preparing these Interim Condensed Consolidated Financial Statements, the significant judgments made by the Management Board in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2012.

Note 5 – Functional and reporting currency

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

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

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2013

Notes to the Interim Condensed Consolidated Financial Statements

Note 6 – Seasonality

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

Note 7 – Composition of the Group

The details of the Polish companies whose financial statements have been included in these Consolidated Financial Statements, the year of incorporation and the percentage of ownership and voting rights directly held or indirectly by the Company as at 30 June 2013, are presented below and on the following page.

Entity name	Year of incorporation	Share of ownership & voting rights at the end of	
		30 June 2013	31 December 2012
a. held directly by the Company :			
1. Ronson Development Management Sp. z o.o.	1999	100.0%	100.0%
2. Ronson Development 2000 Sp. z o.o.	2000	100.0%	100.0%
3. Ronson Development Warsaw Sp. z o.o.	2000	100.0%	100.0%
4. Ronson Development Investment Sp. z o.o.	2002	100.0%	100.0%
5. Ronson Development Metropol Sp. z o.o.	2002	100.0%	100.0%
6. Ronson Development Properties Sp. z o.o.	2002	100.0%	100.0%
7. Ronson Development Apartments Sp. z o.o.	2003	100.0%	100.0%
8. Ronson Development Enterprise Sp. z o.o.	2004	100.0%	100.0%
9. Ronson Development Company Sp. z o.o.	2005	100.0%	100.0%
10. Ronson Development Creations Sp. z o.o.	2005	100.0%	100.0%
11. Ronson Development Buildings Sp. z o.o.	2005	100.0%	100.0%
12. Ronson Development Structure Sp. z o.o.	2005	100.0%	100.0%
13. Ronson Development Poznań Sp. z o.o.	2005	100.0%	100.0%
14. E.E.E. Development Sp. z o.o.	2005	100.0%	100.0%
15. Ronson Development Innovation Sp. z o.o.	2006	100.0%	100.0%
16. Ronson Development Wrocław Sp. z o.o.	2006	100.0%	100.0%
17. Ronson Development Capital Sp. z o.o.	2006	100.0%	100.0%
18. Ronson Development Sp. z o.o.	2006	100.0%	100.0%
19. Ronson Development Construction Sp. z o.o.	2006	100.0%	100.0%
20. Ronson Development City Sp. z o.o.	2006	100.0%	100.0%
21. Ronson Development Village Sp. z o.o. ⁽¹⁾	2007	100.0%	100.0%
22. Ronson Development Conception Sp. z o.o.	2007	100.0%	100.0%
23. Ronson Development Architecture Sp. z o.o.	2007	100.0%	100.0%
24. Ronson Development Skyline Sp. z o.o.	2007	100.0%	100.0%
25. Ronson Development Continental Sp. z o.o.	2007	100.0%	100.0%
26. Ronson Development Universal Sp. z o.o. ⁽¹⁾	2007	100.0%	100.0%
27. Ronson Development Retreat Sp. z o.o.	2007	100.0%	100.0%
28. Ronson Development South Sp. z o.o.	2007	100.0%	100.0%
29. Ronson Development West Sp. z o.o. ⁽¹⁾	2007	100.0%	100.0%
30. Ronson Development East Sp. z o.o.	2007	100.0%	100.0%
31. Ronson Development North Sp. z o.o.	2007	100.0%	100.0%
32. Ronson Development Providence Sp. z o.o.	2007	100.0%	100.0%
33. Ronson Development Finco Sp. z o.o.	2009	100.0%	100.0%
34. Ronson Development Partner 2 sp. z o.o.	2010	100.0%	100.0%
35. Ronson Development Skyline 2010 Sp. z o.o.	2010	100.0%	100.0%
36. Ronson Development Partner 3 Sp. z o.o.	2012	100.0%	100.0%
b. held indirectly by the Company:			
37. AGRT Sp. z o.o.	2007	100.0%	100.0%
38. Ronson Development Partner 2 Sp. z o.o.- Panoramika Sp.k.	2007	100.0%	100.0%
39. Ronson Development Sp z o.o. - Estate Sp.k.	2007	100.0%	100.0%
40. Ronson Development Sp. z o.o. - Home Sp.k.	2007	100.0%	100.0%
41. Ronson Development Sp z o.o - Horizon Sp.k.	2007	100.0%	100.0%
42. Ronson Development Partner 3 Sp. z o.o- Sakura Sp.k.	2007	100.0%	100.0%
43. Ronson Development Sp z o.o -Town Sp.k.	2007	100.0%	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.

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2013

Notes to the Interim Condensed Consolidated Financial Statements

Note 7 – Composition of the Group (cont'd)

Entity name	Year of incorporation	Share of ownership & voting rights at the end of	
		30 June 2013	31 December 2012
b. held indirectly by the Company (cont'd):			
44. Ronson Development Destiny Sp. z o.o.	2007	100.0%	100.0%
45. Ronson Development Millenium Sp. z o.o.	2007	100.0%	100.0%
46. Ronson Development Sp. z o.o. - EEE 2011 Sp.k.	2009	100.0%	100.0%
47. Ronson Development Sp. z o.o. - Apartments 2011 Sp.k.	2009	100.0%	100.0%
48. Ronson Development Sp. z o.o. - Idea Sp.k.	2009	100.0%	100.0%
49. Ronson Development Sp. z o.o. - Destiny 2011 Sp.k.	2009	100.0%	100.0%
50. Ronson Development Partner 2 Sp. z o.o. - Enterprise 2011 Sp.k.	2009	100.0%	100.0%
51. Ronson Development Partner 2 Sp. z o.o. - Retreat 2011 Sp.k.	2009	100.0%	100.0%
52. Ronson Development Sp. z o.o. - Wroclaw 2011 Sp.k.	2009	100.0%	100.0%
53. Ronson Development Sp. z o.o. - 2011 Sp.k.	2009	100.0%	100.0%
54. Ronson Development Sp. z o.o. - Gemini 2 Sp.k.	2009	100.0%	100.0%
55. Ronson Development Sp. z o.o. - Verdis Sp.k.	2009	100.0%	100.0%
56. Ronson Espresso Sp. z o.o.	2006	68.4%	68.4%
57. Ronson Development Apartments 2010 Sp. z o.o.	2010	100.0%	100.0%
58. Ronson Development 2010 Sp. z o.o.	2010	100.0%	100.0%
59. Ronson Development Retreat 2010 Sp. z o.o.	2010	100.0%	100.0%
60. Ronson Development Enterprise 2010 Sp. z o.o.	2010	100.0%	100.0%
61. Ronson Development Wroclaw 2010 Sp. z o.o.	2010	100.0%	100.0%
62. E.E.E. Development 2010 Sp. z o.o.	2010	100.0%	100.0%
63. Ronson Development Nautica 2010 Sp. z o.o.	2010	100.0%	100.0%
64. Ronson Development Gemini 2010 Sp. z o.o.	2010	100.0%	100.0%
65. Ronson IS Sp. z o.o. ⁽¹⁾	2010	50.0%	50.0%
66. Ronson Development Sp. z o.o. - Naturalis Sp.k.	2011	100.0%	100.0%
67. Ronson Development Sp. z o.o. - Impressio Sp.k.	2011	100.0%	100.0%
68. Ronson Development Sp. z o.o. - Continental 2011 Sp.k.	2011	100.0%	100.0%
69. Ronson Development Sp. z o.o. - Providence 2011 Sp.k.	2011	100.0%	100.0%
70. Ronson Development Partner 2 Sp. z o.o. - Capital 2011 Sp. k.	2011	100.0%	100.0%
71. Ronson Development Sp. z o.o. - Architecture 2011 Sp.k.	2011	100.0%	100.0%
72. Ronson IS Sp. z o.o. Sp.k. ⁽¹⁾	2012	50.0%	50.0%
73. Ronson Development Sp. z o.o. - City 1 Sp.k.	2012	100.0%	100.0%
74. Ronson Development Sp. z o.o. - City 2 Sp.k.	2012	100.0%	100.0%
75. Ronson Development Sp. z o.o. - City 3 Sp.k.	2012	100.0%	100.0%

(1) The Group accounts the investments in Ronson IS Sp. z o.o. and in Ronson IS Sp. z o.o. Sp.k. as an investment in a joint controlled entities in accordance with IAS 31 i.e. consolidated at proportion consolidated method.

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2013**Notes to the Interim Condensed Consolidated Financial Statements****Note 8 – Segment reporting**

The Group's operating segments are defined as separate entities developing particular residential projects, which for reporting purposes were aggregated. The aggregation for reporting purpose is based on geographical locations (Warsaw, Poznań, Wrocław and Szczecin) and type of activity (development of apartments, development of houses). Moreover, for 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 mainly comprise head office expenses and income tax assets and liabilities, unallocated cash and cash equivalents and floating rate bond loans.

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

*In thousands of Polish Zlotys
(PLN)*

	As at 30 June 2013 (Reviewed)/(unaudited)										
	Warsaw			Poznań		Wrocław		Szczecin		Unallocated	Total
	Apartments	Houses	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses		
Segment assets	396,302	44,231	8,279	116,637	-	76,498	2,564	63,472	7,630	-	715,613
Unallocated assets	-	-	-	-	-	-	-	-	-	67,615	67,615
Total assets	396,302	44,231	8,279	116,637	-	76,498	2,564	63,472	7,630	67,615	783,228
Segment liabilities	133,431	10,811	-	20,563	-	1,006	-	8,430	-	-	174,241
Unallocated liabilities	-	-	-	-	-	-	-	-	-	144,403	144,403
Total liabilities	133,431	10,811	-	20,563	-	1,006	-	8,430	-	144,403	318,644

*In thousands of Polish Zlotys
(PLN)*

	As at 31 December 2012 (Audited)										
	Warsaw			Poznań		Wrocław		Szczecin		Unallocated	Total
	Apartments	Houses	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses		
Segment assets	420,313	48,260	8,279	102,388	-	82,118	2,520	70,380	7,659	-	741,917
Unallocated assets	-	-	-	-	-	-	-	-	-	44,602	44,602
Total assets	420,313	48,260	8,279	102,388	-	82,118	2,520	70,380	7,659	44,602	786,519
Segment liabilities	181,446	11,451	-	17,514	-	821	1	10,716	-	-	221,949
Unallocated liabilities	-	-	-	-	-	-	-	-	-	104,802	104,802
Total liabilities	181,446	11,451	-	17,514	-	821	1	10,716	-	104,802	326,751

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2013

Notes to the Interim Condensed Consolidated Financial Statements

Note 8 - Segment reporting (cont'd)

In thousands of Polish Zlotys (PLN)

For the six months ended 30 June 2013 (Reviewed)/(unaudited)

	Warsaw			Poznań		Wrocław		Szczecin		Unallocated	Total
	Apartments	Houses	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses		
Revenue	89,220	6,220	251	2,645	-	4,914	-	7,431	-	-	110,681
Segment result	22,839	(440)	90	(504)	-	(411)	(2)	189	(2)	-	21,759
Unallocated result	-	-	-	-	-	-	-	-	-	(7,890)	(7,890)
Result from operating activities	22,839	(440)	90	(504)	-	(411)	(2)	189	(2)	(7,890)	13,869
Net finance income/(expense)	(366)	(10)	-	15	-	23	-	12	-	(869)	(1,195)
Profit/(loss) before taxation	22,473	(450)	90	(489)	-	(388)	(2)	201	(2)	(8,759)	12,674
Income tax benefit											313
Profit for the period											12,987
Capital expenditure	-	-	-	-	-	-	-	-	-	260	260

In thousands of Polish Zlotys (PLN)

For the six months ended 30 June 2012 (Reviewed)/(unaudited)

	Warsaw			Poznań		Wrocław		Szczecin		Unallocated	Total
	Apartments	Houses	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses		
Revenue	29,241	1,979	332	896	-	9,421	-	-	-	-	41,869
Segment result	5,141	(255)	168	45	-	912	(2)	(117)	(1)	-	5,891
Unallocated result	-	-	-	-	-	-	-	-	-	(6,725)	(6,725)
Result from operating activities	5,141	(255)	168	45	-	912	(2)	(117)	(1)	(6,725)	(834)
Net finance income/(expense)	281	8	-	34	-	21	-	-	-	1,393	1,737
Profit/(loss) before taxation	5,422	(247)	168	79	-	933	(2)	(117)	(1)	(5,332)	903
Income tax benefit											821
Profit for the period											1,724
Capital expenditure	-	-	-	-	-	-	-	-	-	221	221

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2013

Notes to the Interim Condensed Consolidated Financial Statements

Note 8 - Segment reporting (cont'd)

	For the three months ended 30 June 2013 (Reviewed)/(unaudited)										
	Warsaw			Poznań		Wrocław		Szczecin		Unallocated	Total
	Apartments	Houses	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses		
Revenue	44,687	4,186	147	988	-	2,209	-	4,317	-	-	56,534
Segment result	9,443	(271)	133	(319)	-	(312)	(1)	70	(1)	-	8,742
Unallocated result	-	-	-	-	-	-	-	-	-	(3,753)	(3,753)
Result from operating activities	9,443	(271)	133	(319)	-	(312)	(1)	70	(1)	(3,753)	4,989
Net finance income/(expense)	(253)	(4)	-	7	-	6	-	(1)	-	(822)	(1,067)
Loss before taxation	9,190	(275)	133	(312)	-	(306)	(1)	69	(1)	(4,575)	3,922
Income tax expense											52
Profit for the period											3,974
Capital expenditure	-	-	-	-	-	-	-	-	-	260	260

	For the three months ended 30 June 2012 (unaudited)/(unreviewed)										
	Warsaw			Poznań		Wrocław		Szczecin		Unallocated	Total
	Apartments	Houses	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses		
Revenue	24,328	684	170	-	-	9,421	-	-	-	-	34,603
Segment result	4,573	(177)	93	(226)	-	947	(1)	(78)	(1)	-	5,130
Unallocated result	-	-	-	-	-	-	-	-	-	(3,045)	(3,045)
Result from operating activities	4,573	(177)	93	(226)	-	947	(1)	(78)	(1)	(3,045)	2,085
Net finance income/(expense)	209	9	-	41	-	10	-	1	-	480	750
Loss before taxation	4,782	(168)	93	(185)	-	957	(1)	(77)	(1)	(2,565)	2,835
Income tax benefit											71
Profit for the period											2,906
Capital expenditure	-	-	-	-	-	-	-	-	-	150	150

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2013

Notes to the Interim Condensed Consolidated Financial Statements

Note 9 – Inventory

Movements in Inventory during the six months ended 30 June 2013 were as follows:

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 01 January 2013	Transferred to finished goods	Additions	Closing balance 30 June 2013
Land and related expense	369,211	(13,593)	1,323	356,941
Construction costs	64,598	(31,082)	35,619	69,135
Planning and permits	20,300	(1,204)	2,320	21,416
Borrowing costs ⁽¹⁾	69,839	(4,043)	7,743	73,539
Other	3,144	(719)	1,042	3,467
Work in progress	527,092	(50,641)	48,047	524,498

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 01 January 2013	Transferred from work in progress	Recognized in the statement of comprehensive income	Closing balance 30 June 2013
Finished goods	142,557	50,641	(84,236)	108,962

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 01 January 2013	Revaluation write down recognized in statement of comprehensive income		Closing balance 30 June 2013
		Increase	Utilization	
Write-down	(1,569)	-	643	(926)
Total inventories at the lower of cost or net realizable value	668,080			632,534

(1) Borrowing costs are capitalized to the value of inventory with 9.1% average effective capitalization interest rate.

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2013

Notes to the Interim Condensed Consolidated Financial Statements

Note 9 – Inventory (cont'd)

Movements in Inventory during the six months ended 30 June 2012 were as follows:

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 01 January 2012	Transferred to property and equipment	Transferred to finished units	Additions	Closing balance 30 June 2012
Land and related expense	399,143	(55)	(21,293)	4,738	382,533
Construction costs	104,839	(122)	(45,880)	66,612	125,449
Planning and permits	21,872	(5)	(1,924)	2,549	22,492
Borrowing costs ⁽¹⁾	61,438	(13)	(4,137)	9,484	66,772
Other	3,627	(2)	(1,049)	1,177	3,753
Work in progress	590,919	(197)	(74,283)	84,560	600,999

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 01 January 2012	Transferred from work in progress	Recognized in the statement of comprehensive income	Closing balance 30 June 2012
Finished goods	40,497	74,283	(32,466)	82,314

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 01 January 2012	Revaluation write down recognized in statement of comprehensive income		Closing balance 30 June 2012
		Increase	Release	
Write-down	(99)	-	99	-

Total inventories at the lower of cost or net realizable value	631,317			683,313
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(1) Borrowing costs are capitalized to the value of inventory with 9.1% average effective capitalization interest rate.

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2013

Notes to the Interim Condensed Consolidated Financial Statements

Note 9 – Inventory (cont'd)

Movements in Inventory during the year ended 31 December 2012 were as follows:

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 01 January 2012	Transferred to property and equipment	Transferred to finished goods	Additions	Closing balance 31 December 2012
Land and related expense	399,143	(84)	(51,210)	21,362	369,211
Construction costs	104,839	(246)	(175,180)	135,185	64,598
Planning and permits	21,872	(10)	(7,454)	5,892	20,300
Borrowing costs ⁽¹⁾	61,438	(22)	(9,914)	18,337	69,839
Other	3,627	(4)	(4,360)	3,881	3,144
Work in progress	590,919	(366)	(248,118)	184,657	527,092

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 01 January 2012	Transferred from work in progress	Recognized in the statement of comprehensive income	Closing balance 31 December 2012	
Finished goods	40,497	-	248,118	(146,058)	142,557

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 01 January 2012	Revaluation write down recognized in statement of comprehensive income		Closing balance 31 December 2012	
		Increase	Utilization		
Write-down	(99)	-	(4,957)	3,487	(1,569)
Total inventories at the lower of cost or net realizable value	631,317				668,080

(1) Borrowing costs are capitalized to the value of inventory with 9.2% average effective capitalization interest rate.

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2013**Notes to the Interim Condensed Consolidated Financial Statements****Note 10 – Floating rate bond loans**

The table below presents the movement in Floating rate bond loans during the six months ended 30 June 2013 and during the year ended 31 December 2012:

	For the 6 months ended 30 June 2013 (Reviewed/ Unaudited)	For the year ended 31 December 2012 (Audited)	For the 6 months ended 30 June 2012 (Reviewed/ Unaudited)
<i>In thousands of Polish Zlotys (PLN)</i>			
Opening balance	88,413	87,847	87,847
Repayment of bond loans (series A and B)	(66,840)	-	-
Proceeds from bond loans (series C and D)	107,050	-	-
Issue cost	(2,886)	-	-
Issue cost amortization	670	576	286
Accrued interest	3,894	8,262	4,123
Interest repayment	(4,905)	(8,272)	(4,112)
Total closing balance	125,396	88,413	88,144
Closing balance includes:			
Current liabilities	21,198	1,657	1,667
Non-current liabilities	104,198	86,756	86,477
Total closing balance	125,396	88,413	88,144

As at 30 June 2013 and 31 December 2012 all covenants on floating rate bonds are met.

Series A and B:

On 14 June 2013, the Company purchased 4,634 series A bonds with nominal value of PLN 10 thousand each and 2,050 series B bonds with nominal value PLN 10 thousand each, thus redeeming an aggregate amount of PLN 66,840 thousand on the floating rate bonds that were issued in April 2011.

The maturity dates and the conditions of the remaining floating rate bonds loans have been presented in the Annual Consolidated Financial Statements for the year ended 31 December 2012.

Series C and D:

On 14 June 2013, the Company issued 83,500 series C bonds and 23,550 series D bonds, together with an aggregate nominal value of PLN 107,050 thousand. The nominal value of one bond amounts to PLN 1 thousand and is equal to its issue price. The series C bonds shall be redeemed on 14 June 2017, whereas the series D bonds shall be redeemed on 14 June 2016 at nominal value. The bonds carry an interest rate composed of a base rate equal to 6 months Wibor plus a margin. Interest is payable semi-annually in June and December until redemption date.

The terms and conditions of the issuance of the bonds include provisions regarding early redemption at a bondholder's request to be made prior to 14 June 2017 (series C bonds) or 14 June 2016 (series D bonds), respectively, in case of the occurrence of certain events covering a number of obligations and restrictions applicable to the Company, including the obligation to maintain its financial ratios at certain levels, restrictions on investments in land having an unregulated status and restrictions on related party transactions.

The series D bonds are not secured, whereas the series C bonds are secured by joint mortgage up to PLN 100,200 thousand established by the Company's Polish subsidiaries. Moreover the ratio between the value pledged properties and the total nominal value of the Bonds issued shall not decrease below 90%.

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2013**Notes to the Interim Condensed Consolidated Financial Statements****Note 10 – Floating rate bond loans (cont'd)****Financial ratio covenant for series C and D:**

Based on the bonds conditions, in each reporting period the Company shall test the ratio between Net debt to Equity (hereinafter “Ratio” or “Net Indebtedness Ratio”). The Ratio shall not exceed 60% however if during the Reporting Period the Company paid dividend or performed any buy-out of its treasury shares then the Ratio shall not exceed 50%.

Net debt - shall mean the total consolidated balance sheet value of loans and borrowings less the consolidated value of cash and cash equivalents and short-term bank deposits - collateralized.

Equity - shall mean the consolidated balance sheet value of the equity attributable to equity holders of the parent, less the value of the intangible assets (excluding any financial assets and receivables), including specifically (i) the intangible and legal assets, goodwill and (ii) the assets constituting deferred income tax decreased by the value of the provisions created on account of the deferred income tax, however, assuming that the balance of those two values is positive. If the balance of assets and provisions on account of deferred income tax is negative, the adjustment referred to in item (ii) above shall be zero.

Reporting period - starting from the second quarter of 2013 – means the quarterly reporting period with respect to which the Group Net Indebtedness Ratio will be tested, while a “Reporting period” shall mean a single reporting period, i.e. each calendar quarter.

The table presenting the Net Indebtedness Ratio as at the end of the Reporting period:

As at	30 June 2013
<i>In thousands of Polish Zlotys (PLN)</i>	
Net debt	137,269
Equity	460,276
Net Indebtedness Ratio	29.8%

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 2013 and during the year ended 31 December 2012:

	For the 6 months ended 30 June 2013 (Reviewed/ Unaudited)	For the year ended 31 December 2012 (Audited)	For the 6 months ended 30 June 2012 (Reviewed/ Unaudited)
<i>In thousands of Polish Zlotys (PLN)</i>			
Opening balance	105,212	117,711	117,711
New bank loan drawdown	10,252	36,750	13,388
Bank loans repayments	(36,196)	(48,442)	(10,761)
Bank charges	(77)	(1,426)	(375)
Bank charges amortization	722	778	209
Accrued interest/(interest repayment) on bank loans, net	2	(159)	(76)
Total closing balance	79,915	105,212	120,096
Closing balance includes:			
Current liabilities	61,614	65,319	92,819
Non-current liabilities	18,301	39,893	27,277
Total closing balance	79,915	105,212	120,096

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2013**Notes to the Interim Condensed Consolidated Financial Statements****Note 11 – Secured bank loans (cont'd)**

The maturity dates of the loans have been presented in the annual consolidated financial statements for the year ended 31 December 2012. The majority of loans maturing in 2013 shall be extended until 2014 and 2015, while management plans to repay part of the loans. For more details please see Note 18 Events during the period (Bank Loans) and Note 19 Subsequent events (Bank Loans).

As at 30 June 2013 and 31 December 2012 all covenants on secured bank loans are met.

Note 12 – Dividend payable

On 27 June 2013, the Annual General Meeting of Shareholders approved the proposal to declare a dividend for financial year 2012 in the amount of PLN 8,170,800 in total or PLN 0.03 per ordinary share in cash. The dividend day was determined as 1 August 2013, the dividend payment date will be 20 August 2013.

Note 13 – Income tax

	For the 6 months ended 30 June 2013 (Reviewed/ Unaudited)	For the 3 months ended 30 June 2013 (Unreviewed/ Unaudited)	For the 6 months ended 30 June 2012 (Reviewed/ Unaudited)	For the 3 months ended 30 June 2012 (Unreviewed/ Unaudited)
<i>In thousands of Polish Zlotys (PLN)</i>				
Current tax expense/(benefit)	40	40	(1)	18
Deferred tax expense/(benefit)				
Origination and reversal of temporary differences	(631)	(1,003)	148	484
Expense/(benefit) of tax losses recognized	278	911	(968)	(573)
Total deferred tax expense/(benefit)	(353)	(92)	(820)	(89)
Total income tax expense/(benefit)	(313)	(52)	(821)	(71)

The tax benefit during the six months ended 30 June 2013 and 30 June 2012 is explained by the recognition of tax assets. The recognition of the tax assets took place after an organizational restructuring of the Group, which allowed the Company to utilize certain tax losses that in prior periods were deemed not to be usable.

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:

	As at 30 June 2013 (Reviewed/ Unaudited)	As at 31 December 2012 (Audited)
<i>In thousands of Polish Zlotys (PLN)</i>		
Espresso I	15,119	25,514
Młody Grunwald I	15,629	24,995
Verdis II	8,836	13,889
Sakura II	-	4,206
Naturalis III	575	2,972
Chilli II	397	2,201
Total	40,556	73,777

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2013**Notes to the Interim Condensed Consolidated Financial Statements****Note 14 – Investment commitments, Contracted proceeds not yet received and Contingencies (cont'd)****(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 2013 after deduction of payments received at the reporting date (such payments being presented in the Interim Consolidated Statement of Financial Position as Advances received):

<i>In thousands of Polish Zlotys (PLN)</i>	As at 30 June 2013 (Reviewed/ Unaudited)	As at 31 December 2012 (Audited)
Espresso I	25,569	16,950
Młody Grunwald I	9,174	5,868
Verdis II	8,457	5,428
Sakura II	6,600	8,333
Verdis I	6,491	6,215
Gemini II	5,188	8,616
Sakura I	3,326	3,669
Impressio I	2,989	1,458
Constans	2,466	1,831
Panoramika I	2,032	1,864
Naturalis I	2,022	1,002
Naturalis III	1,522	2,221
Chilli II	1,425	584
Chilli I	1,081	846
Naturalis II	733	34
Gemini I	29	47
Total	79,104	64,966

(iii) Investment commitments - land purchase:

In June 2012, the Group entered into preliminary purchase agreements with private individuals for plots of land with an area of 118,400 m² located in Warsaw, district Mokotów at Jaśminowa Street. Conclusion of the final purchase agreements and transferring of the ownership of the properties is expected to be finalized during the first half of 2014 the final payment will amount to PLN 62 million.

(iv) Contingencies:

None.

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2013

Notes to the Interim Condensed Consolidated Financial Statements**Note 15 – Financial risk management****(i) Financial risk factors**

Through its activities the Group is exposed to a variety of financial risks: market risk (including real estate market risk and fair value interest rate risk), credit risk and liquidity risk. The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the group's annual financial statements as at 31 December 2012 (Note 36). There have been no changes in the risk management department since year end or in any risk management policies.

(ii) Liquidity risk

Compared to 31 December 2012, there was no material change in contractual undiscounted cash outflows for financial liabilities, except for the assumption of new loans and redemption of existing loans during the six months period ended 30 June 2013 as described in Notes 10 and 11.

(iii) Market (price) risk

The Group's exposure to marketable and non-marketable securities price risk did not exist because the Group had not invested in securities during the six months ended 30 June 2013.

(iv) Fair value estimation

During the six months ended 30 June 2013, there were no significant changes in the business or economic circumstances that affect the fair value of the group's financial assets, investment property and financial liabilities. The Investment property is valued at fair value determined by the Management. Additionally there was external valuation made during the 6 month period ended 30 June 2013, which was not lower than the carrying amount.

(v) Interest rate risk

All the loans and borrowings of the Group are bearing variable interest rate, which creates an exposure to a risk of changes in cash flows due to changes in interest rates.

Note 16 – Related party transactions

There were no transactions and balances with related parties during six months ended 30 June 2013 other than those already disclosed in the 2012 annual accounts.

Note 17 – Impairment losses and provisions

During the six months ended 30 June 2013 and 30 June 2012, no material impairment losses were incurred.

The following net movements in the Group's main provisions took place during the six months ended 30 June 2013 and during the six months ended 30 June 2012:

- *Provision for deferred tax liabilities*: during the six months ended 30 June 2013 a decrease of PLN 4,840 thousand (during the six months ended 30 June 2012 a decrease of PLN 182 thousand).

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2013

Note 18 – Events during the period**Land purchase**

During the six months ended 30 June 2013, the Group did not purchase any land.

Bank loans

In June 2013, the Company entered into annexes to loan facilities with Bank BZWBK with an aggregate value of PLN 39.7 million. The annexes provide that the respective final repayment dates specified in the relevant loan agreements are postponed from 1 July 2013 until 2 September 2013. However, the Company is involved in discussions with Bank BZWBK with respect to conditions of the financing of a residential project in Warsaw to be developed by one of the Company's subsidiaries (project "Tamka"), as well as with respect to the final conditions and maturity of the loans that were just extended. The management expects that conditions of future financing of the Company's subsidiaries will be agreed with Bank BZWBK jointly with the conditions of the construction facility related to the mentioned project and that the relevant loan agreements will be executed with Bank BZWBK by end of August 2013.

Bonds

On 14 June 2013, the Company issued 83,500 series C bonds and 23,550 series D bonds, together with an aggregate nominal value of PLN 107,050 thousand, and purchased 4,634 series A bonds with nominal value of PLN 10 thousand each, and 2,050 series B bonds together with an aggregate amount of PLN 66,840 thousand. Reference is made to Note 10.

Commencements of new projects

In June 2013, the Company commenced sales of new projects Sakura III project and the construction expected to be commenced in third quarter of 2013. The Sakura III project will comprise 145 units with an aggregate floor space of 7,300 m².

In June 2013, the Company commenced sales of new projects Verdis III project and the construction expected to be commenced in third quarter of 2013. The Verdis III project will comprise 146 units with an aggregate floor space of 7,700 m².

In June 2013, the Company commenced sales of new projects Espresso II project and the construction expected to be commenced in third quarter of 2013. The Espresso II project will comprise 152 units with an aggregate floor space of 7,600 m².

Completions of projects

In May 2013, the Group completed the construction of the Sakura II project comprising 136 units with a total area of 8,300 m².

Dividend

On 27 June 2013, the General Meeting of Shareholders approved the distribution of a dividend for the financial year 2012 amounting to PLN 8,170,800 in total or PLN 0.03 per ordinary share. The dividend day was determined as 1 August 2013, whereas the dividend payment date will be 20 August 2013.

Interim Condensed Consolidated Financial Statement for the six months ended 30 June 2013

Notes to the Interim Condensed Consolidated Financial Statements

Note 19 – Subsequent events

Land purchase

Since 30 June 2013, the Group did not purchase any land.

Bank loans

In August 2013, the Company entered into an annex to loan facility with Bank Millennium with an aggregate value of PLN 8.8 million. Based on the signed annex, the repayment date of the loan has been extended until July 2014.

Commencements of new projects

Since 30 June 2013, the Group did not commence the construction of any project.

Completions of projects

Since 30 June 2013, the Group did not complete any project.

Bonds serial E

On 15 July 2013, the Company issued 9,250 series E bonds with a total nominal value of PLN 9,250 thousand. The nominal value of one bond amounts to PLN 1 thousand and is equal to its issue price. The series E bonds shall be redeemed on 15 July 2016. The bonds carry an interest rate composed of a base rate equal to 6 months Wibor plus a margin. Interest is payable semi-annually in January and July until redemption date.

The terms and conditions of the issuance of the bonds include provisions regarding early redemption at a bondholder's request to be made prior to 15 July 2016, in case of the occurrence of certain events covering a number of obligations and restrictions applicable to the Company, including the obligation to maintain its financial ratios at certain levels, restrictions on investments in land having an unregulated status and restrictions on related party transactions.

The Management Board

Shraga Weisman
Chief Executive Officer

Tomasz Łapiński
Chief Financial Officer

Andrzej Gutowski
Sales and Marketing Director

Israel Greidinger

Ronen Ashkenazi

Pierre Decla

Rotterdam, 6 August 2013

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



Review report

To: the board of directors, the supervisory board and shareholders of Ronson Europe N.V.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Ronson Europe N.V., Rotterdam (the "Company") as at 30 June 2013, which comprise the interim consolidated statement of financial position as at 30 June 2013 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. 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.

Amsterdam, 6 August 2013

Ernst & Young Accountants LLP

signed by J.H. de Prie