



# POLNORD

**POLNORD SA**

**CAPITAL GROUP**

CONSOLIDATED REPORT  
FOR THE THIRD QUARTER OF 2014

CONTAINING  
CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 01.01.2014 TO 30.09.2014  
PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

GDYNIA, 14 NOVEMBER 2014

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# I GENERAL INFORMATION

Unless the context indicates otherwise, the terms “Company”, “Polnord SA”, “Polnord”, “Parent Company” or other terms with similar meanings and their grammatical forms shall mean Polnord SA, while the terms: “Group”, “Capital Group”, “POLNORD Capital Group” or other terms with similar meanings and their grammatical forms shall mean the Capital Group composed of Polnord SA and entities subject to consolidation. The term „Report” shall refer to this Consolidated Report for the third quarter of 2014.

## 1. INTRODUCTION – COMPANY INFORMATION

Polnord SA is one of the most experienced companies on the construction and developer market in Poland. It was established in 1977 as a construction export general contractor. In 1988, it was named Polnord. In 1999, the Company's shares were introduced to trading on the Warsaw Stock Exchange main market. The Company is currently listed in WIG 50 and WIG-Deweloperzy indices.

Since 2007, the core business of Polnord Group has been development and sale of residential and commercial properties. Polnord implements development projects through special purpose vehicles, which are established without or with partners. Polnord Group operates mainly on the Polish market (especially in Warsaw, Tricity, Szczecin, Łódź and Wrocław), and to a smaller and smaller extent on the Russian market.

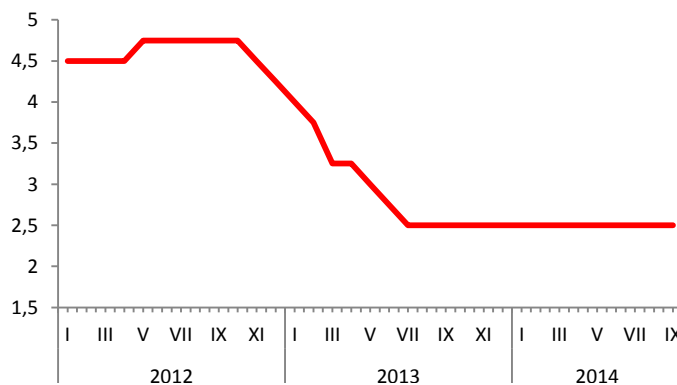
The Company's objective is to maximise its value to the benefit of its shareholders by building up a leading position in the residential real estate market. According to the Polnord Group strategy, the Group is firmly committed to increasing the volume of housing sales by focusing on the segment of residential real estate in the most absorbent and fast-growing markets in Poland - Warsaw and Tricity, to reduce general and administrative expenses and to reduce the level of the Group's debt. Polnord SA is a founding member of the Polish Association of Developers with its purpose being promoting a code of good practices in the customer – developer relations. Polnord SA holds the Developer's Certificate continuously since 2000 which is awarded by the Polish Association of Developers and confirms the Company's professionalism as well as guarantees its integrity in acting for the benefit of a customer.

Polnord Group has at their disposal one of the largest, amongst Polish developers, land banks. Taking advantage of their experience in investment and development activities, Polnord, via special purpose vehicles, completed a number of projects, i.a. in Warsaw (housing estates: Dobry Dom and Śródmieście Wilanów at Kazachska, as well as Królewskie Przedmieście at Aleja Rzeczypospolitej on Pola Wilanowskie), in Łódź (City Park complex at Żeligowskiego), in Gdańsk (housing estates: Ostoja Myśliwska at Morena and 2 Potoki at Czerwińskiego/Przywidzka), in Sopot (Sopocka Rezydencja at Łokietka), in Olsztyn (housing estate Tęczowy Las) in Szczecin (Ku Słońcu at Kazimierska).

## 2. MARKET ENVIRONMENT

The conditions of the Polish real estate market have been improving steadily since 2013. The number of sold premises and those introduced in the market in the third quarter of 2014 have remained on the very good level from the second quarter of 2014. Low interest rates, stable prices and a broad range of offered premises are

Figure 1. NBP reference rate in 2012-2014

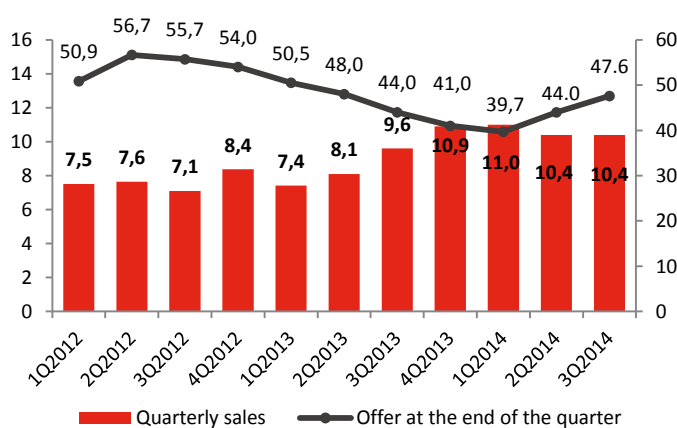


Source: NBP

factors that stimulate the demand. In the third quarter, the capital flight from low-interest deposits to the real estate market, which had started in 2013, has remained stable. The customers bought real estate for their own residential purposes and as investment – for rent. The price change index for all cities shows that the prices have stabilised. In particular cities, however, the situation varies. In Gdańsk, Łódź and Poznań, a slight increase in prices has been observed. In Warsaw, Kraków and Wrocław, average housing prices have dropped. A factor that impacts the housing prices was the price limits that allowed the customers to take advantage of the government

programme “Mieszkanie dla Młodych” (“the MdM programme”). The MdM programme makes it possible for people buying their first flat in the primary market to obtain a subsidy to their own contribution.

Figure 2. Number of flats sold on the primary market in Warsaw, Tricity, Crocow, Wrocław, Poznań and Łódź from 2012 to the third quarter 2014



Source: REAS

The majority of the subsidies reached Warsaw, where the buyers obtained 35 million zlotys in subsidies, and Gdańsk, where the value of the subsidies was over 25.2 million zlotys.

On the national level, however, the popularity of the MdM Programme is decreasing. In the third quarter of 2014 there was an observable reduction in the number of loan applications with the government subsidy, as compared to the first two quarters of 2014.

programme “Mieszkanie dla Młodych” (“the MdM programme”). The MdM programme makes it possible for people buying their first flat in the primary market to obtain a subsidy to their own contribution.

The sales of housing for the six markets indicated below in the period from 1 January 2014 to 30 September 2014 was 31.8 thousand flats, of which 10.4 thousand were sold in the third quarter. What significantly affected the demand was the introduction of Recommendation S III as of 2014. Mortgage loans for 100% of the real estate price were withdrawn from the banks’ offers. Starting from 2014, the customers’ obligatory own contribution is at least 5% of the real estate value and since 2015 the amount of the required own contribution will increase to 10%. In 2014, the MdM programme has had a significant impact on the real estate market. The consequences of the Recommendation S III, which came into force at the same time, were thus set off.

### 3. POLNORD SA CAPITAL GROUP STRATEGY

Polnord's objective is to maximise the value of the Company, in the interests of its shareholders, by building a leadership position on the housing market and optimising the operating activities. The Company's strategy adopted at the end of 2012 is based on four pillars.

#### ***Significant increase in the volume of units sold***

The Group's strategic objective is to achieve annual sales in excess of 1,300-1,500 units already in 2014 (i.e. approximately 30% more than in 2013). Therefore, it is necessary to expand the offer rapidly. Polnord is still looking for new opportunities for investment, which will make it possible to increase the sales. The company is interested in the purchase of grounds in attractive locations, i.a. in Warsaw and TriCity, and it commences new, high-margin investments together with its business partners.

#### ***Focus of activities on the housing market***

Polnord focuses its activities on housing projects on the Polish market, particularly in Warsaw and Tricity and their suburbs. These are very absorbent and fast-growing markets which enable profitable development investments. The vast experience of the Company and its knowledge of local markets is a competitive advantage of Polnord.

#### ***Reduction of selling, general and administrative expenses***

The Company continued to reduce operating costs, in particular selling, general and administrative expenses. The Group's objective was to reduce in 2013 the selling, general and administrative expenses by approximately 17-20% compared to 2012, and in subsequent years to stabilise them at approximately PLN 28 million per year.

#### ***Debt reduction***

The strategic goal of Polnord's Management Board is to reduce the Group's net indebtedness to the level of PLN 425 million as of the end of 2014. Funds for the debt reduction will come primarily from proceeds resulting from increased sales of apartments, sale of non-operating assets that are unrelated to the principal activity of the Company and from compensations received.

### 4. SUMMARY OF THE THIRD QUARTER OF 2014

#### ***Focus of activities on the housing market and increase in the volume of units sold***

At the end of the third quarter of 2014, the Polnord Capital Group was in the progress of executing 14 real estate projects the performance of which was assigned to subsidiaries wholly owned by or under shared control of Polnord. The total useful floor area of the executed projects is nearly 103 thousand m<sup>2</sup>, and within this area more than 2,000 flats are to be built. By the end of the first half of 2015, the Group plans to have commenced the execution of another 18 new real estate investments or subsequent stages of the currently



executed ones, with the total floor area of more than 134 thousand m<sup>2</sup>, which is tantamount more than 2,500 flats. Together with the projects launched in 2014, the Group's offer will increase to nearly 3,600 flats.

Under IFRS, sales revenues are recognized in profit or loss at the time of the handover of the premises, which does not fully reflect the Group's activity in the reporting period. In order to present the results of the Group's activity in period from 01.01.2014 - 30.09.2014 the Table 1 (below) was prepared, showing the impact of the signed agreements – in this period – on the result and operating cash flows that will be recognized in the financial statements at the time of handover of the units.

Table 1. Expected operating income and planned direct margin on sales from units sold in I-IIIQ 2014

INVESTMENT	I-IIIQ 2014				
	number of premises sold <sup>1)</sup>	revenues <sup>2)</sup>	direct margin on sales <sup>*,2)</sup>	direct cost allocated to land <sup>**2)</sup>	net operating income <sup>*** 2)</sup>
	[units]	[000'PLN]	[000'PLN]	[000'PLN]	[000'PLN]
<b>Part I – projects implemented by the wholly owned subsidiaries of Polnord SA</b>					
<b>Warsaw</b>					
Śródmieście Wilanów (build. C)	12	9 007	2 964	1 857	4 821
Śródmieście Wilanów (build. D)	108	39 089	7 137	11 679	18 816
Śródmieście Wilanów (build. F)	60	21 583	3 122	5 580	8 702
Neptun I	46	11 437	1 429	1 696	3 125
Neptun II	12	3 824	636	552	1 188
<b>Tricity</b>					
Ostoja Myśliwska I-II	10	5 012	1 853	522	2 375
2 Potoki I	8	1 593	371	157	528
2 Potoki II	53	10 566	2 185	1 192	3 377
2 Potoki III (build. 1-3)	12	2 140	344	331	675
2 Potoki III (build. 4-5)	3	574	106	75	181
Sopocka Rezydencja	14	8 549	-	7 509	7 509
Dwa Tarasy I	108	25 387	4 670	3 598	8 268
Dwa Tarasy II	13	3 141	1 032	226	1 258
Brama Sopocka I	2	777	185	146	331
<b>Olsztyn</b>					
Osiedle Tęczowy Las (build. 4)	1	366	119	25	144
Osiedle Tęczowy Las (build. 5)	23	5 888	1 103	249	1 352
Osiedle Tęczowy Las (build. 6)	39	8 361	1 783	513	2 296
<b>Szczecin</b>					
Ku Słońcu I	16	4 585	440	1 070	1 510
Ku Słońcu II (build. 2)	12	3 026	377	505	882
Ku Słońcu II (build. 1)	65	14 284	658	2 747	3 405
<b>Łódź</b>					
City Park I-II	4	2 817	-	870	870
City Park IV (build. EA5)	15	3 279	99	538	637
<b>Total Part I</b>	<b>636</b>	<b>185 285</b>	<b>30 613</b>	<b>41 637</b>	<b>72 250</b>

<b>Part II – projects implemented by the companies jointly controlled by Polnord SA</b>					
<b>Warsaw</b>					
Ostoja Wilanów II-VII	100	26 407	8 520	6 572	15 092
Stacja Kazimierz Etap I	49	8 664	2 599	1 104	3 703
<b>Wrocław</b>					
Osiedle Innova I-VII	59	10 212	3 694	1 884	5 578
Osiedle Moderno	27	3 271	1 094	350	1 444
<b>Tricity</b>					
Aquasfera (Pacific)	51	5 361	1 213	861	2 074
<b>Łącznie Część II Total Part II</b>	<b>286</b>	<b>53 915</b>	<b>17 120</b>	<b>10 771</b>	<b>27 891</b>
<b>Total Part I and Part II</b>					
<b>Total Part I and II</b>	<b>922</b>	<b>239 200</b>	<b>47 733</b>	<b>52 408</b>	<b>100 141</b>

<sup>1)</sup> Data not weighted with Polnord's share (refers to preliminary and reservation agreements)

<sup>2)</sup> Data weighted with Polnord's share

\* direct margin on sales calculated as revenue from sales reduced by costs of land, design and workmanship (excluding financial costs)

\*\* as at the balance sheet date, the land is owned by the Group. The investment implementation will allow return on investment

\*\*\* net income calculated as revenue from sales contracts, reduced by direct costs and increased by the value of the land

The above figures represent estimates to the Management Board's best knowledge at the date of this Report.

### **Reduction of selling, general and administrative expenses**

Despite the intensification of sales activities, the activities aimed at lowering the Group's selling and general management costs are continued. The selling and general management costs for the period from 01.01.2014 to 30.09.2014 amounted to PLN 20,906 thousand, a commensurate figure compared to the same period last year. In the third quarter of 2014 these costs amounted to PLN 6,475 thousand, compared to PLN 8,031 thousand in the second quarter of 2014.

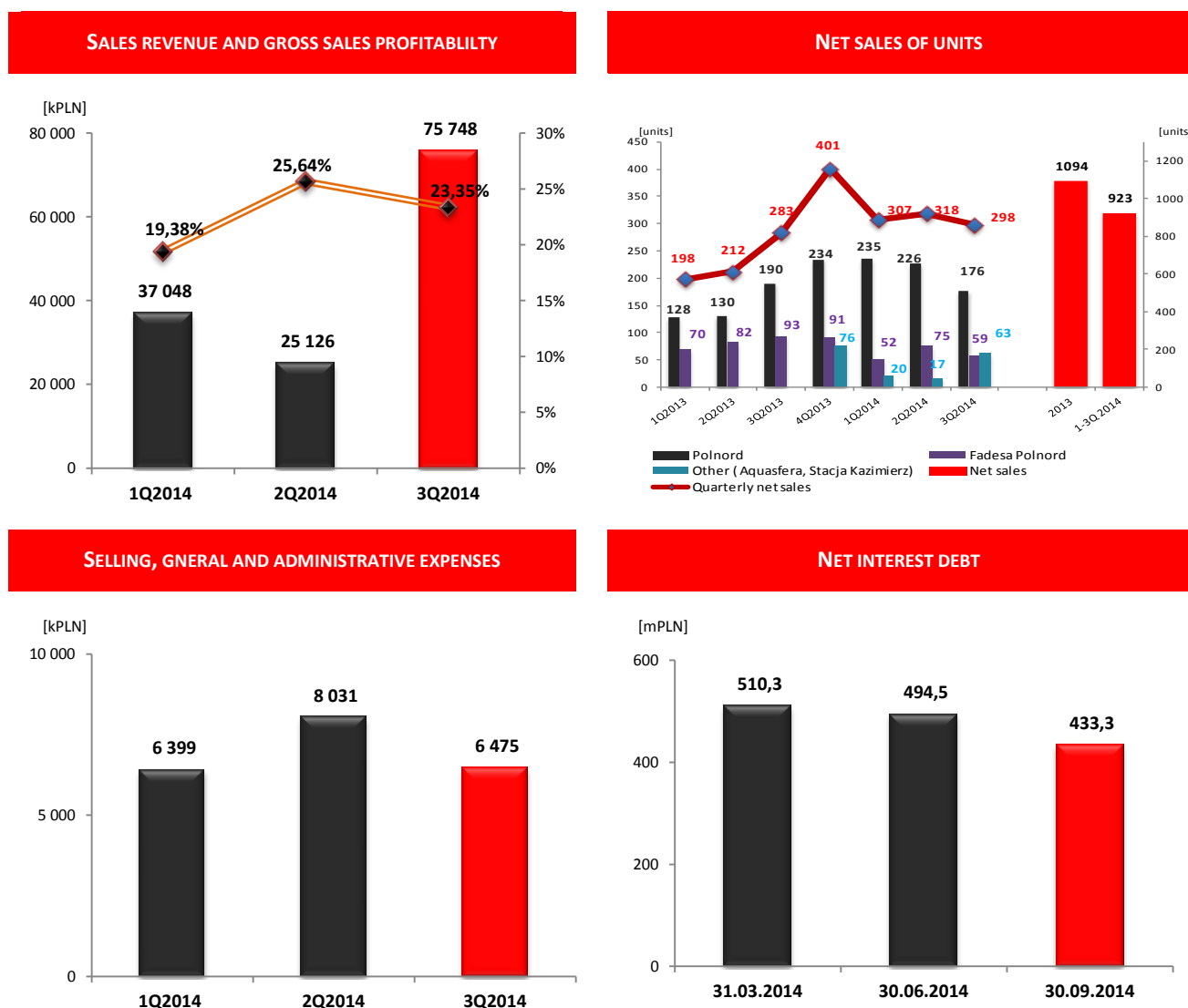
### **Debt reduction**

As of 30.09.2014 the net financial liabilities of the Group (Polnord SA and wholly-owned subsidiaries) shown in the consolidated balance sheet amounted to PLN 433.3 million, and as of 30.06.2014 the net liabilities amounted to PLN 494.5 million, a decrease of PLN 61.2 million in the third quarter of 2014.

The charts below show the dynamics of the selected financial and operational data.



Figure 3. Selected financial and operational data



## 5. DIVIDEND POLICY

As far as the dividend policy is concerned, the Management Board applies the principle of making payments in proportion to the amount of generated profit and to the financial position of the Company. The Company intends to pay regular dividends in the future. When making proposals concerning the possibility of dividend payout, the Management Board takes into account the need to ensure to the Company the liquidity and capital necessary for business development. As at the date of the Report, the Issuer's Management Board does not plan to recommend the payment of dividend for the years 2014-2016.

In the last three financial years (2011-2013), the Company did not declare and did not pay dividends, which was related to the decision to keep in the Company funds for investments and business development and to secure liquidity.

In the presented period Polnord did not declare or pay the dividend. On 14.05.2014, the Company's Ordinary General Meeting fully allocated Polnord SA 2013 net profit to supplementary capital.

## 6. SELECTED FINANCIAL DATA

Table 2. Selected financial data-consolidated financial statement

	PLN' 000		EUR' 000	
	01.01.2014 - 30.09.2014	01.01.2013 - 30.09.2013	01.01.2014 - 30.09.2014	01.01.2013 - 30.09.2013
<b>PROFIT AND LOSS ACCOUNT</b>				
Sales revenue	137 923	90 420	32 994	21 411
Gross profit (loss) on sales	31 309	7 023	7 490	1 663
Gross operating profit (loss)	21 298	24 396	5 095	5 777
Gross profit (loss)	7 496	( 20 165)	1 793	( 4 775)
Net profit (loss) on continued operations	7 881	( 19 087)	1 885	( 4 520)
Net profit / (loss) for the financial year	7 022	( 20 685)	1 680	( 4 898)
<b>BALANCE SHEET</b>				
	<b>30.09.2014</b>	<b>31.12.2013</b>	<b>30.09.2014</b>	<b>31.12.2013</b>
Equity	1 087 418	1 081 933	260 428	260 883
Long-term liabilities	420 252	429 399	100 647	103 540
Short-term liabilities	279 277	264 082	66 885	63 677
Fixed assets	1 126 468	1 157 541	269 780	279 114
Current assets	650 478	607 872	155 784	146 574
Assets classified as held for sale	10 001	10 001	2 394	2 411
Assets in total	1 786 947	1 775 414	427 960	428 100

Table 3. Selected financial data- individual financial statement

	PLN' 000		EUR' 000	
	01.01.2014 - 30.09.2014	01.01.2013 - 30.09.2013	01.01.2014 - 30.09.2014	01.01.2013 - 30.09.2013
<b>PROFIT AND LOSS ACCOUNT</b>				
Sales revenue	28 434	28 310	6 802	6 704
Gross profit (loss) on sales	26 171	15 263	6 261	3 614
Gross operating profit (loss)	( 10 458)	7 929	( 2 502)	1 878
Gross profit (loss)	( 34 585)	570	( 8 273)	135
Net profit (loss) on continued operations	( 35 897)	2 599	( 8 587)	615
Net profit / (loss) for the financial year	( 36 756)	1 001	( 8 793)	237
<b>BALANCE SHEET</b>				
	<b>30.09.2014</b>	<b>31.12.2013</b>	<b>30.09.2014</b>	<b>31.12.2013</b>
Equity	1 076 231	1 114 157	257 749	268 653
Long-term liabilities	313 812	296 125	75 156	71 403
Short-term liabilities	178 610	172 498	42 776	41 594
Fixed assets	1 369 246	1 394 379	327 924	336 222
Current assets	189 406	178 400	45 361	43 017
Assets classified as held for sale	10 001	10 001	2 394	2 411
Assets in total	1 568 653	1 582 780	375 680	381 650

## 7. COMPOSITION OF THE POLNORD CAPITAL GROUP SA

Composition of the Polnord Capital Group SA includes Polnord SA as the parent company and companies subject to consolidation.

The Group's Consolidated financial statements were prepared as at 30.09.2014 and cover the period from 01.01.2014 to 30.09.2014, and they contain relevant comparative data as at 31.12.2013 and for the period from 01.01.2013 to 30.09.2013 ("Consolidated statements").

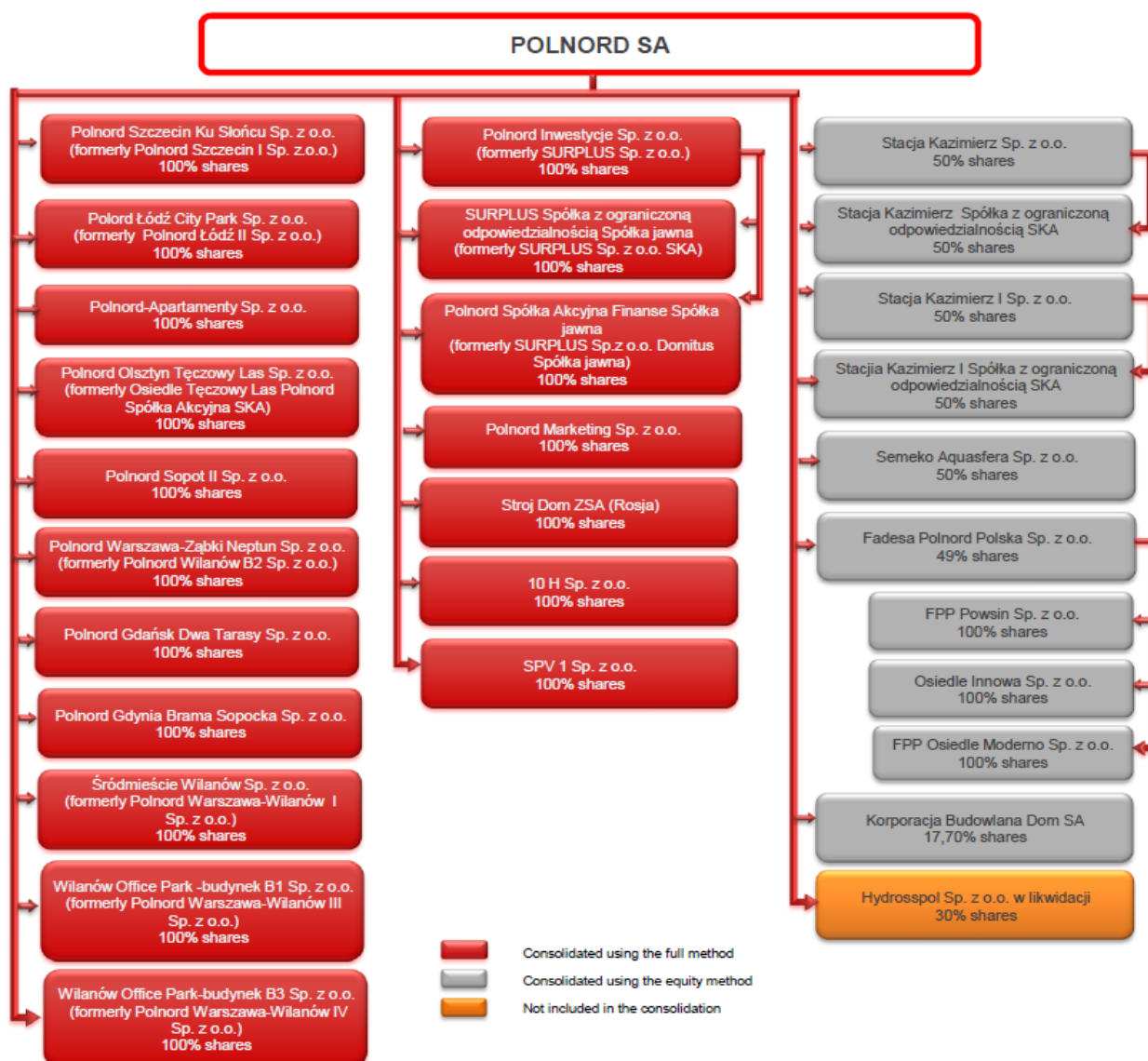
The duration of the Parent Company and companies comprising the Group as at 30.09.2014 is indefinite.

**Table 4. Basic Company data**

Full name (company name)	<b>POLNORD Spółka Akcyjna</b>
Registered office	<b>81-310 Gdynia, Śląska 35/37</b>
Number in the National Court Registered (KRS)	<b>0000041271</b>
Tax identification Number (NIP)	<b>583-000-67-67</b>
Statistical Identification Number (REGON)	<b>000742457</b>
Registered share capital	<b>65.266.054 PLN (paid in fully)</b>
PKD (Polish Classification of Business Activities)	<b>6810 Z – buying and selling of own real estate</b>
Website	<b>www.polnord.pl</b>

The diagram presented below illustrates the structure of organizational and capital links of Polnord as at 30.09.2014.

## Structure of Polnord SA Capital Group



A detailed description of the rules for preparing the Consolidated statements is presented in chapter VI item 5 of the Consolidated Financial Statements, in section “Additional Notes and Explanations”.

Due to the changes in accounting standards, including in particular IFRS 11 in terms of the proportionate consolidation, with effect from 01.01.2014, Fadesa Polnord Poland Sp. z o. o. and its subsidiaries (“Fadesa”) are consolidated using the equity method, which means that there were changes in the presentation in the consolidated financial statements:

- in the consolidated balance sheet, Fadesa was included in the item – Investments in associates measured with the equity method, and
- in the consolidated profit and loss account, Fadesa was included in the item – Share in profit of associate measured with the equity method.

Moreover, consolidation according to the equity method has been applied also to the company Korporacja Budowlana Dom SA.

**Identification of the effects of changes in the structure of the Capital Group, including those resulting from mergers of businesses, acquisitions or disposals of the Company's Capital Group entities, long-term investments, division, restructuring and discontinuation of activity**

In the third quarter of 2014 following changes occurred the structure of organizational and capital links of Polnord:

Entity name	Description of the event
Polnord Sopot II Sp. z o.o.	<p><i>Registration of the share capital increase</i></p> <p>On 03.07.2014 the Extraordinary Meeting of Shareholders of Polnord Sopot II Sp. z o. o. adopted a resolution on increasing the Company's share capital from the amount of PLN 25,173,500.00 to the amount of PLN 25,273,500.00, i.e. by PLN 100 thousand by means of creating 1,000 new shares of the nominal value of PLN 100.00 each, which were taken up entirely by one Shareholder, i.e. Polnord SA. On 21.08.2014 the increase of the share capital of Polnord Sopot II Sp. z o. o. was entered into register by the District Court for Gdańsk-Północ in Gdańsk, 8th Commercial Division of the National Court Register.</p>
Stacja Kazimierz Sp. z o.o. S.K.A.	<p><i>Registration of the share capital increase</i></p> <p>On 10.06.2014 the Extraordinary Meeting of Shareholders of Stacja Kazimierz Sp. z o. o. S.K.A. adopted a resolution on increasing the Company's share capital from the amount of PLN 50 thousand to the amount of PLN 10,133 thousand, i.e. by PLN 10,083 thousand by means of issuing 20,166 new C series shares of the nominal value of PLN 500.00. The new C series shares have been taken up by the existing shareholders, 50% each. On 10.07.2014 the increase of the share capital of Stacja Kazimierz Sp. z o. o. S.K.A. was entered into register by the District Court for the capital city of Warsaw in Warsaw, 12th Commercial Division of the National Court Register.</p>
SPV 1 Sp. z o. o.	<p><i>Registration of the new company</i></p> <p>On 04.08.2014, SPV1 Sp. z o. o. was set up, with registered office in Gdynia and share capital of PLN 5,000 (100 shares, PLN 50.00 each). All shares were taken up by Polnord SA. The company was registered on 25.08.2014 In the District Court for Gdańsk - Północ in Gdańsk, 8th Commercial Division of the National Court Register.</p>
Surplus Sp. z o.o.	<p><i>Registration of changing the name</i></p> <p>On 12.09.2014, a change of the name Surplus Sp. z o. o. with its registered office in Gdynia into Polnord Inwestycje Sp. z o. o.</p>
Surplus Sp. z o.o. Domitus Spółka Jawna	<p><i>Registration of change the name</i></p> <p>On 30.09.2014, a change of the name Surplus Sp. z o. o. Domitus Spółka Jawna with its registered office in Gdynia into Polnord Spółka Akcyjna Finanse Spółka Jawna.</p>

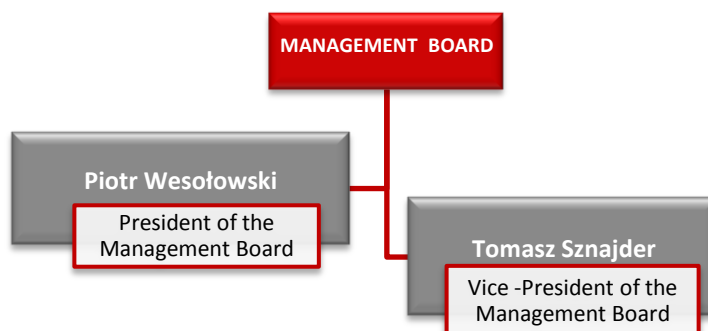
As at 30.09.2014, the percentage of voting rights held by the Group in the subsidiaries, jointly controlled entities and in associates corresponded to the percentage held in the share capital of those entities.

After the balance date, there were no changes in organisational and capital relations.

## 8. GOVERNING BODIES OF THE COMPANY

### Management Board

As at 30.09.2014, the Company's Management Board was composed of:



According to the Company's Statute, the Company's Management Board may be composed of 2 to 6 members, appointed for a joint three-year term of office. During the meeting held on 14.05.2014, the Company's Supervisory Board appointed the current members of the Management Board, i.e. Mr. Piotr Wesołowski and Mr. Tomasz Sznajder for another three-year term of office. Mr. Piotr Wesołowski was appointed as President of the Management Board and Mr. Tomasz Sznajder – as Vice-President.

There were no changes in the Company's Management Board in the period from the balance sheet date and the date of drawing up this Report.

### Supervisory Board

As at 30.09.2014, the Company's Supervisory Board was composed of:



*\*a member of the Supervisory Board who meets the independence criteria indicated in Annex II to the Recommendation of the European Commission of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board and referred to in Article 13(5) of the Company's Articles of Association*

After the balance sheet date, the composition of the Supervisory Board did not change.

**Information on shares or rights for shares (options) of Polnord SA held by Members of the Management and Supervisory Bodies of Polnord SA**

According to the Company's knowledge the below listed Members of the Management and Supervisory Bodies of Polnord SA held the following numbers of the Company's shares:

**Table 5. Company shares held by members of the Management Board and Supervisory Board at 30.09.2014 and 14.11.2014**

<b>Name</b>	<b>Function</b>	<b>Number of shares</b>
Piotr Wesolowski	President of the Management Board	38,227
Tomasz Sznajder	Vice- President of the Management Board	26,877
Marcin Dukaczewski	Member of the Supervisory Board	7,115

Within the Company's Management Options Program, the following Members of the Management Board hold subscription warrants convertible to series S shares of Polnord:

**Table 6. Subscription warrants held by members of the Management Board as at 30.09.2014 and as at 14.11.2014**

<b>Name</b>	<b>Number of warrants held</b>	<b>Issue price of S series shares (change price)</b> [PLN]	<b>The deadline for the exercise of rights of warrants</b>
Piotr Wesolowski - President of the Management Board	50,000	9.00	31.12.2016 r.
Tomasz Sznajder - Wiceprezes Zarządu Vice- President of the Management Board	33,267	9.00	31.12.2016 r.

Each Warrant entitles to subscription of one series S Share.

On 19.12.2013 the Company's Supervisory Board adopted a resolution on adopting the Regulations on management options programme ("MO Regulations").

MO Regulations were adopted pursuant to Resolution No. 1/2013 and Resolution No. 2/2013 of the Extraordinary General Meeting of Shareholders of Polnord held on 25.10.2013 on conditional increase of the Company's share capital excluding the preemptive rights of the current shareholders and on issuing subscription excluding the preemptive rights of the current shareholders.

In the third quarter of 2014 and in the period until the date of publication of this Report no changes in the holdings of Company's shares of the abovementioned members of the Management Board and Supervisory Board occurred.

## 9. SHAREHOLDERS HOLDING AT LEAST 5% OF THE TOTAL NUMBER OF VOTES AT THE GENERAL MEETING OF THE COMPANY

According to the Company's knowledge, at 30.09.2014, the following shareholders held shares vested with at least 5% of votes at the General Meeting:

Table 7. Shareholding of Polnord SA at 30.09.2014

Shareholder	Number of shares/votes	Par value of shares [PLN]	% of share capital/votes
Prokom Investments SA in Gdynia	6,879,803	13,759,606	21.08%
Osiedle Wilanowskie Sp. z o.o. in Gdynia (subsidiary of Prokom Investments SA)	1,508,492	3,016,984	4.62%
Pioneer Pekao Investment Management SA in Warsaw (all customers of PPIM)*	3,119,628	6,239,256	9.56%
SEB Asset Management SA	1,752,593	3,505,186	5.37%
Other Shareholders in total	19,372,511	38,745,022	59.37%
<b>Total</b>	<b>32,633,027</b>	<b>65,266,054</b>	<b>100.00%</b>

\* of which Pioneer Fundusz Inwestycyjny Otwarty holds 2,858,188 shares in the share capital of the Company, corresponding to 2,858,188 votes, representing 8.76% of the total number of votes and in the capital

The following changes took place after the balance sheet date in the composition of the Company's shareholder:

Date of notification to the Company	Name of entity notifier	Description of the event
31.10.2014 r.	Prokom Investments SA	<p><i>Reduction of the indirect involvement to the level of 21,59% of the total number of votes at the general meeting.</i></p> <p>The abovementioned change was caused by the takeover of 1,341,256 of the Company shares by PKO BP SA from Osiedle Wilanowskie Sp. z o.o. ("OW") – a subsidiary of Prokom Investments SA ("Prokom"). The takeover of shares was performed on the basis of registered pledge agreements concluded between OW and PKO BP SA on 14.01.2008 and on 6.02.2008.</p> <p>As a result of the takeover of Company shares, Prokom owns:</p> <ul style="list-style-type: none"> <li>• directly in the Company's share capital – 6,879,803 shares, which entitle it to 6,879,803 votes and constitute 21.08% of the Company's share capital and 21.08% of the total number of votes, and</li> <li>• indirectly, together with OW, a total of 7,047,039 Company shares, which entitle it to 7,047,039 votes and constitute 21.59% of the Company's share capital and 21.59% of the total number of votes.</li> </ul>

More details are presented in the current report No. 42/2014 of 31.10.2014.



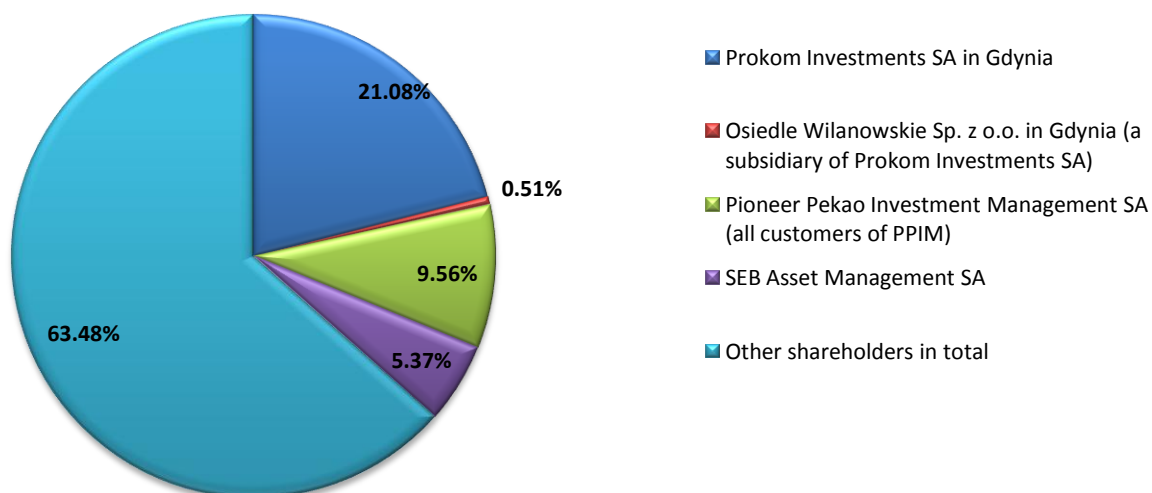
As at the Report date (14.11.2014), the Company's shareholders included:

**Table 8. Shareholding of Polnord SA at 14.11.2014**

Shareholder	Number of shares/votes	Par value of shares [PLN]	% of share capital/votes
Prokom Investments SA in Gdynia	6,879,803	13,759,606	21.08%
Osiedle Wilanowskie Sp. z o.o. in Gdynia (subsidiary of Prokom Investments SA)	167,236	334,472	0.51%
Pioneer Pekao Investment Management SA in Warsaw (all customers of PPIM)*	3,119,628	6,239,256	9.56%
SEB Asset Management SA	1,752,593	3,505,186	5.37%
Other Shareholders in total	20,712,767	41,427,537	63.48%
<b>Total</b>	<b>32,633,027</b>	<b>65,266,054</b>	<b>100.00%</b>

\* of which Pioneer Fundusz Inwestycyjny Otwarty holds 2,858,188 shares in the share capital of the Company, corresponding to 2,858,188 votes, representing 8.76% of the total number of votes and in the capital

#### Shareholding of Polnord SA at 14.11.2014



## II ACTIVITIES OF THE CAPITAL GROUP

### 1. OPERATIONAL ACTIVITIES OF THE GROUP

#### 1.1 INFORMATION OF THE NUMBER OF UNITS SOLD

The table below presents information on the number of premises sold by the Polnord Group within particular projects as well as the Group's offer as at 30.09.2014. In the three quarters of 2014, the companies of the Polnord Capital Group sold 923 premises (relates to the preliminary and reservation agreements made), of which 298 units were sold in the third quarter of this year.

Table 9. Sales and offers as at 30.09.2014

Project	General information				Premises sold (net-including cancellations)		Offer as at 30.09.2014
	Usable area (sq. m)	Number of premises	Commission to use data	Company implementing the project	until 31.12.2013	01.01- 30.09.2014	
<b>Part I – projects implemented by the wholly owned subsidiaries of Polnord SA</b>							
<b>WARSAW</b>							
<b>Commissioned project</b>							
Śródmieście Wilanów (build. A)	9 532	170	IVQ 2013	Śródmieście Wilanów	169	-	1
Śródmieście Wilanów (build. C)	10564	161	IIIQ 2014	Śródmieście Wilanów	139	12	10
<b>Projects under development</b>							
Śródmieście Wilanów (build. D)	9 533	189	IIIQ 2015*	Śródmieście Wilanów	75	108	6
Neptun I	6 204	109	II/IIIQ 2015*	Polnord Ząbki Neptun	16	46	47
<b>Projects started in 2014</b>							
Śródmieście Wilanów (build. F)	6 691	125	IIQ 2016*	Śródmieście Wilanów	-	60	65
Neptun II	5 623	105	IVQ 2015*	Polnord Ząbki Neptun	-	12	93
<b>TRICITY</b>							
<b>Commissioned project</b>							
Ostoja Myśliwska I-II	13 715	242	2011-2012	Polnord Apartamenty	225	10	7
2 Potoki I	7 475	162	IVQ 2012	Polnord Apartamenty	145	8	9
2 Potoki II	7 142	162	IVQ 2013	Polnord Apartamenty	70	53	39
2 Potoki III (build. 1-3)	4 468	96	IVQ 2012	Polnord Apartamenty	17	12	67
2 Potoki III (build. 4-5)	2 771	60	IIQ 2013	Polnord Apartamenty	-	3	57
Sopocka Rezydencja	9 672	162	IQ 2012	Polnord Sopot II	146	14	2
<b>Projects under development</b>							
Dwa Tarasy I	7 337	162	IVQ 2014*	Polnord Gdańsk Dwa Tarasy	28	108	26
<b>Projects started in 2014</b>							
Dwa Tarasy II	8 386	172	IVQ 2015*	Polnord Gdańsk Dwa Tarasy	-	13	159
Brama Sopocka I	3 647	54	IIIQ 2015*	Polnord Gdynia Brama Sopocka	-	2	52
<b>OLSZTYN</b>							
<b>Commissioned project</b>							
Osiedle Tęczowy Las (build. 4)	4 590	91	IIIQ 2012	Polnord OTL	88	1	2
Osiedle Tęczowy Las (build. 5)	5 839	103	IVQ 2013	Polnord OTL	75	23	5
<b>Projects under development</b>							
Osiedle Tęczowy Las (build. 6)	6 965	149	IIIQ 2015*	Polnord OTL	3	39	107

SZCZECIN							
<b>Commissioned project</b>							
Ku Słońcu I	12 203	222	IVQ 2011	Polnord Szczecin Ku Słońcu	191	16	15
Ku Słońcu II (build. 2)	7 657	158	IVQ 2012	Polnord Szczecin Ku Słońcu	144	12	2
<b>Projects under development</b>							
Ku Słońcu II (build. 1)	7 701	158	IVQ 2014*	Polnord Szczecin Ku Słońcu	25	65	68
ŁÓDŹ							
<b>Commissioned project</b>							
City Park I-III	14 833	235	2009-2012	Polnord Łódź City Park	228	4	3
<b>Projects started in 2014</b>							
City Park IV (build. EA 5)	3 816	94	IIQ 2015*	Polnord Łódź City Park	-	15	79
<b>Total - Commissioned project</b>	<b>110 461</b>	<b>2 024</b>			<b>1 637</b>	<b>168</b>	<b>219</b>
<b>Total- Projects under development</b>	<b>65 903</b>	<b>1 317</b>			<b>147</b>	<b>468</b>	<b>702</b>
<i>Including projects started in 2014</i>	<i>28 163</i>	<i>550</i>			<i>-</i>	<i>102</i>	<i>448</i>
<b>Total Part I</b>	<b>176 364</b>	<b>3 341</b>			<b>1 784</b>	<b>636</b>	<b>921</b>
<b>Part II – projects implemented by the companies jointly controlled by Polnord SA</b>							
WARSAW							
<b>Commissioned project</b>							
Ostoja Wilanów II-VII	117 918	1 470	2009-2013	Fadesa Polnord	1 383	55	32
<b>Projects started in 2014</b>							
Ostoja Wilanów VIA (B4) (formerly V)	9 272	137	IVQ 2015*	Fadesa Polnord	-	45	92
Stacja Kazimierz Phase I	9 406	184	IQ 2016*	Stacja Kazimierz	-	49	135
TRICITY							
<b>Projects under development</b>							
Aquasfera (Pacific)	11 114	212	IIQ 2015*	Semeko Aquasfera	76	51	85
WROCLAW							
<b>Commissioned project</b>							
Osiedla Innova I-VII	27 644	533	2012-2014	Osiedle Innova	448	59	26
<b>Projects started in 2014</b>							
Osiedle Moderno	7 243	158	IVQ 2015*	Osiedle Moderno	-	27	131
<b>Total - Commissioned project</b>	<b>145 562</b>	<b>2 003</b>			<b>1 831</b>	<b>114</b>	<b>58</b>
<b>Total- Projects under development</b>	<b>37 035</b>	<b>691</b>			<b>76</b>	<b>172</b>	<b>443</b>
<i>Including projects started in 2014</i>	<i>25 921</i>	<i>479</i>			<i>-</i>	<i>121</i>	<i>358</i>
<b>Total Part II</b>	<b>182 597</b>	<b>2 694</b>			<b>1 907</b>	<b>286</b>	<b>501</b>
Total Part I and Part II							
<b>Total - Commissioned project</b>	<b>256 022</b>	<b>4 027</b>			<b>3 468</b>	<b>282</b>	<b>277</b>
<b>Total- Projects under development</b>	<b>102 938</b>	<b>2 008</b>			<b>223</b>	<b>640</b>	<b>1 145</b>
<i>Including projects started in 2014</i>	<i>54 084</i>	<i>1 029</i>			<i>-</i>	<i>223</i>	<i>806</i>
<b>Total Part I and II</b>	<b>358 961</b>	<b>6 035</b>			<b>3 691</b>	<b>922</b>	<b>1 422</b>

\* Planned date of commissioning for use

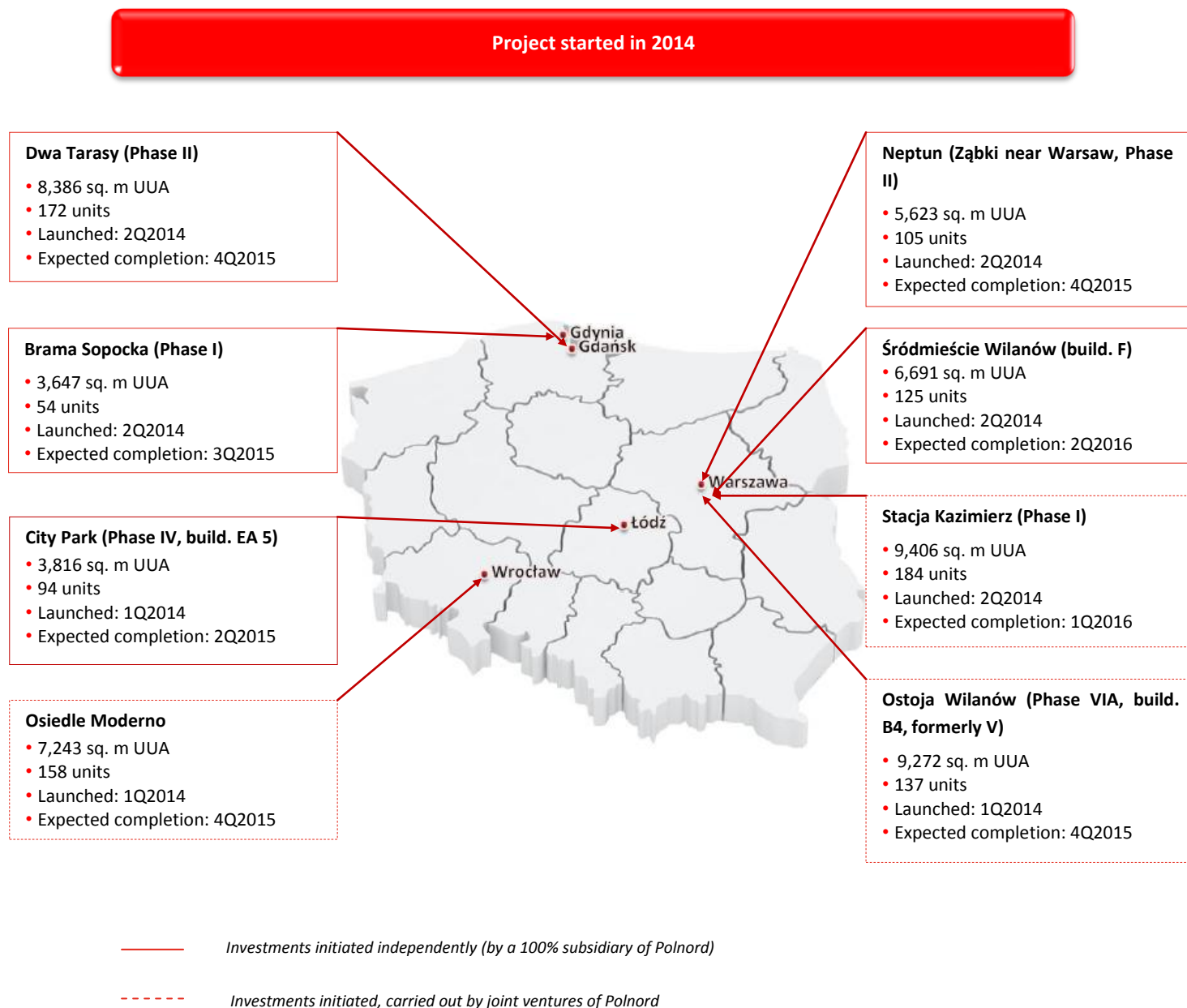
Data not weighted with Polnord's share in the project

Additionally, in the third quarter of 2014, Polnord SA sold the last flat in Gdańsk, at Rogalińska, as part of the Wilanowska V project completed in 2010.

## 1.2 PROJECT STARTED IN 2014

As of the beginning of 2014, the Group commenced the execution of eight projects, which constitute next stages of the projects already in progress, under which 1,029 flats are to be built in Warsaw, Wrocław, Tricity and Łódź, with a total floor area of 54,084 m<sup>2</sup>.

Multi-stage real estate projects commenced in the first three quarters of 2014 have been described below:

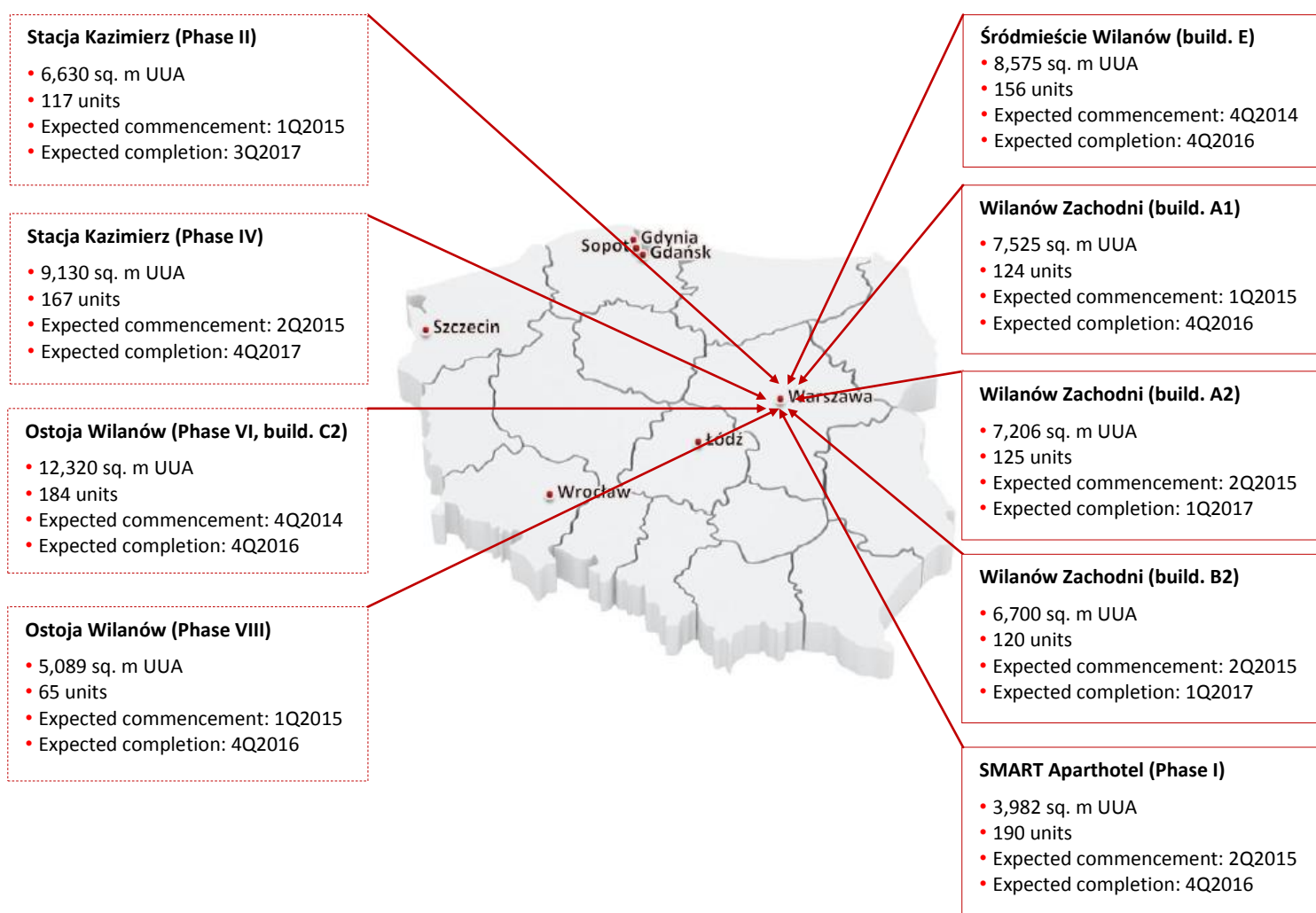


### 1.3 PROJECT TO BE LAUNCHED

In the upcoming periods the Group plans to launch 18 investments of which 11 constitute subsequent phases of projects already being implemented. The other 7 are the new investments being initiated, by Polnord itself or with partners, in new attractive locations in Warsaw, Tricity, Wrocław, Olsztyn, Szczecin and Łódź. Projects to be launched create a potential to expand the offer by about 2,541 premises with their total usable area of approx. 134,444 thousand sq. m.

Multi-stage development Project, which are scheduled to be launched to the 30.06.2015, are described below:

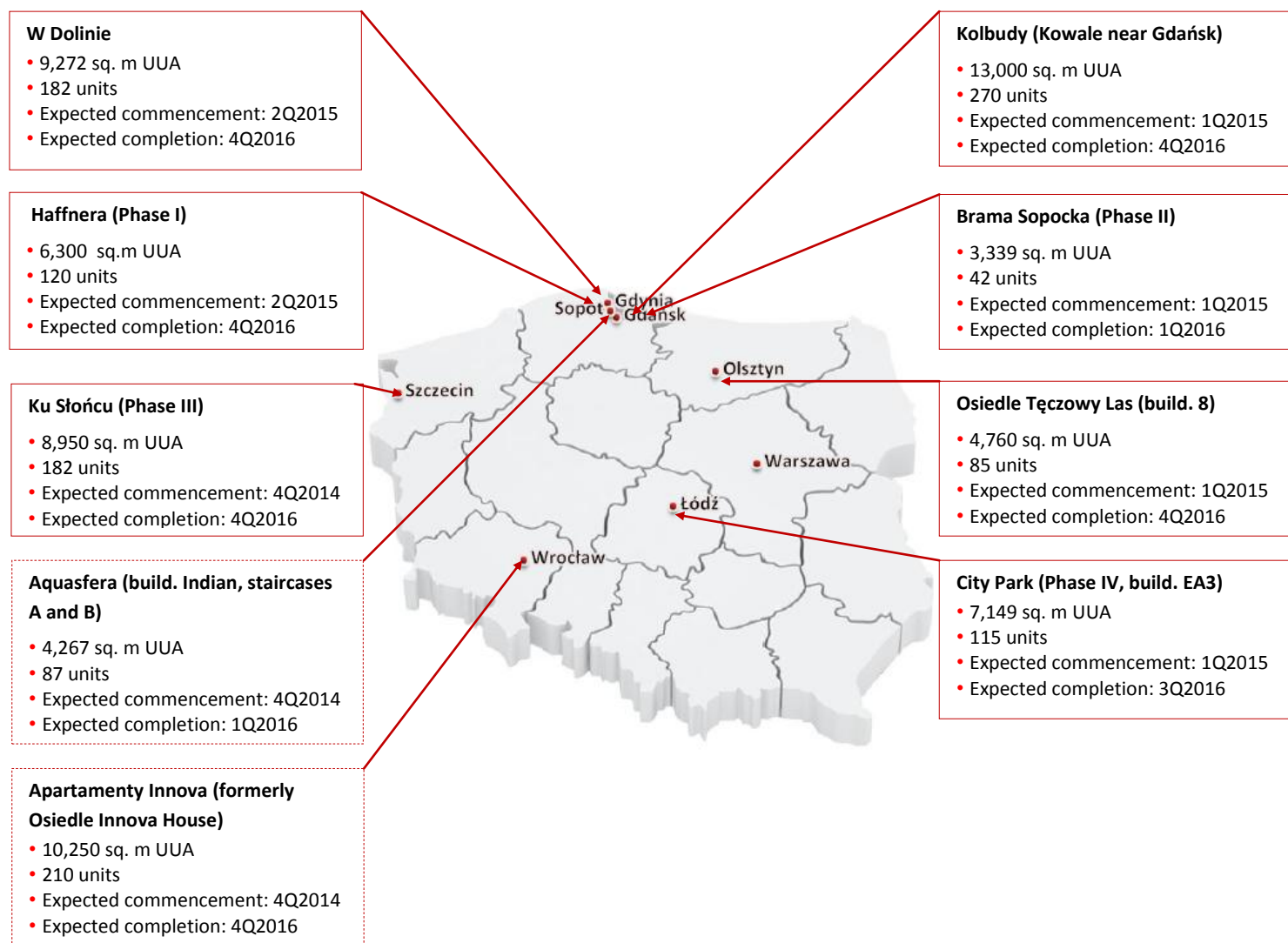
#### Project to be launched in Warsaw



— Investments planned to be launched independently (by the wholly owned subsidiaries of Polnord)

- - - Investments planned to be launched, implemented by companies jointly controlled by Polnord

### Project to be launched in other locations



— Investments planned to be launched independently (by the wholly owned subsidiaries of Polnord)

- - - Investments planned to be launched, implemented by companies jointly controlled by Polnord

#### 1.4 LAND PURCHASE

In the third quarter the Group did not purchase any land.

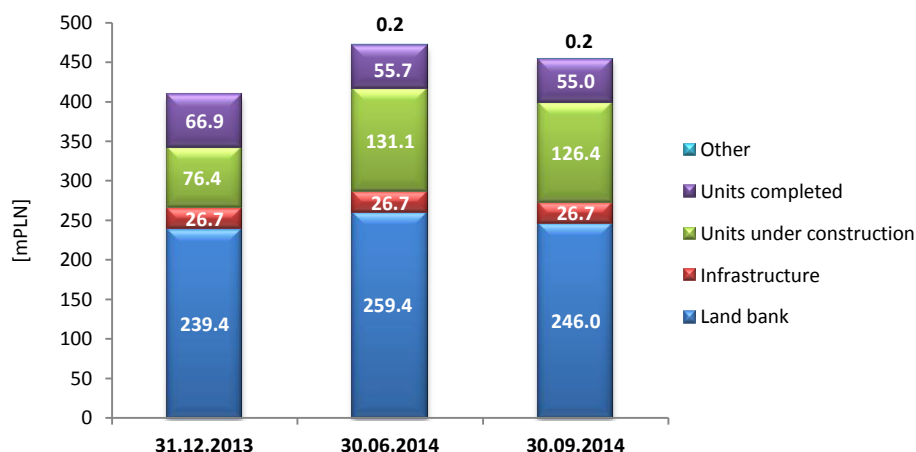
#### 1.5 STATEMENT OF INVENTORIES AND INVESTMENT PROPERTIES

The graphs below present the current statement of inventories and investment properties along with the breakdown of land bank classified as both inventories and investment property.

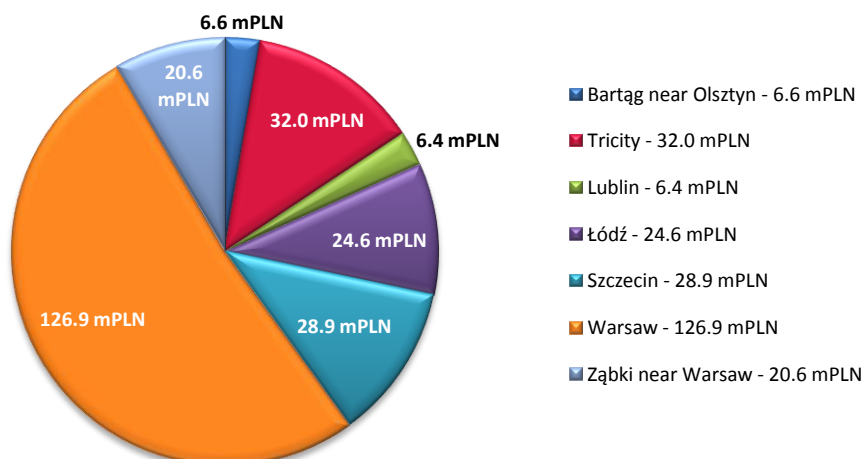
##### Inventory

As of 30.09.2014 the value of the stock amounted to PLN 454.3 million, and as of 31.12.2013 this value was PLN 409.5 million. In comparison to the baseline of 30.06.2014, the value decreased by PLN 17.9 million. The variation in the stock values results mainly from deliveries of premises. In the land bank, which equals to PLN 246 million and which belongs to the stock, the largest item is land located in Warsaw, constituting over 52% of the total value of the land included in the stock.

##### Structure of inventories



##### Inventories – land bank as at 30.09.2014



The core item in the land holding comprises the land situated in Warsaw of the value of approx. PLN 47 million, designed for the Śródmieście Wilanów investment project, both for phases being currently in progress and the planned ones. The land inventories in the area of Wilanów will allow to build, not counting building F commenced in IH 2014, which is implemented as part of the Śródmieście Wilanów project, additional usable area of approx. 8,600 sq. m (building E).

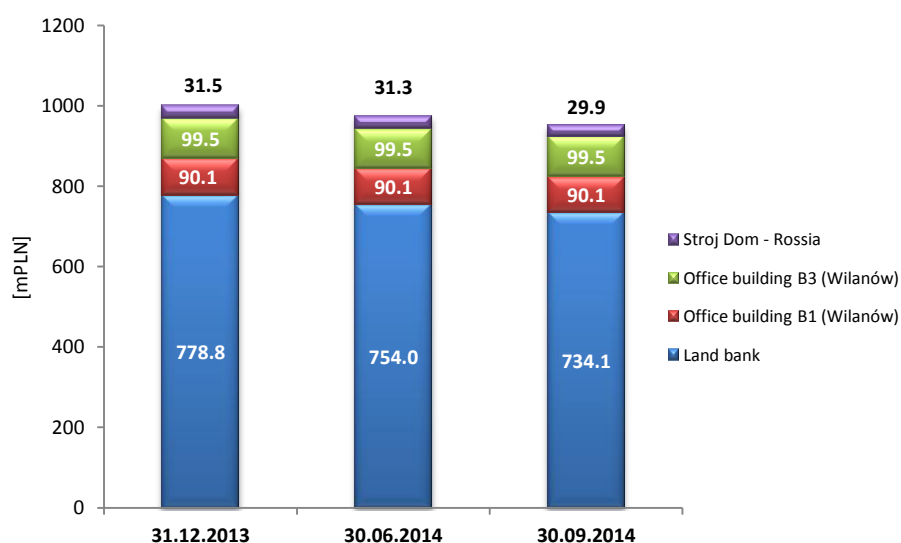
Some inventories held by the Group are attributable to the collateral securing repayment of loans received by the Group companies for the financing of development projects and bonds. The carrying amount of inventories encumbered with mortgage as at 30.09.2014 was PLN 216.5 million, and for comparison as at 30.06.2014 it was PLN 249,9 million.

### Investment properties

As of 30.09.2014 the value of investment properties amounted to PLN 953.6 million, and as of 31.12.2013 this value was PLN 999.9 million. In comparison to the baseline of 30.06.2014, the value was PLN 21.3 million lower. This decrease results mainly from the sale of plot no 94 in Warsaw, the value of which amounted to PLN 19.9 million.

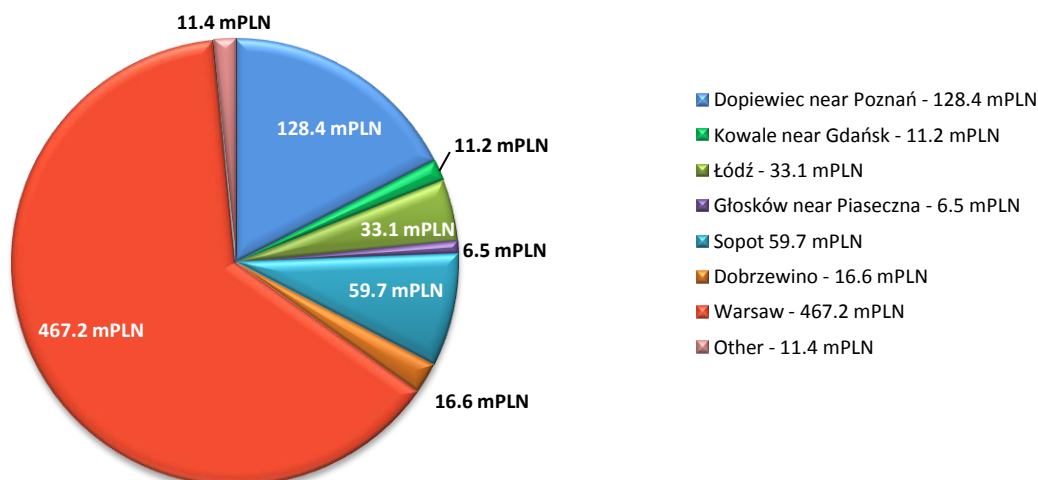
Some investment properties of the Group are attributable to the collateral securing repayment of loans received by the Group companies for the financing of development projects and bonds. The carrying amount of inventories encumbered with mortgage as at 30.09.2014 was PLN 897.3 million, and for comparison as at 30.06.2014 it was PLN 919.5 million.

#### Structure of investment properties





### Investment properties – land bank as at 30.09.2014



Detailed information on the plots with the highest value along with their intended use is presented below.

Table 10. List of plots of the highest value located in Wilanów

Location	Plot No.	Area [aq. M]	Reported value [PLN'000]	Investment plans
Warszawa Wilanów*	2/70	93,581	147,671	The area adjoining to the planned S2 north bypass of Warsaw. Plot with commercial/residential purpose. Ca. 95.6 thousand m <sup>2</sup> of usable space may be provided. The Company does not plan to deliver any projects on that plot in the following 3 years.
Warszawa Wilanów*	2/48	72,421	88,933	The area with residential purpose and for public utility buildings, as well as sports and recreational facilities. The Company does not plan to deliver any projects on that plot in the following 3 years. The Company plans to apply for changing the zoning plan for this property.
Warszawa Wilanów*	2/96 2/228	30,899	53,263	The plots make up a compound located in the area of the planned S2 north bypass of Warsaw. In 2014, a residential estate will be designed with total usable space of ca. 30 thousand m <sup>2</sup> .
Warszawa Wilanów*	9/1 9/2 9/3 (9 before)	21,627	38,410	On 18.09.2014, a request was filed concerning the decision permitting the construction of a multi-apartment building on allotment No 9/1. The useful floor area of the residential and service premises on the ground floor in the construction design is 7,525 m <sup>2</sup> . On 18.09.2014, the authority started the proceedings as regards the decision to permit the construction. On 30.09.2014, a request was filed concerning the decision permitting the construction of a multi-apartment building on allotment No 9/3. The useful floor area of the residential and service premises on the ground floor in the construction design is 7,206 m <sup>2</sup> . Design works related to the multi-apartment residential building have been carried out on allotment No 9/2. It is planned that the request concerning the decision to permit the construction will be filed in the fourth quarter of this year. The useful floor area of the residential and service premises will be approximately 5,300 m <sup>2</sup> .
Warszawa Wilanów*	2/241, 2/242 2/243 2/239, 2/240 (2/115, 2/97before)	23,211	27,420	On 2.10.2014, the Company disposed of its right to perpetual usufruct as regards the allotments.
<b>Total</b>		<b>241,739</b>	<b>355,697</b>	

\*The listed plots in Wilanów represent 76% of the value of investment land located in Warsaw, classified as investment properties. Most of this land is located in the southern part of Miasteczko Wilanów south of Płaskowicka Bis and Aleja Rzeczypospolitej. These areas are well connected to the city centre, have full technical support and infrastructure. In the neighbourhood there are social, education and medical facilities. There are plans to build a large shopping centre in surrounding areas.



Table 11. List of plots of the highest value located in other locations

Location	Plot No.	Area [aq. M]	Reported value [PLN'000]	Investment plans
Dopiewiec near Poznań	188/1 184/6 184/7 184/8	497,447	128,395	The area is covered with local zoning plan. In line with its provisions, the area's absorbency is over 346 thousand m <sup>2</sup> , however, the Company plans to provide residential developments with usable space of ca. 173 thousand m <sup>2</sup> and 34 thousand m <sup>2</sup> of commercial space, so that the natural landscape typical of this area is sustained.
Sopot	38	28,047	59,666	The estimated absorbency of the area provides for delivery of residential buildings with ca. 7 thousand m <sup>2</sup> of residential space, aparthotel type of buildings with the space of ca. 5.7 thousand m <sup>2</sup> , office building with space of ca. 7.9 thousand m <sup>2</sup> and a hotel building with 140-150 rooms. The Company assumes a building permit will be obtained for the usable space of ca. 6.3 thousand m <sup>2</sup> by the end of the first half of 2015. In June 2014, the agreement for design works was signed.
Łódź	568/30 568/32 568/33	19,474	33,089	Residential space for multi-family buildings of ca. 44 thousand m <sup>2</sup> can be provided, with commercial space on ground floors totalling ca. 2.5 thousand m <sup>2</sup> .
Dobrzewino	224/6 224/8	145,194	16,624	The area is covered with local zoning plan. In line with its provisions, the land may be divided into ca. 150 plots with the area of ca. 1000 m <sup>2</sup> , on which four-unit houses may be built.
Kowale near Gdańsk	109/53 109/54	44,182	11,243	An area for residential and services development with the possibility to build over 13,000 m <sup>2</sup> of UFA, which translates into nearly 270 apartments.
Głusków near Piaseczno	18/3-18/18 (18/2-18/14 before)	42,468	6,511	30 single-family houses may be provided on the plot in question. The zoning decision was obtained for the planned 11 houses. For the remaining houses, the proceedings for obtaining the zoning decision were commenced.
<b>Total</b>		<b>776,812</b>	<b>255,528</b>	

## 2. DEVELOPMENT PROJECTS INCLUDED IN THE INCOME STATEMENT

Table 12 presents development project that are included in the financial results of the Group.

In the period from 01.01.2014 to 30.09.2014 the Group (Polnord's wholly-owned subsidiaries and jointly controlled companies) delivered to their Customers in Poland 686 premises, 216 of which were delivered in the third quarter of 2014.

Table 12. Financial result per project in the period from 01.01.2014 - 30.09.2014

Project	I-IIIQ 2014					
	Premises delivered to customers		Revenue		Gross profit on sales	
	Units	Area of premises [sq. m]	[PLN'000]	Share [%]	[PLN'000]	Gross sales profitability
<b>Part I - projects implemented by the wholly owned subsidiaries of Polnord SA</b>						
<b>Warsaw</b>						
Śródmieście Wilanów (build. A)	32	2 039	14 050	12%	2 109	15%
Śródmieście Wilanów (build. C)	138	8 279	56 943	47%	12 298	22%
<b>Tricity</b>						
Apartamenty Albatros	1	139	420	-	8	2%
Ostoja Myśliwska I	5	541	2 677	2%	676	25%
Ostoja Myśliwska II	14	1 098	4 854	4%	863	18%
2 Potoki I	7	382	1 374	1%	161	12%
2 Potoki II	51	2 443	9 516	8%	1 504	16%
2 Potoki III (build. 1-5)	6	287	1 103	1%	202	18%
Sopocka Rezydencja	18	1 296	10 968	9%	11	-
<b>Olsztyn</b>						
Osiedle Tęczowy Las (build. 4)	2	97	404	-	115	28%
Osiedle Tęczowy Las (build. 5)	38	2 142	8 839	7%	1 185	13%
<b>Szczecin</b>						
Ku Słońcu I	13	884	3 977	3%	4	-
Ku Słońcu II (build. 2)	19	943	4 474	4%	356	8%
<b>Łódź</b>						
City Park I-III	4	560	2 466	2%	62	3%
<b>Total Part I</b>	<b>348</b>	<b>21 129</b>	<b>122 065</b>	<b>100%</b>	<b>19 552</b>	<b>16%</b>
<b>Part II - projects implemented by the companies jointly controlled by Polnord SA</b>						
<b>Warsaw</b>						
Ostoja Wilanów II-VII	276	17 070	127 514	89%	28 048	22%
<b>Wrocław</b>						
Osiedle Innova I-VI	27	1 359	7 717	5%	2 175	28%
<b>Tricity</b>						
Aquasfera	35	1 599	7 726	5%	1 749	23%
<b>Total Part II</b>	<b>338</b>	<b>20 028</b>	<b>142 957</b>	<b>100%</b>	<b>31 972</b>	<b>22%</b>
<b>Total Part I and Part II</b>						
<b>Total Part I and II</b>	<b>686</b>	<b>41 157</b>	<b>265 022</b>	<b>100%</b>	<b>51 524</b>	<b>19%</b>

Data not weighted with Polnord's share in the project

### 3. COMMENTARY OF THE CONSOLIDATED INCOME STATEMENT

Specification [000'PLN]	For the period from 01.01.2014 to 30.09.2014	For the period from 01.07.2014 to 30.09.2014	For the period from 01.01.2013 to 30.09.2013	For the period from 01.07.2013 to 30.09.2013
			<i>transformed data</i>	<i>transformed data</i>
<b>Sales revenue</b>	<b>137 923</b>	<b>75 748</b>	<b>90 420</b>	<b>26 478</b>
Revenue from sales of products, goods and materials from related parties	124 396	70 973	80 266	23 180
Revenue from sale of services	1 371	542	1 358	114
from related parties	625	260	80	77
Lease revenue	12 156	4 233	8 796	3 184
from related parties	45	2	1	
<b>Prime cost of sale</b>	<b>( 106 614)</b>	<b>( 58 063)</b>	<b>( 83 397)</b>	<b>( 26 413)</b>
<b>Inventory revaluation allowance</b>				
<b>Gross profit (loss) on sales</b>	<b>31 309</b>	<b>17 685</b>	<b>7 023</b>	<b>65</b>
Revaluation of investment property		( 10 883)	51 338	23 923
Result on sale of investment property	11 068	11 068		
Selling costs	( 5 077)	( 1 874)	( 5 490)	( 1 702)
General administrative expenses	( 15 829)	( 4 601)	( 15 271)	( 4 980)
Other operating revenue	3 049	90	8 366	7 688
Other operating expenses	( 3 222)	( 1 033)	( 21 570)	( 14 223)
<b>Gross operating profit (loss)</b>	<b>21 298</b>	<b>10 452</b>	<b>24 396</b>	<b>10 771</b>
Financial revenue	3 524	1 399	7 108	( 276)
Financial expenses	( 22 438)	( 8 465)	( 37 735)	( 10 224)
Result on sale / occasional acquisition of subsidiary				
Share in profit of associated measured with equity method	5 112	( 332)	( 13 934)	202
<b>Gross profit (loss)</b>	<b>7 496</b>	<b>3 054</b>	<b>( 20 165)</b>	<b>473</b>
Income tax	385	( 720)	1 078	937
<b>Net profit (loss) on continued operations</b>	<b>7 881</b>	<b>2 334</b>	<b>( 19 087)</b>	<b>1 410</b>
Net profit (loss) on discontinued operations	( 859)	696	( 1 598)	( 140)
<b>Net profit (loss) for the financial year</b>	<b>7 022</b>	<b>3 030</b>	<b>( 20 685)</b>	<b>1 270</b>

In the first three quarters of 2014 the Polnord Capital Group generated net profit of PLN 7,022 thousand and their income from sales amounted to PLN 137,923 thousand, whereof only in the third quarter of 2014 the net result amounted to PLN 3,030 thousand and the income from sales amounted to PLN 75,748 thousand. The most substantial income item in the first three quarters of 2014 is "Revenue from sales of products, goods and materials", which amounts to PLN 124,396 thousand generated mainly from 348 delivered premises built as a part of residential projects located in Warsaw, Tricity, Olsztyn, Szczecin and Lodz. In the third quarter of 2014, 190 premises were delivered, 138 of which constitute premises in the completed project "Śródmieście Wilanów" building C. The gross profitability of sales in the first three quarters of 2014 amounted to 22.7%, whereas in the same period last year it amounted to less than 8%. The Group's activity in the area of real estate development was also reflected in the item "Share in profit of associated measured with equity method", whose value was determined by e.g. delivery of 338 apartments built as a part of projects completed by jointly controlled companies (Fadesa, Semeko Aquasfera Sp. z o.o.), and which due to the changes in consolidation rules were not shown in the income from sales.

Since 2014, due to changes in the accounting standards, Fadesa Polnord Polska Sp. z o.o. with their subsidiaries ("Fadesa") have been consolidated according to the equity method, which means that presentation changes

took place in the Consolidated Financial Statement. In the consolidated profit and loss accounts, Fadesa's results for the current period were presented in a single item, i.e. "Share in profit of associated measured with equity method", instead of a proportional presentation of income and costs. Moreover, consolidation according to the equity method has been applied also to the company Korporacja Budowlana Dom SA. For comparative purposes, the data for the same period last year was respectively transformed.

According to IAS 18, income and cost from real estate development are recorded in the profit and loss account upon delivery of premises to buyers; the gross result on sales does not reflect the sales activities carried out within a given period (a sale agreement of premises may be concluded much earlier than the delivery of the premises, i.e. on every stage of an investment, and not only upon its completion). On the basis of the foregoing, the estimated result of sales activities (of wholly-owned subsidiaries and jointly controlled companies) in the first three quarters of 2014 was shown in table 1, section I, clause 4 of the Report.

In the result account for the three quarters of 2014, the amount of PLN 11,068 thousand, recorded under the item "Result on investment property sales", shall be regarded as substantial. In the Consolidated Semi-Annual Report, this value has been shown under the "Revaluation of investment properties" and applied to the plot no 94 with an area of 1,960 m<sup>2</sup> located in Warsaw, ul. Pereca. Due to the sale of the said real estate in the third quarter of this year, the sale has been recorded under the item "Result on investment property sales".

The selling and general management costs for the period from 01.01.2014 to 30.09.2014 amounted to PLN 20,906 thousand, a commensurate figure compared to the same period last year. Only in the third quarter of 2014 these costs amounted to PLN 6,475 thousand, whereas in the same period of 2013 they equalled to PLN 6,682 thousand. The Board maintains the estimate of the costs in the entire 2014 — the selling and general management costs shall not exceed PLN 28 million.

Other operating income in the period under consideration amounted to PLN 3,049 thousand and other operating costs amounted to PLN 3,222 thousand. These consist mainly of the Group's provisions against liabilities.

Financial income in the amount of PLN 3,524 thousand consists mainly of accrued interest on loans granted to the subsidiaries consolidated according to the equity method, i.e. mainly to Fadesa (PLN 2,403 thousand).

Financial costs in the period considered amounted to PLN 22,438 thousand, PLN 19,829 thousand of which are interest on bank loans and bonds.

Net profit of the Group was also influenced by the item "Share in profit of associated measured with equity method" with the value of PLN 5,112 thousand.

Implementation of new projects and continuation of the existing ones, along with activities aimed at further optimisation of the business costs of the Polnord Group, shall have positive impact on the activity results in the next reporting periods.

#### 4. NOTES ON SEASONAL AND CYCLICAL NATURE OF THE POLNORD SA CAPITAL GROUP'S OPERATIONS

The Capital Group recognized the revenue from the sales of the real estate pursuant to IAS 18 (accounting for real estate projects with the completed contract method). The Group recognized the revenue from the sales of the real estate only after the premises have been handed over to the customers, which always takes place after a particular residential project has been put in the use, i.e. after the completion of the construction. The deadlines for handing over particular residential projects follow from the construction cycle, whose completion is usually in the second half of the year.

#### 5. ISSUE OF SECURITIES

##### Issue of shares

In the third quarter of 2014 the Company issued no shares.

##### Issue of bonds

In the period from 01.01.2014 to 30.09.2014, Polnord issued bonds with their total nominal value of PLN 83,4 million.

Table 13. Bond issue in the three quarters of 2014

Bond issue in the period I-IIIQ 2014			
Date of the issue	Date of maturity	Overall par value of bonds [PLN'000]	Issuing agent
11.02.2014	11.02.2017	50,000	Noble Securities SA
12.06.2014	10.06.2016	13,450	mBank SA
12.06.2014	12.06.2017	19,950	mBank SA
<b>Total</b>		<b>83,400</b>	

##### Redemption of bonds

In the period from 01.01.2014 to 30.09.2014, Polnord issued bonds of a total nominal value of PLN 54,3 million.

Table 14. Buy/out bonds in the three quarters of 2014

Buy/out of bonds in the period I-IIIQ 2014			
Buyout date	Date of maturity	Overall par value of bonds [PLN'000]	Issuing agent
12.02.2014*	13.05.2016	10,000	SGB Bank SA
17.02.2014*	31.03.2014	13,570	DM IDM SA
31.03.2014	31.03.2014	2,946	DM IDM SA
21.07.2014*	28.09.2015	27,750	mBank SA
<b>Total</b>		<b>54,266</b>	

\*partial redemption

## 6. INDEBTEDNESS OF THE POLNORD SA CAPITAL GROUP

As at 30.09.2014, the amount of liabilities:

- for issued bonds together with the repayment schedule was as follows:

Table 15. Indebtedness from the issued bonds [mPLN]

Issue date	Offering party	Debt as at 31.12.2013	Buy/out of bonds in I-IIIQ 2014	Debt as at 30.09.2014	Bonds redemption schedule (per value) [mPLN]						Maturity	
					par value [mPLN]			IVQ 2014	IQ 2015	IIQ 2015		IIIQ 2015
29.03.2012	DM IDM	16.5	-16.5	0.0								31.03.2014
28.06.2012	mBank	30.0		30.0			30.0					26.06.2015
12.07.2012	mBank	10.0		10.0			10.0					26.06.2015
20.08.2012	SGB Bank	60.0		60.0						60.0		20.08.2016
05.09.2012	mBank	10.0		10.0			10.0					26.06.2015
21.09.2012	SGB Bank	8.5		8.5						8.5		21.09.2016
26.09.2012	mBank	39.5	-28.6	10.9				10.9				28.09.2015
24.10.2012	DM Banku BPS	24.0		24.0					24.0			24.10.2015
16.01.2013	DM Banku BPS	19.0		19.0						19.0		16.01.2016
18.01.2013	DM Banku BPS	20.0		20.0						20.0		18.01.2016
22.01.2013	DM Banku BPS	26.5		26.5						26.5		22.01.2016
13.05.2013	SGB Bank	46.0	-10.0	36.0						36.0		13.05.2016
11.02.2014	Noble	0.0	50.0	50.0							50.0	11.02.2017
12.06.2014	mBank	0.0	13.5	13.5						13.5		10.06.2016
12.06.2014	mBank	0.0	20.0	20.0							20.0	12.06.2017
		<b>310.0</b>	28.2	<b>338.3*</b>	0.0	0.0	50.0	10.9	24.0	183.5	70.0	

\*this amount does not include interest accrued on bonds which amounts to (PLN +4,9 million) and deferred commission costs (PLN -4.8 million)

The Group's balance sheet debt due to the bonds issued as at 30.09.2014 (principal + interest – commission costs) was PLN 338.4 million.

- for loans taken out (excluding interest accrued) together with the repayment schedule:

Table 16. Summary of loans of Polnord SA and 100% subsidiaries of Polnord SA [in mPLN]

Borrower	Bank	Type	Current limit [mPLN]	Debt as at 30.09.2014 without [mPLN]	Schedule of capital repayment (current debt) [mPLN]						Maturity date	
					4Q 2014	1Q 2015	2Q 2015	3Q 2015	4Q 2015	after 2015		
<b>Loans of Polnord SA and 100% subsidiaries of Polnord SA</b>												
<b>Polnord SA</b>	Getin Noble Bank SA	investment	37.0	37.0	2.0					12.0	23.0	20.12.2016
<b>Wilanów Office Park-Budynek B1 Sp. z o.o.</b>	PKO BP SA	refinance	62.8	62.8						0.3	62.5	31.12.2030
<b>Wilanów Office Park-Budynek B3 Sp. z o.o.</b>	PKO BP SA	development (B3)	35.3	35.3	0.5	0.6	0.6	0.6	0.6		32.4	30.04.2025
<b>Polnord Szczecin Ku Słońcu Sp. z o.o.</b>	PKO BP SA	development	13.6	13.6	1.1	7.1	5.4					30.06.2015
<b>Polnord Warszawa-Ząbki Neptun Sp. z o.o.</b>	Bank BPS SA	investment (land)	16.2	16.2	0.4	0.4	0.8	0.8	0.8		13.0	31.12.2019
<b>Loans</b>				<b>164.9</b>	<b>4.0</b>	<b>8.1</b>	<b>6.8</b>	<b>1.4</b>	<b>13.7</b>	<b>130.9</b>		

Due to the changes in accounting standards, including in particular IFRS 11 in terms of the proportionate consolidation, with effect from 01.01.2014, Fadesa Polnord Poland Sp. z o. o. and its subsidiaries ("Fadesa") are consolidated using the equity method, which means that there were changes in the presentation in the consolidated financial statements: in the consolidated balance sheet, Fadesa was included in the item – Investments in associates measured with the equity method, and in the consolidated profit and loss account, Fadesa was included in the item – Share in profit of associate measured with the equity method. Consequently, as from 2014, the proportional recognition of assets and liabilities of Fadesa in the consolidated balance sheet

According to the current consolidation rules, the gross balance sheet debt as at 30.09.2014 was PLN 503.3 million, and the net debt reached the level of PLN 433.3 million.

In the third quarter of 2014, the Group companies made the following amendments as regards loan agreements:

- On 18.09.2014, Polnord Gdańsk Dwa Tarasy Sp. z o.o. terminated the loan agreement of 18.11.2013 concluded with Alior Bank S.A. The loan agreement was concluded with the intention to finance the current activity related to the execution of the investment Dwa Tarasy I. The Company did not mobilise the funds from the loan, because it has obtained such a level of housing sales which made it possible to execute the project without the participation of loan financing.
- On 30.09.2014, Polnord Apartamenty Sp. z o. o. paid up the loan taken out pursuant to the loan agreement of 18.09.2013 with PKO BP SA, ahead of time. The bank granted the Company the loan in order to refinance the expenditures related to the construction of the "Osiedle Guderskie" (currently named 2 Potoki III).



## III FINANCIAL DATA

### 1. PRELIMINARY INFORMATION FOR THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

The condensed consolidated financial statements of the Group were prepared as at 30.09.2014 and cover the period from 01.01.2014 to 30.09.2014, including the period from 01.07.2014 to 30.09.2014 ("Consolidated statements"), and they contain relevant comparative data as at 31.12.2013 and for the period from 01.01.2013 to 30.09.2013, including the period from 01.07.2013 to 30.09.2013.

The duration of the Parent Company and companies comprising the Group as at 30.09.2014 is indefinite.

#### 1.1 BASIS FOR PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

These Consolidated statements have been prepared in line with the historical cost principle, except for investment property, financial assets available for sale and warrants granted (Managerial Options), which are measured at fair value. Except for the above items, the statements do not contain any items that are measured with another method, according to the principles adopted by the Group.

The Consolidated statements are presented in thousands of Polish zloty, unless indicated otherwise.

Certain information and disclosures in accordance with International Financial Reporting Standards as adopted by the European Union ("EU") are normally included in annual consolidated financial statements; they have been condensed or omitted in accordance with IAS 34 "Interim Financial Reporting" (IAS 34).

These interim condensed consolidated statement of financial position, interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of cash flows and interim condensed consolidated statement of changes in equity have not been audited, but have been reviewed by an independent auditor.

These interim Consolidated statements do not include all information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's consolidated financial statements prepared in accordance with IFRS for the year ended 31.12.2013.

The Consolidated statements have been prepared based on the going concern assumption. Therefore, as at the day of approving these financial statements for publication, there are no circumstances threatening the Group companies' going concern status.

#### 1.2 COMPLIANCE DECLARATION

These Consolidated statements have been prepared in compliance with the applicable International Financial Reporting Standards (IFRS), as adopted by the EU. The IFRS include standards and interpretations approved by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC).

The financial statements of most subsidiaries have been prepared according to the accounting principles (policy) resulting from the International Financial Reporting Standards and the related interpretations published as Regulations of the European Commission, and, to the extent not regulated by these Standards, as per the requirements of the Polish Accounting Act and secondary legislation based on the Act. The remaining financial statements of subsidiaries have been prepared according to the provisions of the Accounting Act and, for the purpose of the consolidation of the Capital Group, the Consolidated statements include suitable adjustments and restatements as per the accounting principles in line with the IAS/IFRS.

In these Consolidated statements, the Group has applied all International Financial Reporting Standards effective as of 01.01.2014 as well as standards which came into effect before 30.09.2014.

The Group has analysed new standards and interpretations and amendments to the existing standards and interpretations.

The amendments to the standards and interpretations, except for the required new disclosures, do not affect the financial results presented in these consolidated financial statements.

### 1.3 IMPORTANT ESTIMATES AND ASSUMPTIONS

Estimates and judgements are constantly verified. They result from previous experience and other factors, including forecasts related to future events which seem justified in a given situation. Compared to 31.12.2013, the Group did not change significantly estimates and assumptions.

In accordance with the accounting policy investment properties are valued at fair value. In order to estimate this value the Group uses the services of experts registered in the Central Register of Property Valuers.

Deferred tax is another estimated item. Group companies create deferred tax asset only if a subsequent use of the asset created is likely.

### 1.4 MEASUREMENT CURRENCY AND PRESENTATION CURRENCY

Items disclosed in the financial statements of the individual Group companies are presented in the currency of the main economic environment in which the given company operates (functional currency).

The functional currency and the presentation currency of the parent company is Polish zloty (PLN).

The presentation currency of the Group's financial statements is Polish zloty (PLN).

The functional currency of some Group companies is a currency other than Polish zloty (PLN). Financial statements of such companies, prepared in their functional currencies, are included in these consolidated financial statements following their translation into PLN in accordance with IAS 21.

Financial statements of foreign entities are translated into the Polish currency as follows:

- relevant balance sheet items at the average exchange rate, determined by the National Bank of Poland as at the balance sheet date;
- relevant items of the income statement at the exchange rate being the arithmetic mean of the average exchange rates determined by the National Bank of Poland as at each day ending a financial month. Foreign exchange differences arising from such translation are recognised directly in equity as a separate component. Upon a disposal of a foreign entity the aggregate deferred foreign exchange differences recognised in equity, concerning a particular foreign entity, are recognised in the income statement.

Table 17. Foreign exchange rates

Currency	Exchange rates used for the balance sheet valuation purposes		Exchange rates used for the purposes of valuation of income statement items	
	30.09.2014	31.12.2013	01.01.2014 - 30.09.2014	01.01.2013 – 30.09.2013
USD	3.2973	3.0120	3.1030	3.2040
EUR	4.1755	4.1472	4.1803	4.2231
RUB	0.0838	0.0914	0.0865	0.1009

### 1.5 SIGNIFICANT ACCOUNTING POLICIES

The Group's financial year is a calendar year, i.e. the period from 1 January till 31 December.

Books of account of the Parent Company are kept in the registered office of Poland SA in Gdynia, at Ślaska 35/37.

The Group continues the accounting policies described in detail in Consolidated Annual Report for 2013, in section Consolidated Financial Statements, except for changes to the rules of consolidation describe below.

Due to the entry into force on 01.01.2014 of the new consolidation standards, in particular IFRS 11 eliminating the proportionate consolidation, the joint ventures of Polnord SA, i.e. Fadesa Polnord Polska Sp. z o. o. together with its subsidiaries were consolidated as of the beginning of 2014 using the equity method. Therefore, from 2014, the proportional recognition of assets and liabilities of the jointly controlled entities in the consolidated balance sheet of the Polnord SA Group was stopped while the recognition of the investments in the carrying value of net assets was introduced. Moreover, consolidation according to the equity method has been applied also to the company Korporacja Budowlana Dom SA. The figures for the corresponding periods were restated accordingly by using new consolidation standards retrospectively.

### 1.6 DIFFERENCES BETWEEN FINANCIAL RESULTS AND A RECENTLY PUBLISHED FORECAST

The Capital Group did not publish a forecast of its 2014 results.

### 1.7 BALANCE OF PROVISIONS

Provisions in the Consolidated statement drawn up on 30.09.2014 amount to PLN 62,245 thousand, a decrease of PLN 3,373 thousand compared to the figures of 31.12.2013. The total amount of provisions does not include provisions against deferred tax due to the presentation change of deferred tax as per account balance, i.e. the provision reduces the assets.

The assets in respect of deferred tax for 30.09.2014 increased by PLN 287 thousand as compared with 31.12.2013.

## 2. FACTORS AND EVENTS, IN PARTICULAR UNTYPICAL ONES, THAT HAD A MATERIAL IMPACT ON FINANCIAL RESULTS ACHIEVED

In the third quarter of 2014, there were no factors or events in the Polnord Capital Group, in particular untypical ones, that would have had a material impact on the reported financial results.

### 3. CONSOLIDATED INCOME STATEMENT

Specification [000'PLN]	For the period from 01.01.2014 to 30.09.2014	For the period from 01.07.2014 to 30.09.2014	For the period from 01.01.2013 to 30.09.2013  <i>transformed data</i>	For the period from 01.07.2013 to 30.09.2013  <i>transformed data</i>
<b>Sales revenue</b>	<b>137 923</b>	<b>75 748</b>	<b>90 420</b>	<b>26 478</b>
Revenue from sales of products, goods and materials from related parties	124 396	70 973	80 266	23 180
Revenue from sale of services from related parties	1 371 625	542 260	1 358 80	114 77
Lease revenue from related parties	12 156 45	4 233 2	8 796 1	3 184
<b>Prime cost of sale</b>	<b>( 106 614)</b>	<b>( 58 063)</b>	<b>( 83 397)</b>	<b>( 26 413)</b>
<b>Inventory revaluation allowance</b>				
<b>Gross profit (loss) on sales</b>	<b>31 309</b>	<b>17 685</b>	<b>7 023</b>	<b>65</b>
Revaluation of investment property		( 10 883)	51 338	23 923
Result on sale of investment property	11 068	11 068		
Selling costs	( 5 077)	( 1 874)	( 5 490)	( 1 702)
General administrative expenses	( 15 829)	( 4 601)	( 15 271)	( 4 980)
Other operating revenue	3 049	90	8 366	7 688
Other operating expenses	( 3 222)	( 1 033)	( 21 570)	( 14 223)
<b>Gross operating profit (loss)</b>	<b>21 298</b>	<b>10 452</b>	<b>24 396</b>	<b>10 771</b>
Financial revenue	3 524	1 399	7 108	( 276)
Financial expenses	( 22 438)	( 8 465)	( 37 735)	( 10 224)
Result on sale / occasional acquisition of subsidiary Share in profit of associated measured with equity method	5 112	( 332)	( 13 934)	202
<b>Gross profit (loss)</b>	<b>7 496</b>	<b>3 054</b>	<b>( 20 165)</b>	<b>473</b>
Income tax	385	( 720)	1 078	937
<b>Net profit (loss) on continued operations</b>	<b>7 881</b>	<b>2 334</b>	<b>( 19 087)</b>	<b>1 410</b>
Net profit (loss) on discontinued operations	( 859)	696	( 1 598)	( 140)
<b>Net profit (loss) for the financial year</b>	<b>7 022</b>	<b>3 030</b>	<b>( 20 685)</b>	<b>1 270</b>
<b>Attributable to:</b>				
Shareholders of the parent company	7 022	3 030	( 20 685)	1 270
Minority shareholders				

Earnings per share - basic		
Specification [000'PLN]	For the period from 01.01.2014 to 30.09.2014	For the period from 01.01.2013 to 30.09.2013
Net profit (loss) for the period	7 022	( 20 685)
Net profit (loss) on discontinued operations for the period	( 859)	( 1 598)
Net profit (loss) on continued operations for the period	7 881	( 19 087)
Average weighted number of ordinary shares for the period	32 633 027	25 633 027
<b>Net earnings (losses) per ordinary share (PLN)</b>	0,22	( 0,81)
<b>Net profit (loss) on discontinued operations, per ordinary share (PLN)</b>	( 0,03)	( 0,06)
<b>Net profit (loss) on continued operations, per ordinary share (PLN)</b>	0,24	( 0,74)

Earnings per share - diluted		
Specification [000'PLN]	For the period from 01.01.2014 to 30.09.2014	For the period from 01.01.2013 to 30.09.2013
Net profit (loss) for the period	7 022	( 20 685)
Net profit (loss) on discontinued operations for the period	( 859)	( 1 598)
Net profit (loss) on continued operations for the period	7 881	( 19 087)
Interest on convertible bonds		
Net profit (loss) for the period used to calculate diluted earnings per share	7 022	( 20 685)
Net profit (loss) on discontinued operations, for the period used to calculate diluted earnings per share	( 859)	( 1 598)
Net profit (loss) on continued operations, for the period used to calculate diluted earnings per share	7 881	( 19 087)
Dilution effect:		
Share options	116 667	
Convertible bonds		
Average weighted diluted number of ordinary shares for the period	32 749 694	25 633 027
<b>Net diluted earnings (losses) per ordinary share (PLN)</b>	0,21	( 0,81)
<b>Net diluted profit (loss) on discontinued operations, per ordinary share (PLN)</b>	( 0,03)	( 0,06)
<b>Net diluted profit (loss) on continued operations, per ordinary share (PLN)</b>	0,24	( 0,74)

#### 4. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Specification [000'PLN]	For the period from 01.01.2014 to 30.09.2014	For the period from 01.07.2014 to 30.09.2014	For the period from 01.01.2013 to 30.09.2013 <i>transformed data</i>	For the period from 01.07.2013 to 30.09.2013 <i>transformed data</i>
<b>Net profit / (loss) for the financial year</b>	<b>7 022</b>	<b>3 030</b>	<b>( 20 685)</b>	<b>1 270</b>
<b>Other comprehensive income:</b>	<b>( 1 537)</b>	<b>( 1 190)</b>	<b>( 593)</b>	<b>( 878)</b>
<b>Items that may be reclassified to profit or loss in the future:</b>				
Valuation of financial assets available for sale				
Foreign exchange gains/losses on translation	( 1 537)	( 1 190)	( 593)	( 878)
Other				
Income tax on components of other comprehensive income				
<b>Comprehensive income for the period</b>	<b>5 485</b>	<b>1 840</b>	<b>( 21 278)</b>	<b>392</b>
<b>Attributable to:</b>				
Shareholders of the parent company	5 485	1 840	( 21 278)	392
Minority shareholders				

## 5. CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

Specification [000'PLN]	As at 30.09.2014	As at 31.12.2013 <i>transformed data</i>
<b>ASSETS</b>		
<b>Fixed assets</b>	<b>1 126 468</b>	<b>1 157 541</b>
Tangible fixed assets	1 601	2 191
Investment property	953 607	999 945
Intangible assets	481	581
Investments in subsidiaries, jointly-controlled subsidiaries and associates		
Investments in associates measured with equity method	51 708	41 829
Financial assets	543	127
Deferred tax assets	9 279	9 001
Long-term receivables	109 228	103 846
Goodwill	21	21
Other non-current assets		
<b>Current assets</b>	<b>650 478</b>	<b>607 872</b>
Inventories	454 309	409 511
Trade and other receivables	38 344	51 930
Other short-term financial assets	78 274	100 404
Receivables due to VAT, other taxes, customs duties, insurance and other	4 983	8 086
Income tax receivables	974	11
Prepayments and accrued income	3 534	3 659
Cash and cash equivalents	70 060	34 271
<b>Assets classified as held for sale</b>	<b>10 001</b>	<b>10 001</b>
<b>TOTAL ASSETS</b>	<b>1 786 947</b>	<b>1 775 414</b>

Specification [000'PLN]	As at 30.09.2014	As at 31.12.2013 <i>transformed data</i>
<b>LIABILITIES</b>		
<b>Equity (attributable to shareholders of the parent)</b>	<b>1 087 418</b>	<b>1 081 933</b>
Share capital	65 266	65 266
Share premium	1 059 755	1 059 755
Foreign exchange differences on translation of a foreign operation	( 3 197)	( 1 660)
Other reserve capitals	300 129	274 300
Retained profits/Uncovered losses	( 334 535)	( 315 728)
<b>Total equity</b>	<b>1 087 418</b>	<b>1 081 933</b>
<b>Long-term liabilities</b>	<b>420 252</b>	<b>429 399</b>
Interest-bearing bank loans and borrowings	419 579	424 833
Provisions	486	153
Other liabilities	187	4 410
Deferred income tax provision		
Prepayments and accrued income		3
<b>Short-term liabilities</b>	<b>279 277</b>	<b>264 082</b>
Trade and other liabilities	21 123	33 504
Current long-term portion of bank loans and borrowings	20 290	66 486
Short-term revolving loans		
Other short-term loans and borrowings	63 445	41 791
Liabilities due to VAT, other taxes, customs duties, insurance and other	4 503	5 348
Prepayments and accrued income	1 646	1 976
Advance payments received	106 511	49 512
Provisions	61 759	65 465
<b>Total liabilities</b>	<b>699 529</b>	<b>693 481</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1 786 947</b>	<b>1 775 414</b>



## 6. OFF-BALANCE SHEET ITEMS

Specification [000'PLN]	As at 30.09.2014	As at 31.12.2013 <i>transformed data</i>
<b>Contingent liabilities</b>		
Liabilities due to compensations*		
<b>Total contingent liabilities</b>		
<b>Contingent assets</b>		
Claims related to the infrastructure	182 227	182 227
Tort claims from the Capital City of Warsaw	123 036	123 036
Other contingent receivables	46 400	46 400
<b>Total contingent assets</b>	<b>351 663</b>	<b>351 663</b>

\*Polnord provides Group companies with guarantees securing the repayment of credit obligations related to financing development projects. However, due to the low likelihood of the outflow of funds from the Companies in relation to such guarantees being called, in line with IAS 37, the Company does not post conditional obligations under off-balance sheet items.

## 7. CONSOLIDATED CASH FLOW STATEMENT

Specification [000'PLN]	For the period from 01.01.2014 to 30.09.2014	For the period from 01.01.2013 to 30.09.2013 <i>transformed data</i>
<b>Cash flows from operating activities</b>		
<b>Gross profit (loss)</b>	<b>6 637</b>	<b>( 21 763)</b>
<b>Adjustments:</b>	<b>54 356</b>	<b>38 721</b>
Share in profit of associated measured with equity method	( 5 112)	13 934
Depreciation and amortisation	543	692
Net interest and dividends	17 496	18 357
Profit/(loss) on investing activities	10 514	( 48 401)
(Increase)/decrease in receivables	40 061	5 378
(Increase)/decrease in inventories	( 8 462)	8 522
Increase/(decrease) in short-term liabilities excluding loans and borrowings	3 917	38 866
Change in prepayments and accruals	( 218)	( 2 124)
Change in provisions	( 3 373)	2 825
Income tax paid	( 1 010)	792
Other		( 120)
<b>Net cash generated by operating activities</b>	<b>60 993</b>	<b>16 958</b>
<b>Cash flows from investing activities</b>		
<b>Inflows</b>	<b>47 315</b>	<b>28 355</b>
Sale of tangible fixed assets and intangible assets	247	523
Sale of investment properties	20 504	
Sale of financial assets	75	
Dividends received		
Interest received	21 771	952
Repayment of loans granted	4 718	26 880
Redemption of third party bonds		
<b>Outflows</b>	<b>( 20 016)</b>	<b>( 9 394)</b>
Purchase of investment properties	( 405)	( 90)
Purchase of investment properties	( 8 296)	( 5 142)
Purchase of financial assets	( 8 115)	( 4 028)
Acquisition of shares in subsidiary, less acquired cash		( 12)
Loans granted	( 3 200)	( 50)
Other		( 72)
<b>Net cash used in investing activities</b>	<b>27 299</b>	<b>18 961</b>
<b>Cash flows from financing activities</b>		
<b>Inflows</b>	<b>120 095</b>	<b>168 844</b>
Inflows from issuance of shares		
Inflows from loans/borrowings taken out	37 000	52 344
Inflows from issuance of bonds	83 095	116 500
Other		
<b>Outflows</b>	<b>( 172 598)</b>	<b>( 210 978)</b>
Repayment of finance lease liabilities	( 46)	( 111)
Repayment of loans/borrowings	( 96 115)	( 66 010)
Interest paid	( 24 355)	( 36 873)
Redemption of bonds	( 52 082)	( 107 984)
Other		
<b>Net cash generated by financing activities</b>	<b>( 52 503)</b>	<b>( 42 134)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>35 789</b>	<b>( 6 215)</b>
Net foreign exchange gains/losses		( 4)
<b>Cash and cash equivalents at the beginning of the period</b>	<b>34 271</b>	<b>43 323</b>
<b>Cash and cash equivalents at the end of the period, of which</b>	<b>70 060</b>	<b>37 104</b>
Restricted cash	10 123	66

## 8. STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

Specification [000'PLN]	Attributable to shareholders of the parent company						Total equity
	Share capital	Share premium	Foreign exchange differences on translation of a foreign operation	Other reserve capitals	Retained profits/uncovered (losses)	Total	
<b>As at 01.01.2013</b>	<b>51 266</b>	<b>1 026 203</b>	<b>( 295)</b>	<b>228 799</b>	<b>( 228 891)</b>	<b>1 077 082</b>	<b>1 077 082</b>
Result carried forward from previous period				45 557	( 45 557)		
Total comprehensive income			(593)		1 601	<b>1 008</b>	<b>1 008</b>
Error adjustment				8 337	( 31 893)	<b>( 23 556)</b>	<b>( 23 556)</b>
<b>As at 30.09.2013</b>	<b>51 266</b>	<b>1 026 203</b>	<b>( 888)</b>	<b>282 693</b>	<b>( 304 740)</b>	<b>1 054 534</b>	<b>1 054 534</b>
Share issue	14 000	36 050				<b>50 050</b>	<b>50 050</b>
Share issue costs		( 2 498)				<b>( 2 498)</b>	<b>( 2 498)</b>
Managerial Option scheme				234		<b>234</b>	<b>234</b>
Total comprehensive income			( 772)	( 8 627)	3 157	<b>( 6 242)</b>	<b>( 6 242)</b>
Error adjustment					( 14 145)	<b>( 14 145)</b>	<b>( 14 145)</b>
<b>As at 31.12.2013</b>	<b>65 266</b>	<b>1 059 755</b>	<b>( 1 660)</b>	<b>274 300</b>	<b>( 315 728)</b>	<b>1 081 933</b>	<b>1 081 933</b>
<b>As at 01.01.2014</b>	<b>65 266</b>	<b>1 059 755</b>	<b>( 1 660)</b>	<b>274 300</b>	<b>( 315 728)</b>	<b>1 081 933</b>	<b>1 081 933</b>
Share issue							
Share issue costs							
Result carried forward from previous period				25 829	( 25 829)		
Managerial Option scheme							
Total comprehensive income			( 1 537)		7 022	<b>5 485</b>	<b>5 485</b>
<b>As at 30.09.2014</b>	<b>65 266</b>	<b>1 059 755</b>	<b>( 3 197)</b>	<b>300 129</b>	<b>( 334 535)</b>	<b>1 087 418</b>	<b>1 087 418</b>

## 9. SEGMENT REPORTING

The basic model of classifying the Group's reporting is based on industry segments and the supplementary model is based on geographical segments.

The Group settles the transactions between the segments in the same way as for non-related entities, using the current market prices.

The table below present the data on revenues and profits as well as some of the assets and liabilities of the Group's individual industry segments.

An operating segment is a segment of the Group that is involved in a business which may generate revenues and incur expenses, such as revenues and expenses related to transactions with other segments of the Group. The operating result of each operating segment is regularly reviewed by the Group's main decision-making body for operating activities, which decides on the allocation of resources to a segment and evaluates the segment's business results. There is separate financial information about every segment.

The operating result of each segment which is reported to the Group's decision-making bodies for operating activities includes items which may be directly allocated to a given segment as well as items which may be allocated indirectly, based on reasonable grounds. Unallocated items mainly involve joint (corporate) assets (mainly related to the company's management), costs related to the company's registered office as well as income tax assets and liabilities.

The Group mainly operates in Poland. In I-IIIQ 2014, the group has not achieved revenue from continued operations outside the Poland. No revenue on discontinued operations was generated outside Poland.

For the period from 01.01.2014 to 30.09.2014 or as at 30.09.2014	Continued operations						Discontinued operations	Total of operations
	(Residential) Property development	Commercial projects	Other	Eliminations	Unallocated items	Total	Other	
<b>Revenue</b>								
Sales to external customers	123 557	11 831			27 358	162 746		162 746
Sales between segments			5 476	( 30 299)		( 24 823)		( 24 823)
<b>Total segment revenues</b>	<b>123 557</b>	<b>11 831</b>	<b>5 476</b>	<b>( 30 299)</b>	<b>27 358</b>	<b>137 923</b>		<b>137 923</b>
<b>Result</b>								
<b>Prime cost of sale</b>	( 103 905)	( 1 832)			( 877)	( 106 614)		( 106 614)
<b>Gross profit (loss) on segment sales</b>	<b>19 652</b>	<b>9 999</b>	<b>5 476</b>	<b>( 30 299)</b>	<b>26 481</b>	<b>31 309</b>		<b>31 309</b>
Revaluation of investment property					11 068	11 068		11 068
General administrative costs and costs of sales	( 21 732)	( 812)	( 2 690)		4 328	( 20 906)	( 711)	( 21 617)
Other operational revenues and expenses	1 578	( 532)			( 1 219)	( 173)		( 173)
<b>Profit (loss) on continued operations before tax and financial costs</b>	<b>( 502)</b>	<b>8 655</b>	<b>2 786</b>	<b>( 30 299)</b>	<b>40 658</b>	<b>21 298</b>	<b>( 711)</b>	<b>20 587</b>
Financial revenues due to interest	85		1		3 253	3 339		3 339
Other financial revenues					185	185		185
Financial costs	( 814)	( 4 203)	( 10)		( 17 411)	( 22 438)	( 148)	( 22 586)
Share in profit of associated measured with equity method					5 112	5 112		5 112
Profit (loss) before tax and minority interest	( 1 231)	4 452	2 777	( 30 299)	31 797	7 496	( 859)	6 637
Income tax	874	32	( 371)		( 150)	385		385
<b>Net profit (loss) for the financial year</b>	<b>( 357)</b>	<b>4 484</b>	<b>2 406</b>	<b>( 30 299)</b>	<b>31 647</b>	<b>7 881</b>	<b>( 859)</b>	<b>7 022</b>

For the period from 01.01.2014 to 30.09.2014 or as at 30.09.2014	Continued operations					Total	Discontinued operations	Total of operations
	(Residential) Property development	Commercial projects	Other	Eliminations	Unallocated items		Other	
<b>Assets and liabilities</b>								
Segment assets	440 714	190 886	64 502		1 039 137	1 735 239		<b>1 735 239</b>
including cash	17 960	2 202			49 898	70 060		<b>70 060</b>
Investments in associates measured with equity method					51 708	51 708		<b>51 708</b>
Unallocated assets								
<b>Total assets</b>	<b>440 714</b>	<b>190 886</b>	<b>64 502</b>		<b>1 090 845</b>	<b>1 786 947</b>		<b>1 786 947</b>
Segment liabilities and provisions	168 538	168 040	2 720			339 298	4 137	<b>343 435</b>
including credit commitments	29 794	98 114			375 405	503 313		<b>503 313</b>
Unallocated liabilities					356 094	356 094		<b>356 094</b>
Equity					1 087 418	1 087 418		<b>1 087 418</b>
<b>Total liabilities and equity</b>	<b>168 538</b>	<b>168 040</b>	<b>2 720</b>		<b>1 443 512</b>	<b>1 782 810</b>	<b>4 137</b>	<b>1 786 947</b>

## IV NOTES AND EXPLANATIONS

### 1. OTHER IMPORTANT EVENTS IN THE THIRD QUARTER OF 2014

#### Early partial redemption of bonds

On 21.07.2014 it performed early bonds redemption in order to redeem the part, namely 2,775 bonds of the Company of the total nominal value of PLN 27,750 thousand. The bonds in question were issued on 26.09.2012 with the maturity date falling on 28.09.2015. Funds for the early redemption of the Bonds shall be derived from advance payments made on account of the net price of the plots of land No 2/97 and 2/115 located in Warsaw, Wilanów district in the amount of PLN 26,692,650.00 and the remaining part from the Polnord's own resources.

More details are presented in the current report No. 37/2014 of 21.07.2014.

#### Conclusion of sales agreement regarding the real estate located in Warsaw

On 19.08.2014 it concluded with a third party a conditional agreement on the sale of the plot of land No 94 with an area of 1,960 sq. m. located in Warsaw at Pereca, for the net amount of PLN 20.5 million, i.e. PLN 25.2 million gross. The agreement transferring the ownership was concluded on 29.08.2014.

More details are presented in the current report No. 38/2014 of 20.08.2014.

### 2. LITIGATIONS PENDING BEFORE COURT, RELEVANT ARBITRATION AUTHORITIES, OR PUBLIC ADMINISTRATIONAL AUTHORITIES

The following are the most important proceedings related to the receivables, conducted by Polnord SA or its subsidiaries. A detailed description of the proceedings commenced in 2013 is presented in Consolidated Annual Report for 2013, which was made public on 21.03.2014. In relation to the proceedings described in the Consolidated Annual Report for 2013, in the reporting period, i.e. from 01.01.2014 to 30.09.2014 there were no material changes.

There were no relevant legal proceedings in 2014. In the third quarter of 2014 there were proceedings related to receivables of Polnord SA whose total value constituted at least 10% of the Company's equity.

Table 18. Claims under litigation

<b>Road compensatory receivables from the Capital City of Warsaw</b>	<b>Date of submission</b>	<b>Claim amount</b>	<b>Case status</b>	<b>Assets in Consolidated statements</b>
Tort damages from the capital City of Warsaw	16.09.2013	PLN 123.0 million	Case pending (value of the claim increases over time)	PLN 123.0 million (assigned to Conditional Assets)
Compensation for 10 hectares of areas dedicated for public roads *	28.06.2013	PLN 182.2 million	Pending administrative proceedings	PLN 182.2 million (assigned to Conditional Assets)
<b>Compensation for water and sewage infrastructure from MPWiK</b>	<b>Date of submission</b>	<b>Claim amount</b>	<b>Case status</b>	<b>Assets in Consolidated statements</b>
Claim for compensation for non-contractual use of the water and sewage infrastructure in Miasteczko Wilanów	25.04.2012	PLN 11.8 million **	Case pending (value of the claim increases over time)	
Claim for take-over, for remuneration, of the water and sewage network in Miasteczko Wilanów	05.03.2013	PLN 57.3 million **	Case pending	} PLN 109 million, including: PLN 74,4 million – receivables PLN 34,6 million - inventories
Claim for take-over, for remuneration, of the sanitary sewerage in Miasteczko Wilanów		Approx PLN 55 million	In preparation	

\* Claim is pursued by Polnord through the SPV, 10 H Sp. z o. o. with its registered office in Gdynia,

\*\* The amount of the principal claim does not include statutory interest



### **3. THE INFORMATION ON THE CONCLUSION BY POLNORD SA OR ITS SUBSIDIARY OF ONE OR MORE TRANSACTIONS WITH RELATED PARTIES, IF THEY ARE MATERIAL, INDIVIDUALLY OR JOINTLY, AND IF THEY ARE NOT ARM'S-LENGTH TRANSACTIONS**

In the reporting period there were no significant transactions other than arm's-length transactions.

### **4. INFORMATION ON LOAN OR BORROWING GUARANTEES OR SURETIES GRANTED BY POLNORD SA AND ITS SUBSIDIARIES TO ONE ENTITY IF THE TOTAL VALUE OF THE EXISTING GUARANTEES OR SURETIES REACHES AT LEAST 10% OF THE EQUITY OF POLNORD SA**

In the third quarter of 2014, neither Polnord SA nor any of its Group companies granted a surety in the amount exceeding 10% of the Company's equity.

The total value of the active guarantees issued by Polnord for the credit obligations of subsidiaries and co-subsidiaries, as at 30.09.2014, in relation to the operations conducted, totalled PLN 137.5 million, while the overall amount of active guarantees sanctioned to a third party totalled PLN 0.6 million.

The amount of active guarantees sanctioned by a Group company, i.e. Śródmieście Wilanów Sp. z o. o. for the credit obligations of Polnord SA totalled PLN 55.5 million.

Polnord provides Group companies with guarantees securing the repayment of credit obligations related to financing development projects. However, due to the low likelihood of the outflow of funds from the Companies in relation to such guarantees being called, in line with IAS 37, the Company does not post conditional obligations under off-balance sheet items.

### **5. ACHIEVEMENTS IN THE AREA OF RESEARCH AND DEVELOPMENT**

Companies belonging to the Group do not carry out research and development.

### **6. INFORMATION CONCERNING THE PURCHASE OF COMPANY SHARES**

In the third quarter of 2014 the Company did not acquire its own shares and does not possess any treasury shares.

### **7. INFORMATION CONCERNING BRANCHES**

Companies belong to the Group do not have any branches.

### **8. INFORMATION CONCERNING FINANCIAL INSTRUMENTS**

In the third quarter of 2014 companies from the Group did not make recourse to financial instruments.

### **9. OTHER INFORMATION SIGNIFICANT FOR THE ASSESSMENT OF THE PERSONNEL, ECONOMIC AND FINANCIAL STANDING, FINANCIAL RESULT AND ANY CHANGES IN THESE ASPECTS OF BUSINESS, NECESSARY TO ASSESS THE GROUP'S CAPACITY TO MEET ITS OBLIGATIONS**

Important information for the assessment of the personnel, material and financial situation as well as the financial result and changes thereto is provided for in Chapter II - Activity of the Capital Group - and in Section 10 below.

## **10. FACTORS WHICH WILL INFLUENCE GROUP'S FINANCIAL PERFORMANCE FOR AT LEAST THE UPCOMING QUARTER**

The key factors which may affect the Group's financial standing include:

- success of the strategy adopted by the Group;
- the economic condition of the residential market, including prices of residential units;
- availability of external sources of financing for development companies;
- banks' policies on granting mortgage loans to natural persons and the level of interest rates;
- the Act on the protection of the rights of buyers of residential units or single-family houses – “Property Development Act”;
- timely, on schedule completion of development projects and timely delivery;
- amendments to legal provisions which may affect the demand on the market of products offered by the Company;
- obtaining required administrative decisions within statutory time limits;
- objectives and price limits of the government programme Flat for the Young;
- macro-economic factors.

## **11. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE NOT INCLUDED IN THIS REPORT, THAT MAY HAVE A SIGNIFICANT IMPACT ON THE FUTURE FINANCIAL RESULTS**

## **12. INFORMATION ON DISTRIBUTED (OR DECLARED) DIVIDENDS**

In the presented period Polnord did not declare or pay the dividend.

On 14.05.2014, the Company's Ordinary General Meeting fully allocated Polnord SA 2013 net profit to supplementary capital.

## V CONDENSED INDIVIDUAL INTERIM FINANCIAL STATEMENTS OF THE PARENT COMPANY- POLNORD SA

### 1. INDIVIDUAL INCOME STATEMENT

Specification [000' PLN]	For the period from 01.01.2014 to 30.09.2014	For the period from 01.07.2014 to 30.09.2014	For the period from 01.01.2013 to 30.09.2013 <i>transformed data</i>	For the period from 01.07.2013 to 30.09.2013 <i>transformed data</i>
<b>Sales revenue</b>	<b>28 434</b>	<b>12 484</b>	<b>28 310</b>	<b>17 017</b>
Revenue from sales of products, goods and materials	2 261		10 570	10 570
from related parties			7 928	
Revenue from sale of services	25 767	12 380	17 447	6 336
from related parties	25 327	12 225	16 407	6 294
Lease revenue	406	104	293	111
from related parties	140	33	67	31
<b>Prime cost of sale</b>	<b>( 2 263)</b>		<b>( 13 047)</b>	<b>( 13 047)</b>
<b>Gross profit (loss) on sales</b>	<b>26 171</b>	<b>12 484</b>	<b>15 263</b>	<b>3 970</b>
Revaluation of investment property	( 11 068)	( 11 068)	30 219	25 946
Result on sale of investment property	1 065	11 068		
Selling costs	( 8 740)	( 3 052)	( 7 449)	( 2 884)
General administrative expenses	( 16 707)	( 4 858)	( 16 755)	( 5 639)
Other operating revenue	474	1	7 813	7 672
Other operating expenses	( 1 653)	( 367)	( 21 162)	( 13 923)
<b>Gross operating profit (loss)</b>	<b>( 10 458)</b>	<b>4 208</b>	<b>7 929</b>	<b>15 142</b>
Financial revenue	435	268	28 687	4 876
Financial expenses	( 24 562)	( 9 648)	( 36 046)	( 9 642)
Result on sale / occasional acquisition of subsidiary				
Share in profit of associated company				
<b>Gross profit (loss)</b>	<b>( 34 585)</b>	<b>( 5 171)</b>	<b>570</b>	<b>10 376</b>
Income tax	( 1 312)	( 227)	2 029	( 178)
<b>Net profit (loss) on continued operations</b>	<b>( 35 897)</b>	<b>( 5 398)</b>	<b>2 599</b>	<b>10 198</b>
Net profit (loss) on discontinued operations	( 859)	696	( 1 598)	( 141)
<b>Net profit (loss) for the financial year</b>	<b>( 36 756)</b>	<b>( 4 702)</b>	<b>1 001</b>	<b>10 057</b>

## 2. INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME

Specification [000' PLN]	For the period from 01.01.2014 to 30.09.2014	For the period from 01.07.2014 to 30.09.2014	For the period from 01.01.2013 to 30.09.2013 <i>transformed data</i>	For the period from 01.07.2013 to 30.09.2013 <i>transformed data</i>
<b>Net profit (loss) for the financial year</b>	( 36 756)	( 4 702)	1 001	10 057
<b>Other comprehensive income:</b>				
<b>Items that may be reclassified to profit or loss in the future:</b>	( 1 170)			
Valuation of financial assets available for sale	( 1 445)			
Income tax on components of other comprehensive income	275			
<b>Comprehensive income for the period</b>	( 37 926)	( 4 702)	1 001	10 057

### 3. INDIVIDUAL STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

Specification [000' PLN]	As at 30.09.2014	As at 31.12.2013
		<i>dane przekształcone</i>
<b>ASSETS</b>		
<b>Fixed assets</b>	<b>1 369 246</b>	<b>1 394 379</b>
Tangible fixed assets	1 725	2 312
Investment property	734 133	778 833
Intangible assets	470	581
Investments in subsidiaries, jointly-controlled subsidiaries and associates	493 408	473 361
Investments in associates measured with equity method		
Financial assets	7 379	12 562
Deferred tax assets		
Long-term receivables	132 131	126 730
Goodwill		
Other non-current assets		
<b>Current assets</b>	<b>189 406</b>	<b>178 400</b>
Inventories	78 163	80 056
Trade and other receivables	51 696	62 197
Other short-term financial assets	8 999	12 529
Receivables due to VAT, other taxes, customs duties, insurance and other	298	512
Income tax receivables	421	
Prepayments and accrued income	856	578
Cash and cash equivalents	48 973	22 528
<b>Assets classified as held for sale</b>	<b>10 001</b>	<b>10 001</b>
<b>TOTAL ASSETS</b>	<b>1 568 653</b>	<b>1 582 780</b>

Specification [000' PLN]	As at 30.09.2014	As at 31.12.2013 <i>transformed data</i>
<b>LIABILITIES</b>		
<b>Equity</b>	<b>1 076 231</b>	<b>1 114 157</b>
Share capital	65 266	65 266
Share premium	1 059 721	1 059 721
Other reserve capitals	257 639	245 004
Retained profits/Uncovered losses	( 306 395)	( 255 834)
<b>Long-term liabilities</b>	<b>313 812</b>	<b>296 125</b>
Interest-bearing bank loans and borrowings	310 791	291 128
Provisions	153	153
Other liabilities		3 013
Deferred income tax provision	2 868	1 830
Prepayments and accrued income		
<b>Short-term liabilities</b>	<b>178 610</b>	<b>172 498</b>
Trade and other liabilities	22 765	40 367
Current long-term portion of bank loans and borrowings	2 061	24 062
Short-term revolving loans		
Other short-term loans and borrowings	69 832	45 051
Liabilities due to VAT, other taxes, customs duties, insurance and other	3 016	2 059
Income tax liabilities		
Other financial liabilities		
Prepayments and accrued income	361	147
Advance payments received	26 231	2 676
Provisions	54 344	58 136
<b>Other liabilities related to assets classified as held for sale</b>		
<b>Total liabilities</b>	<b>492 422</b>	<b>468 623</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1 568 653</b>	<b>1 582 780</b>

#### 4. OFF - BALANCE SHEET ITEMS

Specification [000' PLN]	As at 30.09.2014	As at 31.12.2013 <i>transformed data</i>
<b>Contingent liabilities</b>		
Liabilities due to compensations*		
<b>Total contingent liabilities</b>		
<b>Contingent assets</b>		
Tort claims from the Capital City of Warsaw	123 036	123 036
Other contingent receivables	46 400	46 400
<b>Total contingent assets</b>	<b>169 436</b>	<b>169 436</b>

\*Polnord provides Group companies with guarantees securing the repayment of credit obligations related to financing development projects. However, due to the low likelihood of the outflow of funds from the Companies in relation to such guarantees being called, in line with IAS 37, the Company does not post conditional obligations under off-balance sheet items.

## 5. INDIVIDUAL CASH FLOW STATEMENT

Specification [000' PLN]	For the period from 01.01.2014 to 30.09.2014	For the period from 01.01.2013 to 30.09.2013 <i>transformed data</i>
<b>Cash flows from operating activities</b>		
<b>Gross profit (loss)</b>	<b>( 35 444)</b>	<b>( 1 028)</b>
<b>Adjustments:</b>	<b>38 346</b>	<b>15 003</b>
Depreciation and amortisation	539	656
Net interest and dividends	21 778	2 913
Profit/(loss) on investing activities	10 441	( 32 892)
(Increase)/decrease in receivables	12 722	27 706
(Increase)/decrease in inventories	1 893	10 997
Increase/(decrease) in short-term liabilities excluding loans and borrowings	( 4 926)	4 537
Change in prepayments and accruals	112	( 1 695)
Change in provisions	( 3 792)	2 853
Income tax paid	( 421)	( 72)
Other		
<b>Net cash generated by operating activities</b>	<b>2 902</b>	<b>13 975</b>
<b>Cash flows from investing activities</b>		
<b>Inflows</b>	<b>62 197</b>	<b>76 749</b>
Sale of tangible fixed assets and intangible assets	247	523
Sale of investment properties	37 246	
Sale of financial assets		1 646
Interest received	4 459	800
Repayment of loans granted	20 245	73 780
Redemption of third party bonds		
<b>Outflows</b>	<b>( 49 168)</b>	<b>( 68 208)</b>
Purchase of investment properties	( 405)	( 90)
Purchase of investment properties	( 8 296)	( 2 250)
Purchase of financial assets	( 20 067)	( 4 097)
Loans granted	( 20 400)	( 61 771)
<b>Net cash used in investing activities</b>	<b>13 029</b>	<b>8 541</b>
<b>Cash flows from financing activities</b>		
<b>Inflows</b>	<b>168 685</b>	<b>127 956</b>
Inflows from issuance of shares		
Inflows from loans/borrowings taken out	85 590	11 456
Inflows from issuance of bonds	83 095	116 500
<b>Outflows</b>	<b>( 158 171)</b>	<b>( 142 960)</b>
Repayment of finance lease liabilities	( 46)	( 88)
Repayment of loans/borrowings	( 85 967)	( 8 000)
Interest paid	( 17 892)	( 26 888)
Redemption of bonds	( 54 266)	( 107 984)
Other		
<b>Net cash generated by financing activities</b>	<b>10 514</b>	<b>( 15 004)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>26 445</b>	<b>7 512</b>
Net foreign exchange gains/losses		
<b>Cash and cash equivalents at the beginning of the period</b>	<b>22 528</b>	<b>17 842</b>
<b>Cash and cash equivalents at the end of the period, of which</b>	<b>48 973</b>	<b>25 354</b>
Restricted cash	55	66



## 6. STATEMENT OF CHANGES IN EQUITY

Specification [000' PLN]	Share capital	Share premium	Other reserve capitals	Retained profits/uncovered (losses)	Total
<b>As at 01.01.2013 pre-merger</b>	<b>51 266</b>	<b>1 026 169</b>	<b>224 131</b>	<b>( 170 529)</b>	<b>1 131 037</b>
Merger by acquisition	228 452		15 877	( 23 402)	<b>220 927</b>
Adjustments in connection with the merger	( 228 452)		( 36 902)	736	<b>( 264 618)</b>
<b>As at 01.01.2013 after the merger</b>	<b>51 266</b>	<b>1 026 169</b>	<b>203 106</b>	<b>( 193 195)</b>	<b>1 087 346</b>
Result carried forward from previous period			50 581	( 50 581)	
Total comprehensive income				5 873	<b>5 873</b>
Error adjustment				( 14 928)	<b>( 14 928)</b>
<b>As at 30.09.2013</b>	<b>51 266</b>	<b>1 026 169</b>	<b>253 687</b>	<b>( 252 831)</b>	<b>1 078 291</b>
Share issue	14 000	36 050			<b>50 050</b>
Share issue costs		( 2 498)			<b>( 2 498)</b>
Managerial Option scheme			234		<b>234</b>
Total comprehensive income			( 8 627)	7 932	<b>( 695)</b>
Error adjustment			( 290)	( 10 935)	<b>( 11 225)</b>
<b>As at 31.12.2013</b>	<b>65 266</b>	<b>1 059 721</b>	<b>245 004</b>	<b>( 255 834)</b>	<b>1 114 157</b>
<b>As at 01.01.2014</b>	<b>65 266</b>	<b>1 059 721</b>	<b>245 004</b>	<b>( 255 834)</b>	<b>1 114 157</b>
Share issue					
Share issue costs					
Result carried forward from previous period			13 805	( 13 805)	
Managerial Option scheme					
Total comprehensive income			( 1 170)	( 36 756)	<b>( 37 926)</b>
<b>As at 30.09.2014</b>	<b>65 266</b>	<b>1 059 721</b>	<b>257 639</b>	<b>( 306 395)</b>	<b>1 076 231</b>

Gdynia, 14.11.2014

Piotr Wesołowski

Tomasz Sznajder

Katarzyna Brzózka

President of the  
Management BoardVice-president  
of the Management Board

Chief Accountant