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CAPITAL GROUP
POLSKI HOLDING NIERUCHOMOŚCI SPÓŁKA AKCYJNA
CONSOLIDATED QUARTERLY REPORT
FOR THE FIRST QUARTER 2015



**POLSKI HOLDING
NIERUCHOMOŚCI S.A.**

POLSKI HOLDING NIERUCHOMOŚCI S.A.

Consolidated quarterly report for the first quarter 2015

(All amounts are expressed in PLN million, unless stated otherwise)

Selected financial data

Selected consolidated financial data	in PLN milion		in EUR thousand	
	Period ended 31 March 2015	Period ended 31 March 2014	Period ended 31 March 2015	Period ended 31 March 2014
I. Operating revenues	37.4	39.8	9 014.4	9 592.9
II. Result from operating activities	10.9	2.6	2 627.2	626.7
III. Profit/ (loss) before tax from continuing operations	11.8	3.5	2 844.1	843.6
IV. Net result	12.7	2.7	3 061.1	650.8
V. Cash flow from operating activities	(35.2)	(16.1)	(8 484.2)	(3 880.5)
VI. Cash flow from investing activities	(19.9)	(7.1)	(4 796.5)	(1 711.3)
VII. Cash flow from financing activities	20.3	(0.1)	4 892.9	(24.1)
VIII. Total net cash flow	(34.8)	(23.3)	(8 387.8)	(5 615.9)
	31 March 2015	31 December 2014	31 March 2015	31 December 2014
IX. Total assets	2 243.6	2 283.4	548 691.6	558 425.0
X. Non-current liabilities	117.9	98.6	28 833.5	24 113.5
XI. Current liabilities	112.3	184.1	27 463.9	45 023.2
XII. Equity attributable to the equity holders of the parent	1 963.0	1 947.1	480 068.5	476 180.0
XIII. Issued capital	46.5	46.5	11 367.6	11 367.6
XIV. Number of shares (in pcs)	46 482 044	46 482 044	46 482 044	46 482 044
XV. Profit/(loss) per ordinary share from result attributable to the shareholders of the parent (PLN/EUR)	0.27	0.06	0.06	0.01
XVI. Book value per share attributable to the shareholders of the parent (PLN/EUR)	42.23	41.89	10.33	10.24

Selected standalone financial data	in PLN milion		in EUR thousand	
	Period ended 31 March 2015	Period ended 31 March 2014	Period ended 31 March 2015	Period ended 31 March 2014
I. Operating revenues	6.1	1.3	1 470.3	313.3
II. Result from operating activities	13.9	1.6	3 350.3	385.6
III. Profit/ (loss) before tax from continuing operations	16.1	1.5	3 880.5	361.5
IV. Net result	15.5	1.6	3 735.9	385.6
V. Cash flow from operating activities	(0.7)	0.0	(168.7)	0.0
VI. Cash flow from investing activities	125.1	0.0	30 152.6	0.0
VII. Cash flow from financing activities	(119.4)	0.0	(28 778.7)	0.0
VIII. Total net cash flow	5.0	0.0	1 205.1	0.0
	31 March 2015	31 December 2014	31 March 2015	31 December 2014
IX. Total assets	1 936,2	2 034,9	473 514,3	497 652,2
X. Non-current liabilities	0,8	0,3	195,6	73,4
XI. Current liabilities	3,8	120,5	929,3	29 469,3
XII. Equity attributable to the equity holders of the parent	1 931,6	1 914,1	472 389,3	468 109,6
XIII. Issued capital	46,5	46,5	11 367,6	11 367,6
XIV. Number of shares (in pcs)	46 482 044	46 482 044	46 482 044	46 482 044
XV. Profit/(loss) per ordinary share from result attributable to the shareholders of the parent (PLN/EUR)	0,33	0,04	0,08	0,01
XVI. Book value per share attributable to the shareholders of the parent (PLN/EUR)	41,56	41,18	10,16	10,07

The above financial data for the period ended 31 March 2015 and for the year ended 31 December 2014 were converted to EUR according to the following rules:

- particular assets, equity and liabilities – based on the average exchange rate as of 31 March 2015 : 4.0890 PLN/EUR
- particular items of the consolidated statement of comprehensive income and consolidated statement of cash flows – based on arithmetic average of average of exchange rates announced by Narodowy Bank Polski at the end of each month of reporting period from 1 January 2015 to 31 March 2015 – 4.1489 PLN/EUR

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**INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS
OF POLSKI HOLDING NIERUCHOMOŚCI S.A.**

FOR THE 3-MONTH PERIOD ENDED 31 MARCH 2015

**PREPARED IN ACCORDANCE WITH INTERNATIONAL
FINANCIAL REPORTING STANDARDS
APPROVED BY THE EUROPEAN UNION**



**POLSKI HOLDING
NIERUCHOMOŚCI S.A.**

A. Interim condensed consolidated financial statement

Interim condensed consolidated statement of financial position as at 31 March 2015

	Note	31 March 2015 unaudited	31 December 2014 audited
Non-current assets			
Investment properties	7	1 955.8	1 924.1
Property, plant and equipment	8	22.4	22.5
Intangible assets	9	0.1	0.1
Investment in associates and joint-ventures	10	19.8	18.6
Deferred tax assets	22	16.2	12.5
Other non-current assets		1.0	1.1
Total non-current assets		2 015.3	1 978.9
Current assets			
Inventories related to developer business	11	30.3	35.8
Trade receivables and other assets	12	81.9	119.1
Current tax assets		1.4	1.2
Cash and cash equivalents	14	101.6	136.4
Total current assets		215.2	292.5
Assets of disposal group classified as held for sale		13.1	12.0
Total assets		2 243.6	2 283.4
Current liabilities			
Trade and other payables	13	(64.0)	(135.1)
Short-term debt	13	(1.1)	(0.3)
Retentions for construction contracts		(1.5)	(2.7)
Current tax liability		(0.3)	(0.3)
Short-term provisions	17	(45.4)	(45.7)
Total current liabilities		(112.3)	(184.1)
Non-current liabilities			
Long-term debt	13	(34.0)	(15.0)
Deferred tax liability	22	(56.1)	(55.2)
Non-current provisions	17	(26.1)	(26.1)
Other long-term liabilities	13	(1.7)	(2.3)
Total non-current liabilities		(117.9)	(98.6)
Total liabilities		(230.2)	(282.7)
Net assets		2 013.4	2 000.7
Equity			
Issued capital	15	46.5	46.5
Reserve capital	16	1 746.3	1 746.3
Revaluation reserve	16	3.2	3.2
Retained earnings	16	165.0	151.1
Other capital	16	2.0	0.0
Equity attributable to the equity holders of the parent		1 963.0	1 947.1
Non-controlling interest		50.4	53.6
Total equity		2 013.4	2 000.7

Interim condensed consolidated statement of comprehensive income for the 3-month period ended 31 March 2015

	Note	3 months ended	
		31 March 2015 unaudited	31 March 2014 unaudited
Operating activities			
Lease revenues		30.3	31.1
Cost of property maintenance		(16.6)	(15.5)
Lease result		13.7	15.6
Revenue from developer business		7.1	8.7
Cost of developer business		(5.5)	(6.8)
Developer business result		1.6	1.9
Revenue from other activities		0.0	0.0
Cost of other activities		(0.1)	(0.1)
Result on other activities		(0.1)	(0.1)
Administrative expenses		(7.5)	(9.0)
Change in the fair value of investment property		(3.8)	(1.6)
Profit on disposal of investment properties		0.0	0.0
Other revenues	18	10.2	1.9
Other costs	19	(3.2)	(6.1)
Profit / (loss) on operating activities		10.9	2.6
Finance income	21	0.7	1.0
Finance costs	21	(0.0)	(0.3)
Net profit from financing activities		0.7	0.7
Interest in results of associates and joint ventures	10	0.2	0.2
Profit / (loss) before tax from continuing operations		11.8	3.5
Income tax expense	22	0.5	(0.7)
Net profit from continuing operations		12.3	2.8
Net loss from discontinued operations		0.4	(0.1)
Net profit		12.7	2.7
Other comprehensive income		0	0
Total comprehensive income		12.7	2.7
Net Profit/Loss attributable to:			
Equity holders of the parent		12.4	2.5
Non-controlling interest	23	0.3	0.2
Other comprehensive income attributable to:			
Equity holders of the parent		12.4	2.5
Non-controlling interests	23	0.3	0.2
Basic and diluted net earnings per share attributable to the shareholders of the parent	24	0.27 PLN	0.06 PLN
Basic and diluted net earnings per share from continuing operations attributable to the shareholders of the parent	24	0.26 PLN	0.06 PLN

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 (All amounts are expressed in PLN million, unless stated otherwise)

Interim condensed consolidated statement of changes in equity for the 3-month period ended 31 March 2015

Shareholders' equity attributable to the shareholders of the parent

	Note	Issued capital	Reserve capital	Revaluation reserve	Retained earnings	Other capital	Equity attributable to the equity holders of the parent	Non-controlling interest	Total
As at 1 January 2015		46.5	1 746.3	3.2	151.1		1 947.1	53.6	2 000.7
Net profit for the period					12.4		12.4	0.3	12.7
Total comprehensive income for the period					12.4		12.4	0.3	12.7
Share issue	16					2.0	2.0		2.0
Changes in the structure of non-controlling interest	16				1.5		1.5	(3.5)	(2.0)
As at 31 March 2015		46.5	1 746.3	3.2	165.0	2.0	1 963.0	50.4	2 013.4
As at 1 January 2014		44.6	1 696.5	3.2	117.4		1 861.7	131.0	1 992.7
Net profit for the period					2.5		2.5	0.2	2.7
Total comprehensive income for the period					2.5		2.5	0.2	2.7
Share issue		1.2	31.7			10.2	43.1		43.1
Changes in the structure of non-controlling interest					23.4		23.4	(66.5)	(43.1)
As at 31 March 2014		45.8	1 728.2	3.2	143.3	10.2	1 930.7	64.7	1 995.4

Notes to the interim condensed consolidated financial statements on pages 10-20 are an integral part of these consolidated financial statements
 This document is a translation of the consolidated quarterly report prepared in Polish. In the case of any doubts as regards its interpretation, the Polish version of the report is binding.

Interim condensed consolidated statement of cash flows for the 3-month period ended 31 March 2015

	Note	3 months ended	
		31 March 2015 unaudited	31 March 2014 unaudited
Cash flow from operating activities			
Profit / (loss) before tax		12.2	3.5
Adjustments to cash flow from operating activities		(47.4)	(19.6)
Depreciation and amortization		0.2	0.4
Change in the fair value of investment properties and result on disposal		3.8	1.6
Interest in results of associates and joint-ventures		(0.2)	(0.2)
Interest income from investing activities		(0.1)	(1.0)
Change in working capital	14	(49.0)	(18.1)
Income tax paid		(2.1)	(2.3)
Net cash flow from operating activities		(35.2)	(16.1)
Cash flow from investing activities			
Total inflow		0.4	2.1
Proceeds from sale of investment properties		0.3	1.1
Interest from investing activities		0.1	1.0
Total outflow		(20.3)	(9.2)
Expenditure on investment properties		(19.3)	(9.2)
Taking up of shares of joint ventures		(1.0)	0.0
Net cash flow from investing activities		(19.9)	(7.1)
Cash flow from financing activities			
Total inflow		23.8	0.0
Loans		23.8	0.0
Total outflow		(3.5)	(0.1)
Loans		(3.4)	0.0
Finance lease payments		(0.1)	(0.1)
Net cash flow from financing activities		20.3	(0.1)
Total net cash flow		(34.8)	(23.3)
Change in cash and cash equivalents		(34.8)	(23.3)
Cash and cash equivalents at the beginning of the period		136.4	217.8
Cash and cash equivalents at the end of the period		101.6	194.5

Explanatory notes to the interim condensed consolidated financial statements

1. General information

Polski Holding Nieruchomości S.A. ("PHN S.A.", "the Parent Company", "the Company"), with its registered office in Warsaw, Al. Jana Pawła II 12, is the Parent Company of the Group which comprises PHN S.A. and its subsidiaries (jointly "the Group"). As at the balance sheet, the Polish State Treasury was the entity exercising control over PHN S.A. All subsidiaries forming

part of the Group are consolidated under the acquisition accounting method, while shares in co-subsidiaries are disclosed in the consolidated financial statements under the equity accounting method. The structure of the Group is presented in the Group Directors' Report (Note 2).

2. Basis of preparation of interim condensed consolidated financial statements

These interim condensed consolidated financial statements have been prepared in accordance with the requirements of IAS 34, "Interim Financial Reporting", and the Decree of the Minister of Finance dated 19 February 2009 on current and periodical information submitted by issuers of securities and conditions for considering as equivalent the information required under the legislation of a non-Member State (consolidated text, Journal of Laws of 2014, item 133) ("the Decree") and present the financial position of the Polski Holding Nieruchomości S.A. Group as at 31 March 2015 and 31 December 2014 and the results of its operations and cash flows for the 3-month period ended 31 March 2015 and 31 March 2014.

These interim condensed consolidated financial statements have been prepared on the going concern basis. As at the date of approving the interim condensed consolidated financial statements, there were no circumstances indicating any threats to the Group's ability to continue as a going concern.

The duration of the Parent Company and the subsidiaries forming part of the Group is unspecified.

The Polish zloty ("PLN") is the currency of presentation of the Group's financial statements. Unless otherwise stated, all data in the Group's financial statements are presented in PLN million.

The interim condensed consolidated financial statements have been prepared on the historical cost basis, with the exception of investment properties and financial instruments classified as measured at fair value through profit or loss.

Statement of the Management Board on the truth and fairness of the interim condensed consolidated financial statements

The Management Board of Polski Holding Nieruchomości S.A. declares that, to the best of its knowledge, these interim condensed consolidated financial statements and comparable data have been prepared in accordance with the accounting policies applicable to the Group, and give a true, fair and clear view of the Group's financial position and the results of its operations.

3. Changes to International Financial Reporting Standards

Changes to the IFRS standards and interpretations presented in Note 3 to the consolidated financial statements as at and for the year ended 31 December 2014 which became effective between 1 January 2015 and the date of approving these interim condensed consolidated financial statements by the Management Board did not have a material impact on the interim condensed consolidated financial statements.

The Group intends to adopt changes to the IFRS published but not yet binding by the date of publication of these interim condensed consolidated financial statements in accordance with their effective date.

The Management Board is currently analysing the impact of the standards and interpretations which have been published but are not yet effective on the Group's results and financial position.

4. Major accounting policies

These interim condensed consolidated financial statements have been prepared in accordance with the accounting policies described in the consolidated financial statements of the Polski Holding Nieruchomości S.A. Group as at and for the year ended 31 December 2014.

Significant judgements made by the Management Board in relation to the application of the Group's accounting policies and the main sources of uncertainty in its estimates were the same as those described in Note 5.3 to the consolidated financial statements as at and for the year ended 31 December 2014.

5. Seasonality of operations

The Group's activities are not characterized by seasonality. Therefore, the results presented by the Group do not fluctuate significantly during the year.

6. Segment reporting

For management reporting purposes, the Group's operations has been divided into the following operating segments:

- ✓ lease of office, retail, warehouse and logistic space, residential and other properties;
- ✓ developer business – construction and sale of residential premises;
- ✓ other activities.

The activities conducted as part of the operating segments listed above are performed in Poland. Other activities comprise, in

particular, income and costs relating to the operations being discontinued by the Group, such as the ports business and hotel business.

The Management Board monitors the Group's results and makes decisions on the allocation of its resources based on an analysis of the operating activities of the segments listed above. The Management Board analyses segment results down to the level of operating profit or loss. The assets and liabilities and income and administrative costs of the Parent Company are not allocated to operating segments.

Segmental analysis as at and for the 3-month period ended 31 March 2015 (unaudited)

	Leases	Developer business	Discontinued operations	Other activities	Unallocated	TOTAL
Sales revenue	30.3	7.1		0.0		37.4
Operating expenses	(16.6)	(5.5)		(0.1)		(22.2)
Gross profit	13.7	1.6		(0.1)		15.2
Administrative expenses	(5.8)	(0.8)			(0.9)	(7.5)
Change in the fair value of investment properties	(3.8)					(3.8)
Other revenues	10.1	0.1	0.4		0.0	10.6
Other costs	(3.2)	(0.0)			(0.0)	(3.2)
Operating profit/(loss)	11.0	0.9	0.4	(0.1)	(0.9)	11.3
Finance income					0.7	0.7
Shares in profits of associates and jointly controlled entities					0.2	0.2
Income tax expense					0.5	0.5
Segment profit/(loss)	11.0	0.9	0.4	(0.1)	0.5	12.7
Segment assets	2 183.0	49.3	0.1	4.2	7.0	2 243.6
Segment liabilities	203.6	25.0	0.1	0.5	1.0	230.2
Capital expenditure	42.7					42.7
Depreciation and amortization	0.2					0.2

Other revenues include mainly: in the lease segment – tax on civil law transactions to be refunded on contributions in kind made to a partnership limited by shares (*spółka komandytowo-akcyjna*) in the prior years of PLN 8.0 million; a partial release of a provision for non-contractual use of properties of PLN 1.1 million; a reversal of write-downs of receivables of PLN 0.7 million.

Other costs include mainly: in the lease segment: write-downs of receivables of PLN 2.6 million, Change in the structure of VAT deductions of PLN 0.3 million, severance pay for employees who have been made redundant of PLN 0.2 million.

Segmental analysis as at and for the 3-month period ended 31 March 2014 (unaudited) and as at 31 December 2014 (audited)

	Leases	Developer business	Discontinued operations	Other activities	Unallocated	TOTAL
Sales revenue	31.1	8.7				39.8
Operating expenses	(15.5)	(6.8)		(0.1)		(22.4)
Gross profit	15.6	1.9		(0.1)		17.4
Administrative expenses	(5.9)	(0.9)	(0.1)		(2.2)	(9.1)
Change in the fair value of investment properties	(1.6)					(1.6)
Other revenues	1.9					1.9
Other costs	(6.0)	(0.1)				(6.1)
Operating profit/(loss)	4.0	0.9	(0.1)	(0.1)	(2.2)	2.5
Finance income					1.0	1.0
Finance costs					(0.3)	(0.3)
Shares in profits of associates and jointly-controlled entities					0.2	0.2
Income tax expense					(0.7)	(0.7)
Segment profit/(loss)	4.0	0.9	(0.1)	(0.1)	(2.0)	2.7
Segment assets	2 216.8	60.7	0.1	4.2	1.6	2 283.4
Segment liabilities	244.6	36.7	0.6	0.5	0.3	282.7
Capital expenditure	11.3					11.3
Depreciation and amortization	0.4					0.4

Other revenues include mainly: in the lease segment – a release of provisions for State Budget claims of PLN 1.3 million; a reversal of write-downs of receivables of PLN 0.1 million. Other

costs include mainly: in the lease segment – a provision for benefits derived from leased properties of PLN 2.9 million; write-downs of receivables of PLN 2.6 million.

7. Investment properties

	3 months ended	
	31 March 2015 unaudited	31 March 2014 unaudited
As at 1 January	1 924.1	1 927.9
Expenditure on investment properties	42.7	11.3
Change in the fair value of investment properties	(3.8)	(1.6)
Reclassification from property, plant and equipment	0.0	3.8
Reclassification to non-current assets classified as held for sale	(7.2)	(1.8)
As at the end of the period	1 955.8	1 939.6

The following amounts were recognized in the statement of comprehensive income:

	3 months ended	
	31 March 2015 unaudited	31 March 2014 unaudited
Rental income from investment properties	30.3	31.1
Direct operating expenses incurred on rent-generating investment properties	(16.6)	(15.5)
Change in the fair value of investment properties	(3.8)	(1.6)
Gain/(loss) on disposal of investment properties	0.0	0.0
<i>Income on sale of investment properties</i>	<i>6.1</i>	<i>0.8</i>
<i>Cost of properties sold (classified as investment properties or assets held for sale)</i>	<i>(6.1)</i>	<i>(0.8)</i>
Gains/(Losses) on investing properties	9.9	14.0

Expenditure on investment properties relates to:

- ✓ expenditure relating to the construction of commercial development projects incurred in 3M 2015: Domaniewska 37C, Retkinia, totalling PLN 41.8 million, 3M 2014:

Domaniewska 37C, Foksal 10A, Rakowiecka 19, totalling PLN 9.3 million;

- ✓ expenditure on the preparation of the commercial development projects amounting to: 3M 2015: PLN 0.5 million, 3M 2014: PLN 0.0 million,
- ✓ modernization of properties amounting to: 3M 2014: PLN 0.4 million; 3M 2014: PLN 2.0 million

Reclassification to assets held for sale, in accordance with IFRS 5, was due to the fact that a buyer was found for the properties at Prądzyńskiego in Warsaw.

In the period of 3M 2015, the Group sold a property at Stągiewna in Gdańsk and a property in Katowice.

8. Property, plant and equipment

The change in the balance of property, plant and equipment was due to:

- ✓ depreciation for 3 months ended 31 March 2015: PLN 0.2 million; 31 March 2014: PLN 0.3 million.

- ✓ acquisitions in the 3-month period ended 31 March 2015: PLN 0.1 million, 31 March 2014: PLN 0.1 million.

The carrying amount of properties included in property, plant and equipment amounted to PLN 19.8 million as at 31 March 2015.

9. Intangible assets

In the period of the first 3 months of 2015 and 2014, there were no material changes in intangible assets.

10. Investments in associates and jointly controlled entities (joint ventures)

Warszawski Holding Nieruchomości S.A. and SEGRO B.V. hold 50% of shares each in a special purpose vehicle, Wrocław Industrial Park Sp. z o.o.

In the first quarter of 2015, Dalmor S.A. and mLocum S.A. established a company, Apartamenty Molo Rybackie Sp. z o.o., in order to carry out a joint project called Molo Rybackie in Gdynia. The companies each hold a 50% share in Apartamenty Molo Rybackie Sp. z o.o.

In the first quarter of 2015, Polski Holding Nieruchomości S.A. and PHN SPV 4 Sp. z o.o. concluded a joint venture agreement

with Parzniew Partners B.V. to carry out a joint project consisting of constructing a warehouse park in the Brwinów municipality. The project will be carried out by Parzniew Logistics Center Infrastructure Sp. z o.o. and Parzniew Logistics Center 1 Sp. z o.o. Polski Holding Nieruchomości S.A. and Parzniew Partners B.V. each hold a 50% interest in Parzniew Logistics Center Infrastructure Sp. z o.o. and Parzniew Logistics Center 1 Sp. z o.o.

The Group accounts for the shares held under the equity method.

	3 months ended	
	31 March 2015 unaudited	31 March 2014 unaudited
As at 1 January	18.6	18.5
Acquisition	1.0	0.0
Share in profits	0.2	0.2
As at the end of the period	19.8	18.7

Jointly controlled entities are not listed on an active market. Their selected financial data as at and for the period of 3 months ended 31 March 2015 are as follows

	Assets	Equity	Liabilities	Revenue	Net Profit	The Group's share in profits
Wrocław Industrial Park	39.3	38.3	1.0	0.4	0.3	0.2
Apartamenty Molo Rybackie	2.0	2.0	0.0	0.0	0.0	0.0
Parzniew Logistics Center Infrastructure	0.0	0.0	0.0	0.0	0.0	0.0
Parzniew Logistics Center 1	0.1	0.1	0.0	0.0	0.0	0.0
Total	41.4	40.4	1.0	0.4	0.3	0.2

11. Inventories relating to property development

Inventory structure	31 March 2015 unaudited	31 December 2014 audited
Land	4.0	4.2
Finished goods	26.3	31.6
Total inventories relating to the developer business	30.3	35.8

Changes in inventories during the period	3 months ended	
	31 March 2015 unaudited	31 March 2014 unaudited
As at the beginning of the period	35.8	65.4
Expenditure on construction	0.0	2.5
Disposal of premises	(5.5)	(6.8)
As at the end of the period	30.3	61.1

Land comprises all land associated with the residential development business.

12. Analysis of receivables

Analysis of receivables	31 March 2015 unaudited			31 December 2014 audited		
	Total	Financial	Non-financial	Total	Financial	Non-financial
Trade receivables and other assets	81.9	13.2	68.7	119.1	11.2	107.9
Trade receivables	12.5	12.5	0.0	10.2	10.2	0.0
Receivables from the State Budget	56.5	0.0	56.5	102.5	0.0	102.5
<i>VAT on intra-group acquisition of properties</i>	<i>42.0</i>	<i>0.0</i>	<i>42.0</i>	<i>99.0</i>	<i>0.0</i>	<i>99.0</i>
<i>Other receivables from the State Budget</i>	<i>14.5</i>	<i>0.0</i>	<i>14.5</i>	<i>3.5</i>	<i>0.0</i>	<i>3.5</i>
Prepayments	12.2	0.0	12.2	5.4	0.0	5.4
Other	0.7	0.7	0.0	1.0	1.0	0.0
Income tax receivable	1.4	0.0	1.4	1.2	0.0	1.2
Total receivables and other assets	83.3	13.2	70.1	120.3	11.2	109.1

13. Analysis of liabilities

Analysis of liabilities	31 March 2015 unaudited			31 December 2014 audited		
	Total	Financial	Non-financial	Total	Financial	Non-financial
Current liabilities						
Debt	1.1	1.1	0.0	0.3	0.3	0.0
Loans	0.8	0.8	0.0	0.0	0.0	0.0
Car fleet leases	0.3	0.3	0.0	0.3	0.3	0.0
Trade and other payables	64.0	61.0	3.0	135.1	39.6	95.5
Trade payables	5.5	5.5	0.0	10.3	10.3	0.0
Capital expenditure commitments	36.2	36.2	0.0	12.5	12.5	0.0
Tenants' deposits	8.9	8.9	0.0	9.0	9.0	0.0
Payables to the State Budget	2.2	0.0	2.2	88.9	0.0	88.9
<i>VAT on intra-group disposal of properties</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>86.8</i>	<i>0.0</i>	<i>86.8</i>
<i>Other liabilities to the State Budget</i>	<i>2.2</i>	<i>0.0</i>	<i>2.2</i>	<i>2.1</i>	<i>0.0</i>	<i>2.1</i>
Prepayments for purchase of properties	0.8	0.0	0.8	6.6	0.0	6.6
Deposits of construction work subcontractors	5.9	5.9	0.0	6.3	6.3	0.0
Other	4.5	4.5	0.0	1.5	1.5	0.0
Income tax liabilities	0.3	0.0	0.3	0.3	0.0	0.3
Prepayments relating to property development	1.5	0.0	1.5	2.7	0.0	2.7
Total current liabilities	66.9	62.1	4.8	138.4	39.9	98.5
Non-current liabilities						
Debt	34.0	34.0	0.0	15.0	15.0	0.0
Loans	33.2	33.2	0.0	14.3	14.3	0.0
Car fleet leases	0.8	0.8	0.0	0.7	0.7	0.0
Other	1.7	1.7	0.0	2.3	2.3	0.0
Tenants' deposits	1.6	1.6	0.0	1.5	1.5	0.0
Deposits of construction work subcontractors	0.1	0.1	0.0	0.8	0.8	0.0
Total non-current liabilities	35.7	35.7	0.0	17.3	17.3	0.0
Total liabilities	102.6	97.8	4.8	155.7	57.2	98.5

Notes to the interim condensed consolidated financial statements on pages 10-20 are an integral part of these consolidated financial statements
This document is a translation of the consolidated quarterly report prepared in Polish. In the case of any doubts as regards its interpretation, the Polish version of the report is binding.

14. Cash and cash equivalents and explanations to the Interim condensed consolidated statement of cash flows

Analysis of cash and cash equivalents	31 March 2015 unaudited	31 December 2014 audited
Cash in hand and at bank	1.5	1.7
Current bank deposits	100.1	134.7
As at the end of the period	101.6	136.4

Differences between the balance sheet changes and the changes presented in the statement of cash flows

Changes in the working capital in the statement of cash flows	3 months ended	
	31 March 2015 unaudited	31 March 2014 unaudited
Change in provisions	(0.3)	(0.2)
Change in inventories	5.5	4.3
Change in receivables	37.2	146.1
Change in liabilities	(91.5)	(168.2)
Change in other assets	0.1	(0.1)
Total	(49.0)	(18.1)

Explanation of the differences between balance sheet changes in certain items and the changes resulting from the statement of cash flows

Receivables	3 months ended	
	31 March 2015 unaudited	31 March 2014 unaudited
Change in receivables in the statement of financial position	37.2	146.2
Change in investment receivables	0.0	(0.1)
Change in receivables in the statement of cash flows	37.2	146.1

Liabilities	3 months ended	
	31 March 2015 unaudited	31 March 2014 unaudited
Change in receivables in the statement of financial position	(72.9)	(165.6)
Change in investment liabilities	(18.6)	(2.6)
Change in liabilities in the statement of cash flows	(91.5)	(168.2)

15. Share capital

	31 March 2015 unaudited	31 March 2014 unaudited
Number of share as at 1 January	46 482 044	44 599 947
Share issue	0	1 212 223
Number of shares as at 31 March (fully paid)	46 482 044	45 812 170

All the share issued are ordinary shares. The par value of each share is PLN 1. All shares give equal rights to the assets of the Parent Company.

16. Supplementary capital, retained earnings and other reserves

In the first 3 months of 2015, the Company purchased shares in subsidiaries in exchange for own shares to be issued. The acquisition price of these shares was determined at the level of the cost of issue of PHN S.A.'s shares based on the quotation of PHN S.A.'s shares on the dates when shares in subsidiaries were purchased. The excess of purchase price over the par value of shares of PLN 1 per share was recognized as share

premium in supplementary capital. The commitment to issue own shares in exchange for the acquired shares in subsidiaries which were not issued by PHN S.A. as at the balance sheet date was recognized in other reserves in the amount of PLN 2.0 million.

The Company recognized a surplus of the fair value over book value of fixed assets reclassified to investment properties in the revaluation reserve.

Retained earnings of PLN 151.1 million as at 31 December 2014 increased to PLN 165.0 million as at 31 March 2015 due to:

- ✓ the net profit for the first three months of 2015 of PLN 12.4 million generated by the Group;
- ✓ recognition of the share premium representing the excess of the book value of non-controlling interests over PHN S.A.'s commitment to issue shares of PLN 1.5 million;

17. Provisions

Provision	31 March 2015 unaudited			31 December 2014 audited		
	Total	Long-term	Short-term	Total	Long-term	Short-term
Claims in respect of benefits derived from leased properties and non-contractual use of properties	41.8	25.3	16.5	41.5	25.3	16.2
Guarantee repairs and compensations in property development business	24.5	0.0	24.5	25.7	0.0	25.7
Severance pay for dismissed employees	0.2	0.0	0.2	0.2	0.0	0.2
Employee benefits	0.9	0.8	0.1	0.9	0.8	0.1
Other	4.1	0.0	4.1	3.5	0.0	3.5
Total	71.5	26.1	45.4	71.8	26.1	45.7

18. Revenue from operating activities

Revenue from operating activities	3 months ended	
	31 March 2015 unaudited	31 March 2014 unaudited
Lease revenue	30.3	31.1
Revenue from developer business	7.1	8.7
Revenue from other activities	0.0	0.0
Hotel business	0.0	0.0
Total revenue from operating activities	37.4	39.8

Other revenues	3 months ended	
	31 March 2015 unaudited	31 March 2014 unaudited
Compensations	0.0	0.1
Revaluation of receivables	0.7	0.1
Release of other provisions	0.0	1.4
Non-contractual use of properties	1.1	0.1
Refund of tax on civil law transactions	8.0	0.0
Other	0.4	0.2
Total other revenues	10.2	1.9

The European Court of Justice (ECJ) issued a judgment that a partnership limited by shares (spółka komandytowo-akcyjna) should be treated as a capital company for purposes of tax on civil law transactions. Moreover, the Group obtained a court decision which is consistent with the position of the ECJ. In prior years, the Group made contributions in kind to a partnership limited by shares and paid tax on civil law transactions on the surplus of the value of the contribution made over the nominal value of shares transferred to the Group

companies. In accordance with the prior interpretations of the law, the Group recognized the amount of tax on civil law transactions paid as cost. In the light of the ECJ judgment and the court decision, tax on civil law transaction may be levied only on an increase in the share capital, but not on the value of the contribution made. The Group applied to the Tax Office for reimbursement of overpaid tax. The Group recognized overpaid tax of PLN 8.0 million in "Other revenues" in the statement of comprehensive income.

19. Operating expenses

Costs of core business activities	3 months ended	
	31 March 2015 unaudited	31 March 2014 unaudited
Cost of property maintenance	16.6	15.5
Costs of developer business	5.5	6.8
Costs of other activities	0.1	0.1
Hotel business	0.1	0.1
Total operating expenses	22.2	22.4

Other costs	3 months ended	
	31 March 2015 unaudited	31 March 2014 unaudited
Revaluation of receivables	2.6	2.6
Provision for claims in respect of benefits derived from leased properties	0.0	2.9
Change in the structure of VAT deductions	0.3	0.0
Damages and penalties	0.0	0.5
Severance pay for dismissed employees	0.2	0.0
Other	0.1	0.1
Total other costs	3.2	6.1

Due to a negative impact of the situation in the real estate market on the Group's clients' ability to settle their liabilities, the Group

recognized impairment write-downs for its receivables of PLN 2.6 million both in the period of 3M 2015 and 3M 2014.

20. Costs by type

The Group, excluding developer business	3 months ended	
	31 March 2015 unaudited	31 March 2014 unaudited
Depreciation and amortization	0.2	0.4
Materials and energy used	4.0	3.8
External services	9.1	8.1
Taxes and fees	5.6	5.1
Wages and salaries, and other employee benefits	4.4	6.1
Other costs by type	0.1	0.2
Total operating expenses	23.4	23.7
Administrative expenses	(5.4)	(6.7)
Selling expenses	(0.6)	(0.6)
Cost of preparation and execution of commercial development projects	(0.6)	(0.6)
One-off costs (privatisation and the Group's restructuring)	(0.1)	(0.2)
Cost of sales	16.7	15.6

Developer business	3 months ended	
	31 March 2015 unaudited	31 March 2014 unaudited
Depreciation and amortization	0.0	0.0
Materials and energy used	0.1	0.1
External services	0.6	2.9
Taxes and fees	0.0	0.1
Wages and salaries, and other employee benefits	0.1	0.2
Cost of goods for resale and materials sold	0.2	0.3
Change in inventories of finished goods	5.3	4.1
Total operating expenses	6.3	7.7
Administrative expenses	(0.3)	(0.4)
Selling expenses	(0.2)	(0.2)
Cost of maintaining inventories and property development infrastructure	(0.3)	(0.3)
Cost of sales	5.5	6.8

Notes to the interim condensed consolidated financial statements on pages 10-20 are an integral part of these consolidated financial statements
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21. Finance income and finance cost

Finance income	3 months ended	
	31 March 2015 unaudited	31 March 2014 unaudited
Interest income	0.1	1.0
<i>Short-term bank deposits</i>	0.1	1.0
Other finance income	0.6	0.0
Total finance income	0.7	1.0

In the first quarter of 2015, interest on the overpaid tax on civil law transactions receivable from the Tax Office was disclosed in other financial income (for details, see Note 18).

Finance costs	3 months ended	
	31 March 2015 unaudited	31 March 2014 unaudited
Discount on provisions for claims in respect of benefits derived from leased properties	0.0	0.2
Interest on overdue liabilities	0.0	0.1
Total finance costs	0.0	0.3
Net finance income/expense	0.7	0.7

22. Reconciliation of effective tax rate

	3 months ended	
	31 March 2015 unaudited	31 March 2014 unaudited
Current tax	(2.3)	(2.4)
Deferred tax	2.8	1.7
Income tax expense	0.5	(0.7)

	3 months ended	
	31 March 2015 unaudited	31 March 2014 unaudited
Profit/(loss) before tax	11.8	3.5
Tax calculated at the rate applicable in Poland (19%)	(2.2)	(0.7)
Non-tax- deductible income	0.8	0.2
Non-deductible costs (permanent differences)	(0.1)	(0.1)
Net profit /(loss) of partnerships	2.0	0.0
Tax losses for which a deferred tax asset was not recognized or was written off	(0.0)	(0.1)
Income tax expense	0.5	(0.7)

Deferred tax assets and liabilities as at 31 March 2015 and 31 December 2014 referred mainly to the difference between book and tax value of investment properties. Deferred tax assets and liabilities are offset if there is a legally enforceable title for such

an offset and if deferred tax asset and provision relate to income taxes imposed by the same tax authorities on the same taxpayer.

23. Net profit attributable to non-controlling interests

In the first quarter of 2015 and in the first quarter of 2014, shares were repurchased from shareholders and holders of non-controlling interests in Warszawski Holding Nieruchomości S.A., Intraco S.A., Dalmor S.A. and Budexpo S.A. The profit attributable to non-controlling interests was determined based

on the assumption that they participate in the entire net profit for the 3-month periods ended 31 March 2015 and 31 December 2014 in line with the proportion of the shares held in the respective periods.

24. Earnings per share

Basic and diluted earnings per share attributable to the shareholders of the Parent Company	3 months ended	
	31 March 2015 unaudited	31 March 2014 unaudited
Profit/(loss) attributable to the Shareholders of the Company (in PLN million)	12.4	2.5
Weighted average number of ordinary shares (in million pcs)	46.5	45.2
Basic and diluted earnings (loss) per share (in PLN)	PLN 0.27	PLN 0.06

Basic and diluted earnings per share from continued operations attributable to the shareholders of the Parent Company	3 months ended	
	31 March 2015 unaudited	31 March 2014 unaudited
Profit/(loss) from continued operations attributable to the Shareholders of the Company (in PLN million)	12.0	2.6
Weighted average number of ordinary shares (in million pcs)	46.5	45.2
Basic and diluted earnings (loss) per share (in PLN)	PLN 0.26	PLN 0.06

25. Contingent assets and contingent liabilities

Note 8 to the consolidated financial statements for 2014 includes a disclosure of real properties with an unclear legal status held by the Company. In the case of the favourable outcome of the legal disputes relating to these properties, they will be recognized as assets.

Some of the buildings leased by the Group for office purposes are recorded in the public registers as buildings designated for residential purposes. Changes in the manner of utilization of these buildings were not notified to the relevant authorities nor were the required administrative decisions obtained. Consequently, penalties may be imposed on the Group companies. As at the balance sheet date, the risk of such

penalties being imposed on the Group is low and the potential amount of such penalties cannot be reliably estimated. Therefore, the Group did not recognize provisions for the potential penalties.

a) Capital expenditure commitments

There are no material capital expenditure commitments.

b) Operating leases

There are no material contingent liabilities under operating lease agreements.

26. Related-party transactions

Transactions with the State Treasury and the State Treasury companies

The State Treasury of the Republic of Poland is the entity exercising control over the Group. As a result, transactions between the Group companies and the State Treasury or the related entities of the State Treasury must be disclosed in accordance with the principles set out in IAS 24, *Related Party Disclosures*.

The Group did not enter into individual transactions with the State Treasury related entities. In the ordinary course of its operations, the Group earned lease revenue from entities controlled by the State Treasury.

Consequently, the Group is exempt from the requirement to disclose information on transactions and open balances with the State Treasury related entities under IAS 24 para. 18.

Based on the Polish law, the Group entities are liable to income tax in Poland. Consequently, they pay the income tax to the State Treasury which is a related entity. The laws and regulations applicable to the Group companies in this respect are identical to those binding other non-related entities.

Revenue from sales of goods for resale and services	3 months ended	
	31 March 2015 unaudited	31 March 2014 unaudited
Revenues from the State Treasury	3.0	2.7

Remuneration of key management members

	3 months ended	
	31 March 2015 unaudited	31 March 2014 unaudited
Remuneration of the Management Board of the Parent Company	0.4	0.6
Remuneration of the Management Board of the subsidiaries	0.3	0.6
Remuneration of the Supervisory Board of the Parent Company	0.1	0.1
Remuneration of the Supervisory Board of the subsidiaries	0.1	0.1
Total remuneration of key management members	0.9	1.4

Transactions with associates and jointly controlled entities (joint ventures)

During the 3-month period ended 31 March 2015 and 31 March 2014, no material transactions were concluded with associates and jointly controlled entities.

27. Post balance sheet date events

In the second quarter of 2015, the Group signed a preliminary sale agreement for a property at Prądyńskiego in Warsaw.

On 13 May 2015, the Management Board of the Warsaw Stock Exchange adopted Resolution No. 454/2015 on the admission and introduction to trading on the primary market of the Warsaw Stock Exchange of 182,808 C series ordinary bearer shares ("C series shares") in the Company with a par value of PLN 1 each as of 15 May 2015 in accordance with the normal procedure

By the date of these interim condensed consolidated financial statements, the Group had received a refund of VAT on an intra-group sale of properties totalling PLN 35.7 million.

Except for the events discussed above, no material events which should have been disclosed in these interim condensed consolidated financial statements occurred between the balance sheet date and the date of approval of these consolidated financial statements.

These interim condensed consolidated financial statements were approved by the Management Board of the Parent Company on 14 May 2015.

Włodzimierz Piotr Stasiak
Member of the Management Board
in charge of Finance

Mateusz Matejewski
Vice-President – Member of the Management
Board in charge of Property Asset Management

Artur Lebieziński
President of the Management
Board

Grzegorz Grotek
Responsible for preparing the consolidated
financial statements

**OTHER NOTES TO THE CONSOLIDATED QUARTERLY
REPORT**

FOR THE FIRST QUARTER 2015



**POLSKI HOLDING
NIERUCHOMOŚCI S.A.**

B. Other notes to the consolidated quarterly report

1. General information about the Group

The Parent Company of the Polski Holding Nieruchomości S.A. Capital Group ("the Group") is the Company Polski Holding

Nieruchomości S.A. ("PHN S.A.", "the Parent Company") located in Warsaw, Al. Jana Pawła II 12.

2. Group structure

All the subsidiaries belonging to the Group are consolidated using the acquisition method, and shares in jointly controlled

entities are recognized in the consolidated financial statements using the equity method. All Group entities are presented below.

Entity	Shareholder	Share in capital and voting rights	
		31 March 2015	31 December 2014
Polski Holding Nieruchomości S.A. (PHN S.A.) – parent company			
Subsidiaries			
Warszawski Holding Nieruchomości S.A. (WHN S.A.)	PHN S.A.	98.05%	97.82%
INTRACO S.A.	WHN S.A.	95.46%	95.46%
	PHN S.A.	0.64%	0.28%
BUDEXPO S.A.	WHN S.A.	99.62%	99.62%
	PHN S.A.	0.14%	0.07%
Dalmor S.A	PHN 5 Sp. z o.o.	90.31%	90.31%
	PHN S.A.	1.66%	1.21%
Wrocławskie Centrum Prasowe S.A.	WHN S.A.	100.00%	100.00%
PHN Nieruchomości 3 Sp. z o.o.	WHN S.A.	100.00%	100.00%
PHN Foksal Sp. z o.o.	WHN S.A.	100.00%	100.00%
Agro-Man Sp. z o.o.	WHN S.A.	100.00%	100.00%
Investon Sp. z o.o.	PHN 4 Sp. z o.o. SKA	100.00%	100.00%
Warton Sp. z o.o.	WHN S.A.	100.00%	100.00%
PHN 3 Sp. z o.o.	WHN S.A.	70.186%	70.186%
	Intraco S.A.	19.456%	19.456%
	Budexpo S.A.	10.358%	10.358%
Kaskada Service Sp. z o.o.	WHN S.A.	100.00%	100.00%
DKP Dalmor Sp. z o.o. under liquidation	Dalmor S.A.	100.00%	100.00%
Dalmor Fishing LTD	Dalmor S.A.	99.00%	99.00%
	Alliance Trust Company LTD	1.00%	1.00%
PHN SPV 1 Sp. z o.o.	PHN 3 Sp. z o.o.	100.00%	100.00%
PHN SPV 2 Sp. z o.o.	PHN 3 Sp. z o.o.	100.00%	100.00%
PHN SPV 3 Sp. z o.o.	PHN 3 Sp. z o.o.	100.00%	100.00%
PHN SPV 4 Sp. z o.o.	PHN 3 Sp. z o.o.	100.00%	100.00%
PHN SPV 5 Sp. z o.o.	PHN 3 Sp. z o.o.	100.00%	100.00%
PHN SPV 6 Sp. z o.o.	PHN 3 Sp. z o.o.	100.00%	100.00%
PHN SPV 7 Sp. z o.o.	PHN 3 Sp. z o.o.	100.00%	100.00%
PHN SPV 8 Sp. z o.o.	PHN 3 Sp. z o.o.	100.00%	100.00%
PHN SPV 9 Sp. z o.o.	PHN 3 Sp. z o.o.	100.00%	100.00%
PHN SPV 10 Sp. z o.o.	PHN 3 Sp. z o.o.	100.00%	100.00%
PHN SPV 11 Sp. z o.o.	PHN 3 Sp. z o.o.	100.00%	100.00%
PHN SPV 12 Sp. z o.o.	PHN S.A.	100.00%	100.00%
PHN 4 Sp. z o.o.	PHN S.A.	100.00%	100.00%
PHN 4 Sp. z o.o. spółka komandytowo - akcyjna	WHN S.A.	89.30%	89.30%
	Budexpo S.A.	10.70%	10.70%

POLSKI HOLDING NIERUCHOMOŚCI S.A.

Other notes to the consolidated quarterly report

(All amounts are expressed in PLN million, unless stated otherwise)

PHN Hotel Management Sp. z o.o. (former PHN SPV Aktywa Specjalne Sp. z o.o.)	PHN S.A.	100.00%	100.00%
PHN 5 Sp. z o.o.	PHN S.A.	100.00%	100.00%
PHN Property Management Sp. z o. o.	PHN S.A.	100.00%	100.00%
PHN Dewelopment Sp. z o .o.	PHN 3 Sp. z o.o.	100.00%	100.00%
PHN Hotel Pruszków Sp. z o.o.	WHN S.A.	99.90%	99.90%
	PHN 3 Sp. z o.o.	0.10%	0.10%
PHN SPV 13 Sp. z o.o.	PHN 3 Sp. z o.o.	100.00%	100.00%
PHN SPV 14 Sp. z o.o.	PHN 3 Sp. z o.o.	100.00%	100.00%
PHN SPV 15 Sp. z o.o.	PHN 3 Sp. z o.o.	100.00%	100.00%
PHN SPV 16 Sp. z o.o.	PHN 3 Sp. z o.o.	100.00%	100.00%
PHN SPV 17 Sp. z o.o.	PHN 3 Sp. z o.o.	100.00%	100.00%
PHN SPV 18 Sp. z o.o.	PHN 3 Sp. z o.o.	100.00%	100.00%
PHN SPV 19 Sp. z o.o.	PHN 3 Sp. z o.o.	100.00%	100.00%
PHN SPV 20 Sp. z o.o.	PHN 3 Sp. z o.o.	100.00%	100.00%
PHN SPV 21 Sp. z o.o.	PHN 3 Sp. z o.o.	100.00%	100.00%
PHN SPV 22 Sp. z o.o.	PHN 3 Sp. z o.o.	100.00%	100.00%
PHN SPV 23 Sp. z o.o.	PHN 3 Sp. z o.o.	100.00%	100.00%
PHN SPV 24 Sp. z o.o.	PHN 3 Sp. z o.o.	100.00%	100.00%
PHN SPV 25 Sp. z o.o.	PHN 3 Sp. z o.o.	100.00%	100.00%
PHN SPV 26 Sp. z o.o.	PHN 3 Sp. z o.o.	100.00%	100.00%
PHN SPV 27 Sp. z o.o.	PHN 3 Sp. z o.o.	100.00%	100.00%
PHN SPV 28 Sp. z o.o.	PHN 3 Sp. z o.o.	100.00%	100.00%
PHN SPV 31 Sp. z o.o.	PHN 3 Sp. z o.o.	100.00%	100.00%
PHN SPV 32 Sp. z o.o.	PHN 3 Sp. z o.o.	100.00%	100.00%
Marina Molo Rybackie Sp. z o.o.	Dalmor S.A.	100.00%	100.00%

In the first quarter of 2015 Agro-Man Sp. z o.o. and Port Okrzei Sp. z o.o. merged.

In the first quarter of 2015, the Group sold 50% of shares in two subsidiaries to Parzniew Partners B.V:

Parzniew Logistics Center Infrastructure Sp. z o. o.

Parzniew Logistics Center 1 Sp. z o. o.

Moreover, the Group has investments in jointly-controlled entities

Wrocław Industrial Park Sp. z o.o.

Parzniew Logistics Center Infrastructure Sp. z o. o.

Parzniew Logistics Center 1 Sp. z o. o.

Apartamenty Molo Rybackie Sp. z o.o.*

*company established in the first quarter of 2015 by Dalmor S.A. and mLocum S.A. under the joint venture agreement signed in October 2014

3. The Group's property portfolio

Fair value. As at 31 March 2015, the Group's property portfolio included 142 properties, separated for business purposes, with a fair value of PLN 2,048.2 million, which have been recognized as assets in the financial statements. The portfolio includes 10 properties with a fair value of PLN 125.5 million with an unclear legal status but with a very high probability of a favourable outcome and 1 property where a project is carried out together with an external partner (JV).

Moreover, the Group held 22 properties with an unclear legal status and the probability of a favourable outcome insufficient to enable their recognition as assets in the financial statements. The fair value of these properties, assuming a clear legal status, would amount to PLN 145.7 million.

In the first quarter of 2015, the Group sold a property situated in Gdańsk at Stągiewna and a part of a property in Katowice. Moreover, by the date of this Report, the Group had signed two preliminary sale agreements.

In the first quarter 2015, the Company separated 2 more properties for business purposes.

Based on the activities planned to be undertaken in respect of the properties, the Group divides its portfolio into the following segments:

- ✓ properties which remain in the portfolio – 21 properties with a fair value of PLN 475.7 million, recognized as investment properties in the financial statements at fair value of PLN 460.2 million or as fixed assets due

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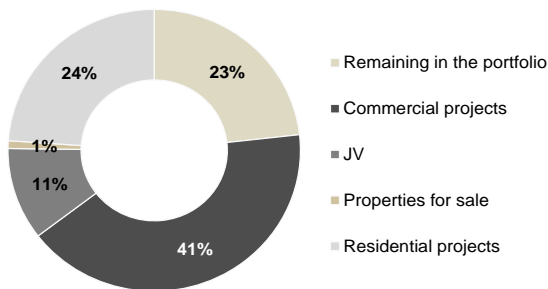
(All amounts are expressed in PLN million, unless stated otherwise)

to the fact that they are used for own needs of PLN 15.7 million;

- ✓ commercial projects – 12 properties with a fair value of PLN 847.7 million which the Group plans to carry out or has already started carrying out, recognized in the financial statements as investment properties at fair value;
- ✓ a project carried out with an external partner (JV) – 1 property with a fair value of PLN 18.0 million, recognized in the financial statements indirectly as a component of shares in a joint venture;
- ✓ properties for sale – 82 properties with a fair value of PLN 486.2 million, recognized as investment properties in the financial statements at a fair value of PLN 463.2 million, as assets held for sale with a fair value of PLN 13.1 million and as inventories with a fair value of PLN 3.0 million; and as property plant and equipment with a fair value of PLN 3.1 million

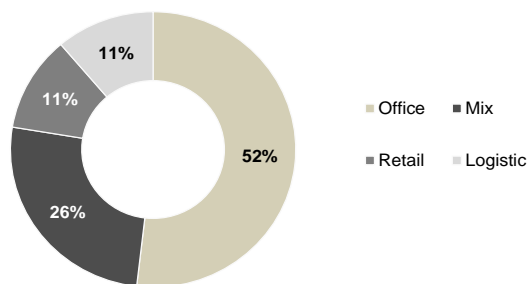
- ✓ residential projects – 26 properties with a fair value of PLN 217.2 million on which the Group plans to carry out or has carried out residential projects, including:
 - 4 properties with completed projects with a fair value of PLN 30.8, including 3 with unsold units, all of them recognized in the financial statements as inventories at PLN 27 million;
 - 21 properties intended for potential projects, with a fair value of PLN 184.8 million; this category includes 4 independent projects; one of the projects includes 18 buildings (separated as properties for business purposes), recognized in the financial statements at fair value,
 - 1 property comprising road plots with a fair value of PLN 1.6 million, recognized in the financial statements in inventories at PLN 0.3 million.

Real estate portfolio structure by segments *
% of the fair value

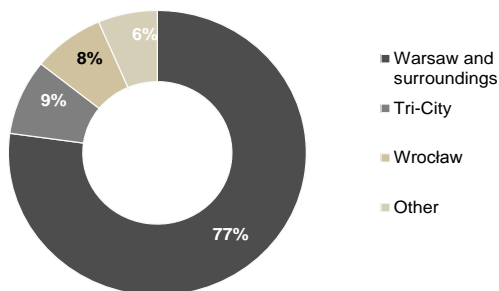


* the item does not include 22 properties with unclear legal status

Commercial projects structure by target segment
% of the fair value

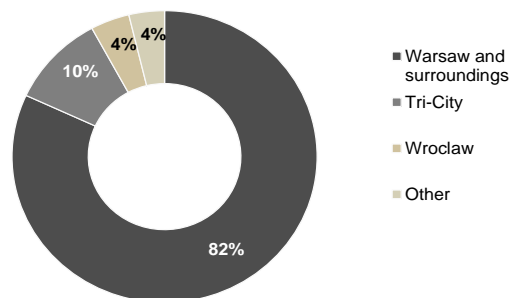


Geographical structure of the real estate portfolio
% of the fair value



* the item does not include 22 properties with unclear legal status

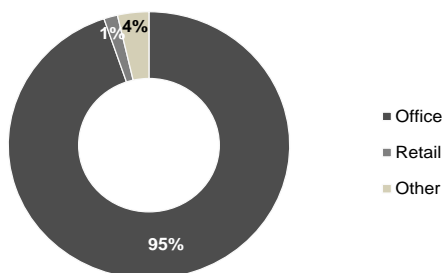
Geographical structure of the segments: properties remaining in the portfolio and commercial projects
% of the fair value



Gross leasable area (GLA) and vacancy ratio. As at 31 March 2015, the Group's gross leasable area (GLA) amounted to nearly 303 thousand m², and the vacancy ratio (calculated as the share of unleased area in GLA less the area used by the Group for its own purposes and the area permanently unleaseable) was 26.5%.

The gross leasable area of the properties which remain in the Group's portfolio amounted to over 70 thousand m², and the vacancy ratio was 25.9%. Taking into account the completed commercialization of the property at Krywulka 2 which took place in the second quarter of 2015, the vacancy ratio would amount to 20.9%.

Remaining in the portfolio properties structure by GLA
% of the total GLA



Net interest income (NOI). In the period from 1 January to 31 March 2015, the Group recorded a net operating income (NOI) of PLN 13.5 million, including: PLN 4.8 million in the segment of properties remaining in the portfolio; PLN 5.9 million in the

4. Description of the Group's activities

The Group provides services to a wide range of institutional clients, companies, state institutions and individuals in the segment of lease and rental of properties.

Lease services offered by the Group comprise:

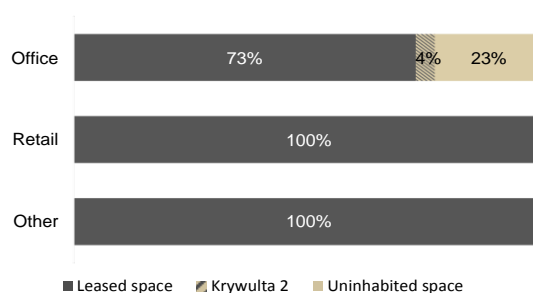
- ✓ lease of office space,
- ✓ lease of retail space,
- ✓ lease of warehouse and logistic space,
- ✓ lease of residential and other space,
- ✓ additional services – lease of offices for starting business, lease of 'virtual offices', conference halls, advertising space (walls, facades of buildings and areas on rooftops), parking lots and technical space.

Office space. Properties of B and C class, residential properties, residencies used for office purposes and diplomatic outposts represent the office areas portfolio. The target group of the office space segment comprises mainly small and medium enterprises, both domestic and with foreign capital. Diplomatic

5. Tenants

The structure of the Group's tenants is highly differentiated; therefore, the Group is not exposed to any significant risk associated with a single tenant or a group of tenants. As at 31 March 2015, the average leased area per one tenant was approximately 160 m², and the total number of tenants was

Leased space of the properties remaining in the portfolio
% of the space



segment of commercial projects generated; PLN 2.5 million in the segment of properties for sale; and PLN 0.3 million in the segment of residential projects.

representations are a significant group of the Group's customers.

Retail space. The retail areas offered by the Group comprise mainly small areas in commercial complexes and in the Shopping Centre at Bartycka 26 street in Warsaw. The Group's offer is addressed to small and medium entrepreneurs conducting construction, fashion, catering, and pharmaceutical business.

Logistic space. The biggest logistic area offered by the Group is located in Port Rybacki, Gdynia. The offer is addressed to marine carriers. Other locations comprise medium-sized areas which are usually used by office and retail tenants as additional space necessary for their business activities.

Residential and other space The residential portfolio comprises villas (mainly used as diplomatic outposts), apartments and residential buildings. Additionally, the Group owns hotels, schools and preschool facilities.

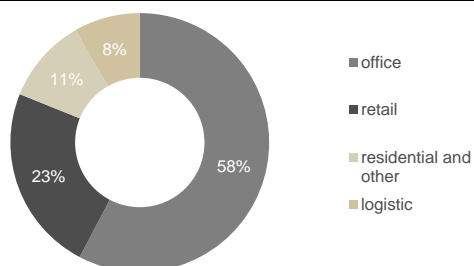
stable in the first quarter of 2015. As at 31 March 2015 the Group's space was leased to about 1 200 tenants. The representatives of business services sector represented the most numerous group.

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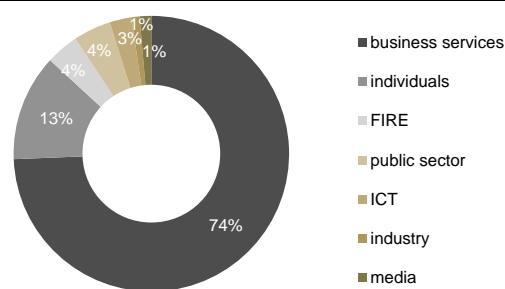
(All amounts are expressed in PLN million, unless stated otherwise)

Structure of tenants by type of lease space
% of the total number of tenants*



* the item does not include 22 properties with unclear legal status

Structure of tenants by sector
% of the total number of tenants *



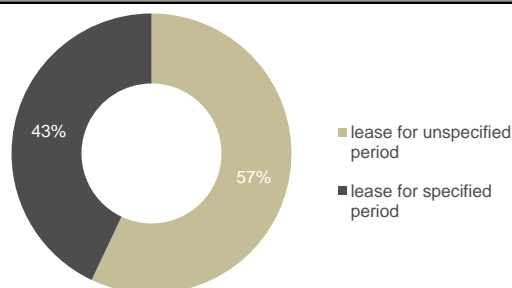
FIRE – financial services, insurance and real estate
ICT – information, communication and technology

* the item does not include 22 properties with unclear legal status

Although new lease agreements are usually concluded for a specified period, about 57% of the existing agreements are

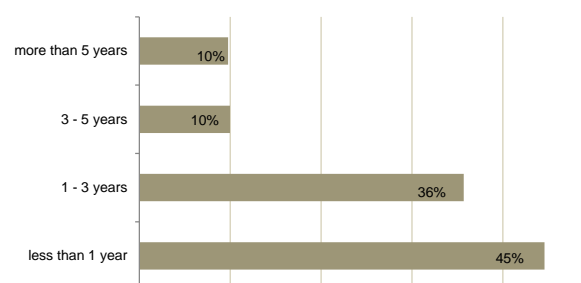
concluded for an unspecified period. The tenants' structure by lease term is presented on the following two graphs:

Structure of tenants by term of agreement
% GLA *



* the item does not include 22 properties with unclear legal status

Structure of tenants by period of lease
% of agreements concluded for specified period



6. Financial situation

In 1Q 2015, the property market continued to be affected by unfavourable conditions in the economy. However, low tenant activity, the growing downward pressure on rents and an increase in the vacancy ratio on the market did not materially affect the revenue on the Group's core operating segment. Due to maintaining revenue at a stable level and a reduction in costs, the Group recorded a net operating income 8.7% higher than in the prior quarter.

EBITDA (operating profit or loss adjusted for the change in the fair value of properties, gain/loss on their disposal, depreciation and amortization, gain/loss on disposal of inventories (land) and the effect of changes in the legal status of properties) amounted to PLN 14.9 million and was PLN 12.8 million lower quarter-on-quarter, mainly due to a change in the provision for prior year claims in 4Q 2014.

The adjusted EBITDA (EBITDA adjusted for one-off expenses (the costs of the Group's privatization and restructuring), costs of severance pay for employees made redundant, a provision for guarantee repairs and damages in the property development business, a refund of the tax on civil law transactions and a change in the provision for prior year claims) remained at a stable level and amounted to PLN 5.9 million.

In the period from 1 January 2015 to 31 March 2015, the number of employees was reduced by 4 to 118 as a result of the reduction in the number of FTEs. The cost of wages and salaries and employee benefits for the 3 months ended 31 March 2015 remained at a stable level quarter-on-quarter.

6.1. Analysis of the consolidated statement of financial position

Investment properties constituted the major component of non-current assets. In the first quarter 2015, their value increased by PLN 31.7 million as a result of:

- ✓ capital expenditure incurred in connection with the construction of commercial development projects: Domaniewska and Retkinia (PLN 41.8 million) and the

preparation of commercial development projects (PLN 0.5 million) and the modernization of properties (PLN 0.4 million);

- ✓ reclassification from investment properties to non-current assets classified as properties held for sale of the

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- Prądyńskiego property (PLN 7.2 million) due to the fact that a buyer was found;
- ✓ impairment (PLN 3.8 million).

The value of tangible fixed assets did not change significantly in the first quarter 2015.

Deferred income tax assets increased by PLN 3.7 million in the 3 months ended 31 March 2015, mainly due to an increase in the asset recognized in respect of the difference between the tax value of the properties and their carrying value.

Current assets decreased by PLN 77.3 million in the first quarter 2015, mainly due to:

- ✓ a decrease in trade receivables and other assets (PLN 37.2 million) mainly due to a decrease in the VAT receivable on intra-group purchases of properties (PLN 57 million), partly compensated by an increase in prepayments of PLN 6.8 million, an increase in other receivables from the state budget of PLN 11 million (including a refund of the tax on civil law transactions of PLN 8.0 million) and an increase in trade receivables of PLN 2.3 million;
- ✓ a decrease in the value of property development inventories due to the conclusion of the final agreements transferring the title to apartments (PLN 5.5 million);
- ✓ a decrease in cash and cash equivalents of PLN 34.8 million.

Equity attributable to the equity holders of the Parent Company in the 3 months ended 31 March 2015 increased by PLN 15.9 million, due to:

- ✓ net profit generated (PLN 12.4 million);
- ✓ change in the ownership structure resulting from issues of shares in exchange for shares acquired in subsidiaries (PLN 3.5 million);

The level of non-current liabilities as at 31 March 2015 increased by PLN 19.3 million compared with the end of 2014, mainly due to an increase in debt resulting from a bank loan of PLN 18.9 million and an increase in the deferred income tax provision of PLN 0.9 million, partly offset by a decrease in other liabilities.

The level of current liabilities decreased by PLN 71.8 million, mainly due to:

- ✓ a decrease in liabilities to the state budget in respect of VAT payable on intra-group purchases of properties (PLN 86.8 million);
- ✓ a decrease in the amount of advance payments associated with residential development business (PLN 1.2 million);
- ✓ a decrease in trade payables of PLN 4.8 million;
- ✓ an increase in capital expenditure commitments of PLN 23.7 million.

6.2. Analysis of the consolidated statement of comprehensive income

	1Q 2015	4Q 2014	1Q 2014
EBITDA on continuing operations			
Sales	37.4	46.3	39.8
Operating expenses	(22.2)	(31.6)	(22.4)
Gross profit/loss on sales	15.2	14.7	17.4
Administrative expenses and cost of sales	(7.5)	(12.2)	(9.0)
<i>including one-off costs (Group privatization and restructuring)</i>	<i>0.1</i>	<i>4.1</i>	<i>0.2</i>
<i>Administrative expenses and costs of sales, excluding one-off costs (Group privatization and restructuring)</i>	<i>(7.4)</i>	<i>(8.1)</i>	<i>(8.8)</i>
Net profit/loss on sales	7.7	2.5	8.4
Change in the fair value of investment properties and gain/loss on disposal	(3.8)	(33.3)	(1.6)
Other revenues	10.2	40.9	1.9
Other costs	(3.2)	(9.7)	(6.1)
Operating profit/(loss)	10.9	0.4	2.6
Change in the fair value of investment properties and gain/loss on disposal	3.8	33.3	1.6
Depreciation and amortization	0.2	0.2	0.4
Gain/loss on disposal of inventories (land)	0.0	(0.3)	0.0
Change in the legal status of properties	0.0	(5.9)	0.0
EBITDA	14.9	27.7	4.6
Provision for guarantee repairs and damages in the development business regarding previous years	(0.2)	0.0	0.0
<i>including one-off costs (Group privatization and restructuring)</i>	<i>0.1</i>	<i>4.1</i>	<i>0.2</i>
Cost of severance pay for employees made redundant	0.2	0.0	0.0
Refund of tax on civil law transactions	(8.0)	0.0	0.0
Change in provisions for claims relating to prior years	(1.1)	(26.0)	0.6
Adjusted EBITDA	5.9	5.8	5.4

An analysis of the consolidated statement of comprehensive income by segments is presented below

	1Q 2015	4Q 2014	1Q 2014
Profit/loss on lease			
Sales	30.3	30.1	31.1
Operating expenses	(16.6)	(17.5)	(15.5)
Gross profit/loss on sales	13.7	12.6	15.6
Administrative expenses and cost of sales	(5.8)	(10.0)	(5.9)
<i>including one-off costs (Group privatization and restructuring)</i>	0.1	4.1	
<i>Administrative expenses and costs of sales, excluding one-off costs (Group privatization and restructuring)</i>	(5.7)	(5.9)	(5.9)
Net profit/loss on sales	7.9	2.6	9.7
Change in the fair value of investment properties and gain/loss on disposal	(3.8)	(33.3)	(1.6)
Other revenues	10.1	40.9	1.9
Other costs	(3.2)	(9.7)	(6.0)
Operating profit/(loss)	11.0	0.5	4.0
Change in the fair value of investment properties and gain/loss on disposal	3.8	33.3	1.6
Depreciation and amortization	0.2	0.1	0.4
Change in the legal status of properties	0.0	(5.9)	0.0
EBITDA	15.0	28.0	6.0
One-off costs (Group privatization and restructuring)	0.1	4.1	0.0
Cost of severance pay for employees made redundant	0.2	0.0	0.0
Refund of tax on civil law transactions	(8.0)	0.0	0.0
Change in provisions for claims relating to prior years	(1.1)	(26.0)	0.6
Adjusted EBITDA	6.2	6.1	6.6

Regardless of the increased competition on the commercial real estate market which translates into lower rents and an increase in vacancy rates, the Group's revenues in the lease segment remained at a stable level in 1Q 2015. Net profit on sales in 1Q 2015 was PLN 5.3 million higher quarter-on-quarter, mainly due to lower one-off costs. EBITDA (operating profit or loss adjusted for the change in the fair value of investment properties, gain/loss on their disposal, depreciation and amortization, impairment write-downs for properties included in tangible fixed

assets and the effect of changes in the legal status of properties) was PLN 13 million lower quarter-on-quarter and PLN 9 million higher year-on-year. The adjusted EBITDA (EBITDA adjusted for one-off expenses, costs of severance pay for employees made redundant, a refund of the tax on civil law transactions and a change in the provision for claims relating to prior years) amounted to PLN 6.2 million and remained at a similar level compared with the previous quarter.

	1Q 2015	4Q 2014	1Q 2014
Profit/loss on development business			
Sales	7.1	16.2	8.7
Operating expenses	(5.5)	(14.0)	(6.8)
Gross profit/loss on sales	1.6	2.2	1.9
Administrative expenses and cost of sales	(0.8)	(0.8)	(0.9)
Net profit/loss on sales	0.8	1.4	1.0
Other revenues	0.1	0.0	0.0
Other costs	0.0	0.0	(0.1)
Operating profit/(loss)	0.9	1.4	0.9
Gain/loss on disposal of inventories (land)	0.0	(0.3)	0.0
EBITDA	0.9	1.1	0.9
Provision for guarantee repairs and damages in the development business	(0.2)	0.0	0.0
Adjusted EBITDA	0.7	1.1	0.9

Gross profit from sales in the development business segment in 1Q 2015 amounted to PLN 1.6 million and was PLN 0.6 million lower than in the previous quarter. Lower revenues in 1Q 2015 compared with 4Q 2014 are due to the sale of an undeveloped plot of land in the previous quarter (PLN 6.2 million) and a lower number of final agreements for the sale of apartments. In 1Q 2015, final sale agreements were concluded in respect of 23 units (4Q 2014: 29 units, 1Q 2014: 28 units) The adjusted EBITDA in this segment was lower than in 4Q 2014 and amounted to PLN 0.7 million. As at 31 March 2015, the Group

had 106 completed units, including 21 units for which sale agreements were signed. As at 31 March 2015, the Group did not have any units under construction.

In the first quarter 2015, the Company signed 21 preliminary sale agreements (4Q 2014: 18, 1Q 2014: 25).

	1Q 2015	4Q 2014	1Q 2014
Profit/loss on other business activities			
Sales	0.0	0.0	0.0
Operating expenses	(0.1)	(0.1)	(0.1)
Gross profit/loss on sales	(0.1)	(0.1)	(0.1)
Net profit/loss on sales	(0.1)	(0.1)	(0.1)
Operating profit/(loss)	(0.1)	(0.1)	(0.1)
EBITDA	(0.1)	(0.1)	(0.1)
Adjusted EBITDA	(0.1)	(0.1)	(0.1)

Other business activities comprise revenues and costs of the hotel business and logistics services.

	1Q 2015	4Q 2014	1Q 2014
Unallocated items of the consolidated statement of comprehensive income			
Administrative expenses and cost of sales	(0.9)	(1.4)	(2.2)
Net profit/loss on sales	(0.9)	(1.4)	(2.2)
Operating profit/(loss)	(0.9)	(1.4)	(2.2)
Depreciation and amortization	0.0	0.1	0.0
EBITDA	(0.9)	(1.3)	(2.2)
One-off costs (Group privatization and restructuring)	0.0	0.0	0.2
Adjusted EBITDA	(0.9)	(1.3)	(2.0)

In addition to the operating segment results discussed above, the Group's operating profit for the period analysed was affected by the Parent Company's administrative expenses. From the

business perspective, such costs are not allocated to operating segments.

6.3. Analysis of the consolidated cash flow statement

In 1Q 2015, the Group generated negative cash flows from operating activities of PLN 35.2 million, mainly resulting from:

- ✓ generating positive adjusted EBITDA of PLN 6.3 million, including PLN 0.4 million on discontinued operations;
- ✓ one-off costs of PLN 0.1 million incurred in relation to privatization and restructuring processes;
- ✓ payment of severance pay of PLN 0.2 million to employees made redundant as part of the employment restructuring process;
- ✓ upfront payment of fees for the right to perpetual usufruct of land for the second, third and fourth quarters of 2015;
- ✓ payment of PLN 34.7 million of VAT on the sale of properties between subsidiaries, refunded after the balance sheet date;
- ✓ payment of PLN 2.1 million of current income tax;
- ✓ generating positive cash flows on the development business of PLN 3.4 million resulting from a decrease in the balance of liabilities, inventories and receivables;

- ✓ an increase in other working capital of PLN 0.1 million.

Negative cash flows from investing activities in 2015 of PLN 19.9 million resulted mainly from expenditure incurred on investment properties (PLN 19.3 million) and the acquisition of shares in a jointly controlled entity Apartamenty Molo Rybackie Sp. z o.o. (PLN 1 million), partly offset by interest income on bank deposits of PLN 0.1 million and proceeds from the disposal of investment properties of PLN 0.3 million.

In Q1 2015, the Group generated positive cash flows from financing activities of PLN 20.3 million, resulting from a loan obtained of PLN 23.8 million, partly offset by the repayment of a loan of PLN 3.4 million and expenditure incurred on servicing financial liabilities relating to the car fleet lease of PLN 0.1 million.

7. EPRA performance measures

EPRA (European Public Real Estate Association www.epra.com) represents the common position of majority of European companies quoted on financial markets that specialize in property management, and in particular supports development of those companies that have commercial properties in their portfolio. EPRA created a committee,

EPRA earnings

According to EPRA, the ratio represents information, relevant from the point of view of the shareholders, about operating

consisting of CFOs, main investors and advisors of associated companies, which analyses reporting issues affecting property market and takes actions to provide uniform reporting standards in cooperation with IASB and FASB. Below, the Group presented selected ratios developed by EPRA.

activity generated by the properties portfolio held by the company.

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	3 months ended	
	31 March 2015	31 March 2014
Net earnings of the lease segment*	13.1	4.2
Adjustments	3.1	1.3
<i>Change in the fair value of investment properties and gain/loss on disposal</i>	3.8	1.6
<i>Deferred tax associated with the above adjustments</i>	(0.7)	(0.3)
Wynik netto segmentu najem według EPRA	16.2	5.5
Adjustments	(9.4)	(0.3)
<i>One-off costs (Group privatization and restructuring)</i>	(0.1)	0.0
<i>Severance pay for employees made redundant</i>	0.2	0.0
<i>Change in provisions for claims relating to previous years</i>	(1.1)	0.6
<i>Refund of tax on civil law transactions</i>	(0.1)	(1.0)
<i>Interest on tax on civil law transactions paid</i>	(8.0)	0.0
<i>Interest on free cash and cash equivalents</i>	(0.6)	0.0
<i>Current and deferred tax associated with the above adjustments</i>	0.3	0.1
Adjusted net earnings of the lease segment according to EPRA	6.8	5.2

* Profit/loss on operating activities of the lease segment in Q1 2015: PLN 11.0 million, Q1 2014: PLN 4.0 million; after taking into account earnings of the lease segment from financing activities in Q1 2015: PLN 0.7 million,

Q1 2014: PLN 0.7 million; income tax in Q1 2015: PLN 1.2 million, Q1 2014: PLN (0.7) million and share in profits of associated and jointly controlled entities in Q1 2015: PLN 0.2 million, Q1 2014: PLN 0.2 million.

EPRA NIY

EPRA NIY (net initial yield) is calculated as the ratio of lease revenues less non-recoverable operating costs of properties as

at the balance sheet date (in annual terms) to the market value of property.

EPRA NIY

	2015*	2014
Investment properties as per the statement of financial position	1 955.8	1 924.1
Land and commercial development projects in progress	(556.6)	(514.9)
Investment properties generating lease revenues	1 399.2	1 409.2
Lease earnings as per the statement of comprehensive income	55.0	55.5
Adjustments	2.0	3.0
<i>Earnings generated by land and commercial development projects in progress</i>	(0.2)	0.1
<i>Earnings generated by properties with unclear legal status</i>	(0.8)	(0.3)
<i>Earnings generated by properties classified as held for sale and sold properties</i>	0.2	0.5
<i>Fit out exclusion</i>	2.8	2.7
EPRA earnings from lease activities	57.0	58.5
Estimated transaction costs (3%)	42.0	42.3
EPRA NIY	4.0%	4.0%

* Income statement items annualized based on data for Q1 2015 multiplied by four.

EPRA NAV and EPRA NNAV

EPRA NAV (net asset value) presents fair value of net assets in a long-term perspective. EPRA NNAV adjusts ERPA NAV for

those items of assets and liabilities which in ERPA NAV are not measured at the fair value.

	31 March 2015	31 December 2014
Net assets attributable to equity holders of the parent company	1 962.9	1 947.1
<i>Long-term deferred income tax provision</i>	48.9	48.7
EPRA NAV	2 011.8	1 995.8
Difference between the book value and the fair value of net assets	9.6	10.7
EPRA NNAV	2 021.4	2 006.5

8. Operating and investment activities

In accordance with the adopted strategy, the PHN S.A. Group's core activities consist of optimizing the structure of its property portfolio. As part of these activities, the effectiveness of the Group's property portfolio will increase, asset management will improve while maintaining a conservative financing strategy. The Group carries out development projects in order to obtain assets of an adequately high class which will ensure a stable source of income in the long-term perspective. In accordance with its strategy, the Group also carries out development projects in the residential sector with a view to selling them.

A description of the main commercial and residential projects carried out by the Group in the first quarter of 2015 is provided below:

Projects currently carried out

The Domaniewska Project, Warsaw - the Group is continuing construction works associated with the erection of a two-segment, 7-floor office building of an "A" class standard – DOMANIEWSKA OFFICE HUB, with an estimated gross leasable area (GLA) of approx. 27,100 m². The construction of the A and B buildings has now been completed, work on the façade has been completed and installation and finishing works are in progress; utilities have been connected, with the exception of electric power connections; the interior decoration of the area for the key tenant, Poczta Polska, has started. The project is planned to be completed in the third quarter of 2015, maintaining the contractual deadline for obtaining the occupancy permit at the end of the second/beginning of the third quarter. The commercialization of the facility is in the final stage.

Wrocław Industrial Park, Wrocław - as part of carrying out the Wrocław Industrial Park project (a joint venture with SEGRO), the first stage of the project of approx. 19,500 m² has been completed, with lease agreements for approx. 16,000 m² already signed. Preparatory work to launch the second stage of the project, covering approx. 19,000 m², is currently underway.

Retkinia Project, Łódź - construction work on the grocery store is in progress and the construction is planned to be completed in the second quarter of 2015. The Group is in the process of selecting a designer to prepare a conceptual Optimum Land Development Study for the entire Retkinia and Brus areas.

Parzniew Logistics Center, Parzniew - in January 2015, PHN S.A. signed a joint venture (JV) agreement for the staged construction of a warehousing complex situated in Parzniew, the "Parzniew Logistics Center". The Parzniew Logistic Center project is being carried out jointly with partners who are leaders on the international logistics market: Menard Doswell & Co. and

Hillwood Europe. Pre-development works started in February 2015.

The Molo Rybackie Project, Gdynia - as part of the performance of an agreement with mLocum S.A., design works are being conducted for a project consisting of the construction of 6 residential buildings (approx. 10,000 m² of residential usable area) on a property owned by the Group. At the same time, negotiations with partners to jointly carry out the next stages of the Molo Rybackie Project are being conducted.

The Stawki 2 Project, Warsaw - INTRACO CITY - a two-phased project is planned on a developed plot at Stawki. As part of Phase I, the construction of an "A" class office building is planned on the existing parking lot in front of the Intraco office building. In Phase II, the demolition of the existing Intraco building and the construction of a new high-rise office building is being contemplated. Project work is currently in progress include developing a comprehensive multi-sectoral design of the planned project, including the completion of analyses, expert opinions and the permits necessary to obtain planning permission, select a general contractor and proceed with the construction.

The Lewandów Project, a shopping and service centre, Warsaw – as part of the project, the construction of shopping and service facilities on part of the plots of land comprising 25.4 ha with a maximum total GLA of approx. 60,000 m² is planned. The project will be divided into several stages. The Group has already obtained planning permission for the construction of a grocery shop, and has initiated procedures to obtain planning permission for the traffic solutions involving an entrance to and exit from the facility from the Trasa Toruńska freeway. Currently, negotiations with the potential partners on the commercial use of the property are at an advanced stage. At the same time, the Group is negotiating the sale or lease of the remaining parts of the property to network operators from the grocery and industrial sectors.

Projects in preparation:

The Świętokrzyska Project, Warsaw – City Tower - in place of the existing developed property at Świętokrzyska 36, on a piece of land with a surface area of approx. 0.6 ha, the construction of a modern high-rise class "A" office building is planned. A metro station situated next to the property will make it possible to design a direct connection between the building and the station. The Group continued preparations for carrying out the project, including, in particular, conducting studies associated with the investment programme relating to the function, the logistics of the construction process and availability of investment areas in the block of streets between Świętokrzyska, Twarda, Jana Pawła II and Mariańska streets.

The Bartycka Project, Warsaw - the Group plans to build a residential complex with service facilities on a property with an area of 7.6 ha. In the first quarter of 2015, an Optimum Land Development Study was prepared. Negotiations are being conducted with potential tenants regarding the commercialization of the commercial part of the project. In addition, analyses and activities are being conducted to ensure the best possible solutions for connecting the area to utilities and public roads.

The Wilanowska Project, Warsaw - a phased construction of two 6-floor commercial facilities with a total gross leasable area (GLA) of approx. 30,000 m² is planned on a property with a surface area of approx. 1.29 ha situated at Aleja Wilanowska 372. Currently, design work has started aimed at obtaining planning permission for the planned facility.

The Prymasa Tysiąclecia Project, Warsaw - involves the construction of an attractive housing development – both in terms of location and concept – supplemented by an office building. The project assumes the creation of user-friendly, low-density urban space with access to a kindergarten and various service outlets located within the residential complex. Analyses show that 476 modern apartments may be built with usable area of 25.1 thousand m². Most of the apartments are to have views on both sides of the building, balconies and small gardens. The office building will have a GLA of 10.7 thousand m².

The Wilanów Project, Warsaw - the project involves the construction of residential buildings within the area of a residential complex. Work on the Optimum Land Development Study has begun to facilitate a selection of two possible variants to carry out said work: the replacement of the existing development with new buildings or supplementing the existing buildings with new ones, with the possibility of demolishing the existing buildings.

The Jana Pawła II 34 Project, Warsaw – in the first quarter of 2015, a competition for the architectural and urban planning

concept of a residential building with service outlets on the ground floor was announced.

Logistic projects– The Group plans to find a joint venture partner to carry out development projects on selected plots of land, i.e. in Bydgoszcz, Firoga (Gdańsk), Lučmierz, Łódź (Retkinia), Szczecin, Wrocław, and Zgorzelec. In the first quarter of 2015, an advisor was selected to assist in the process of finding a joint venture partner for the warehousing projects to be executed on the said 7 plots of land.

Other information

In May 2015, an A class office building, Foksal City (approx. 3 thousand GLA) was fully commercialized. In III quarter 2015 the Ministry of Foreign affairs will move to the building.

On 12 May 2015, Polski Holding Nieruchomości S.A. concluded an agreement with the Polish Association of Architects (*Stowarzyszenie Architektów Polskich SARP*) for a partnership. Under the agreement, PHN S.A. will support the activities of SARP and contribute to promoting ambitious architectural initiatives in Warsaw and countrywide. The cooperation with SARP is consistent with the Company's strategy and the characteristics of PHN's development projects which strive to create original and timeless architecture and a high standard for the solutions adopted.

PHN started another phase of a purchase of an "A" class office building with the surface of approx. 15 thousand m² situated in a prestigious location in the centre of one of the largest regional cities. Following the completion of a due diligence process, documentation of the transaction is currently being prepared and financing from a bank is being arranged. The closing of the purchase of shares in a company which owns the property being purchased is planned for the end of June 2015.

PHN plans to obtain external financing in the form of a debt securities issue. As part of the preparations for the offering, a consortium of banks was selected to act as organizers of the debt securities issue program. The first issue of bonds is planned to take place this year

9. Information on related parties

9.1. Material transactions concluded by the Parent Company or its subsidiaries with related entities other than on an arm's length basis

In the first quarter of 2015 and the first quarter of 2014, the Group did not conclude material transactions other than on an arm's length basis with related entities.

9.2. Transactions with members of the Management and Supervisory Boards, their spouses, siblings, ascendants, descendants or other relatives

In the first quarter of 2015 and the first quarter of 2014, the Group companies did not grant any advances, loans, guarantees or sureties nor did it conclude any other agreements imposing performance obligations on Polski

Holding Nieruchomości S.A. and its related entities towards members of the managing and supervisory bodies or their relatives.

As at 31 March 2015 and as at 31 December 2014, there were no loans granted by the Group companies to members of the management and supervisory bodies or their relatives.

In the first quarter of 2015, the Group did not enter into material transactions with members of the management and supervisory bodies or their relatives.

10. Information on material proceedings before courts, arbitration court or administrative body

As at 31 March 2015 and as at the date of this Report, there were no proceedings in progress before any court, arbitration court or administrative body against the Group companies with

an individual or cumulative value comprising at least 10% of the Parent Company's equity.

11. Other information

11.1. Dividends

On 13 May 2015, in Current Report No. 15/2015, the Management Board presented its recommendation of the appropriation of PHN S.A.'s net profit for the year ended 31 December 2014 amounting to PLN 120,813,141.13, as follows:

- ✓ PLN 60,664,307.60 to be paid as dividend to shareholders at PLN 1.30 per share.
- ✓ PLN 60,148,833.53 to be transferred to supplementary capital.

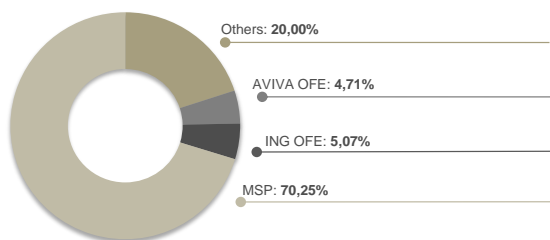
Moreover, the Company's Management Board has proposed to set the dividend record date on 19 August 2015 and the dividend payment date on 26 August 2015.

The final decision on the appropriation of the net profit for the year ended 31 December 2014 will be made by the General Shareholders' Meeting of PHN S.A. which had not yet been convened at the date of this Report.

11.2. Shareholders holding directly or indirectly through subsidiaries at least 5% of the voting rights at the General Shareholders' Meeting

Shareholding structure

As at this and previous Report's publication date



Information on the diagram is provided based on notifications received by Polski Holding Nieruchomości S.A. from shareholders pursuant to Art. 69 clause 1 of the Act of 29 July 2005 on the public offering and the conditions for introducing financial instruments to an organized system of trading and on public companies (Journal of Laws of 2009, No. 185, item 1439, as amended), and take into account 3,098,014 C series shares admitted to trading in connection with the exchange of employee shares. The shareholding structure has not changed since the date of the publication of the previous interim report.

11.3. Shares in the Parent Company held by members of the management and supervisory bodies

Name and surname	Shares in the parent company		Shares in subsidiaries	
	Number of shares	Par value of shares held (PLN)	Number of shares	Par value of shares held (PLN)
Rafał Krzemień	3 470	3 470	0	0
Total	3 470	3 470	0	0

The number of shares held by members of the managing and supervisory bodies is provided based on notifications received by 7 May 2015. Between 12 March 2015 and 7 May 2015, the number of shares in Polski Holding Nieruchomości S.A. and

the number of shares in subsidiaries held by members of the managing and supervisory bodies did not change

11.4. Information on credit and other guarantees granted by the Company or subsidiaries, jointly to one entity or to its subsidiary, if the total value of the existing guarantees represents the equivalent of at least 10% of the Company's equity.

In the first quarter of 2015, Polski Holding Nieruchomości S.A. and its subsidiaries did not grant any credit guarantees

or other guarantees to another entity or subsidiary where the value of guarantee is equivalent to at least 10% of the Parent Company's equity.

11.5. The Management Board's position concerning the realization of previously published forecasts of the results for the current year

The Group did not publish any forecasts of its results.

11.6. Factors affecting financial and operating results of the Group

The following factors have affected and will affect the financial and operating results of the Group:

- ✓ the economic situation in Poland,
- ✓ the real estate market in Poland,
- ✓ the regulatory environment,
- ✓ factors affecting lease revenues,
- ✓ factors affecting revenues from residential development business,
- ✓ some types of activity of legal predecessors,
- ✓ property valuation,
- ✓ changes in the composition of the Group's properties portfolio,
- ✓ legal status of the Group's properties,
- ✓ costs of real estate maintenance and capital expenditures on modernization,
- ✓ restructuring of the Group,
- ✓ capital expenditure on execution of investment programmes and residential development projects,
- ✓ corporate income tax,
- ✓ change in the Group structure,
- ✓ employment costs and costs of third party services, and
- ✓ compensation for expropriated properties.

**QUARTERLY FINANCIAL INFORMATION
OF POLSKI HOLDING NIERUCHOMOŚCI
SPÓŁKA AKCYJNA**

FOR THE 3-MONTH PERIOD ENDED 31 MARCH 2015



**POLSKI HOLDING
NIERUCHOMOŚCI S.A.**

C. Quarterly financial information

Separate statement of financial position as at 31 March 2015

	31 March 2015	31 December 2014
ASSETS		
Non-current assets		
Property, plant and equipment	0.5	0.0
Deferred tax asset	0.5	0.6
Shares in subsidiaries	1 661.3	1 645.8
Other long-term financial assets	264.8	260.0
Total non-current assets	1 927.1	1 906.4
Current assets		
Trade receivables and other assets	3.9	128.3
Cash and cash equivalents	5.2	0.2
Total current assets	9.1	128.5
Total assets	1 936.2	2 034.9
Current liabilities		
Trade and other payables	(3.8)	(1.4)
Current debt	0.0	(119.1)
Total current liabilities	(3.8)	(120.5)
Non-current liabilities		
Deferred tax liability	(0.5)	0.0
Non-current provisions	(0.3)	(0.3)
Total non-current liabilities	(0.8)	(0.3)
Total liabilities	(4.6)	(120.8)
Net assets	1 931.6	1 914.1
Equity		
Share capital	46.5	46.5
Share premium	1 746.3	1 746.3
Other reserves	0.5	0.5
Retained earnings	136.3	120.8
Other capital and reserves	2.0	0.0
Total equity	1 931.6	1 914.1

**Separate statement of comprehensive income
for the 3-month period ended 31 March 2015**

	3 months ended	
	31 March 2015	31 March 2014
Revenue from core operating activities	6.1	1.3
Cost of core operating activities	(4.8)	(0.7)
Change in the value of shares in subsidiaries	13.5	2.5
Profit /(loss) on core operating activities	14.8	3.1
Administrative and selling expenses	(0.9)	(1.5)
Operating profit/(loss)	13.9	1.6
Finance income	2.5	0.0
Finance costs	(0.3)	(0.1)
Net loss from financing activities	2.2	(0.1)
Profit / (loss) before tax	16.1	1.5
Income tax expense	(0.6)	0.1
Net profit/(loss)	15.5	1.6
Other comprehensive income		
Total comprehensive income	15.5	1.6
Basic and diluted net profit (loss) per share	PLN 0.33	PLN 0.04

**Separate statement of changes in equity
for the 3-month period ended 31 March 2015**

	Share capital	Share premium	Other reserves	Retained earnings	Other capital	Total equity
As at 1 January 2015	46.5	1 746.3	0.5	120.8		1 914.1
Net profit for the reporting period				15.5		15.5
Total comprehensive income for the period				15.5		15.5
Share issue					2.0	2.0
As at 31 March 2015	46.5	1 746.3	0.5	136.3	2.0	1 931.6
As at 1 January 2014	44.6	1 696.5	1.3	99.0		1 841.4
Net profit for the reporting period				1.6		1.6
Total comprehensive income for the period				1.6		1.6
Share issue	1.2	31.7			10.2	43.1
As at 31 March 2014	45.8	1 728.2	1.3	100.6	10.2	1 886.1

**Separate cash flow statement
 for the 3-month period ended 31 March 2015**

	3 months ended	
	31 March 2015	31 March 2014
Cash flows from operating activities		
Profit before tax	16.1	1.5
Adjustments to cash flows from operating activities	(16.8)	(1.5)
Depreciation and amortization	0.0	(2.5)
Change in the value of shares in subsidiaries	(13.5)	0.0
Interest income from investment activities	(2.5)	0.0
Costs of external financing	0.3	0.1
Changes in working capital	(1.1)	0.9
Net cash from operating activities	(0.7)	0.0
Cash flows from investing activities		
Total inflows	127.4	0.0
Redemption of shares in subsidiaries	127.4	0.0
Total outflows	(2.3)	0.0
Loans	(2.3)	0.0
Net cash from investing activities	125.1	0.0
Cash flows from financing activities		
Total inflows	0.0	0.0
Total outflows	(119.4)	0.0
Loans	(119.4)	0.0
Net cash flows from financing activities	(119.4)	0.0
Net change in cash and cash equivalents	5.0	0.0
Change in cash and cash equivalents in the balance sheet	5.0	0.0
Cash and cash equivalents as at the beginning of the period	0.2	0.2
Cash and cash equivalents as at the end of the period	5.2	0.2

This quarterly report was approved by the Management Board of the Parent Company on 14 May 2015.

Włodzimierz Piotr Stasiak
 Member of the Management
 Board in charge of Finance

Mateusz Matejewski
 Vice-President – Member of the Management
 Board in charge of Property Asset Management

Artur Lebieziński
 President of the Management
 Board