CAPITAL GROUP

POLSKI HOLDING NIERUCHOMOŚCI SPÓŁKA AKCYJNA

Consolidated report for the first half of 2015

Polski Holding
Nieruchomości S.A.

Selected financial data

Selected consolidated financial data	in PLN million		in EUR thousand	
	Period ended 30 June 2015	Period ended 30 June 2014	Period ended 30 June 2015	Period ended 30 June 2014
I. Operating revenues	73.0	78.5	17,658.0	18,988.4
II. Operating profit/(loss)	31.9	3.2	7,716.3	774.0
III. Profit/(loss) before tax on continued operations	30.2	4.0	7,305.1	967.6
IV. Net profit /(loss)	29.2	13.4	7,063.2	3,241.3
V. Cash flow from operating activities	7.4	(42.5)	1,790.0	(10,280.4)
VI. Cash flow cash from investing activities	(68.0)	(6.4)	(16,448.6)	(1,548.1)
VII. Cash flow from financing activities	72.0	(100.1)	17,416.1	(24,213.3)
VIII. Net increase/(decrease) in cash and cash equivalents	11.4	(149.0)	2,757.6	(36,041.7)
	As at 30 June 2015	As at 31 December 2014	As at 30 June 2015	As at 31 December 2014
IX. Assets	2,335.6	2,283.4	556,837.7	544,392.5
X. Non-current liabilities	200.5	98.6	47,801.8	23,507.5
XI. Current liabilities	173.7	184.1	41,412.4	43,891.9
XII. Equity attributable to equity holders of the parent	1,929.1	1,947.1	459,922.8	464,214.2
XIII. Share capital	46.7	46.5	11,125.5	11,081.9
XIV. Number of shares (in pcs)	46,664,852	46,482,044	46,664,852	46,482,044
XV. Net profit (loss) per share attributable to shareholders of the parent (PLN / EUR)	0.62	0.28	0.15	0.07
XVI. Book value per share attributable to shareholders of the parent (PLN / EUR)	41.34	41.89	9.86	9.99

Selected separate financial data	in PLN million		in EUR thousand	
	Period ended 30 June 2015	Period ended 30 June 2014	Period ended 30 June 2015	Period ended 30 June 2014
I. Operating revenues	12.2	2.5	2,951.1	604.7
II. Operating profit/(loss)	23.7	7.9	5,732.8	1,910.9
III. Profit (loss) before tax	29.6	7.1	7,160.0	1,717.4
IV. Net profit /(loss)	28.7	7.2	6,942.3	1,741.6
V. Cash flow from operating activities	0.7	(0.7)	169.3	(169.3)
VI. Cash flow cash from investing activities	178.0	0.0	43,056.5	0.0
VII. Cash flow from financing activities	(119.5)	0.8	(28,905.9)	193.5
VIII. Net increase/(decrease) in cash and cash equivalents	59.2	0.1	14,319.9	24.2
	As at 30 June 2015	As at 31 December 2014	As at 30 June 2015	As at 31 December 2014
IX. Assets	1,954.6	2,034.9	466,002.3	485,146.9
X. Non-current liabilities	1.3	0.3	309.9	71.5
XI. Current liabilities	66.2	120.5	15,782.9	28,728.8
XII. Equity	1,887.1	1,914.1	449,909.4	456,346.6
XIII. Share capital	46.7	46.5	11,125.5	11,081.9
XIV. Number of shares (in pcs)	46,664,852	46,482,044	46,664,852	46,482,044
XV. Profit (loss) per ordinary share (PLN/EUR)	0.62	0.16	0.15	0.04
XVI. Book value per share (PLN/EUR)	40.44	41.18	9.64	9.82

The above financial data for the period ended 30 June 2015 and for the period ended 30 June 2014 was converted into EUR according to the following rules:

- individual items of assets, liabilities and equity – at the average exchange rate of the National Bank of Poland as at 30 June 2015: 4.1944 PLN/EUR
- individual items of the consolidated statement of comprehensive income and the consolidated statement of cash flows – at the exchange rate representing an arithmetic mean of the average exchange rates of the National Bank of Poland as at the last day of each month of the reporting period from 1 January 2015 to 30 June 2015: 4.1341 PLN/EUR.

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

FOR THE 6-MONTH AND 3-MONTH PERIOD ENDED 30 JUNE 2015

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

POLSKI HOLDING
NIERUCHOMOŚCI S.A.

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

A. Interim condensed consolidated financial statements

Interim condensed consolidated statement of financial position as at 30 June 2015

	Note	30 June 2015 unaudited	31 December 2014 audited
Non-current assets			
Investment properties	7	2,003.9	1,924.1
Property, plant and equipment	8	48.2	22.5
Intangible assets	9	0.1	0.1
Investment in associates and joint-ventures	10	19.5	18.6
Deferred tax asset		16.4	12.5
Long-term financial assets		1.7	0.0
Other non-current assets		1.2	1.1
Total non-current assets		**2,091.0**	**1,978.9**
Current assets			
Inventories related to development activity	11	27.2	35.8
Trade receivables and other assets	12	50.0	119.1
Income tax receivable	12	1.7	1.2
Cash and cash equivalents	14	148.0	136.4
Total current assets		**226.9**	**292.5**
Assets classified as held for sale		17.7	12.0
Total assets		**2,335.6**	**2,283.4**
Current liabilities			
Trade and other payables	13	(112.2)	(135.1)
Short-term debt	13	(10.8)	(0.3)
Retentions for construction contracts	13	(3.3)	(2.7)
Income tax liabilities	13	(0.4)	(0.3)
Short-term provisions	17	(47.0)	(45.7)
Total current liabilities		**(173.7)**	**(184.1)**
Non-current liabilities			
Long-term debt	13	(115.7)	(15.0)
Deferred tax liability		(57.8)	(55.2)
Non-current provisions	17	(26.1)	(26.1)
Other long-term liabilities	13	(0.9)	(2.3)
Total non-current liabilities		**(200.5)**	**(98.6)**
Total liabilities		**(374.2)**	**(282.7)**
Net assets		**1,961.4**	**2,000.7**
Equity			
Share capital	15	46.7	46.5
Supplementary capital	16	1,810.8	1,746.3
Revaluation reserve	16	3.2	3.2
Retained earnings	16	68.0	151.1
Other reserves	16	0.4	0.0
Equity attributable to equity holders of the parent		**1,929.1**	**1,947.1**
Non-controlling interests		32.3	53.6
Total equity		**1,961.4**	**2,000.7**

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

Interim condensed consolidated statement of comprehensive income for the 6-month and 3-month period ended 30 June 2015

	Note	6 months ended 30 June 2015 unaudited	6 months ended 30 June 2014 unaudited	3 months ended 30 June 2015 unaudited	3 months ended 30 June 2014 unaudited
Operating activities					
Lease revenue		60.4	61.1	30.1	30.0
Cost of property maintenance		(32.4)	(31.8)	(15.8)	(16.3)
Lease result		**28.0**	**29.3**	**14.3**	**13.7**
Revenue from development activity		11.0	17.3	3.9	8.6
Costs of development activity		(8.2)	(13.6)	(2.7)	(6.8)
Result on development activity		**2.8**	**3.7**	**1.2**	**1.8**
Revenue from other activities	18	1.6	0.1	1.6	0.1
Costs of other activities	19	(1.3)	(0.3)	(1.2)	(0.2)
Result on other activities		**0.3**	**(0.2)**	**0.4**	**(0.1)**
Administrative and selling expenses		(16.8)	(18.1)	(9.3)	(9.1)
Change in the fair value of investment properties		(10.4)	(6.1)	(6.6)	(4.5)
Gain on disposal of investment properties		0.1	0.1	0.1	0.1
Other revenue	18	34.0	3.2	23.8	1.3
Other costs	19	(6.1)	(8.7)	(2.9)	(2.6)
Operating profit		**31.9**	**3.2**	**21.0**	**0.6**
Finance income	21	1.7	2.1	1.0	1.1
Finance costs	21	(3.8)	(1.7)	(3.8)	(1.4)
Net finance income/(expense)		**(2.1)**	**0.4**	**(2.8)**	**(0.3)**
Interest in results of associates and joint ventures		0.4	0.4	0.2	0.2
Profit before tax on continued operations		**30.2**	**4.0**	**18.4**	**0.5**
Income tax expense	22	(1.3)	9.5	(1.8)	10.2
Net profit on continued operations		**28.9**	**13.5**	**16.6**	**10.7**
Net profit/(loss) on discontinued operations		0.3	(0.1)	(0.1)	0.0
Net profit		**29.2**	**13.4**	**16.5**	**10.7**
Other comprehensive income		**0.0**	**0.0**	**0.0**	**0.0**
Total comprehensive income		**29.2**	**13.4**	**16.5**	**10.7**
Net profit attributable to					
Equity holders of the parent		28.7	12.7	16.3	10.2
Non-controlling interests	23	0.5	0.7	0.2	0.5
Total comprehensive income attributable to					
Equity holders of the parent		28.7	12.7	16.3	10.2
Non-controlling interests	23	0.5	0.7	0.2	0.5
Basic and diluted net earnings per share attributable to the shareholders of the parent	24	PLN 0.62	PLN 0.28	PLN 0.35	PLN 0.22
Basic and diluted net earnings per share from continuing operations attributable to the shareholders of the parent	24	PLN 0.61	PLN 0.28	PLN 0.35	PLN 0.22

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

Interim condensed consolidated statement of changes in equity; for the 6-month and 3-month period ended 30 June 2015

		Equity attributable to equity holders of the parent							
	Note	**Share capital**	**Supplementary capital**	**Revaluation reserve**	**Retained earnings**	**Other reserves**	**Equity attributable to equity holders of the parent**	**Non-controlling interests**	**Total equity**
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					28.7		**28.7**	0.5	**29.2**
Total comprehensive income for the period					28.7		**28.7**	0.5	**29.2**
Payment of dividend					(60.7)		**(60.7)**		**(60.7)**
Share issue	15	0.2	4.4			0.4	**5.0**		**5.0**
Changes in the structure of non-controlling interest	16				9.0		**9.0**	(21.8)	**(12.8)**
Transfers between equity components	16		60.1		(60.1)		**0.0**		**0.0**
As at 30 June 2015		**46.7**	**1,810.8**	**3.2**	**68.0**	**0.4**	**1,929.1**	**32.3**	**1,961.4**
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 reporting period					12.7		**12.7**	0.7	**13.4**
Total comprehensive income for the period					12.7		**12.7**	0.7	**13.4**
Payment of dividend					(99.8)		**(99.8)**		**(99.8)**
Share issue		1.6	43.5			2.8	**47.9**		**47.9**
Changes in the structure of non-controlling interest					25.8		**25.8**	(73.7)	**(47.9)**
As at 30 June 2014		**46.2**	**1,740.0**	**3.2**	**56.1**	**2.8**	**1,848.3**	**58.0**	**1,906.3**

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

Interim condensed consolidated statement of cash flows for the 6-month and 3-month period ended 30 June 2015

	Note	6 months ended 30 June 2015 unaudited	6 months ended 30 June 2014 unaudited	3 months ended 30 June 2015 unaudited	3 months ended 30 June 2014 unaudited
Cash flows from operating activities					
Profit / (loss) before tax		**30.5**	**3.9**	**18.3**	**0.4**
Adjustments to cash flows from operating activities		**(23.1)**	**(46.4)**	**24.3**	**(26.8)**
Depreciation and amortization		0.6	0.8	0.4	0.4
Change in the fair value of investment properties and result on their disposal		10.3	6.0	6.5	4.4
Change in other assets and result on their disposal		(20.0)	0.0	(20.0)	0.0
Interest in results of associates and joint-ventures		(0.4)	(0.4)	(0.2)	(0.2)
Net foreign exchange differences		(0.2)	0.0	(0.2)	0.0
Interest income from investing activities		(0.6)	(2.0)	(0.5)	(1.0)
Change in working capital	14	(10.0)	(46.7)	39.0	(28.6)
Income tax paid		(2.8)	(4.1)	(0.7)	(1.8)
Net cash from operating activities		**7.4**	**(42.5)**	**42.6**	**(26.4)**
Cash flows from investing activities					
Total inflows		**6.9**	**19.5**	**6.5**	**17.4**
Proceeds from sale of investment properties		6.3	16.8	6.0	15.7
Sale of property, plant and equipment and intangible assets		0.0	0.1	0.0	0.1
Interest received from investing activity		0.6	2.0	0.5	1.0
Dividends		0.0	0.6	0.0	0.6
Total outflows		**(74.9)**	**(25.9)**	**(54.6)**	**(16.7)**
Expenditure on investment properties		(72.2)	(25.9)	(52.9)	(16.7)
Acquisition of shares in jointly controlled entities		(1.0)	0.0	0.0	0.0
Loans and borrowings		(1.7)	0.0	(1.7)	0.0
Net cash from investing activities		**(68.0)**	**(6.4)**	**(48.1)**	**0.7**
Cash flows from financing activities					
Total inflows		**84.6**	**0.0**	**60.8**	**0.0**
Loans and borrowings		84.6	0.0	60.8	0.0
Total outflows		**(12.6)**	**(100.1)**	**(9.1)**	**(100.0)**
Loans and borrowings		(6.9)	0.0	(3.5)	0.0
Repayment of finance lease liabilities		(0.2)	(0.3)	(0.1)	(0.2)
Dividends		0.0	(99.8)	0.0	(99.8)
Repurchase of shares		(5.5)	0.0	(5.5)	0.0
Net cash flows from financing activities		**72.0**	**(100.1)**	**51.7**	**(100.0)**
Net change in cash and cash equivalents		**11.4**	**(149.0)**	**46.2**	**(125.7)**
Change in cash and cash equivalents in the balance sheet		**11.6**	**(149.0)**	**46.4**	**(125.7)**
Foreign exchange differences		0.2	0.0	0.2	0.0
Cash and cash equivalents as at the beginning of the period		**136.4**	**217.8**	**101.6**	**194.5**
Cash and cash equivalents as at the end of the period		**148.0**	**68.8**	**148.0**	**68.8**

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 jointly controlled entities 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 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 30 June 2015 and 31 December 2014, the results of its operations and cash flows for the 6-month and 3-month period ended 30 June 2015 and 30 June 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 in the Group, and give a true, fair and clear view of the Group's financial position and the results of its operations.

Statement of the Management Board on the entity authorized to review the interim condensed consolidated financial statements

The Management Board of Polski Holding Nieruchomości S.A. declares that the entity authorized to review the interim condensed consolidated financial statements, PricewaterhouseCoopers Sp. z o.o. was selected in accordance with the law.

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 any 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.

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

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 has been divided into the following operating segments:

- ✓ lease of office, retail, warehouse and logistic space, residential and other properties;
- ✓ development activity – 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 include, in particular, revenue from and costs of hotel and port operation activities.

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 above listed segments. 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 6-month period ended 30 June 2015 (unaudited)

	Leases	Development activity	Discontinued operations	Other activities	Unallocated	TOTAL
Sales revenue	60.4	11.0		1.6		**73.0**
Operating expenses	(32.4)	(8.2)		(1.3)		**(41.9)**
Gross profit	**28.0**	**2.8**		**0.3**		**31.1**
Administrative expenses	(13.1)	(1.3)	(0.1)		(2.4)	**(16.9)**
Change in the fair value of investment properties	(10.4)					**(10.4)**
Gain on disposal of investment properties	0.1					**0.1**
Other revenue	33.8	0.2	0.4		0.0	**34.4**
Other costs	(6.0)	(0.0)			(0.1)	**(6.1)**
Operating profit/(loss)	**32.4**	**1.7**	**0.3**	**0.3**	**(2.5)**	**32.2**
Finance income					1.7	**1.7**
Finance costs					(3.8)	**(3.8)**
Interest in results of associates and joint ventures					0.4	**0.4**
Income tax expense					(1.3)	**(1.3)**
Segment profit/(loss)	**32.4**	**1.7**	**0.3**	**0.3**	**(5.5)**	**29.2**
Segment assets	2,201.9	39.3	0.1	30.2	64.1	**2,335.6**
Segment liabilities	279.4	28.3	0.1	0.5	65.9	**374.2**
Capital expenditure	80.4					**80.4**
Depreciation and amortization	0.6					**0.6**

Other revenue includes mainly: in the lease segment – a reassessment of the legal status of properties of PLN 20.0 million, 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 2.4 million; a reversal of write-downs of receivables of PLN 2.7 million.

Other costs include mainly: in the lease segment – write-downs of receivables of PLN 5.4 million; costs relating to changes 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.

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

Segmental analysis as at and for the 6-month period ended 30 June 2014 (unaudited) and as at 31 December 2014 (audited)

	Leases	Development activity	Discontinued operations	Other activities	Unallocated	TOTAL
Sales revenue	61.1	17.3		0.1		**78.5**
Operating expenses	(31.8)	(13.6)		(0.3)		**(45.7)**
Gross profit	**29.3**	**3.7**		**(0.2)**		**32.8**
Administrative expenses	(12.4)	(1.8)	(0.1)		(3.9)	**(18.2)**
Change in the fair value of investment properties	(6.1)					**(6.1)**
Gain on disposal of investment properties	0.1					**0.1**
Other income	3.1	0.1				**3.2**
Other costs	(8.5)	(0.2)				**(8.7)**
Operating profit/(loss)	**5.5**	**1.8**	**(0.1)**	**(0.2)**	**(3.9)**	**3.1**
Finance income					2.1	**2.1**
Finance costs					(1.7)	**(1.7)**
Interest in results of associates and joint ventures					0.4	**0.4**
Income tax expense					9.5	**9.5**
Segment profit/(loss)	**5.5**	**1.8**	**(0.1)**	**(0.2)**	**6.4**	**13.4**
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	23.4					**23.4**
Depreciation and amortization	0.8					**0.8**

Other revenue includes 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 0.9 million.

Other costs include mainly: in the lease segment – a provision for claims in respect of benefits derived from leased properties of PLN 3.0 million; write-downs of receivables of PLN 3.7 million; severance pay for employees who have been made redundant of PLN 0.7 million, damages and penalties paid of PLN 0.7 million.

Segmental analysis of revenue, costs, results and expenditure for the 3-month period ended 30 June 2015 (unaudited)

	Leases	Development activity	Discontinued operations	Other activities	Unallocated	TOTAL
Sales revenue	30.1	3.9		1.6		35.6
Operating expenses	(15.8)	(2.7)		(1.2)		(19.7)
Gross profit	**14.3**	**1.2**		**0.4**		**15.9**
Administrative expenses	(7.3)	(0.5)	(0.1)		(1.5)	(9.4)
Change in the fair value of investment properties	(6.6)					(6.6)
Gain on disposal of investment properties	0.1					0.1
Other income	23.7	0.1			0.0	23.8
Other costs	(2.8)	(0.0)			(0.1)	(2.9)
Operating profit/(loss)	**21.4**	**0.8**	**(0.1)**	**0.4**	**(1.6)**	**20.9**
Finance income					1.0	1.0
Finance costs					(3.8)	(3.8)
Interest in results of associates and joint ventures					0.2	0.2
Income tax expense					(1.8)	(1.8)
Segment profit/(loss)	**21.4**	**0.8**	**(0.1)**	**0.4**	**(6.0)**	**16.5**
Capital expenditure	37.7					37.7
Depreciation and amortization	0.4					0.4

Other revenue includes mainly: in the lease segment – a reassessment of the legal status of properties of PLN 20.0 million; a partial release of a provision for non-contractual use of properties of PLN 1.3 million; a reversal of write-downs of receivables of PLN 2.0 million.

Other costs include mainly: in the lease segment – write-downs of receivables of PLN 2.6 million.

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

Segmental analysis of revenue, costs, results and expenditure for the 3-month period ended 30 June 2014 (unaudited)

	Leases	Development activity	Discontinued operations	Other activities	Unallocated	TOTAL
Sales revenue	30.0	8.6		0.1		38.7
Operating expenses	(16.3)	(6.8)		(0.2)		(23.3)
Gross profit	**13.7**	**1.8**		**(0.1)**		**15.4**
Administrative expenses	(6.5)	(0.9)			(1.7)	(9.1)
Change in the fair value of investment properties	(4.5)					(4.5)
Gain on disposal of investment properties	0.1					0.1
Other revenue	1.2	0.1				1.3
Other costs	(2.5)	(0.1)				(2.6)
Operating profit/(loss)	**1.5**	**0.9**		**(0.1)**	**(1.7)**	**0.6**
Finance income					1.1	1.1
Finance costs					(1.4)	(1.4)
Interest in results of associates and joint ventures					0.2	0.2
Income tax expense					10.2	10.2
Segment profit/(loss)	**1.5**	**0.9**		**(0.1)**	**8.4**	**10.7**
Capital expenditure	12.1					12.1
Depreciation and amortization	0.4					0.4

Other revenue includes mainly: in the lease segment – reversal of write-downs of receivables of PLN 0.8 million.

Other costs include mainly: in the lease segment – a provision for claims in respect of benefits derived from leased properties of PLN 0.1 million; write-downs of receivables of PLN 1.1 million; severance pay for employees who have been made redundant of PLN 0.7 million, damages and penalties paid of PLN 0.2 million.

7. Investment properties

	6 months ended	
	30 June 2015 unaudited	30 June 2014 unaudited
As at 1 January	**1,924.1**	**1,927.9**
Purchase of investment property	33.5	0.0
Expenditure on investment properties	80.4	23.4
Change in the fair value of investment properties	(10.4)	(6.1)
Reclassification from property, plant and equipment	0.0	3.8
Reclassification to property, plant and equipment	(26.0)	0.0
Reclassification from assets with unclear legal status	20.0	0.0
Reclassification to non-current assets classified as held for sale	(17.7)	(19.0)
As at the end of the period	**2,003.9**	**1,930.0**

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

	6 months ended	
	30 June 2015 unaudited	30 June 2014 unaudited
Rental income from investment properties	60.4	61.1
Direct operating expenses incurred on rent-generating investment properties	(32.4)	(31.8)
Change in the fair value of investment properties	(10.4)	(6.1)
Gain on disposal of investment properties	0.1	0.1
Income on sale of investment properties	12.2	17.5
Cost of properties sold (classified as investment properties or assets held for sale	(12.1)	(17.4)
Gains/(Losses) on investment properties	**17.7**	**23.3**

In Q2 2015, the Constitutional Tribunal passed a judgment stating that decisions granting ownership rights to properties which had been issued in flagrant violation of the law cannot be repealed, if a significant amount of time passed since such a decision was issued. Consequently, the Group analysed the legal status of properties which had not yet been disclosed in the consolidated statement of financial position because it was likely that decisions granting ownership rights had been issued in violation of the law. In the case of three properties with a total fair value of PLN 20.0 (determined based on a specific assumption that their legal status would be clarified), it was concluded that there were sufficient grounds for recognizing them as the Group assets, and in the case of two properties with a fair value of PLN 10.5 million (determined based on a specific assumption that their legal status would be clarified), it was concluded that their legal status required further analyses, especially taking into account the body of decisions to be issued after the judgement of the Constitutional Tribunal.

As a result, the Group reclassified three properties to the unclear legal status category with a favourable outlook for clearing their legal status, and recognized them as assets in the statement of financial position in the amount of PLN 20.0 million. The Group recognized the effects of reclassification in the consolidated statement of comprehensive income under “Other revenue”.

In the first half of 2015, the group acquired part of a property at Al. Jana Pawła II 12 in Warsaw (Kaskada) and became the sole owner of the property.

Expenditure on investment properties relate to:

- ✓ expenditure relating to the construction of commercial development projects in 6M 2015: Domaniewska 37C, Retkinia totalling PLN 76.3 million; in 6M 2014: Domaniewska 37C, Krywulta 2, Rakowiecka 19 totalling PLN 19.7 million;
- ✓ expenditure on the preparation of commercial development projects amounting to: in 6M 2015: PLN 1.7 million; in 6M 2014: PLN 0.0 million;
- ✓ modernization of properties amounting to: in 6M 2015: PLN 2.4 million; in 6M 2014: PLN 3.7 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, Dziebędów, Bukowiec, Łask, a hotel in Pruszków and a hotel in Świebodzin.

In the first half of 2015, the Group sold properties at Stągiewna in Gdańsk, Łowicka 44 in Warsaw, Żurawia 13 in Otwock and part of a plot of land in Katowice.

8. Property, plant and equipment

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

- ✓ depreciation for 6 months ended 30 June 2015: PLN 0.6 million; 30 June 2014: PLN 0.7 million;
- ✓ acquisitions in the 6-month period ended 30 June 2015: PLN 0.3 million, 30 June 2014: PLN 0.1 million.
- ✓ reclassification in the 6-month period ended 30 June 2015 of properties Zgoda 6 and Hotel Wilanów to property, plant and equipment due to the fact that hotel activities started to be conducted in these properties: PLN 26.0 million.

The carrying amount of real properties included in property, plant and equipment amounted to PLN 45.7 million as at 30 June 2015.

9. Intangible assets

In the period of the first 6 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 half 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% interest in Apartamenty Molo Rybackie Sp. z o.o.

In the first half 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 in the construction of 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.

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

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

	6 months ended	
	30 June 2015 unaudited	30 June 2014 unaudited
As at 1 January	**18.6**	**18.5**
Acquisition	1.0	0.0
Share in profits	0.4	0.4
Payment of dividend	(0.5)	(0.6)
As at the end of the period	**19.5**	**18.3**

Jointly controlled entities are not listed on an active market. Their selected financial data as at and for the 6-month period ended 30 June 2015 are as follows:

	Assets	Equity	Liabilities	Revenue	Net profit	The Group's share in profits
Wrocław Industrial Park	39.1	37.7	1.4	0.8	0.6	0.4
Apartamenty Molo Rybackie	2.0	2.0	0.0	0.0	(0.0)	0.0
Parzniew Logistics Center Infrastructure	3.0	(0.0)	3.0	0.0	(0.0)	0.0
Parzniew Logistics Center 1	0.8	(0.0)	0.8	0.0	(0.0)	0.0
Total	**44.9**	**39.7**	**5.2**	**0.8**	**0.6**	**0.4**

11. Inventories related to development activity

Inventory structure	30 June 2015 unaudited	31 December 2014 audited
Land	3.9	4.2
Work in progress	0.2	0.0
Finished goods	23.1	31.6
Total inventories relating to the development activity	**27.2**	**35.8**

Land comprises all land associated with the residential development business.

In the first half of 2015, the Group incurred expenditure on the Wilanów project of PLN 0.2 million and sold premises of PLN 8.8 million.

12. Analysis of receivables

Analysis of receivables	30 June 2015 unaudited			31 December 2014 audited		
	Total	Financial	Non-financial	Total	Financial	Non-financial
Trade receivables and other assets	50.0	11.2	38.8	119.1	11.2	107.9
Trade receivables	10.4	10.4	0.0	10.2	10.2	0.0
Receivables from the State Budget	29.5	0.0	29.5	102.5	0.0	102.5
VAT on intra-group acquisition of properties	*6.4*	*0.0*	*6.4*	*99.0*	*0.0*	*99.0*
Other receivables from the State Budget	*23.1*	*0.0*	*23.1*	*3.5*	*0.0*	*3.5*
Prepayments	9.3	0.0	9.3	5.4	0.0	5.4
Other	0.8	0.8	0.0	1.0	1.0	0.0
Income tax receivable	1.7	0.0	1.7	1.2	0.0	1.2
Total receivables and other assets	**51.7**	**11.2**	**40.5**	**120.3**	**11.2**	**109.1**

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

13. Analysis of liabilities

Analysis of liabilities	30 June 2015 unaudited			31 December 2014 audited		
	Total	Financial	Non-financial	Total	Financial	Non-financial
Current liabilities						
Debt	10.8	10.8	0.0	0.3	0.3	0.0
Loans for properties	9.9	9.9	0.0	0.0	0.0	0.0
Car fleet leases	0.9	0.9	0.0	0.3	0.3	0.0
Trade and other payables	112.2	109.6	2.6	135.1	39.6	95.5
Trade payables	6.7	6.7	0,0	10.3	10.3	0.0
Capital expenditure commitments	21.1	21.1	0.0	12.5	12.5	0.0
Tenants' deposits	10.1	10.1	0.0	9.0	9.0	0.0
Payables to the State Budget	1.9	0.0	1.9	88.9	0.0	88.9
VAT on intra-group disposal of properties	*0.0*	*0.0*	*0.0*	*86.8*	*0.0*	*86.8*
Other liabilities to the State Budget	*1.9*	*0.0*	*1.9*	*2.1*	*0.0*	*2.1*
Prepayments for purchase of properties	0.7	0.0	0.7	6.6	0.0	6.6
Deposits of construction work subcontractors	5.2	5.2	0.0	6.3	6.3	0.0
Liabilities relating to payment of dividend	60.7	60.7	0.0	0.0	0.0	0.0
Other current liabilities	5.8	5.8	0.0	1.5	1.5	0.0
Income tax liabilities	0.4	0.0	0.4	0.3	0.0	0.3
Retentions for construction contracts	3.3	0.0	3.3	*2.7*	0.0	2.7
Total current liabilities	**126.7**	**120.4**	**6.3**	**138.4**	**39.9**	**98.5**
Non-current liabilities						
Debt	115.7	115.7	0.0	15.0	15.0	0.0
Loans for properties	115.5	115.5	0.0	14.3	14.3	0.0
Car fleet leases	0.2	0.2	0.0	0.7	0.7	0.0
Other	0.9	0.9	0.0	2.3	2.3	0.0
Tenants' deposits	0.8	0.8	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	**116.6**	**116.6**	**0.0**	**17.3**	**17.3**	**0.0**
Total liabilities	**243.3**	**237.0**	**6.3**	**155.7**	**57.2**	**98.5**

14. Cash and cash equivalents and explanation to the interim condensed consolidated cash flow statement

Analysis of cash and cash equivalents	30 June 2015 unaudited	31 December 2014 audited
Cash in hand and at bank	3.4	1.7
Current bank deposits	144.6	134.7
As at the end of the period	**148.0**	**136.4**

Explanation of selected adjustments to cash flows from operating activities in the statement of cash flows and reconciliation of differences between the balance sheet changes and the changes in the statement of cash flows

Changes in working capital in the statement of cash flows	6 months ended		3 months ended	
	30 June 2015 unaudited	30 June 2014 unaudited	30 June 2015 unaudited	30 June 2014 unaudited
Change in provisions	1.3	(0.5)	1.6	(0.3)
Change in inventories	8.6	9.7	3.1	5.4
Change in receivables	67.3	119.8	30.1	(26.3)
Change in liabilities	(87.1)	(175.5)	4.4	(7.3)
Change in other assets	(0.1)	(0.2)	(0.2)	(0.1)
Total	**(10.0)**	**(46.7)**	**39.0**	**(28.6)**

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

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

Receivables	6 months ended		3 months ended	
	30 June 2015 unaudited	30 June 2014 unaudited	30 June 2015 unaudited	30 June 2014 unaudited
Change in receivables in the statement of financial position	69.1	120.2	31.9	(26.0)
Change in investment receivables	(1.8)	(0.4)	(1.8)	(0.3)
Change in receivables in the statement of cash flows	**67.3**	**119.8**	**30.1**	**(26.3)**

Liabilities	6 months ended		3 months ended	
	30 June 2015 unaudited	30 June 2014 unaudited	30 June 2015 unaudited	30 June 2014 unaudited
Change in receivables in the statement of financial position	(23.7)	(178.9)	49.2	(13.3)
Change in investment liabilities	(2.7)	3.4	15.9	6.0
Change in liabilities relating to the payment of dividend	(60.7)	0.0	(60.7)	0.0
Change in liabilities in the statement of cash flows	**(87.1)**	**(175.5)**	**4.4**	**(7.3)**

15. Share capital

	30 June 2015 unaudited	30 June 2014 unaudited
Number of shares as at 1 January	46,482,044	44,599,947
Share issue	182,808	1,626,667
Number of shares as at 30 June (fully paid)	**46,664,852**	**46,226,614**

All the shares 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.

The share issue was conducted pursuant to:

- ✓ Resolution No. 3 of the Company's General Shareholders Meeting of 11 October 2011 on the conditional increase in share capital of PLN 3,884,000 by means of issuing 3,884,000 C series bearer shares with a par value of PLN 1 each, and
- ✓ Resolution No. 3 of the Company's General Shareholders Meeting of 16 April 2012 on the conditional increase in the share capital of PLN 469,000 by means of issuing 469,000 C series bearer shares with a par value of PLN 1 each.

The shares issued are acquired as a result of exercising rights under A series and B series subscription warrants offered free of charge to those employees of Warszawski Holding Nieruchomości S.A., Intraco S.A., Budexpo Sp. z o. o. and Dalmor S.A. who, in accordance with the provisions of Art. 36 and subsequent of the Commercialization and Privatization Act of 31 August 1996 were entitled to acquire the shares in the respective companies free of charge.

16. Supplementary capital, revaluation reserve, retained earnings and other reserves

In the 6 months of 2015, the Company purchased shares in subsidiaries in exchange for own shares issued (for details, see note 15). 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 0.4 million.

The Company recognized a surplus of 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 decreased to PLN 68.0 million as at 30 June 2015 due to:

- ✓ the net profit for the first half of 2015 of PLN 28.7 million generated by the Group;
- ✓ recognition of the share premium representing an excess of the book value of non-controlling interests over PHN S.A.'s commitment to issue shares of PLN 16.8 million;

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

- ✓ a repurchase of a part of the shares in subsidiaries from non-controlling shareholders of PLN 7.8 million.
- ✓ earmarking PLN 60.7 million for the payment of dividend to shareholders and PLN 60.1 for transfer to supplementary capital.

17. Provisions

Provision for:	30 June 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	**41.3**	25.3	16.0	**41.5**	25.3	16.2
Guarantee repairs and compensations in development activity	**23.9**	0.0	23.9	**25.7**	0.0	25.7
Severance pay for employees made redundant	**0.0**	0.0	0.0	**0.2**	0.0	0.2
Employee benefits	**0.9**	0.8	0.1	**0.9**	0.8	0.1
Other	**7.0**	0.0	7.0	**3.5**	0.0	3.5
Total	**73.1**	**26.1**	**47.0**	**71.8**	**26.1**	**45.7**

In 2014, as part of the changes in the Group's structure, the companies Warszawski Holding Nieruchomości S.A. and Budexpo S.A. made contributions in kind of properties in a partnership limited by shares (*spółka komandytowo-akcyjna*). Based on analyses performed and tax opinions received, the issuing price of shares, which was higher than their nominal price, was adopted as the basis for VAT taxation. The company making the contribution in kind paid the tax, while the company which received the contribution and subsequently sold the properties contributed deducted input VAT (on the contribution in kind) from the output VAT (on sale).

In Q2 of 2015, the tax authority conducted a tax audit in the Company which received the contribution in kind. In the opinion of the tax authority, the nominal value of the shares taken up should be the basis for taxation of the contribution in kind. Therefore, the tax authority challenged the right to deduct VAT on the excess of the issuing price over the nominal price. In the Company's opinion, such approach is not justified. The inspected Company made objections to the post-inspection report. By the date of preparing these financial statements, the tax authorities had not issued a decision in this respect.

Should the decision of the tax authorities be unfavourable for the inspected Company, the Company will adjust its VAT return and will recognize a VAT liability of PLN 110.7 million, including interest which amounted to PLN 3.8 million as at the balance sheet date. At the same time, an overpaid VAT receivable of PLN 110.7 million will arise in the Company which made the contribution.

Given the risk of an unfavourable decision by the tax authorities, the Group recognized a provision for potential interest expense on the VAT liability of PLN 3.8 million, disclosed in the consolidated statement of comprehensive income under "Finance costs".

18. Revenue from operating activities

Revenue from operating activities	6 months ended		3 months ended	
	30 June 2015 unaudited	30 June 2014 unaudited	30 June 2015 unaudited	30 June 2014 unaudited
Lease revenue	60.4	61.1	30.1	30.0
Revenue from development activity	11.0	17.3	3.9	8.6
Revenue from other activities	1.6	0.1	1.6	0.1
Hotel business	1.6	0.1	1.6	0.1
Total revenue from operating activities	**73.0**	**78.5**	**35.6**	**38.7**

Other revenue	6 months ended		3 months ended	
	30 June 2015 unaudited	30 June 2014 unaudited	30 June 2015 unaudited	30 June 2014 unaudited
Reclassification from assets with unclear legal status	20.0	0.0	20.0	0.0
Compensations	0.0	0.2	0.0	0.1
Revaluation of receivables	2.7	0.9	2.0	0.8
Release of provision for non-contractual use of properties	2.4	0.2	1.3	0.1
Release of other provisions	0.4	1.5	0.4	0.1
Refund of tax on civil law transactions	8.0	0.0	0.0	0.0
Other	0.5	0.4	0.1	0.2
Total other revenues	**34.0**	**3.2**	**23.8**	**1.3**

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

The European Court of Justice (ECJ) issued a judgement to the effect that a partnership limited by shares (*spółka komandytowo-akcyjna*) should be treated as a capital company for the 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 partnerships limited by shares and paid tax on civil law transactions on the surplus of the value of the contributions made over the nominal value of shares transferred to the Group companies, in accordance with prior interpretations of the law, and recognized the amount of tax on civil law transactions as cost. In the light of the ECJ judgement and the court decision, tax on civil law transactions 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 revenue" in the statement of comprehensive income.

19. Operating expenses

Costs of core business activities	6 months ended		3 months ended	
	30 June 2015 unaudited	30 June 2014 unaudited	30 June 2015 unaudited	30 June 2014 unaudited
Cost of property maintenance	32.4	31.8	15.8	16.3
Costs of development activity	8.2	13.6	2.7	6.8
Costs of other activities	1.3	0.3	1.2	0.2
Hotel business	1.3	0.3	1.2	0.2
Total operating expenses	**41.9**	**45.7**	**19.7**	**23.3**

Other costs	6 months ended		3 months ended	
	30 June 2015 unaudited	30 June 2014 unaudited	30 June 2015 unaudited	30 June 2014 unaudited
Revaluation of receivables	5.4	3.7	2.8	1.1
Provision for claims in respect of benefits derived from leased properties	0.0	3.0	0.0	0.1
Change in the structure of VAT deductions	0.3	0.0	0.0	0.0
Damages and penalties	0.1	0.7	0.1	0.2
Severance pay for employees made redundant	0.2	0.8	0.0	0.8
Other	0.1	0.5	0.0	0.4
Total other costs	**6.1**	**8.7**	**2.9**	**2.6**

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 write-downs for its receivables of PLN 5.4 million in the first half of 2015 and PLN 3.7 million in the first half of 2014).

20. Costs by type

The Group, excluding development activity	6 months ended		3 months ended	
	30 June 2015 unaudited	30 June 2014 unaudited	30 June 2015 unaudited	30 June 2014 unaudited
Depreciation and amortization	0.6	0.8	0.4	0.4
Materials and energy used	7.3	6.2	3.3	2.4
External services	20.5	18.4	11.4	10.3
Taxes and fees	11.4	10.7	5.8	5.6
Wages and salaries, and other employee benefits	9.2	11.0	4.8	4.9
Other costs by type	0.2	1.3	0.1	1.1
Total operating expenses	**49.2**	**48.4**	**25.8**	**24.7**
Administrative expenses	(12.0)	(12.8)	(6.6)	(6.1)
Selling expenses	(1.4)	(1.2)	(0.8)	(0.6)
Cost of preparation and execution of commercial development projects	(1.6)	(1.3)	(1.0)	(0.7)
One-off costs (Group privatization and restructuring)	(0.5)	(1.0)	(0.4)	(0.8)
Cost of sales	**33.7**	**32.1**	**17.0**	**16.5**

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

Development activity	6 months ended		3 months ended	
	30 June 2015 unaudited	30 June 2014 unaudited	30 June 2015 unaudited	30 June 2014 unaudited
Materials and energy used	0.1	0.2	0.0	0.1
External services	0.6	4.7	0.0	1.8
Taxes and fees	0.1	0.2	0.1	0.1
Wages and salaries, and other employee benefits	0.3	0.5	0.2	0.3
Cost of goods for resale and materials sold	0.3	0.5	0.1	0.2
Change in inventories of finished goods	8.1	9.3	2.8	5.2
Total operating expenses	**9.5**	**15.4**	**3.2**	**7.7**
Administrative expenses	(0.4)	(0.7)	(0.1)	(0.3)
Selling expenses	(0.3)	(0.5)	(0.1)	(0.3)
Cost of maintaining inventories and development activity infrastructure	(0.6)	(0.6)	(0.3)	(0.3)
Cost of sales	**8.2**	**13.6**	**2.7**	**6.8**

21. Finance income and cost

Finance income	6 months ended		3 months ended	
	30 June 2015 unaudited	30 June 2014 unaudited	30 June 2015 unaudited	30 June 2014 unaudited
Interest income	1.5	2.0	0.8	1.0
Short-term bank deposits	*0.6*	*2.0*	*0.5*	*1.0*
Other interest income	*0.9*	*0.0*	*0.3*	*0.0*
Foreign exchange differences	0.2	0.0	*0.2*	*0.0*
Other finance income	0.0	0.1	*0.0*	*0.1*
Total finance income	**1.7**	**2.1**	**1.0**	**1.1**

In the 6-month period ended 30 June 2015, interest on overpaid tax on civil law transactions receivables from the Tax Office of PLN 0.8 million was disclosed in interest income under “Other interest income” (for details, see Note 18).

Finance costs	6 months ended		3 months ended	
	30 June 2015 unaudited	30 June 2014 unaudited	30 June 2015 unaudited	30 June 2014 unaudited
Discount of provisions for claims in respect of benefits derived from leased properties	0.0	1.3	0.0	1.1
Interest on overdue liabilities	3.8	0.2	3.8	0.1
Other finance costs	0.0	0.2	*0.0*	0.2
Total finance costs	**3.8**	**1.7**	**3.8**	**1.4**
Net finance income/expense	**(2.1)**	**0.4**	**(2.8)**	**(0.3)**

In the 6-month period ended 30 June 2015, a provision for potential costs of tax arrears of PLN 3.8 million was recognized in “Interest on overdue liabilities” in connection with the risk of the tax authorities adopting a different interpretation of VAT taxation on contributions in kind made by the Group in prior years (for details, see Note 17).

22. Reconciliation of the effective tax rate

	6 months ended		3 months ended	
	30 June 2015 unaudited	30 June 2014 unaudited	30 June 2015 unaudited	30 June 2014 unaudited
Current tax	(2.4)	(2.8)	(0.1)	(0.4)
Deferred tax	1.1	12.3	(1.7)	10.6
Income tax expense	**(1.3)**	**9.5**	**(1.8)**	**10.2**

	6 months ended		3 months ended	
	30 June 2015 unaudited	**30 June 2014 unaudited**	**30 June 2015 unaudited**	**30 June 2014 unaudited**
Profit/(loss) before tax	30.2	4.0	18.4	0.5
Tax calculated at the rate applicable in Poland (19%)	**(5.7)**	**(0.8)**	**(3.5)**	**(0.1)**
Shares in profits of jointly controlled entities	0.1	0.1	0.1	0.1
Non-tax-deductible income	1.0	0.3	0.2	0.1
Non-deductible costs (permanent differences)	(0.1)	(0.3)	0.0	(0.2)
Net profit /(loss) of partnerships	3.3	0.3	1.3	0.3
Tax losses for which a deferred tax asset was not recognized or was written off	0.0	(0.2)	0.0	(0.1)
Contribution in kind and sale of a real property to a subsidiary	0.0	10.1	0.0	10.1
Other	0.1	0,0	0.1	0,0
Income tax expense	**(1.3)**	**9.5**	**(1.8)**	**10.2**

As at 30 June 2015 and 31 December 2014, deferred income tax assets and liabilities were recognized mainly on the differences between carrying values and tax value of properties. Deferred tax assets and liabilities are offset if there is a legally enforceable title for such an offset and if deferred income 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 half of 2015, shares were repurchased from 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 first quarter of 2015 and in the second quarter of 2015 in line with the proportion of shares held in the respective period.

24. Earnings per share

Basic and diluted earnings per share attributable to the shareholders of the Parent Company	6 months ended		3 months ended	
	30 June 2015 unaudited	**30 June 2014 unaudited**	**30 June 2015 unaudited**	**30 June 2014 unaudited**
Profit/(loss) attributable to the Shareholders of the Company (in PLN million)	28.7	12.7	16.3	10.2
Weighted average number of ordinary shares (in million pcs)	46.5	45.7	46.6	43.4
Basic and diluted earnings per share (in PLN)	0.62	0.28	0.35	0.23

Basic and diluted earnings per share from continued operations attributable to the shareholders of the Parent Company	6 months ended		3 months ended	
	30 June 2015 unaudited	**30 June 2014 unaudited**	**30 June 2015 unaudited**	**30 June 2014 unaudited**
Profit/(loss) from continued operations attributable to the Shareholders of the Company (in PLN million)	28.4	12.8	16.4	10.2
Weighted average number of ordinary shares (in million pcs)	46.5	45.7	46.6	43.4
Basic and diluted earnings per share (in PLN)	0.61	0.28	0.35	0.22

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 a 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.

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

b) Operating leases

There are no material contingent liabilities under the operating lease agreement.

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.

	6 months ended		3 months ended	
Revenue from sales of goods for resale and services	30 June 2015 unaudited	30 June 2014 unaudited	30 June 2015 unaudited	30 June 2014 unaudited
Revenue from the State Treasury	**4.1**	**5.4**	**1.1**	**2.7**

Remuneration of key management members

	6 months ended		3 months ended	
	30 June 2015 unaudited	30 June 2014 unaudited	30 June 2015 unaudited	30 June 2014 unaudited
Remuneration of the Management Board of the Parent Company	1.2	1.5	0.8	0.9
Remuneration of the Management Board of the subsidiaries	0.6	1.1	0.3	0.5
Remuneration of the Supervisory Board of the Parent Company	0.1	0.1	0.0	0.0
Remuneration of the Supervisory Board of the subsidiaries	0.2	0.2	0.1	0.1
Total	**2.1**	**2.9**	**1.2**	**1.5**

Transactions with associates and jointly controlled entities (joint ventures)

In the first half of 2015, PHN S.A. granted long-term loans to Parzniew Logistics Center Infrastructure Sp. z o.o. (of PLN 1.4 million) and Parzniew Logistics Center 1 Sp. z o.o. (of PLN 0.3 million).

These transactions were concluded on terms and conditions which did not deviate from market terms.

In the 6-month period ended 30 June 2015 and 30 June 2014, no material other transactions were concluded with associates and jointly controlled entities.

27. Other information

Financing of the purchase of an interest in the Kaskada property and re-financing of own contribution

In the first half of 2015, the Group acquired a part of the property at Al. Jana Pawła II 12 in Warsaw (Kaskada) and became the sole owner of the property.

On 29 May 2015, PHN SPV 12 Sp. z o.o. and Bank Ochrony Środowiska S.A. concluded a loan agreement. The agreement is for an investment loan to finance the purchase of an interest in the Kaskada property, including refinancing of the Group's own contribution invested in the already held interest in the said property totalling PLN 77.8 million. As at 30 June 2015, the liability resulting from the loan amounted to PLN 32.7 million.

The loan is in PLN and bears an interest rate based on WIBOR rate for 3-monthly deposits plus the bank's margin.

The remaining terms and conditions of the loan agreement, including collateral, do not significantly differ from those commonly applied for similar agreements.

In order to secure the repayment of amounts due from the loan agreement for the financing of the purchase of an interest in the Kaskada property, including refinancing of the PHN S.A. Group's own contribution invested in the already held interest in the said property, and to secure due performance of the loan agreement, the subsidiaries of PHN S.A. established, in particular, the following collateral:

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

(i) a registered pledge on the borrower's shares held by PHN S.A.;
(ii) financial and registered pledges on receivables under bank account agreements of the borrower;
(iii) authorisation to dispose of the borrower's bank accounts and issue instructions to block amounts in these accounts;
(iv) a blank contractual mortgage with equal priority rights on premises representing a separate property in a building at Al. Jana Pawła II 12 with an assignment of rights from the insurance policy;
(v) the borrower's declaration on voluntary submission to execution under Art. 97 of the Polish Banking Law;
(vi) an agreement for the transfer of the borrower's rights resulting from, among other things, lease agreements;
(vii) a provision for loan servicing – a security deposit amounting to the equivalent of 3 monthly debt servicing.

Repurchase of shares in subsidiaries from holders of non-controlling interests

In the first half of 2015, the Group repurchased shares from holders of non-controlling interests in Warszawski Holding Nieruchomości S.A. and Intraco S.A. The repurchase price was determined at the level of PLN 23.19 per 1 share in Warszawski Holding Nieruchomości S.A. and PLN 19.52 per 1 share in Intraco S.A., in accordance with a court decision. Holders of non-controlling interests raised an objection to their being deleted from the share register. In the Group's opinion, the objection is groundless.

28. Post balance sheet date events

On 1 July 2015, the Group acquired 100% of shares in Andersia Business Centre Sp. z o.o., a Company which owns an A class office building with retail space, Andersia Business centre, located in the heart of the business district in Poznań. At the same time, the Group took over a loan agreement with Bank Zachodni WBK S.A. for a loan obtained by Andersia Business Centre Sp. z o.o. for the construction of said office building. As a result of a tentative settlement of the transaction (the final purchase price has not yet been determined), goodwill was recognized. The tentative impact of the acquisition of 100% of shares in the company on the consolidated statement of financial position is presented below.

	1 July 2015
Non-current assets	
Investment properties	162.8
Deferred tax asset	5.0
Goodwill on acquisition as at the acquisition date	4.4
Total non-current assets	**172.2**
Current assets	
Trade receivables and other assets	1.8
Cash and cash equivalents	1.7
Fair value of the total consideration paid as at the acquisition date	(50.4)
Total current assets	**(46.9)**
Total assets	**125.3**
Current liabilities	
Current debt	(3.4)
Trade and other payables	(7.3)
Total current liabilities	**(10.7)**
Non-current liabilities	
Long-term debt	(103.5)
Deferred tax liability	(11.1)
Total non-current liabilities	**(114.6)**
Total liabilities	**(125.3)**

The recognition of goodwill is justified by the expected increase in net assets of the acquired company following the planned contribution in kind of a property to be made to a partnership limited by shares and the subsequent sale of the said property to a special purpose vehicle. This will result in an increase in the tax value of the property, and, as a result, the acquired company will release a deferred income tax provision of PLN 11.1 million.

In July 2015, the Group signed preliminary sale agreements for the Dziebędów and Bukowiec properties.

In addition, in August 2015, the Group signed a preliminary sale agreement relating to shares in two special purpose vehicles, PHN Hotel Pruszków Sp. z o.o. and Investon Sp. z o. o. Hotel Pruszków and Hotel Świebodzin, respectively, are the main assets of these companies. The total value of the properties being sold of PLN 10.5 million was recognized in the consolidated statement of financial position in "Non-current assets classified as held for sale".

In July 2015, PHN SPV 12 Sp. z o.o. received the second tranche of the investment loan of PLN 45.1 million. Detailed information on the terms of the loan are described in Note 27 of these consolidated financial statements.

On 19 August 2015, the Group obtained a not yet valid decision of the Marshal of the Mazowieckie Province (*Wojewoda Mazowiecki*) confirming the acquisition of title to perpetual usufruct of a property at Kryniczna 2 in Warsaw. Consequently, in Q3 of 2015, after the decision has become valid, the Group will recognize the property as its asset. The effect of reclassification (change in the legal status) will be recognized in "Other revenue" (of PLN 5.1 million) in the statement of comprehensive income.

On 26 August 2015, the Company paid dividend to shareholders of PLN 60.7 million, in accordance with a resolution of the General Shareholders' Meeting of Polski Holding Nieruchomości S.A.

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 28 August 2015.

Włodzimierz Piotr Stasiak
Member of the Management Board

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

Artur Lebiedziński
President of the Management Board

Grzegorz Grotek
Person responsible for preparing the consolidated financial statements

POLSKI HOLDING NIERUCHOMOŚCI S.A.

INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

FOR THE 6-MONTH AND 3-MONTH PERIOD ENDED 30 JUNE 2015

PREPARED IN ACCORDANCE WITH

INTERNATIONAL FINANCIAL REPORTING STANDARDS

APPROVED BY THE EUROPEAN UNION

POLSKI HOLDING

NIERUCHOMOŚCI S.A.

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

B. Interim condensed separate financial statements

Interim condensed separate statement of financial position as at 30 June 2015

	Note	30 June 2015 unaudited	31 December 2014 audited
ASSETS			
Non-current assets			
Property, plant and equipment		1.3	0.0
Deferred tax assets		0.5	0.6
Shares in subsidiaries	5	1 689.4	1 645.8
Other long-term financial assets	6	200.5	260.0
Total non-current assets		**1,891.7**	**1,906.4**
Current assets			
Trade receivables and other assets	7	3.3	128.3
Cash and cash equivalents		59.6	0.2
Total current assets		**62.9**	**128.5**
Total assets		**1,954.6**	**2,034.9**
Current liabilities			
Trade and other payables	8	(65.5)	(1.4)
Short-term debt	8	(0.7)	(119.1)
Total current liabilities		**(66.2)**	**(120.5)**
Non-current liabilities			
Long-term debt	8	(0.2)	0.0
Deferred tax liabilities		(0.8)	0.0
Non-current provisions		(0.3)	(0.3)
Total non-current liabilities		**(1.3)**	**(0.3)**
Total liabilities		**(67.5)**	**(120.8)**
Net assets		**1,887.1**	**1,914.1**
Equity			
Share capital	9	46.7	46.5
Share premium	10	1,750.7	1,746.3
Other supplementary capital		60.6	0.5
Retained earnings		28.7	120.8
Other reserves	10	0.4	0.0
Total equity		**1,887.1**	**1,914.1**

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

Interim condensed separate statement of comprehensive income for the 6-month and 3-month period ended 30 June 2015

	Note	6 months ended		3 months ended	
		30 June 2015 unaudited	30 June 2014 unaudited	30 June 2015 unaudited	30 June 2014 unaudited
Operating income	11	12.2	2.5	6.1	1.2
Operating expenses	11	(10.2)	(1.4)	(5.4)	(0.7)
Change in the value of shares in subsidiaries	5	24.1	9.3	10.6	6.8
Net operating income		**26.1**	**10.4**	**11.3**	**7.3**
Lease revenue		0.1	0.0	0.1	0.0
Cost of property maintenance		(0.0)	0.0	(0.0)	0.0
Lease result		**0.1**	**0.0**	**0.1**	**0.0**
Administrative and selling		(2.4)	(2.5)	(1.5)	(1.0)
Other costs		(0.1)	0.0	(0.1)	0.0
Operating profit/ (loss)		**23.7**	**7.9**	**9.8**	**6.3**
Finance income	12	6.2	0.0	3.7	0.0
Finance costs	12	(0.3)	(0.8)	(0.0)	(0.7)
Net loss on finance activities		**5.9**	**(0.8)**	**3.7**	**(0.7)**
Profit/ (loss) before tax		**29.6**	**7.1**	**13.5**	**5.6**
Income tax expense		(0.9)	0.1	(0.3)	0.0
Net profit/ (loss)		**28.7**	**7.2**	**13.2**	**5.6**
Other comprehensive income					
Total comprehensive income		**28.7**	**7.2**	**13.2**	**5.6**
basic and diluted net profit per share	21	PLN 0.62	PLN 0.16	PLN 0.29	PLN 0.12

Interim condensed separate statement of changes in equity for the 6-month period ended 30 June 2015

	Note	Share capital	Share premium	Other supplementary capital	Retained earnings	Other reserves	Total
As at 1 January 2015		46.5	1,746.3	0.5	120.8		**1,914.1**
Net profit for the period					28.7		**28.7**
Total comprehensive income for the period					28.7		**28.7**
Payment of dividend					(60.7)		**(60.7)**
Share issue	9	0.2	4.4			0.4	**5.0**
Transfers between equity				60.1	(60.1)		**0.0**
As at 30 June 2015		46.7	1,750.7	60.6	28.7	0.4	1,887.1
As at 1 January 2014		**44.6**	**1,696.5**	**1.3**	**99.0**		**1,841.4**
Net profit for the period					7.2		7.2
Total comprehensive income for the period					7.2		7.2
Payment of dividend				(0.8)	(99.0)		**(99.8)**
Share issue		1.6	43.5			2.8	**47.9**
As at 30 June 2014		**46.2**	**1,740.0**	**0.5**	**7.2**	**2.8**	**1,796.7**

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

Interim condensed separate statement of cash flows for the 6-month and 3-month period ended 30 June 2015

	6 months ended		3 months ended	
	30 June 2015 unaudited	30 June 2014 unaudited	30 June 2015 unaudited	30 June 2014 unaudited
Cash flows from operating activities				
Profit before tax	**29.6**	**7.1**	**13.5**	**5.6**
Adjustments to cash flows from operating activities	**(28.9)**	**(7.8)**	**(12.1)**	**(6.3)**
Depreciation and amortization	0.1	0.0	0.1	0.0
Change in the value of shares in subsidiaries	(24.1)	(9.3)	(10.6)	(6.8)
Foreign exchange differences	(0.2)	0.0	(0.2)	0.0
Interest income from investing activities	(6.0)	0.0	(3.5)	(0.0)
Financing costs	0.3	0.8	0.0	0.7
Change in working capital	1.0	0.7	2.1	(0.2)
Net cash from operating activities	**0.7**	**(0.7)**	**1.4**	**(0.7)**
Cash flows from investing activities				
Total inflows	**196.9**	**0.0**	**69.5**	**0.0**
Redemption of shares in subsidiaries	127.4	0.0	(0.0)	0.0
Financial instruments	69.5	0.0	69.5	0.0
Total outflows	**(18.9)**	**0.0**	**(16.6)**	**0.0**
Purchase of property, plant and equipment and intangible assets	(0.4)	0.0	(0.4)	0.0
Loans and borrowings	(4.0)	0.0	(1.7)	0.0
Purchase of shares in subsidiaries	(14.5)	0.0	(14.5)	0.0
Net cash from investing activities	**178.0**	**0.0**	**52.9**	**0.0**
Cash flows from financing activities				
Total inflows	**0.0**	**100.6**	**0.0**	**100.6**
Loans and borrowings	0.0	100.6	0.0	100.6
Total outflows	**(119.5)**	**(99.8)**	**(0.1)**	**(99.8)**
Loans and borrowings	(119.4)	0.0	0.0	0.0
Repayment of finance lease liabilities	(0.1)	0.0	(0.1)	0.0
Dividends	0.0	(99.8)	0.0	(99.8)
Net cash from financing activities	**(119.5)**	**0.8**	**(0.1)**	**0.8**
Net change in cash and cash equivalents	**59.2**	**0.1**	**54.2**	**0.1**
Change in cash and cash equivalents in the balance sheet	**59.4**	**0.1**	**54.4**	**0.1**
Foreign exchange differences	0.2	0.0	0.2	0.0
Cash and cash equivalents at the beginning of the period	**0.2**	**0.2**	**5.2**	**0.2**
Cash and cash equivalents at the end of the period	**59.6**	**0.3**	**59.6**	**0.3**

Explanatory notes to the interim condensed separate financial statements

1. Basis for the preparation of the interim condensed separate financial statements

These interim condensed 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 the conditions for considering as equivalent the information required under the legislation of a non-Member State (Journal of Laws no. 33, item 259 as amended) (“the Decree”) and present the financial position of Polski Holding Nieruchomości S.A. as at 30 June 2015 and 31 December 2014, the results of its operations and cash flows for the 6-month and 3-month period ended 30 June 2015 and 30 June 2014.

These interim condensed financial statements have been prepared in accordance with the International Financial Reporting Standards (”IFRS”) and IFRS approved by the European Union. As at the date of approval of these financial statements for publication, given the current process of implementation of IFRS in the European Union and the scope of the Group’s activities, there is no difference between IFRS applied by the Group and IFRS approved by the EU.

These interim condensed financial statements have been prepared on the assumption that the Company will continue in operation as a going concern in the foreseeable future. As at the date of preparation of these interim condensed financial statements, there were no circumstances indicating any threats to the ability of Polski Holding Nieruchomości S.A. to continue as a going concern.

The duration of the Company 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 financial statements have been prepared on the historical cost basis.

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

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

Statement of the Management Board on the entity authorized to review the interim condensed financial statements

The Management Board of Polski Holding Nieruchomości S.A. declares that the entity authorized to review the interim condensed financial statements, PricewaterhouseCoopers Sp. z o.o., was selected in accordance with the law.

2. Changes to International Financial Reporting Standards

Changes in IFRS standards and interpretations presented in note 6 to the 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 financial statements by the Management Board, did not have a material impact on the interim condensed financial statements.

The Company intends to adopt changes to the IFRS published but not yet binding by the date of publication of these interim condensed 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 Company’s results and financial position.

3. Major accounting policies

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

Significant judgements made by the Management Board in relation to the application of the Company’s accounting policies and the main sources of uncertainty in its estimates were the same as those described in note 8.3 to the financial statements as at and for the year ended 31 December 2014.

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

4. Segment reporting

The Company operates in one operating segment, i.e. the operations of holding companies. The Management Board evaluates the Company's operations on the basis of its financial statements.

5. Long-term financial assets

The Company values shares held in subsidiaries at the purchase price, which (in the event of impairment being identified) is adjusted to the estimated recoverable amount determined as the carrying value of net assets adjusted for the fair value measurement of the net assets which are recognized in the books of account at the purchase price less accumulated impairment.

Due to the changes in the fair value of the net assets of the subsidiaries: Warszawski Holding Nieruchomości S.A., Intraco S.A., Dalmor S.A. and Budexpo S.A., in the 6-month period ended 30 June 2015 the Company increased or reversed impairment write-downs relating to the shares in these companies. The change in the value of shares in subsidiaries comprises write-downs or reversal of write-downs recorded for shares in subsidiaries.

In the first half of 2015, the Company acquired shares in subsidiaries in exchange for treasury shares issued (details are provided in note 9). The purchase price was determined based on the cost of issue of PHN S.A.'s shares, estimated on the basis of the quotations of PHN S.A. shares on the dates on which the shares in subsidiaries were acquired.

6. Other long-term financial assets

Other long-term financial assets as at 30 June 2015 comprised bonds and loans and borrowings in the total amount of PLN 196 million with accrued interest in the total amount of PLN 4.5 million.

As at 31 December 2014, the Company recognized a part of the receivables from related entities in respect of remuneration due for the redeemed shares in the company PHN 5 Sp. z o. o.

7. Analysis of receivables

Analysis of receivables	30 June 2015 unaudited			31 December 2014 audited		
	Total	Financial	Non-financial	Total	Financial	Non-financial
Trade receivables and other assets	3.3	2.3	1.0	128.3	127.5	0.8
Trade receivables	2.3	2.3	0.0	0.1	0.1	0.0
Receivables from the State Budget	0.0	0.0	0.0	0.7	0.0	0.7
Prepayments	1.0	0.0	1.0	0.1	0.0	0.1
Receivables in respect of redemption of shares in subsidiaries	0.0	0.0	0.0	127.4	127.4	0.0
Total receivables and other assets	**3.3**	**2.3**	**1.0**	**128.3**	**127.5**	**0.8**

The fair value of receivables and the amount recognized in the statement of financial position as at 30 June 2015 and 31 December 2014 were similar.

8. Analysis of liabilities

Analysis of liabilities	30 June 2015 unaudited			31 December 2014 audited		
	Total	Financial	Non-financial	Total	Financial	Non-financial
Current liabilities						
Debt	0.7	0.7	0.0	119.1	119.1	0.0
Loans and borrowings	0.0	0.0	0.0	119.1	119.1	0.0
Car fleet leases	0.7	0.7	0.0	0.0	0.0	0.0
Trade and other payables	65.5	64.7	0.8	1.4	1.3	0.1
Trade payables	3.0	3.0	0.0	0.3	0.3	0.0
Payables to the State Budget	0.8	0.0	0.8	0.1	0.0	0.1
Liabilities relating to payment of dividend	60.7	60.7	0.0	0.0	0.0	0.0
Other current liabilities	1.0	1.0	0.0	1.0	1.0	0.0
Total current liabilities	**66.2**	**65.4**	**0.8**	**120.5**	**120.4**	**0.1**

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

Non-current liabilities						
Debt	0.2	0.2	0.0	0.0	0.0	0.0
Car fleet leases	0.2	0.2	0.0	0.0	0.0	0.0
Total non-current liabilities	**0.2**	**0.2**	**0.0**	**0.0**	**0.0**	**0.0**
Total liabilities	**66.4**	**65.6**	**0.8**	**120.5**	**120.4**	**0.1**

9. Share capital

	30 June 2015 unaudited	30 June 2014 audited
Number of shares as at 1 January	46,482,044	44,599,947
Share issue	182,808	1,626,667
Number of shares as at 30 June (fully paid)	**46,664,852**	**46,226,614**

All shares 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.

The share issue was conducted pursuant to:

- ✓ Resolution no. 3 of the Company's General Shareholders Meeting of 11 October 2011 on the conditional increase in the share capital of PLN 3,884,000 by means of issuing 3,884,000 C series bearer shares with a par value of PLN 1 each, and
- ✓ Resolution No. 3 of the Company's General Shareholders Meeting of 16 April 2012 on the conditional increase in the share capital of PLN 469,000 by means of issuing 469,000 C series bearer shares with a par value of PLN 1 each.

The shares issued are acquired as a result of exercising rights under A series and B series subscription warrants offered free of charge to those employees of Warszawski Holding Nieruchomości S.A., Intraco S.A., Budexpo Sp. z o.o. and Dalmor S.A. who, in accordance with the provisions of Art. 36 et seq. of the Commercialization and Privatization Act of 31 August 1996 were entitled to acquire the shares in the respective companies free of charge.

10. Share premium and other reserves

In the first half of 2015, the Company acquired shares in subsidiaries in exchange for own shares issued (for details, see note 8). The purchase price was determined based on the cost of issue of PHN S.A.'s shares, estimated on the basis of the quotations of PHN S.A. shares on the dates on which the shares in subsidiaries were acquired. The excess of the purchase price over the par value of shares of PLN 1 per share was recognized as share premium. 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 0.4 million.

11. Operating income and expenses

Income from the Company's core operations comprises income from management services provided by the Company to Group companies.

The costs of the Company's core operations comprise the cost of management services provided.

12. Finance income and costs

Finance income includes interest on loans, borrowings and bonds from related entities.

Finance costs comprise interest on loans received from related entities.

13. Distribution of the Company's profit for 2014

By resolution no. 7 of 30 June 2015, the Annual General Shareholders' Meeting of Polski Holding Nieruchomości S.A. decided to distribute the Company's profit for 2014 as follows:

- ✓ PLN 60.7 million for the payment of dividend for the shareholders;
- ✓ PLN 60.1 million for transfer to the supplementary capital.

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

14. Contingent liabilities

The Company had no significant contingent liabilities as at 30 June 2015 and 31 December 2014.

15. Post balance sheet date events

On 1 July 2015, the Group acquired 100% of shares in Andersia Business Centre Sp. z o.o. with its registered office in Poznań, a Company which owns an A class office building with retail space, Andersia Business centre, located in the heart of the business district in Poznań. The purchase price resulting from a tentative settlement of the transaction amounted to PLN 57.6 million.

On 26 August 2015, the Company paid dividend to shareholders of PLN 60.7 million, in accordance with a resolution of the Annual General Shareholders' Meeting of Polski Holding Nieruchomości S.A.

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

These interim condensed financial statements were approved by the Management Board on 28 August 2015.

Włodzimierz Piotr Stasiak Member of the Management Board in charge of Finance	**Mateusz Matejewski** Vice-President of the Management Board in charge of Property Asset Management	**Artur Lebiedziński** President of the Management Board

Grzegorz Grotek
Person responsible for preparing the financial statements

THE POLSKI HOLDING NIERUCHOMOŚCI S.A. GROUP

DIRECTORS' REPORT

FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2015

Polski Holding Nieruchomości S.A.

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

C. Directors' Report on the operations of the PHN S.A. Group

1. General information about the Group

The Parent Company of the Polski Holding Nieruchomości S.A. 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 that belong to the Group are consolidated under the acquisition accounting method, and shares in jointly controlled entities are disclosed in the consolidated financial statements under the equity method. All Group entities are presented below.

Entity	Shareholder	Share in capital and in voting rights 30 June 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.	97.77%	97.82%
Dalmor S.A	WHN S.A.	90.31%	0.00%
	PHN 5 Sp. z o.o.	0.00%	90.31%
	PHN S.A.	2.35%	1.21%
PHN Nieruchomości 3 Sp. z o.o.	WHN S.A.	100.00%	100.0000%
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%
PHN 3 Sp. z o.o.	WHN S.A.	100.00%	70.186%
	Intraco S.A.	0.00%	19.456%
	Budexpo S.A.	0.00%	10.358%
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.	100.00%	89.30%
	Budexpo S.A.	0.00%	10.70%
PHN Hotel Management Sp. z o.o. (formerly 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 Development Sp. z o. o.	PHN 3 Sp. z o.o.	0.00%	100.00%
	PHN S.A.	100.00%	0.00%
PHN Hotel Pruszków Sp. z o.o.	WHN S.A.	100.00%	99.90%
	PHN 3 Sp. z o.o.	0.00%	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%

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

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%
Dalmor Property Management Sp. z o. o. *	PHN 3 Sp. z o.o.	100.00%	n/a

In the first half of 2015, business combinations took place between Agro-Man Sp. z o.o. and Port Okrzei Sp. z o.o. and between Warszawski Holding Nieruchomości S.A. and the following companies: Intraco S.A., Budexpo S.A., Wrocławskie Centrum Prasowe S.A., Warton Sp. z o.o. and Kaskada Service Sp. z o.o.

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

Parzniew Logistics Center Infrastructure Sp. z o. o.
Parzniew Logistics Center 1 Sp. z o. o.

The Group also holds 50% of the shares in each of the following 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.**

**A company established in the first half of 2015*
***A company established in the first half of 2015 by the companies Dalmor S.A. and mLocum S.A. under a joint venture agreement concluded in October 2014*

3. The Group's real estate portfolio

Fair value. As at 30 June 2015, the Group's real estate portfolio comprised 142 properties separated for business purposes with a fair value of PLN 2,123.1 million, which were disclosed in the financial statements as assets. The portfolio comprised 13 properties with a fair value of PLN 161.2 million with unclear legal status (with a positive outlook, though) and one property which is used for the purposes of a joint venture with a third party.

The Group also had 20 properties with unclear legal status with insufficient potential for a positive outcome for these properties to be disclosed in the financial statements as assets. Had they been free from legal defects, the fair value of those properties would have amounted to PLN 126.2 million.

In the first half of 2015, the Group sold 3 properties: in Gdańsk at Stągiewna, in Warsaw at Łowicka, in Otwock at Żurawia, and part of a property located in Katowice. Moreover, after the balance sheet date the Group sold 2 more properties, signed 3 contingent sale agreements and purchased Andersia Business Centre, a property located in Poznań at Królowej Jadwigi.

In the 1st half of 2015, the Group reclassified 3 properties (in one case it was part of the property) from the category with unclear legal status with insufficient potential for a positive outcome to the Group's real estate portfolio (for details, see note 7 to the interim consolidated financial statements). The Group also separated 2 other properties for business purposes and changed the actions planned with respect to 15 properties.

From the perspective of actions planned to be taken with regard to the properties, the Group has divided its portfolio into the following segments:

- ✓ properties remaining in the portfolio – 16 properties with a fair value of PLN 656.8 million, disclosed in the financial statements under investment properties (with a fair value of PLN 625.7 million) and under fixed assets for the Group's own use (with a fair value of PLN 31.1 million);
- ✓ commercial projects - 11 properties with a fair value of PLN 583.4 million, which the Group uses or plans to use for the purposes of commercial projects, disclosed in the financial statements under investment properties at fair value;
- ✓ a joint venture (JV) with a third party - one property with a fair value of PLN 18.0 million, disclosed in the financial statements indirectly as a component of interest in a joint venture;
- ✓ properties held for sale – 83 properties with a fair value of PLN 622.4 million, disclosed in the financial statements under investment properties (with a fair value of PLN

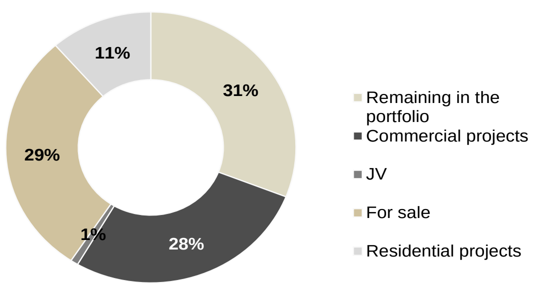
594.9 million), under assets classified as held for sale (with a fair value of PLN 17.7 million), under fixed assets (with a fair value of PLN 4.5 million) and under inventories (with a fair value of PLN 3.0 million);

✓ residential projects – 31 properties with a fair value of PLN 242.4 million, which are used or are planned to be used for the purposes of residential construction projects, including:

- 4 properties with completed projects with a fair value of PLN 26.0 million, including 3 with unsold flats, disclosed in the financial statements under inventories in the amount of PLN 23.8 million;
- 26 properties designated for potential projects with a fair value of PLN 214.7 million, disclosed in the financial statements under investment properties with a fair value of PLN 203.2 million, under fixed assets with a fair value of PLN 11.3 million, and under inventories with a fair value of PLN 0.2 million; this group consists of 6 independent projects, one of them comprising 21 buildings (treated for business purposes as separate properties);
- 1 property comprising road plots with a fair value of PLN 1.6 million, disclosed in the financial statements under inventories in the amount of PLN 0.2 million.

Property portfolio structure by segment*

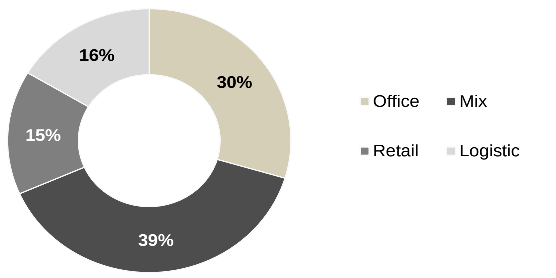
fair value %



* this item does not include 20 properties with unclear legal status

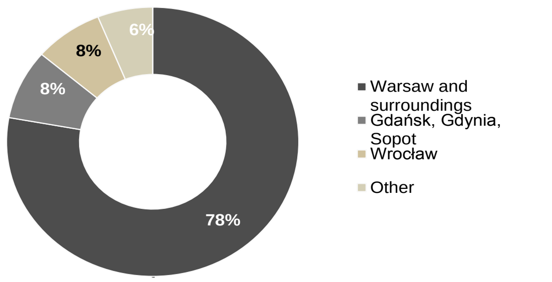
Commercial projects by type of target space

fair value %



Geographical structure of the property portfolio*

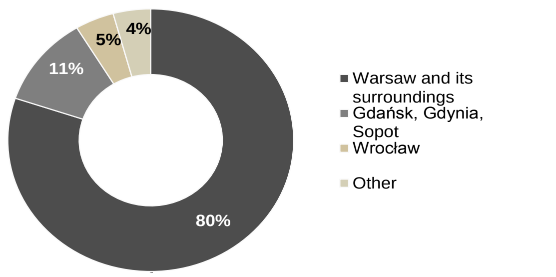
fair value %



* this item does not include 20 properties with unclear legal status

Segments by geographic location: properties remaining in the portfolio and commercial projects

fair value %

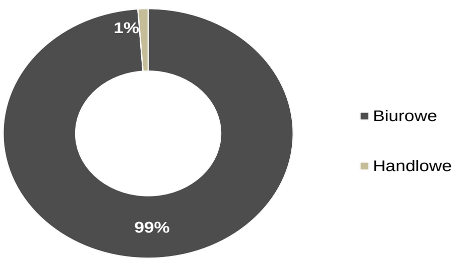


Gross leasable area (GLA) and vacancy ratio

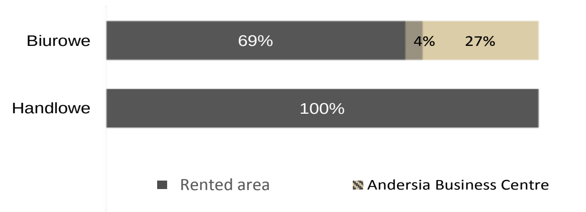
As at 30 June 2015, GLA of the Group's real estate portfolio amounted to 332 thousand sq m, and the vacancy ratio amounted to 28.3% (calculated as the share of unleased space in GLA less space designated for the Group's own use and permanently not leasable space).

The gross leasable area of the properties remaining in the portfolio exceeded 96 thousand sq m, and the vacancy ratio amounted to 30.4%. This ratio was significantly affected by the withdrawal of the main tenant from the Intraco building and pending commercialization of a newly-built property at Domaniewska. Taking into account the property in Poznań (Andersia Business Centre) bought after 30 June 2015, the GLA of the properties remaining in the portfolio will increase to more than 110 thousand sq m, and the vacancy ratio will decrease to 26.5%.

Structure of properties remaining in the portfolio by current purpose
total GLA %



Lease ratios of properties remaining in the portfolio
% of space



Lease result (NOI). In the period from 1 January to 30 June 2015, the Group generated NOI of PLN 27.9 million, including: the portfolio properties segment: PLN 13.3 million; the commercial projects segment: PLN 5.7 million; the segment of properties held for sale: PLN 7.9 million; the residential projects segment: PLN 1.0 million. The Group classifies 97 properties with a fair value of PLN 1,645.6 million, including 2 properties for which lease agreements have been signed which will generate revenues after 30 June 2015, as properties generating revenues from lease.

4. 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 a business, lease of 'virtual offices', conference halls, advertising space (walls, facades of buildings and areas on rooftops), parking lots, technical areas.

Office space. Office buildings of A, B and C class, residential properties, residencies used for office purposes and diplomatic outposts represent the office space portfolio. Customers of the office space segment include mainly small and medium enterprises, both Polish and with foreign capital. Diplomatic 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 in Warsaw. The Group's offer is addressed to small- and medium-sized entrepreneurs operating in the construction, fashion, catering, and pharmaceutical industries.

Logistic space. The biggest logistic area offered by the Group is located in Port Rybacki, Gdynia. The offer is mainly 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.

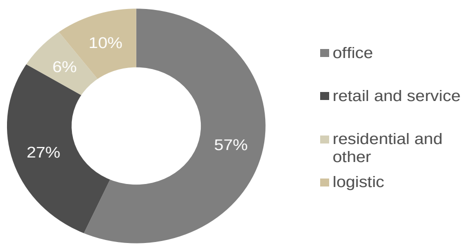
Residential and other space. The residential portfolio comprises villas (mainly used as diplomatic outposts), apartments and residential buildings. Additionally, the Group owns hotels, schools and preschool facilities.

In the 2nd quarter of 2015, the Group commenced hotel activities on the following properties: Zgoda 6 and Hotel Wilanów.

5. Tenants

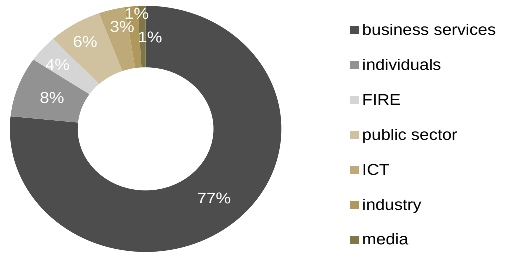
The structure of the Group's tenants is highly differentiated; therefore, the Group is not exposed to any significant risk associated with a single tenant or group of tenants. As at 30 June 2015, the average leased area per one tenant was approximately 160 sq m, and the total number of tenants in the 1st half of 2015 was stable. As at 30 June 2015, the Group's space was leased to approx. 1,200 tenants. The representatives of the business services sector were the biggest group of tenants.

Structure of leased space by type
% of leased space *



* this item does not include 20 properties with unclear legal status

Structure of tenants by industry
% of total number of tenants *

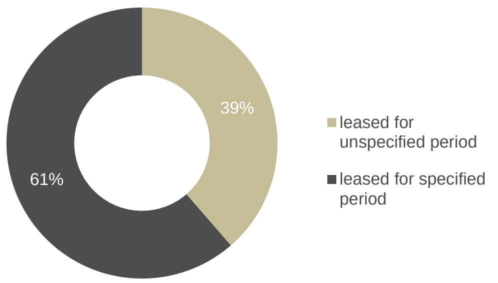


FIRE – financial services, insurance and real estate
ICT – information, communication and technology

* this item does not include 20 properties with unclear legal status

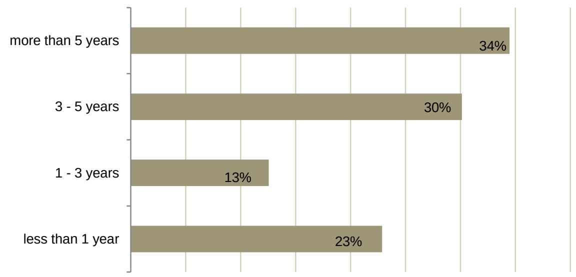
Although new lease agreements are usually concluded for a specified period, about 39% of the existing agreements are concluded for an unspecified period. The tenants' structure by lease term is presented on the following two graphs.

Structure of leased space by term of contract
% GLA *



* this item does not include 20 properties with unclear legal status

Structure of leased space by term of contract
% of space leased for specified period



6. Financial standing

In the 2nd quarter of 2015, the real estate market remained under the influence of unfavourable market conditions. However, the low level of tenant activity, growing pressure on rent reductions and growing vacancy ratios did not have a significant effect on revenues from the Group's main operating segment. The Group maintained its lease revenue at a stable level and, as a result of cost savings, its lease result was 4.4% higher than in the previous quarter.

EBITDA (operating profit or loss adjusted for the change in the fair value of properties, gain/loss on their disposal, depreciation and amortization, and the effect of changes in the legal status of properties) amounted to PLN 7.9 million and it was PLN 7.0 million lower quarter-on-quarter, mainly due to recognizing revenue from refunds of civil law activities tax in the 1st quarter of 2015.

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 damages payable to tenants receiving premises with a delay and for guarantee repairs, change in the provision for claims relating to previous years, refunded civil law activities tax and use of properties without a contract) amounted to PLN 6.7 million and was PLN 0.8 million higher than in the previous quarter.

In the period from 31 December 2014 to 30 June 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 6 months ended 30 June 2015 decreased by PLN 2.0 million y/y.

6.1. Analysis of consolidated statement of financial position

Investment properties constituted the major component of non-current assets. In the six months ended 30 June 2015, their value increased by PLN 79.8 million (net) as a result of:

- ✓ purchase of an investment property with a value of PLN 33.5 million;
- ✓ incurring expenditure on commercial development projects (PLN 76.3 million), preparation of commercial development projects and modernization of properties (PLN 4.1 million);
- ✓ reclassification of 2 properties from investment properties to property, plant and equipment due to the commencement of hotel activities on these properties (PLN 26.0 million);

- ✓ reclassification from investment properties to non-current assets classified as held for sale of the following properties: Prądzyńskiego, Dziebędów, Bukowiec, Łask, a hotel in Pruszków and a hotel in Świebodzin (PLN 17.7 million) due to the fact that buyers were found;
- ✓ reclassification of properties worth PLN 20.0 million to assets due to a change in their legal status;
- ✓ impairment (PLN 10.4 million).

The value of property, plant and equipment increased by PLN 25.7 million in the 6 months ended 30 June 2015 due to:

- ✓ reclassification of 2 properties from investment properties to property, plant and equipment due to the commencement of hotel activities on these properties (PLN 26.0 million);
- ✓ recognizing depreciation of PLN 0.6 million;
- ✓ purchase of property, plant and equipment of PLN 0.3 million.

Deferred income tax assets increased by PLN 3.9 million in the 6 months ended 30 June 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 65.6 million (net) in the 6 months ended 30 June 2015, mainly due to:

- ✓ a decrease in trade receivables and other assets (PLN 69.1 million) mainly due to a decrease in the VAT receivable on sales of properties to subsidiaries (PLN 92.6 million), partly compensated by an increase in other receivables from the state budget of PLN 19.6 million (including a refund of the tax on civil law transactions of PLN 8.0 million) and an increase in prepayments of PLN 3.9 million;
- ✓ a decrease in inventories related to development activity (PLN 8.6 million);
- ✓ an increase in cash and cash equivalents of PLN 11.6 million.

The amount of equity attributable to the equity holders of the parent company in the period ended 30 June 2015 decreased by PLN 18.0 million (net) due to:

- ✓ earmarking the amount of PLN 60.7 million for the payment of dividend for the shareholders;
- ✓ change in the ownership structure resulting from the issue of shares in exchange for shares acquired in subsidiaries and share redemption (PLN 14.0 million);
- ✓ generating a net profit (PLN 28.7 million).

The level of non-current liabilities as at 30 June 2015 increased by PLN 101.9 million compared with the end of 2014, mainly due to:

- ✓ an increase in debt resulting from bank loans of PLN 100.7 million;
- ✓ an increase in the deferred income tax provision of PLN 2.6 million;
- ✓ a decrease in other non-current liabilities of PLN 1.4 million.

The level of current liabilities decreased by PLN 10.4 million primarily due to:

- ✓ a decrease in the liabilities to the state budget in respect of VAT payable on sales of properties to subsidiaries (PLN 86.8 million);
- ✓ a decrease in the amount of advance payments for the purchase of investment properties (PLN 5.9 million);
- ✓ a decrease in trade payables of PLN 3.6 million;
- ✓ an increase in investment liabilities of PLN 8.6 million;
- ✓ a new liability in respect of payment of dividend of PLN 60.7 million;
- ✓ an increase in the liabilities in respect of bank loans of PLN 9.9 million;
- ✓ an increase in other current liabilities of PLN 4.3 million.

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

6.2. Analysis of consolidated statement of comprehensive income

EBITDA on continuing operations	2Q 2015	1Q 2015	2Q 2014
Sales revenue	35.6	37.4	38.7
Operating expenses	(19.7)	(22.2)	(23.3)
Gross profit/loss on sales	**15.9**	**15.2**	**15.4**
Administrative and selling expenses	(9.3)	(7.5)	(9.1)
including one-off costs (Group privatization and restructuring)	*0.4*	*0.1*	*0.8*
Administrative and selling expenses, excluding one-off costs (Group privatization and restructuring)	*(8.9)*	*(7.4)*	*(8.3)*
Net profit/loss on sales	**6.6**	**7.7**	**6.3**
Change in the fair value of investment properties and gain/loss on disposal	(6.5)	(3.8)	(4.4)
Other revenues	23.8	10.2	1.3
Other costs	(2.9)	(3.2)	(2.6)
Operating profit/ (loss)	**21.0**	**10.9**	**0.6**
Change in the fair value of investment properties and gain/loss on disposal	6.5	3.8	4.4
Depreciation and amortization	0.4	0.2	0.4
Change in the legal status of properties	(20.0)	0.0	0.0
EBITDA	**7.9**	**14.9**	**5.4**
Provision for guarantee repairs and damages in development activity	(0.3)	(0.2)	0.0
One-off costs (Group privatization and restructuring)	0.4	0.1	0.8
Costs of severance payments	0.0	0.2	0.8
Refund of tax on civil law transactions	0.0	(8.0)	0.0
Change in provision for claims relating to previous years	(1.3)	(1.1)	0.0
Adjusted EBITDA	**6.7**	**5.9**	**7.0**

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

Profit/loss on lease	2Q 2015	1Q 2015	2Q 2014
Sales revenue	30.1	30.3	30.0
Operating expenses	(15.8)	(16.6)	(16.3)
Gross profit/loss on sales	**14.3**	**13.7**	**13.7**
Administrative and selling expenses	(7.3)	(5.8)	(6.5)
including one-off costs (Group privatization and restructuring)	*0.2*	*0.1*	*0.6*
Administrative and selling expenses, excluding one-off costs (Group privatization and restructuring)	*(7.1)*	*(5.7)*	*(5.9)*
Net profit/loss on sales	**7.0**	**7.9**	**7.2**
Change in the fair value of investment properties and gain/loss on disposal	(6.5)	(3.8)	(4.4)
Other revenues	23.7	10.1	1.2
Other costs	(2.8)	(3.2)	(2.5)
Operating profit/ (loss)	**21.4**	**11.0**	**1.5**
Change in the fair value of investment properties and gain/loss on disposal	6.5	3.8	4.4
Depreciation and amortization	0.4	0.2	0.4
Change in the legal status of properties	(20.0)	0.0	0.0
EBITDA	**8.3**	**15.0**	**6.3**
One-off costs (Group privatization and restructuring)	0.2	0.1	0.6
Costs of severance payments	0.0	0.2	0.7
Refund of tax on civil law transactions	0.0	(8.0)	0.0
Change in provision for claims relating to previous years	(1.3)	(1.1)	0.0
Adjusted EBITDA	**7.2**	**6.2**	**7.6**

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 2Q 2015. Net profit on sales in 2Q 2015 was PLN 0.9 million lower quarter-on-quarter, mainly due to higher administrative expenses. The net profit/(loss) on sales in the lease segment did not change significantly compared with the corresponding period of the previous year. EBITDA (operating profit or loss adjusted for the change in the fair value of investment properties, gain/loss on their disposal, depreciation and amortization, and the effect of changes in the legal status of properties) was PLN 6.7 million lower q/q and PLN 2.0 million higher y/y. 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 7.2 million and was PLN 1.0 million higher q/q and PLN 0.4 million lower y/y.

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

Profit/loss on development activity	2Q 2015	1Q 2015	2Q 2014
Sales revenue	3.9	7.1	8.6
Operating expenses	(2.7)	(5.5)	(6.8)
Gross profit/(loss) on sales	**1.2**	**1.6**	**1.8**
Administrative and selling expenses	(0.5)	(0.8)	(0.9)
Net profit/loss on sales	**0.7**	**0.8**	**0.9**
Other revenues	0.1	0.1	0.1
Other costs	0.0	0.0	(0.1)
Operating profit/ (loss)	**0.8**	**0.9**	**0.9**
EBITDA	**0.8**	**0.9**	**0.9**
Provision for guarantee repairs and damages in development activity	(0.3)	(0.2)	0.0
Costs of severance payments	0.0	0.0	0.1
Adjusted EBITDA	**0.5**	**0.7**	**1.0**

Gross profit from sales in the development activity segment in 2Q 2015 amounted to PLN 1.2 million and was PLN 0.4 million lower than in the previous quarter. Lower revenues in the analysed period are mainly due to executing final agreements for pre-sold apartments signed in previous periods. In 2Q 2015, final agreements for sale of 13 units were executed (1Q 2015: 23 units, 2Q 2014: 28 units). The adjusted EBITDA in this segment was lower than in 1Q 2015 and amounted to PLN 0.5 million. As at 30 June 2015, the Group had 93 built units, including 36 contracted units. The Group had no units under construction as at 30 June 2015.

In 2Q 2015, the Group concluded 29 preliminary agreements for sale (1Q 2015: 21, 2Q 2014: 27).

Profit/loss on other business activities	2Q 2015	1Q 2015	2Q 2014
Sales revenue	1.6	0.0	0.1
Operating expenses	(1.2)	(0.1)	(0.2)
Gross profit/loss on sales	**0.4**	**(0.1)**	**(0.1)**
Net profit/loss on sales	**0.4**	**(0.1)**	**(0.1)**
Operating profit/ (loss)	**0.4**	**(0.1)**	**(0.1)**
EBITDA	**0.4**	**(0.1)**	**(0.1)**
Adjusted EBITDA	**0.4**	**(0.1)**	**(0.1)**

Other business activities comprise revenues and costs of hotel business and logistics services, which the Group intends to discontinue.

In 2Q 2015, the Group generated profit on other business activities of PLN 0.4 million due to commencing hotel activities on the properties Zgoda 6 and Hotel Wilanów.

Unallocated items of the consolidated statement of comprehensive income	2Q 2015	1Q 2015	2Q 2014
Administrative and selling expenses	(1.5)	(0.9)	(1.7)
including one-off costs (Group privatization and restructuring)	*0.2*	*0.0*	*0.2*
Administrative and selling expenses, excluding one-off costs (Group privatization and restructuring)	*(1.3)*	*(0.9)*	*(1.5)*
Net profit/loss on sales	**(1.5)**	**(0.9)**	**(1.7)**
Other costs	(0.1)	0.0	0.0
Operating profit/ (loss)	**(1.6)**	**(0.9)**	**(1.7)**
EBITDA	**(1.6)**	**(0.9)**	**(1.7)**
One-off costs (Group privatization and restructuring)	0.2	0.0	0.2
Adjusted EBITDA	**(1.4)**	**(0.9)**	**(1.5)**

Except for the described results of operating segments, the Group's operating profit/loss for the analysed period was affected by the administrative expenses of the parent company, which acted as a holding company. From the business perspective, such costs are not allocated to operating segments.

6.3. Analysis of the consolidated statement of cash flows

In 2Q 2015, the Group generated positive net cash flow from operating activities in the amount of PLN 42.6 million, mainly resulting from:

- ✓ generating positive adjusted EBITDA in the amount of PLN 6.6 million;
- ✓ one-off expenses amounting to PLN 0.4 million relating to restructuring and reorganisation;
- ✓ payment of severance pay of PLN 0.2 million to employees made redundant as part of the employment restructuring process;
- ✓ payment of current income tax in the amount of PLN 0.7 million;

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

- ✓ reimbursement of VAT of PLN 35.7 million on property sales to subsidiaries;
- ✓ settlement of advance payments relating to perpetual usufruct of land in the amount of PLN 2.6 million;
- ✓ generating positive cash flows from development activity of PLN 4.6 million, mainly as a result of a decrease in inventories;
- ✓ a decrease in other working capital of PLN 5.6 million, mainly VAT on expenditure on investment property.

Negative cash flows from investing activities in 2Q 2015 of PLN 48.1 million resulted mainly from expenditure incurred on investment properties (PLN 52.9 million), loans granted to co-subsidiaries of PLN 1.7 million, partly offset by proceeds from the disposal of investment properties of PLN 6.0 million and interest income on bank deposits of PLN 0.5 million.

In Q2 2015, the Group generated positive cash flows from financing activities of PLN 51.7 million, resulting from proceeds from bank loans of PLN 60.8 million offset with the repayment of liabilities in respect of a bank loan of PLN 3.5 million, payment of PLN 5.5 million for shares repurchased from minority shareholders, and repayment of financial liabilities resulting from the car fleet lease of PLN 0.1 million.

7. EPRA performance measures

EPRA earnings*

According to EPRA, the ratio represents information, relevant from the point of view of the shareholders, about operating activity generated by the properties portfolio held by the Company.

	6 months ended	
	30 June 2015	30 June 2014
Net profit/(loss) of the lease segment*	**30.9**	**16.7**
Adjustments	(7.9)	4.8
Change in the fair value of investment properties and gain/loss on disposal	*10.3*	*6.0*
Change in the legal status of properties	*(20.0)*	*0.0*
Impairment of property, plant and equipment (properties)	*0.0*	*0.0*
Deferred tax associated with the above adjustments	*1.8*	*(1.2)*
Net profit/(loss) of the lease segment according to EPRA*	**23.0**	**21.5**
Adjustments	(7.0)	(10.2)
One-off costs (Group privatization and restructuring)	*0.3*	*0.6*
Severance pay for employees made redundant	*0.2*	*0.7*
Change in provisions for claims relating to previous years	*(2.4)*	*0.6*
Interest on free cash	*(0.6)*	*(2.0)*
Refund of tax on civil law transactions	*(8.0)*	*0.0*
Interest on tax on civil law transactions paid	*(0.8)*	*0.0*
Default interest on overdue VAT	*3.8*	*0.0*
Current and deferred tax associated with the above adjustments	*0.5*	*0.0*
Fiscal effect of in-kind contribution to a subsidiary	*0.0*	*(10.1)*
Adjusted net profit/(loss) of the lease segment according to EPRA	**16.0**	**11.3**

* Profit/loss on operating activities of the lease segment in 1H 2015: PLN 32.4 million, 1H 2014: PLN 5.5 million after taking into account profit/(loss) of the lease segment from financing activities in 1H 2015: PLN -2.1 million, 1H 2014: PLN 1.1 million, income tax in 1H 2015: PLN 0.2 million, 1H 2014: PLN 9.7 million and share in profits of associated and jointly-controlled entities in 1H 2015: PLN 0.4 million, 1H 2014: PLN 0.4 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.

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

EPRA NIY

	2015*	2014
Investment properties as per the statement of financial position	2,003.9	1,924.1
Land and commercial development projects in progress	(590.5)	(514.9)
Investment properties generating lease revenues	**1,413.4**	**1,409.2**
Lease earnings as per the statement of comprehensive income	56.0	55.5
Adjustments	1.5	3.0
Earnings generated by land and commercial development projects in progress	*(0.1)*	*0.1*
Earnings generated by properties with unclear legal status	*(0.5)*	*(0.3)*
Earnings generated by properties classified as held for sale and sold properties	*(0.7)*	*0.5*
Fit out exclusion	*2.8*	*2.7*
EPRA earnings from lease activities	**57.5**	**58.5**
Estimated transaction costs (3%)	42.4	42.3
EPRA NIY	**4.0%**	**4.0%**

*Income statement items annualized based on data for 1H 2015 multiplied by two.

EPRA NAV and EPRA NNNAV

EPRA NAV (net asset value) presents the fair value of net assets in a long-term perspective. EPRA NNNAV adjusts ERPA NAV for those items of assets and liabilities which in ERPA NAV are not measured at the fair value.

	30 June 2015	31 December
Net assets attributable to equity holders of the parent company	1,929.1	1,947.1
Long-term deferred income tax provision	*49.2*	*48.7*
EPRA NAV	**1,978.3**	**1,995.8**
Difference between the book value and the fair value of net assets	8.0	10.7
EPRA NNNAV	**1,986.3**	**2,006.5**

*EPRA (European Public Real Estate Association www.epra.com) represents the common position of the majority of European companies quoted on financial markets that specialize in property management, and in particular supports the development of those companies that have commercial properties in their portfolio. EPRA created a committee, consisting of CFOs, main investors and advisors of associated companies, which analyses reporting issues affecting the 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.

8. Operating and investing activities

Operating and investing activities

In accordance with the adopted strategy, the core business operations of the PHN S.A. Group involve optimization of the real estate portfolio structure. As a result of such actions, the effectiveness of the Group's real estate portfolio will increase and the asset management will improve. At the same time, the conservative financing strategy will be maintained. The Group executes development projects to obtain high class assets that will provide a stable source of revenues in the long term. In accordance with its strategy, the Group also executes development projects for sale in the residential sector.

Completed and pending projects:

The Foksal Project, Warsaw – a permit for use of the Foksal City building was obtained in 2014. The building's commercialization was completed in 2Q 2015 and the whole building was leased to the Ministry of Foreign Affairs. The building will be handed over to the tenant in September 2015.

The Domaniewska Project, Warsaw – in May 2015, shell and core building works were completed in A and B buildings, and in June a decision to grant the use permit was received. In July, 13,600 sq m GLA in building A was handed over to the key tenant – Poczta Polska S.A. At present, the Group continues the arrangement of space in building B for Poczta Polska S.A. and commercialization of the remaining part of building B.

The Retkinia Project (Biedronka), Łódź – construction work on the first grocery store was completed in the first half 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.

The Bierutowska Project, Wrocław – as part of the Wrocław Industrial Park project (JV with SEGRO), a modern warehouse and logistic facility called SEGRO Industrial Park Wrocław is being built on a part of the investment land located at Bierutowska in the north-eastern region of Wrocław. Facilities with a planned usable area of approx. 40,000 sq m are being built on a plot of 10.6 ha. To date, the first stage of approx. 19,500 sq m was completed. For this stage, lease agreements for approx. 16,100 sq m have been signed. The second stage is in progress. Its area will be approx. 19,000 sq m. Infrastructure is being prepared for the subsequent stages of the investment project.

Projects under preparation:

The Parzniew near Pruszków Project – in February 2014, the Group companies signed a letter of intent for the construction of a warehouse facility Parzniew Logistic Hub on a plot with an area of 22 ha. In December 2014, the Group finalized negotiations concerning the execution of this project with a development company Parzniew Partners B.V., which belongs to the leaders of the international logistic market: Menard Doswell & Co. and Hillwood Europe. In January 2015, an SPV of the PHN S.A. Group, PHN SPV 4 Sp. z o.o., signed a joint venture (JV) agreement for the stage by stage construction of a warehouse complex. The Group continues pre-development work (electricity, gas, IT). In June, design work for the purposes of application for the building permit was completed.

The Molo Rybackie Project, Gdynia – on 30 October 2014, an agreement for executing the first stage of the Molo Rybackie project in Gdynia was signed. As part of executing the agreement with mLocum S.A., design works are being conducted for a project consisting of the construction of 6 residential buildings on a property owned by Dalmor S.A. At the same time, work on the optimum concept of development for the subsequent residential and office stage of that property was commenced.

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, which will perform the function of a sound barrier from Prymasa Tysiąclecia. The project assumes creating user-friendly, low-density urban space with access to various service outlets located within the residential complex. Analyses show that 476 modern apartments may be built with usable area of 25.1 thousand sq m. 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 sq m. In July 2015, an agreement for design work was signed with the "ATELIER 7" studio. A concept for the residential building has been completed and work on the office building concept is under way.

The Stawki 2 Project, Warsaw – a two-stage project is planned to be executed on a developed plot at Stawki in Warsaw. During the first stage, an A class office facility is planned to be built on the existing parking lot in front of the Intraco office building. As part of the second stage, demolition of the existing Intraco building and construction of a new high rise office building is contemplated. In October 2014, an agreement for a stage-by-stage development project was signed with the JEMS Architekci studio. Design work includes the preparation of a comprehensive design of the facility, as well as the analyses, expert opinions and arrangements that are necessary to obtain the building permit, select the general contractor and execute the project. Design work for the 1st stage, i.e. the Architectural Concept, is almost completed.

The Świętokrzyska Project in Warsaw – City Tower – in place of the present developed property at Świętokrzyska 36, on a land plot of an area of approx. 0.6 ha, the Group plans to build a modern high-rise A class office building. Since a station of the Warsaw Underground is located nearby, a direct connection between the facility and the station can be designed. In August 2015, the Group signed an agreement terminating the previous agreements with Hochtief concerning joint execution of the Świętokrzyska Project. PHN is continuing preparations for executing this project independently – work on designing the optimum shape of the high-rise building is under way and an application for a building permit has been filed.

The Wilanowska Project, Warsaw – staged construction of two 6-storey A class office buildings with a gross leasable area (GLA) of approx. 30,000 sq m is planned on a property with an area of approx. 1.29 ha at Aleja Wilanowska 372. At present, design work has been commenced with the aim of obtaining a building permit for the potential project.

The Lewandów Project, Warsaw – as part of the project, it is planned to build on a part of the land with a total area of 25.4 ha retail and service facilities with a gross leasable area (GLA) of approx. 60,000 sq m. The project will be divided into several stages. The Group has obtained a building permit for a grocery store. At present, talks on the commercialization of the facility are in progress. At the same time, the Group is negotiating the sale/lease of the remaining part of the property to grocery and general store chains.

Planned projects:

The Retkinia Project, Łódź – construction work on the first grocery store was completed in the first half of 2015. Work on a development concept for the remaining part of Retkinia is under way. During the 1st stage, construction of retail space of approx. 6,000 sq m is planned.

The Bartycka Project, Warsaw – the Group plans to build a residential complex with a service function on a property with an area of 7.6 ha. In the first quarter of 2015, the Optimum Land Development Study was prepared for the property. At present, talks with potential tenants concerning commercialization of the retail part of the project are under way.

The Wilanów Project, Warsaw – in the heart of Wysoki Wilanów, in a quiet area, there are several buildings built in the 1980s. Although they were originally designed for residential purposes, currently they are leased as office and service space. The project involves the construction of residential buildings within the area of the complex. Work on the Optimum Land Development Study has begun to facilitate the replacement of the existing development with new buildings. The analyses show that approx. 1046 modern apartments with an area of 52.3 thousand sq m could be built. Works on amending the Local Zoning Plan have commenced.

The Jana Pawła II 34 Project, Warsaw – the winner was announced in the competition for the architectural and urban planning concept of a residential building with service outlets on the ground floor. Talks on project execution with the winner have commenced.

The Instalatorów 7C Project, Warsaw – preliminary financial analyses confirmed that the property is appropriate for a residential project. A development capacity analysis has been performed. The process of selecting the architects for the project has started.

Other information

On 12 May 2015, PHN signed a partnership agreement with the Association of Polish Architects SARP, in accordance with which it will support the activities of SARP and help promote ambitious architectural initiatives in Warsaw and elsewhere in Poland. Cooperation with SARP is consistent with the Company's long-term strategy and corresponds to the nature of PHN's development projects with their outstanding, timeless architecture and high standard solutions.

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

The Group commenced the programme of sale of properties in prestigious locations in Warsaw. The project includes 18 properties with a total value of approx. PLN 100 million.

On 14 August 2015, the Group signed a letter of intent concerning the acquisition of an A class office building with an area of more than 25 thousand sq m located in the centre of one of the biggest regional cities. The purchase of this property is consistent with the Group's strategy of buying modern office space.

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

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

In the first half of 2015 and in 2014, no advances, loans, guarantees or warranties were granted to members of the Management Boards and Supervisory Boards of Group companies and their relatives and no other agreements were concluded with such persons on the basis of which they would be obliged to render services to Polski Holding Nieruchomości S.A. and its related entities.

As at 30 June 2015 and 31 December 2014, no loans were granted by Group companies to the Management Board and Supervisory Board members and their relatives.

In the first half of 2015, the Group did not enter into any significant transactions with the Management Board and Supervisory Board members or their relatives.

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

As at 30 June 2015 and as at the date of preparation of this report, there were no pending proceedings against Group companies before a court, a court of arbitration or a public administration authority, whose individual or cumulative value would be equal to or higher than 10% of the parent company's equity.

11. Other information

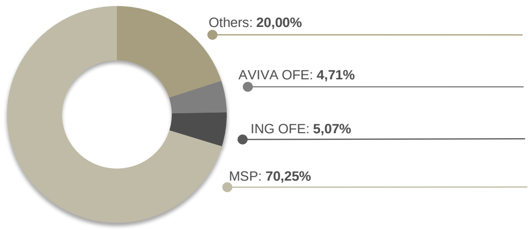
11.1. Dividends

By resolution no. 7 of 30 June 2015, the Annual General Shareholders' Meeting of Polski Holding Nieruchomości S.A. earmarked the amount of PLN 60.7 million, i.e. PLN 1.30 per share, for the payment of dividend to the shareholders. 46,664,852 shares of the Company participate in the dividend. In the said resolution, the Annual General Shareholders' Meeting of the Company set the dividend record date on 19 August 2015 and the dividend payment date on 26 August 2015.

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

11.2. Shareholders holding (directly or indirectly through subsidiaries) at least 5% of the total number of votes 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. 69.1 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 for 2009, no. 185, item 1439, as amended). The shareholding structure has not changed since the date of the publication of the previous interim report.

11.3. Shares of the parent company held by Management Board and Supervisory Board members

Name	Shares of the parent company		Shares of the subsidiaries	
	Number of shares	Par value of shares (PLN)	Number of shares	Par value of shares (PLN)
Rafał Krzemień	3,470	3,470	0	0
Total	**3,470**	**3,470**	**0**	**0**

Numbers of shares held by Management and Supervisory Board members are given according to the confirmations received as at 27 August 2015. In the period from 7 May 2015 to 27 August 2015, the number of shares of Polski Holding Nieruchomości S.A and its subsidiaries held by members of the Management and Supervisory Board did not change.

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

In order to secure repayment of the liabilities resulting from the loan agreement signed in connection with the purchase of a part of the property at Al. Jana Pawła II in Warsaw and in order to guarantee the performance of this agreement, the Group entities provided collateral described in note 27 to the interim condensed consolidated financial statements to Bank Ochrony Środowiska S.A.

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 activity;
- ✓ 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 property maintenance and capital expenditure 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.

This interim report was approved by the Management Board of the Parent Company on 28 August 2015.

Włodzimierz Piotr Stasiak Member of the Management Board in charge of Finance	**Mateusz Matejewski** Vice-President of the Management Board in charge of Property Asset Management	**Artur Lebiedziński** President of the Management Board