



POLNORD SA
CAPITAL GROUP

CONSOLIDATED HALF-YEARLY REPORT
FOR THE PERIOD FROM 1 JANUARY 2015 TO 30 JUNE 2015

CONTAINING
INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE PERIOD FROM 01.01.2015 TO 30.06.2015
PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

GDYNIA, 31 AUGUST 2015

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A. MANAGEMENT BOARD REPORT ON ACTIVITIES OF THE POLNORD SA CAPITAL GROUP FOR THE PERIOD FROM 1 JANUARY 2015 TO 30 JUNE 2015

I COMPANY INFORMATION

Unless the context indicates otherwise, the terms “Company”, “Polnord SA”, “Polnord”, “Parent Company” or other terms with similar meanings and their grammatical forms shall mean Polnord SA, while the terms: “Group”, “Capital Group”, “Polnord Capital Group” or other terms with similar meanings and their grammatical forms shall mean the Capital Group composed of Polnord SA and entities subject to consolidation.

The term „Report” shall refer to this Consolidated half-yearly report for the period from 01.01.2015 to 30.06.2015, and “Director’s Report” applies to the Report of the Management Board on activities of the Polnord SA Capital Group for the period from 01.01.2015 to 30.06.2015. “Consolidated statements” mean the Interim condensed consolidated financial statements of the Polnord SA Capital Group prepared as at 30.06.2015 covering the period from 01.01.2015 to 30.06.2015 and containing relevant comparative data as at 31.12.2014 and for the period from 01.01.2014 to 30.06.2014.

1. INTRODUCTION

Polnord SA is one of the most experienced companies on the construction and real estate development market in Poland. It was established in 1977 as a general contractor of exported construction services. In 1988, it assumed the name of Polnord. In 1999, the Company’s shares were floated on the Warsaw Stock Exchange’s main market. Currently, the Company is listed in sWIG 80 and WIG-Deweloperzy indices.

Since 2007, the core business of Polnord Group has been the implementation of development projects through special purpose vehicles established by Polnord with or without partners. Polnord Group operates mainly on the Polish market (in Warsaw, Tricity, Olsztyn, Szczecin, Łódź and Wrocław), and to an increasingly smaller extent on the Russian market.

The Company’s objective is to maximize the value of the Company, in the interest of its Shareholders, by building a leadership position on the housing market. In line with the adopted strategy, Polnord Group is firmly committed to increasing the volume of housing sales, focusing on the segment of residential real estate (mainly in Warsaw and Tricity), optimising selling, general and administrative expenses, and reducing the debt level.

Polnord SA is a founding member of the Polish Association of Developers whose purpose is to promote a code of good practices in the customer – developer relations. Year after year since 2000, Polnord SA has held the Developer’s Certificate which is awarded by the Polish Association of Developers and confirms the Company’s professionalism and guarantees its integrity in acting for the benefit of the customer.

Polnord Group has one of the largest land reserves among Polish developers, consisting of attractive real properties located in the largest Polish cities (inter alia, Warsaw, Tricity, Łódź and Szczecin). By 30.06.2015, employing the experience gained over the years, Polnord, through the wholly owned subsidiaries, has completed its residential projects in the following locations:

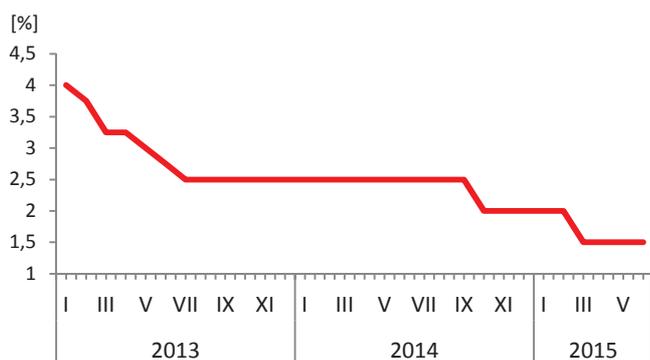
- Warsaw: Polnord Group is one of the developers implementing construction of a new district of Warsaw (“Miasteczko Wilanów”), where approximately 35-50 thousand residents are expected to settle. This is one of the most prestigious and demanding investment projects executed in Poland, recognised by the Urban Land Institute in 2010 as one of the five best investments in the world. So far, on the area of Miasteczko Wilanów, Polnord Group has implemented, among others, the following residential projects: “Królewskie Przedmieście” in Aleja Rzeczypospolitej (443 units), “Kryształ Wilanowa” in Klimczaka St (95 units), “Śródmieście Wilanów” build. A and C in Kazachska St (331 units in total);
- Ząbki near Warsaw: “Neptun I (Stage I)” (109 units);
- Sopot: “Sopocka Rezydencja” (162 apartments);
- Gdańsk: “Ostoja Myśliwska” (242 units); „2 Potoki Stage I-III” (480 units); „Dwa Tarasy” Stage I (162 units);
- Olsztyn: “Osiedle Tęczowy Las” build. 1-5 (436 units);

- Łódź: “City Park” Stage I-III (235 units);
- Szczecin: “Ku Słońcu” Stage I, II (build. 1,2) (539 units);
- Polnord is also responsible for the implementation of the office complex “Wilanów Office Park”, within which two modern office buildings of the total area of 17,290 sq m have been built.

2. MARKET ENVIRONMENT

The results of the first half of 2015 on primary markets in Warsaw, Tricity, Cracow, Wrocław, Poznań and Łódź, in terms of sales volume and premises introduced in the market, in comparison with previous quarters, can be considered as very good. In the second quarter of 2015, apartment sales increased by almost 11% in comparison with the previous quarter, and the number of premises put on the market increased by 17%. Low interest rates, stable prices and a broad range of offered premises are the factors that stimulate demand. The price change index for the above mentioned cities shows a slight increase in housing prices. Apartment sales on primary markets in those cities, in the period from 01.01.2015 to 30.06.2015 was over 12.7 thousand premises. Since 2014, under the Recommendation S III mortgage loans for 100% of the real estate value were withdrawn from the banks’ offers. Starting from 2014, the customers’ obligatory down payment was at least 5% of the real estate value and since 2015 the amount of the down payment has increased to 10%. The requirements concerning the increased down payment have not turned out to be an impediment to the purchase of apartments. REAS estimates that every fourth apartment was purchased in whole or in part from the

Figure 1. NBP reference rate in 2013-2015



Source: NBP

Figure 2. Number of flats sold on the primary market in Warsaw, Tricity, Cracow, Wrocław, Poznań, and Łódź in the period from 2013 to the first half of 2015



Source: REAS

customers’ own funds.

In the first half of 2015, the “Mieszkanie dla Młodych” Programme (“MdM Programme”), which eliminated the consequences of the Recommendation S III, has had a significant impact on the real estate market. The number of applications for subsidies under the MdM Programme has increased compared to the previous quarter. In the second quarter of 2015, every fifth buyer who took a bank loan for the purchase of an apartment benefited from the MdM Programme.

The second programme of significant importance to the real estate market is “Fundusz Mieszkań na Wynajem” (“FMW Programme”). The FMW Programme, prepared by the government together with Bank Gospodarstwa Krajowego (“BGK”), will provide an investment of PLN 5 billion in the purchase of real estate properties designated for rent. Ultimately, the fund’s portfolio is to cover 20 thousand premises, including whole buildings which are planned to be purchased by the fund from developers. At the end of 2014, BGK bought the first residential building under the FMW Programme located in Poznań. The lease of apartments began in March 2015. Other investments of the FMW Programme are located in Gdańsk in Kilińskiego St and in Piaseczno (Warsaw agglomeration) in Grochowskiego St.

3. POLNORD SA CAPITAL GROUP STRATEGY

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

Significant increase in the volume of units sold

The Group's strategic objective is to achieve annual sales level of 1,500 units. To achieve this goal a dynamic expansion of the offer is necessary. Polnord is constantly looking for new investment opportunities that will enable an increase in sales. The Company is interested in buying land in prime locations, e.g. in Warsaw and Tricity, and is starting new, high-margin investments in cooperation with its business partners.

Focus of activities on the housing market

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

Optimisation of selling, general and administrative expenses

After a period of significant cost reduction, the Company focuses on further optimisation of operating costs, in particular selling, general and administrative expenses. The Group's objective in 2014 was to reduce the selling, general and administrative expenses to PLN 28 million annually, and the current objective is to stabilize them at the fixed level in relation to the number of apartments sold.

Debt reduction

The strategic objective of the Polnord Management Board is to considerably reduce the Group's debt. Funds for debt reduction will come primarily from accelerated apartment sales, the sale of non-operating assets that are not used in the principal operations of the Company and from compensations received. The Management Board of the Company planned to reduce the net debt of the Group to PLN 425 million by the end of 2014, and this objective was achieved. In 2015, the Management Board plans to reduce the debt by another PLN 50 million.

4. SUMMARY OF THE FIRST HALF OF 2015

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

At the end of the first half of 2015, Polnord, through the wholly owned subsidiaries and jointly controlled companies, was implementing 19 real estate projects, presented in table 11, within which 2,647 units of the total usable area of nearly 140 thousand sq m are to be built. By the end of 2015, the Group plans to have commenced the execution of another 12 new real estate investments, indicated in Chapter II, clause 2.3, or subsequent stages of the currently implemented ones, of the total area of 69,659 sq m, which translate into 1,176 units.



Under IFRS, sales revenues are recognised as profit or loss at the time of the handover of premises, which does not fully reflect the Group's activity in the reporting period. Table 1 below presents the Group's activity in the reporting period given that the impact of contracts signed in the period from 01.01.2015 to 30.06.2015 on the result and operating cash flows will only be recognized in financial statements when the premises are actually delivered.

Table 1. Expected operating income and planned direct margin on sales from units sold in IH 2015

INVESTMENT	number ¹⁾ of concluded/cancelled agreements	from 01.01.2015 to 30.06.2015			
		revenues ²⁾	direct margin ²⁾ on sales*	value of land in the direct cost ²⁾ **	net operating income ²⁾ ***
		[PLN '000]	[PLN '000]	[PLN '000]	[PLN '000]
Part I - projects implemented by the wholly owned subsidiaries of Polnord SA					
Warsaw					
Śródmieście Wilanów (build. C)	2	1 252	449	187	636
Śródmieście Wilanów (build. D)	6	2 468	648	455	1 103
Śródmieście Wilanów (build. E)	44	18 689	5 230	3 128	8 358
Śródmieście Wilanów (build. F)	30	12 318	2 477	2 660	5 137
Wilanów Brzozowy Zakątek (build.A1)	6	2 940	322	799	1 121
Smart Aparthotel	190	27 910	2 562	7 049	9 611
Neptun I (Stage I)	16	4 120	917	501	1 418
Neptun I (Stage I)	34	9 271	2 378	1 069	3 447
Tricity					
Ostoja Myśliwska I-II	2	980	348	85	433
2 Potoki I	1	211	46	21	67
2 Potoki II	18	3 578	775	402	1 177
2 Potoki III (build. 1-5)	28	4 914	715	695	1 410
Sopocka Rezydencja	1	545	-	409	409
Dwa Tarasy I	12	2 662	732	272	1 004
Dwa Tarasy II	62	15 185	4 367	1 521	5 888
Brama Sopocka I	6	2 409	286	563	849
Olsztyn					
Osiedle Tęczowy Las (build. 4)	1	162	52	11	63
Osiedle Tęczowy Las (build. 5)	4	1 020	223	40	263
Osiedle Tęczowy Las (build. 6)	35	7 205	1 681	416	2 097
Szczecin					
Ku Słońcu I	5	1 741	287	340	627
Ku Słońcu II (build. 1)	32	7 285	1 097	989	2 086
Ku Słońcu III (build. 3)	21	5 765	358	1 520	1 878
Łódź					
City Park II	2	802	-	195	195
City Park (IV EA5)	35	6 759	840	663	1 503
City Park (IV EA3)	2	565	76	88	164
Total - Part I	595	140 756	26 866	24 078	50 944

Part II - projects implemented by the companies jointly controlled by Polnord SA

Warsaw					
Ostoja Wilanów V-VII	39	9 537	1 915	2 411	4 326
Stacja Kazimierz Stage I	54	10 640	3 605	1 246	4 851
Wrocław					
Osiedle Innova VI-VII	6	1 009	321	185	506
Apartamenty Innova	17	2 326	464	429	893
Osiedle Moderno	73	9 237	2 784	990	3 774
Tricity					
Aquasfera (Pacific)	33	3 346	660	537	1 197
Aquasfera (build. Indian, staircases A and B)	17	1 377	119	236	355
Total - Part II	239	37 472	9 868	6 034	15 902
Total - Part I and II	834	178 228	36 734	30 112	66 846

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

²⁾ Data weighted with Polnord's share

* direct margin on sales calculated as revenue from sales reduced by costs of land, design and workmanship (the margin does not include financial costs and consolidation adjustments)

** as at the balance sheet date, the land is owned by the Group; the investment implementation allows the return of expenditures incurred; the value of land in the direct cost does not include financial costs and consolidation adjustments

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

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

Optimisation of selling, general and administrative expenses

Notwithstanding the intensification of sales activities, efforts aimed at further optimization of the selling, general and administrative expenses of the Group are being continued.

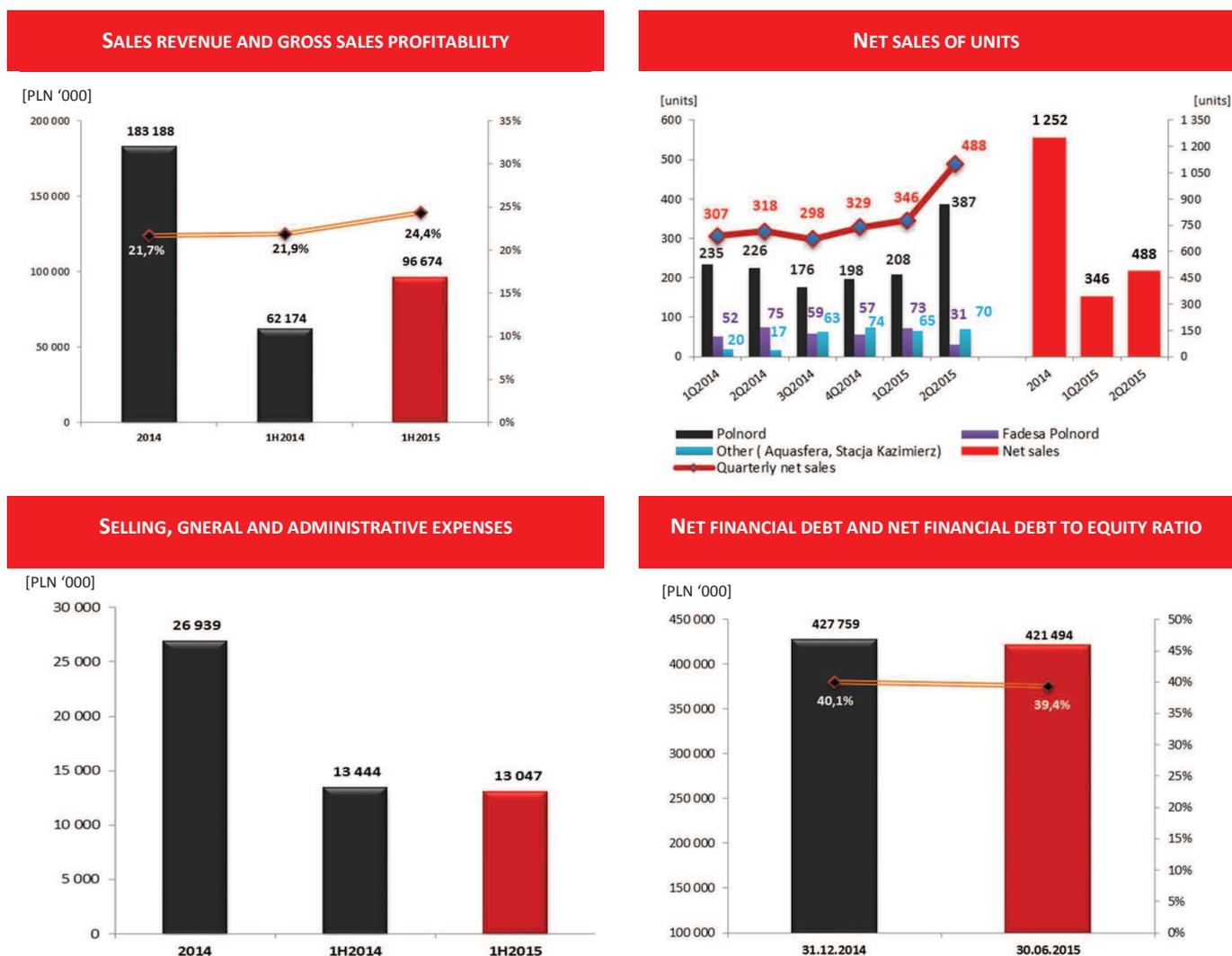
The selling, general and administrative costs in the first half of 2015 amounted to PLN 13,047 thousand and were lower than in the first half of 2014, when they totalled PLN 13,444 thousand. Slight variations in costs among particular quarters are natural for the industry in which Polnord Group operates.

Debt reduction

As at 30.06.2015, the net financial debt of the Group (Polnord SA and wholly owned subsidiaries) shown in the consolidated balance sheet amounted to PLN 421,494 thousand, which shows a decrease of PLN 6,265 thousand as compared to the debt amount as at 31.12.2014 which was PLN 427,759 thousand.

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

Figure 3. Selected financial and operational data



5. DIVIDEND POLICY

As far as the dividend policy is concerned, the Management Board applies the principle of making payments that take account of the Company's earnings and financial position. The Company intends to pay regular dividends in the future. When making proposals concerning the possibility of dividend payout, the Management Board takes into account the need to ensure that the Company has the liquidity and capital necessary for business development. As at the date of the Report, the Company's Management Board does not plan to recommend dividend payments for the years 2015-2016.

For the financial years 2011-2014, the Company did not pay dividends due to the decision to keep funds for investments and business development in the Company and to secure financial liquidity.

In the presented period, Polnord did not declare or pay the dividend. On 30.06.2015, the General Shareholders Meeting of the Company allocated the net profit of Polnord SA for 2014 entirely to the reserve capital.

6. SELECTED FINANCIAL DATA

Table 2. Selected consolidated financial data

PROFIT AND LOSS ACCOUNT	[000'PLN]		[000'EUR]	
	01.01.2015 - 30.06.2015	01.01.2014 - 30.06.2014	01.01.2015 - 30.06.2015	01.01.2014 - 30.06.2014
Sales revenue	96 674	62 174	23 384	14 880
Gross profit (loss) on sales	23 581	13 624	5 704	3 261
Gross operating profit (loss)	3 867	10 520	935	2 518
Gross profit (loss)	678	4 051	164	970
Net profit (loss) on continued operations	3 465	4 758	838	1 139
Net profit (loss)	3 562	3 203	862	767
BALANCE SHEET	30.06.2015	31.12.2014	30.06.2015	31.12.2014
Equity	1 070 205	1 067 382	255 151	250 424
Long-term liabilities	338 749	406 824	80 762	95 447
Short-term liabilities	318 115	298 898	75 843	70 126
Fixed assets	977 151	970 808	232 966	227 766
Current assets (including those classified as held for sale)	749 918	802 296	178 790	188 231
Total assets	1 727 069	1 773 104	411 756	415 997

Table 3. Selected individual financial data

PROFIT AND LOSS ACCOUNT	[000'PLN]		[000'EUR]	
	01.01.2015 - 30.06.2015	01.01.2014 - 30.06.2014	01.01.2015 - 30.06.2015	01.01.2014 - 30.06.2014
Sales revenue	21 615	15 931	5 228	3 813
Gross profit (loss) on sales	21 509	13 668	5 203	3 271
Gross operating profit (loss)	2 803	6 373	678	1 525
Gross profit (loss)	(623)	3 565	(151)	853
Net profit (loss) on continued operations	64	(1 524)	15	(365)
Net profit (loss)	162	(3 079)	39	(737)
BALANCE SHEET	30.06.2015	31.12.2014	30.06.2015	31.12.2014
Equity	1 084 410	1 083 028	258 539	254 095
Long-term liabilities	620 168	684 042	147 856	160 487
Short-term liabilities	182 226	179 903	43 445	42 208
Fixed assets	1 410 004	1 482 364	336 164	347 785
Current assets (including those classified as held for sale)	476 800	464 608	113 675	109 004
Total assets	1 886 804	1 946 973	449 839	456 789

7. COMPOSITION OF THE POLNORD CAPITAL GROUP SA

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

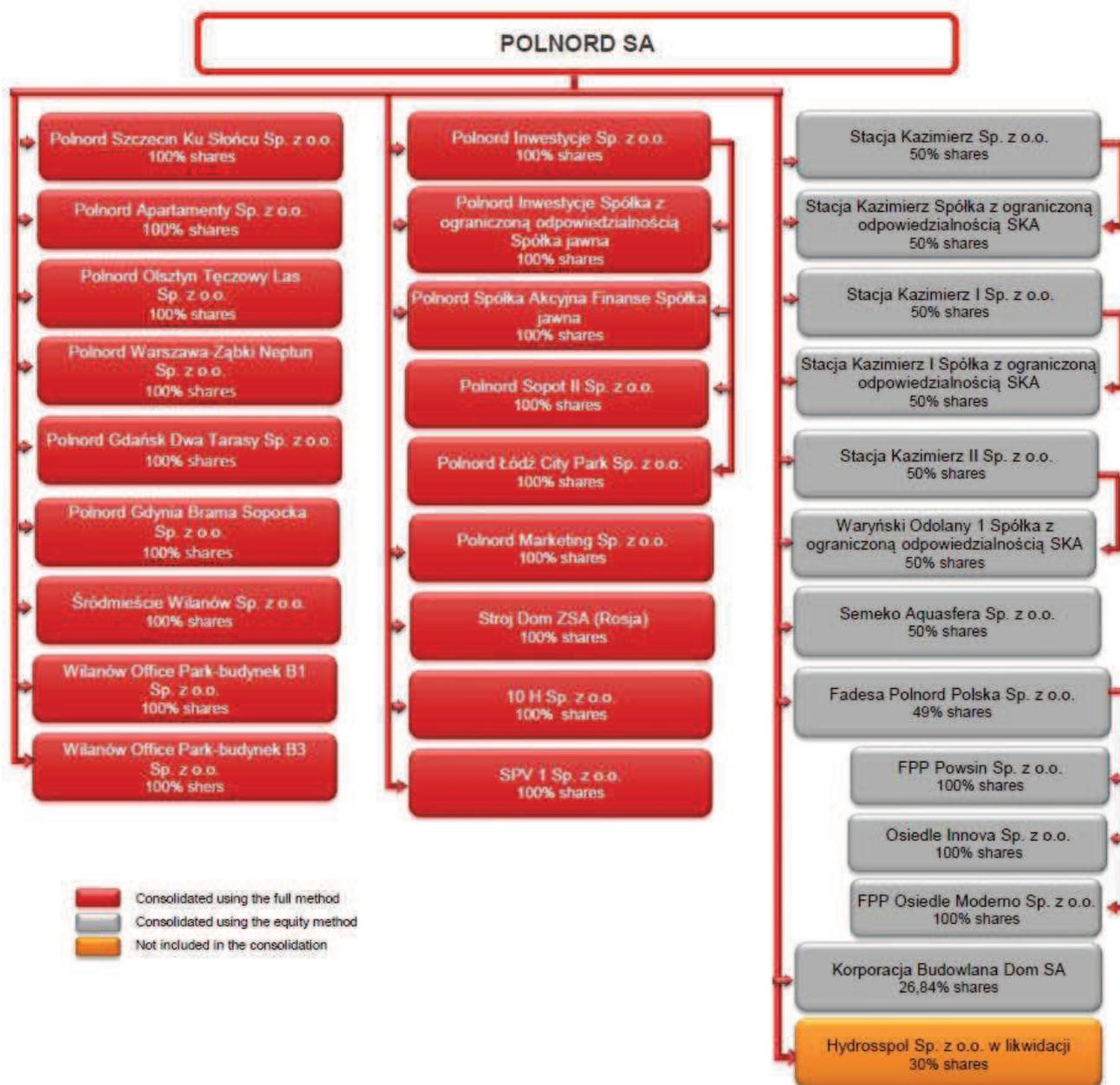
The duration of the Company and companies comprising the Group as at 30.06.2015 is indefinite.

Table 4. Basic Parent Company data

Full name (company name)	POLNORD Spółka Akcyjna
Registered office	81-310 Gdynia, ul. Śląska 35/37
Number in the National Court Registered (KRS)	0000041271
Tax identification Number (NIP)	583-000-67-67
Statistical Identification Number (REGON)	000742457
Registered share capital	65,266,054 PLN (paid in full)
PKD (Polish Classification of Business Activities)	6810 Z – buying and selling of own real estate
Website	www.polnord.pl

The diagram presented below illustrates the structure of organizational and capital links of Polnord SA as at 30.06.2015.

Structure of Polnord SA Capital Group



A detailed description of the rules used for the preparation of the Consolidated statements is included in the Consolidated Annual Report for 2014 in Chapter VI, clause 5 of the Consolidated financial statements.

7.1 IDENTIFICATION OF THE EFFECTS OF CHANGES IN THE STRUCTURE OF THE CAPITAL GROUP, INCLUDING THOSE RESULTING FROM MERGERS OF BUSINESSES, ACQUISITIONS OR DISPOSALS OF THE COMPANY'S CAPITAL GROUP ENTITIES, LONG-TERM INVESTMENTS, DIVISION, RESTRUCTURING AND DISCONTINUATION OF ACTIVITY

In the first half of 2015, the following changes occurred the structure of organizational and capital links:

Entity name	Description of the event
	<i>Share capital decrease</i>
Polnord Sopot II Sp. z o.o.	On 18.03.2015, Polnord Sopot II Sp. z o.o. purchased from its sole shareholder, i.e. Polnord Inwestycje Sp. z o.o., 252,235 own shares with the nominal value of PLN 100.00 each, with the total nominal value of PLN 25,223,500 for redemption. On 10.04.2015, the Extraordinary Meeting of Shareholders of Polnord Sopot II Sp. z o.o. adopted a resolution on voluntary redemption of 252,235 own shares and a resolution on reduction of the share capital to PLN 100,000.
	<i>Share capital decrease</i>
Polnord Łódź City Park Sp. z o.o.	On 18.03.2015, Polnord Łódź City Park Sp. z o.o. purchased from its sole shareholder, i.e. Polnord Inwestycje Sp. z o.o., 10,000 own shares with the nominal value of PLN 100.00 each, with the total nominal value of PLN 1,000,000 for redemption. On 10.04.2015, the Extraordinary Meeting of Shareholders of Polnord Łódź City Park Sp. z o.o. adopted a resolution on voluntary redemption of 10,000 own shares and a resolution on reduction of the share capital to PLN 100,000.
	<i>Purchase of shares, Registration of a change in the company name</i>
Stacja Kazimierz II Sp. z o.o. (formerly: Waryński Odolany 1 Sp. z o.o.)	On 24.03.2015, Polnord SA concluded an agreement for the sale of shares by and between MS Waryński Development SA with its registered office in Warsaw; on the basis of the agreement Polnord SA purchased from MS Waryński Development SA 50 shares in the company Waryński Odolany 1 Sp. z o.o. with its registered office in Warsaw, which constitute 50% of the share capital of this company. In its order of 21.05.2015 the District Court for the capital city of Warsaw, XII Commercial Division of the National Court Register entered the change in the company name from Waryński Odolany 1 Sp. z o.o. to Stacja Kazimierz II Sp. z o.o.
	<i>Purchase of shares</i>
Waryński Odolany 1 Spółka z ograniczoną odpowiedzialnością SKA	On 24.03.2015, Polnord SA concluded an agreement for the sale of shares by and between MS Waryński Development SA with its registered office in Warsaw; on the basis of the agreement Polnord SA purchased from MS Waryński Development SA 25,000 shares of the company Waryński Odolany 1 Spółka z ograniczoną odpowiedzialnością SKA with its registered office in Warsaw, which constitute 50% of all shares of this company.
	<i>Purchase of shares</i>
Korporacja Budowlana Dom SA	As a result of purchasing the shares of Korporacja Budowlana Dom SA on the WSE and implementing the settlements and civil-law contracts, concluded on 27.04.-29.04.2015, Polnord increased its capital involvement in Korporacja Budowlana Dom SA to the level of 26.84%. Before the change, the Company held 1,902,656 shares constituting 19.17% of the share capital and in the total number of votes. After the transaction, Polnord holds 2,664,550 shares constituting 26.84% of the share capital of Korporacja Budowlana Dom SA and in the total number of votes.

The following changes took place after the balance sheet date:

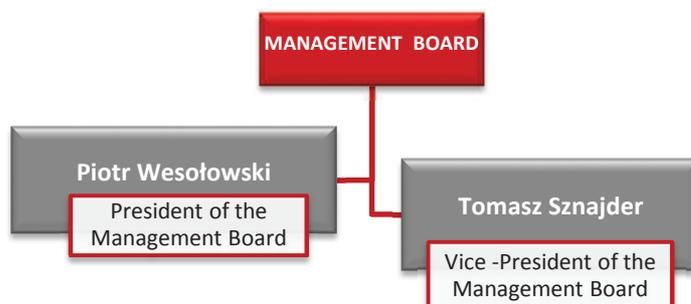
Entity name	Description of the event
Korporacja Budowlana Dom SA	<p><i>Purchase of shares</i></p> <p>As a result of purchasing the shares of Korporacja Budowlana Dom SA on the WSE and implementing the settlements and civil-law contracts, concluded on 07.07.2015, Polnord increased its capital involvement in Korporacja Budowlana Dom SA to the level of 31.72%. Before the change, the Company held 2,664,550 shares constituting 26.84% of the share capital and in the total number of votes. After the transaction, Polnord holds 3,149,189 shares constituting 31,72% of the share capital of Korporacja Budowlana Dom SA and in the total number of votes.</p>
Stacja Kazimierz II Sp. z o.o. SKA (formerly: Waryński Odolany 1 Spółka z ograniczoną odpowiedzialnością SKA)	<p><i>Registration of a change in the company name</i></p> <p>In its order of 13.07.2015 the District Court for the capital city of Warsaw, XII Commercial Division of the National Court Register entered the change in the company name from Waryński Odolany 1 Sp. z o.o. SKA to Stacja Kazimierz II Sp. z o.o. SKA.</p>
Polnord SA	<p><i>Registration of the merger of Polnord with its subsidiaries</i></p> <p>On 03.08.2015, the District Court Gdańsk – Północ in Gdańsk, VIII Commercial Division of the National Court Register issued the decision on entering as of 03.08.2015 into the register of entrepreneurs of the National Court Register the merger of Polnord SA (the "Acquiring Company") with the following wholly-owned companies: Polnord Marketing Sp. z o.o. with its registered office in Gdynia and 10 H Sp. z o.o. with its registered office in Gdynia (the "Target Companies").</p>

As at 30.06.2015, the percentage of voting rights held by Polnord in the subsidiaries, jointly controlled entities and in associates corresponds to the percentage held by Polnord in the share capital of those entities.

8. GOVERNING BODIES OF THE COMPANY

Management Board of Polnord SA

As at 30.06.2015, the Company's Management Board was composed of:



According to the Company's Articles of Association, the Company's Management Board may be composed of 2 to 6 members, appointed for a joint three-year term of office. The current three-year term of office of the Management Board commenced on 14.05.2014.

During the period from the balance sheet date till the date of the present Report, no changes have been introduced in the composition of the Company's Management Board.

Supervisory Board

As at 30.06.2015, the Company's Supervisory Board was composed of:



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

After the balance sheet date, the composition of the Supervisory Board has not changed.

8.1 INFORMATION ON SHARES OR RIGHTS FOR SHARES (OPTIONS) OF POLNORD SA HELD BY MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES OF POLNORD SA

According to the Company's knowledge the members of the management and supervisory bodies of Polnord listed below held the following numbers of the Company's shares:

Table 5. Company shares held by members of the Management Board and Supervisory Board at 30.06.2015 and as at 31.08.2015

Name	Function	Number of shares
Piotr Wesołowski	President of the Management Board	38,227
Tomasz Sznajder	Vice-President of the Management Board	42,074
Marcin Dukaczewski	Member of the Supervisory Board	7,115

On 22.05.2015, Tomasz Sznajder – Vice-President of the Management Board purchased 15,197 shares of Polnord.

The number of the Company's shares held by other persons has not changed.

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

Table 6. Subscription warrants held by members of the Management Board as at 30.06.2015 and as at 31.08.2015

Name	Number of warrants held	Issue price of series S shares (change price)	The deadline for the exercise of rights of warrants
		[PLN]	
Piotr Wesołowski - President of the Management Board	100,000	9.00	31.12.2016
Tomasz Sznajder - Vice-President of the Management Board	66,534	9.00	31.12.2016

Each subscription warrant entitles to the acquisition of one series S share.

The first tranche of 116,667 series A warrants was issued and delivered on 20.12.2013, including a total of 83,267 acquired by the Members of the Company's Management Board.

The second tranche of 110,067 series B subscription warrants was issued and delivered on 09.12.2014, including a total of 83,267 acquired by the Members of the Company's Management Board.

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

According to the Company's knowledge, as at 30.06.2015, the following shareholders held shares vested with at least 5% of votes at the General Meeting:

Table 7. Shareholding of Polnord SA as at 30.06.2015

Shareholders	Number of shares/votes	Nominal value of shares [PLN]	% of share capital/votes
Prokom Investments SA in Gdynia*	7,047,039	14,094,078	21.59%
Pioneer Pekao Investment Management SA in Warsaw (all customers of PPIM)**	3,119,628	6,239,256	9.56%
SEB Asset Management SA	1,752,593	3,505,186	5.37%
Briarwood Capital Partners LP	1,637,600	3,275,200	5.02%
Other shareholders in total	19,076,167	38,152,334	58.46%
Total	32,633,027	65,266,054	100.00%

* jointly with Osiedle Wilanowskie Sp. z o.o. in Gdynia (a subsidiary of Prokom Investments SA)

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

In the first half of 2015, the following changes in the Company's Shareholding took place:

Date of notification to the Company	Name of the notifier	Description of the event
22.04.2015	Briarwood Capital Partners LP with its registered office in the State of Delaware, United States	<p><i>Exceeding the threshold of 5% in the overall number of votes in Polnord</i></p> <p>The above change resulted from acquiring 14,000 shares of the Company within the regulated trading market of Warsaw Stock Exchange on 21.04.2015.</p> <p>Before the change of share, Briarwood Capital Partners LP has owned 1,623,600 shares of Polnord, which constituted 4.98% of share in the share capital and was entitled to 4.98% share in Polnord's voting rights.</p> <p>As a result of the acquisition of Polnord's shares, Briarwood Capital Partners LP owns 1,637,600 shares, which constitute 5.02% of share in the share capital and is entitled to 5.02% share in Polnord's voting rights.</p>

After the balance sheet date, there were changes in the Company's shareholding:

Date of notification to the Company	Name of the notifier	Description of the event
23.07.2015	BZ WBK Asset Management Spółka Akcyjna with its registered office in Poznań	<p><i>Exceeding the threshold of 5 % in the total number of votes in Polnord</i></p> <p>The above change took place on 16.07.2015 r.</p> <p>Prior to change in the share, the customers of BZ WBK Asset Management S.A. whose accounts are covered by the management agreement held 1,625,863 shares of Polnord, which constituted 4.98% of the share capital. The shares were vested with 1,625,863 votes at the general shareholders meeting, which constituted 4.98% share in the total number of votes at the general shareholders meeting of Polnord.</p> <p>On 16.07.2015, the customers of BZ WBK Asset Management S.A. whose accounts are covered by the management agreement owned 1,636,663 shares, which constitute 5.02% of the share capital. The shares are vested with 1,636,663 votes, which constitute 5.02% share in the total number of votes at the general shareholders meeting of Polnord.</p>
05.08.2015	SEB Asset Management SA	<p><i>Change in the share in the total number of votes in Polnord</i></p> <p>The above change was caused by the sale of Polnord shares by SEB Asset Management S.A. on 4.08.2015.</p> <p>Before the change in the share, SEB Asset Management S.A. held 1,897,860 shares in the share capital of the Company, corresponding to 1,897,860 votes, representing 5.82% of the share capital of the Company and 5.82% in the total number of votes at the general shareholders meeting.</p> <p>Upon the change in the share, SEB Asset Management S.A. holds 1,597,860 shares in the share capital of the Company, corresponding to 1,597,860 votes, representing 4.90% of the share capital of the Company and 4.90% % in the total number of votes at the general shareholders meeting.</p>

Table 8. Shareholding of Polnord SA at 31.08.2015

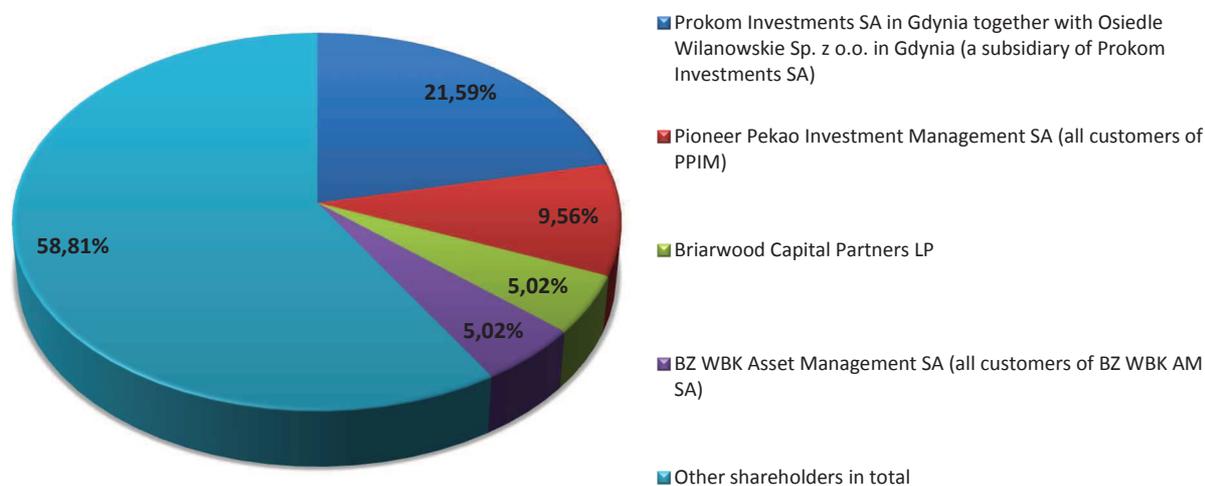
Shareholders	Number of shares/votes	Nominal value of shares [PLN]	% of share capital/votes
Prokom Investments SA w Gdyni*	7,047,039	14,094,078	21.59%
Pioneer Pekao Investment Management SA (all customers of PPIM)**	3,119,628	6,239,256	9.56%
Briarwood Capital Partners LP	1,637,600	3,275,200	5.02%
BZ WBK Asset Management SA (all customers of BZ WBK AM SA)	1,636,663	3,273,326	5.02%
Other shareholders in total	19,192,097	38,384,194	58.81%
Total	32,633,027	65,266,054	100.00%

* jointly with Osiedle Wilanowskie Sp. z o.o. in Gdynia (a subsidiary of Prokom Investments SA)

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

Table 9. Shareholding of Polnord SA as at 31.08.2015

Shareholding of Polnord SA as at 31.08.2015



II ACTIVITIES OF THE CAPITAL GROUP

1. MAIN PRODUCTS, GOODS, SERVICES AND MAIN SALES MARKETS

In the reporting period the Group achieved revenue from sales of PLN 96,674 thousand. Sales of residential and commercial premises at the level of 88.7% constitutes the main source of the Group's revenue.

The split of revenues of the Capital Group by its sources is presented below:

Table 10. Polnord Capital Group revenue by source

Source of revenue	IH 2015		IH 2014	
	Sales [PLN '000]	Share [%]	Sales [PLN '000]	Share [%]
Sale of residential and commercial premises*	85,785	88.7	51,160	82.3
Lease	7,621	7.9	7,924	12.8
Sales of land plots	300	0.3	2,261	3.6
Other	2,968	3.1	829	1.3
Total	96,674	100.0	62,174	100.0

*in line with the Accounting Policy, sales income is recognised once a unit is delivered to the client, so the amount of revenues from the sale of apartments is not equivalent to the amount of sale agreements made in a given reporting period.

Poland was the core area of business of the Polnord Capital Group in the first half of 2015. The Group operated in the domestic market mainly in Warsaw, Tricity, Szczecin, Łódź, Olsztyn and Wrocław.

2. OPERATIONAL ACTIVITIES OF THE CAPITAL GROUP

2.1 INFORMATION OF THE NUMBER OF UNITS SOLD

The table below presents information on the number of premises sold by the Polnord Group within particular projects as well as the Group's offer as at 30.06.2015. In the period from 01.01.2015 to 30.06.2015, the companies of the Polnord Capital Group sold net 834 premises (on the basis of preliminary and reservation agreements).

Table 11. Sales and offers as at 30.06.2015

Project	General information				Premises sold (net-including cancellations)		Offer as at 30.06.2015
	Usable area (sq m)	Number of premises	Date of the handing over for use	Company implementing the project	until 31.12.2014	including IH 2015	
Part I - projects implemented by the wholly owned subsidiaries of Polnord SA							
WARSAW							
Projects handed over for use							
Śródmieście Wilanów (build. C)	10 564	161	IIIQ 2014	Śródmieście Wilanów	157	2	2
Neptun I (Stage I)	6 211	109	IIQ 2015	Polnord Warszawa Żąbki Neptun	91	16	2
Projects under development							
Śródmieście Wilanów (build. D)	9 532	189	IIIQ 2015*	Śródmieście Wilanów	183	6	-
Śródmieście Wilanów (build. E)	8 779	146	IVQ 2016*	Śródmieście Wilanów	11	44	91
Śródmieście Wilanów (build. F)	6 693	125	IIQ 2016*	Śródmieście Wilanów	70	30	25
Neptun I (Stage II)	5 623	105	IVQ 2015*	Polnord Warszawa Żąbki Neptun	17	34	54

Projects under development - launched in 2015							
Wilanów Brzozowy Zakątek (build. A1), (formerly Wilanów Park, build. A1)	7 770	128	IQ 2017*	Śródmieście Wilanów	-	6	122
Smart Aparthotel	3 931	190	IIIQ 2017*	Polnord Sopot II	-	190	-
TRICITY							
Projects handed over for use							
Ostoja Myśliwska I-II	13 715	242	2011-2012	Polnord Apartamenty	235	2	5
2 Potoki I	7 475	162	IVQ 2012	Polnord Apartamenty	156	1	5
2 Potoki II	7 142	162	IVQ 2013	Polnord Apartamenty	135	18	9
2 Potoki III (build. 1-5)	7 239	156	2012-2013	Polnord Apartamenty	44	28	84
Sopocka Rezydencja	9 672	162	IQ 2012	Polnord Sopot II	160	1	1
Dwa Tarasy I	7 315	162	IVQ 2014	Polnord Gdańsk Dwa Tarasy	148	12	2
Projects under development							
Dwa Tarasy II	8 387	172	IVQ 2015*	Polnord Gdańsk Dwa Tarasy	31	62	79
Brama Sopocka I	3 571	54	IIIQ 2015*	Polnord Gdynia Brama Sopocka	7	6	41
Projects under development - launched in 2015							
2 Potoki IV	4 405	96	IIIQ 2016*	Polnord Apartamenty	-	-	96
OLSZTYN							
Projects handed over for use							
Osiedle Tęczowy Las (build. 4)	4 590	91	IIIQ 2012	Polnord Olsztyn Tęczowy Las	89	1	1
Osiedle Tęczowy Las (build. 5)	5 839	103	IVQ 2013	Polnord Olsztyn Tęczowy Las	95	4	4
Projects under development							
Osiedle Tęczowy Las (build. 6)	6 965	149	IIIQ 2015*	Polnord Olsztyn Tęczowy Las	64	35	50
SZCZECIN							
Projects handed over for use							
Ku Słońcu I	12 203	223	IVQ 2011	Polnord Szczecin Ku Słońcu	215	5	3
Ku Słońcu II (build. 2)	7 657	158	IVQ 2012	Polnord Szczecin Ku Słońcu	157	-	1
Ku Słońcu II (build. 1)	7 675	158	IVQ 2014	Polnord Szczecin Ku Słońcu	123	32	3
Projects under development - launched in 2015							
Ku Słońcu III (build. 3)	9 191	182	IIQ 2017*	Polnord Szczecin Ku Słońcu	-	21	161
ŁÓDŹ							
Projects handed over for use							
City Park II	5 832	87	IQ 2011	Polnord Łódź City Park	84	2	1
Projects under development							
City Park IV (build. EA 5)	3 868	94	IIIQ 2015*	Polnord Łódź City Park	28	35	31
Projects under development - launched in 2015							
City Park IV (build. EA 3)	7 401	115	IQ 2017*	Polnord Łódź City Park	-	2	113
Projects handed over for use - total	113 129	2 136			1 889	124	123
Projects under development - total	86 116	1 745			411	471	863
<i>including projects launched in 2015</i>	<i>32 698</i>	<i>711</i>			<i>-</i>	<i>219</i>	<i>492</i>
Total Part I	199 245	3 881			2 300	595	986

Part II - projects implemented by the companies jointly controlled by Polnord SA

WARSAW							
Projects handed over for use							
Ostoja Wilanów V-VII	55 431	785	2009-2013	Fadesa Polnord	763	13	9
Projects under development							
Ostoja Wilanów VIA (B4)	9 272	137	IVQ 2015*	Fadesa Polnord	55	26	56
Stacja Kazimierz Stage I	9 413	184	IQ 2016*	Stacja Kazimierz	97	54	33
Projects under development - launched in 2015							
Ostoja Wilanów (Stage VI build. C2)	12 847	126	IQ 2017*	Fadesa Polnord	-	-	126
TRICITY							
Projects handed over for use							
Aquasfera (Pacific)	11 114	213	IIQ 2015	Semeko Aquasfera	153	33	27
Projects under development - launched in 2015							
Aquasfera (build. Indian, staircases A and B)	4 265	87	IIIQ 2016*	Semeko Aquasfera	-	17	70
WROCLAW							
Projects handed over for use							
Osiedla Innova VI-VII	6 497	112	2012-2014	Osiedle Innova	106	6	-
Projects under development							
Osiedle Moderno	7 243	158	IVQ 2015*	Osiedle Moderno	45	73	40
Apartamenty Innova I	10 272	210	IVQ 2016*	Osiedle Innova	-	17	193
Projects handed over for use - total	73 042	1 110			1 022	52	36
Projects under development - total	53 312	902			197	187	518
<i>including projects launched in 2015</i>	<i>17 112</i>	<i>213</i>			<i>-</i>	<i>17</i>	<i>196</i>
Total Part II	126 354	2 012			1 219	239	554
Total Part I and Part II							
Projects handed over for use - total	186 171	3 246			2 911	176	159
Projects under development - total	139 428	2 647			608	658	1 381
<i>including projects launched in 2015</i>	<i>49 810</i>	<i>924</i>			<i>-</i>	<i>236</i>	<i>688</i>
Total Part I and Part II	325 599	5 893			3 519	834	1 540

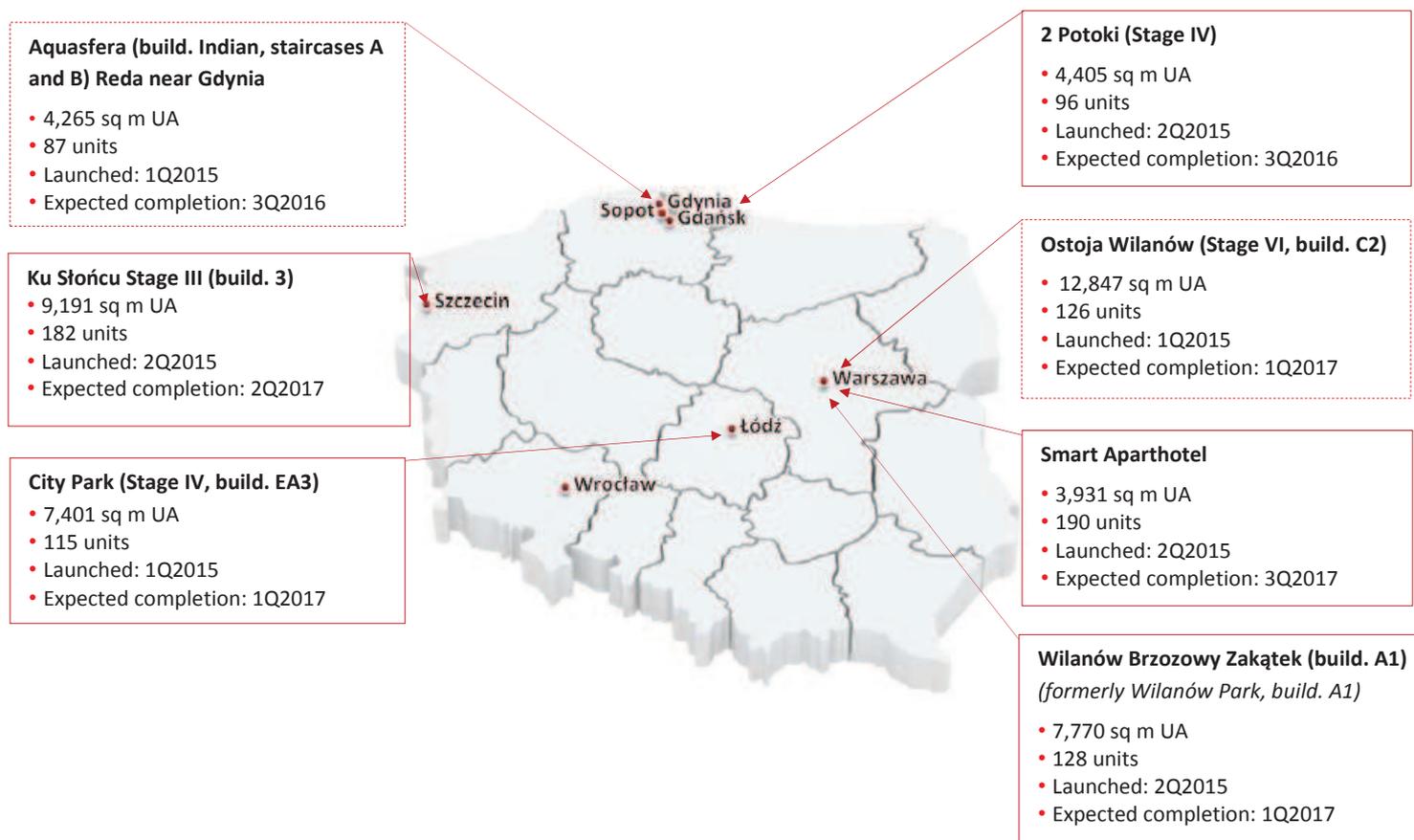
* Planned date of the handing over for use

Data not weighted with Polnord's share in the project

2.2 PROJECT LAUNCHED

In the first half of 2015, the Group commenced the execution of seven projects, which constitute mostly successive stages of the projects already implemented, within which 924 flats are to be built in Warsaw, Tricity, Łódź and Szczecin of a total surface area of 49,810 sq m.

Project launched in the first half of 2015



— Investments launched independently (by wholly owned subsidiaries of Polnord)

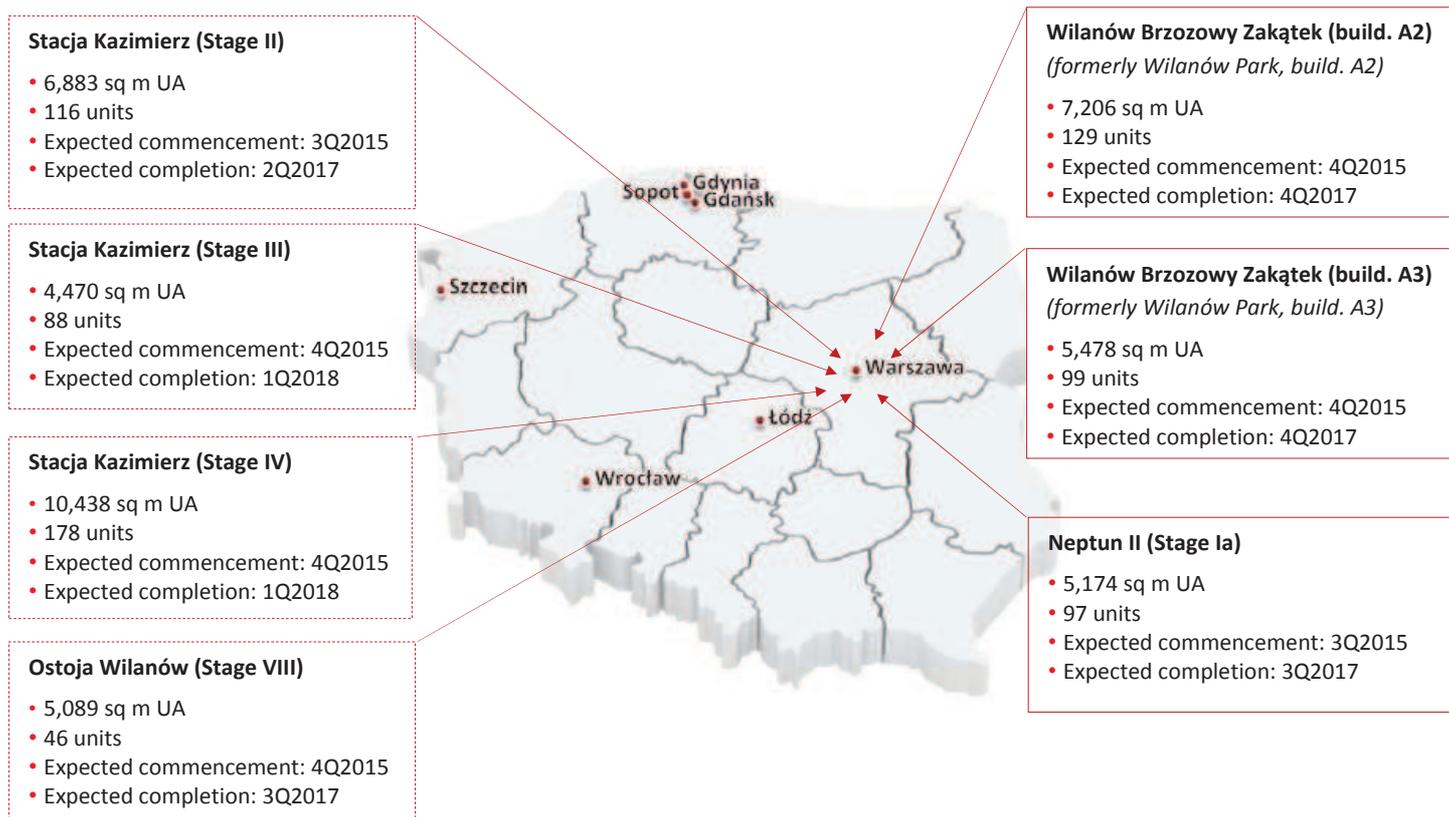
- - - Investments launched by companies jointly controlled by Polnord

2.3 PROJECT TO BE LAUNCHED

Before the end of 2015, the Group plans to launch 12 investments, 10 of which constitute successive stages of the projects already implemented.

New projects will be executed in attractive locations in Warsaw, Tricity, Olsztyn and Wrocław. The planned projects create the potential to expand the offer by 1,176 premises of a total usable area of 69,659 sq m.

Project to be launched in Warsaw



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

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

Projects to be launched in other locations



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

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

2.4 LAND PURCHASE/SALE

In the reporting period, Polnord:

- purchased a plot of land of 18,955 sq m located in Gdańsk in the Piecki – Migowo district, Rakoczego St., for the net amount of PLN 9,700 thousand. The plot is situated on the area designated for residential and service development giving the possibility to build approx. 20,000 sq m UA, which translates into around 400 premises,
- sold a plot of land No. 22/1 of 143 sq m located in Warsaw in the Wola district, for the net amount of PLN 1,496 thousand,
- sold plots of land No. 2/220 and No. 2/222 of 4,654 sq m located in Warsaw in the Wilanów district, for the net amount of PLN 3,100 thousand.

2.5 PLOTS OF LAND OF THE HIGHEST VALUE

Plots of land owned by Polnord and the wholly owned subsidiaries are classified either as investment property or as inventory. On some of the plots, shown in the balance sheet item Inventory, investment projects have been implemented, while some are being prepared for new projects.

Table 12. Plots of land of the highest value and their purpose

Location	Owner/ Perpetual usufructuary	Classification*	Plot No./Land and Mortgage Register	Surface area [sq m]	Value in the Consolidated financial statement [PLN '000]	Investment plans
Warsaw Wilanów	Polnord SA	IP	2/70	93,581	147,671	The area adjacent to the planned S2 Warsaw Southern bypass. The plot available for commercial and residential purposes. Possibility to construct about 95 thousand sq m of usable area. The Company does not expect to implement an investment on this plot in the next three years.
Dopiewiec near Poznań	Polnord SA	IP	188/1 184/6 184/7 184/8	497,447	128,133	The land is covered by the local master plan. According to its provisions, the development area capacity is approximately 346 thousand sq m, but the Company plans approx. 173 thousand sq m UA of the residential and 34 thousand sq m UA of service space, so as to preserve the natural landscape of the plots.
Warsaw (Powsin)	Polnord SA	IP	WA2M/00205837/4, WA2M/00205827/1	98,036	84,017	The plot located in the district of southern Wilanów and covered by the valid master plans. The maximum area capacity is estimated at over 22,000 sq m of sales area in single-family houses and small residential buildings.
Warsaw Wilanów	Polnord SA	IP	2/48	72,421	79,576	The plot designated for residential buildings and facilities for public services as well as sports and recreational facilities. The Company does not expect to start an investment on this plot in the next three years. The Company considers applying for a change in the master plan for this land property.
Sopot	Polnord SA	Inventory	38	28,047	59,686	The estimated development area capacity makes it possible to construct multi-family houses, an office building with the area of approx. 7.9 thousand sq m and a hotel building with 140-150 rooms. The Company expects to obtain a building permit for residential development of the usable area of approx. 6.3 thousand sq m, at the turn of 2015 and 2016.
Warsaw Wilanów	Polnord SA	IP	2/96, 2/228	30,899	54,666	The plots constitute a single area in the vicinity of the planned S2 Warsaw Southern bypass. In 2015, a housing estate with the total usable area of approx. 30 thousand sq m is planned to be designed.
Łódź	Polnord SA	Inventory	568/30 568/32 568/33	19,474	33,900	Possibility of implementing multi-family residential development with approx. 40 thousand sq m of living space, with services on the ground floors of approx. 2.5 thousand sq m of service space.
Warsaw Wilanów	Polnord Sopot II Sp. z o.o.	Inventory	2/244-2/248	29,023	33,455	Planned implementation of the project Smart Aparthotel consisting in the construction of up to 8 residential multi-apartment buildings with multi-storey garage. On February 2015, the building permit was granted for the first two buildings consisting of 190 premises. Works on the detailed design have been carried out.
Warsaw Wilanów	Polnord SA	IP	8/1	6,298	15,644	Planned implementation of a residential project for 107 premises and 6,592 sq m UA. Design works are currently taking place.

Dobrzewino	Polnord SA	IP	224/6 224/8	145,194	13,000	The land is covered by the local master plan. According to its provisions, the land may be divided into approx. 130 plots of approx. 1,000 sq m each on which four-family houses may be built.
Łódź Górna	Polnord SA	Inventory	24/1	7,941	12,648	The land is undeveloped, lack of master plan, outline planning decision was issued – possibility of implementation of a multi-family residential development project or a combined residential and commercial project.
Kowale near Gdańsk	Polnord SA	Inventory	343/1-3 (109/53 109/54 before subdivision)	44,014	11,295	The land is designated for residential and service development. A residential project of 13,000 sq m UA for 296 premises is being prepared on a part of the plot of 31,711 sq m.
Gdańsk Morena	Polnord SA	Inventory	386/2, 388, 289/6, 389/8, 389/10, 389/11, 389/13	18,955	9,703	The Land designated for residential and service development. Estimated usable area 20 000 sq m, which translates into around 400 premises.
Głusków near Piaseczno	Polnord SA	IP	18/3-18/18 (18/2-18/14 before subdivision)	42,468	6,855	30 single-family houses may be built on the plot. Outline planning permissions were obtained for 18 planned houses. A procedure aimed at obtaining outline planning permissions for other houses has been started.
Total				1,133,798	690,249	

* Classification of the plot in the balance sheet: IP – Investment property, or Inventory

3. DEVELOPMENT PROJECTS INCLUDED IN THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

Table 13 presents development projects that are included in the financial result of the Group.

In the period from 01.01.2015 to 30.06.2015, the Group (wholly owned subsidiaries of Polnord and jointly controlled companies) delivered to their Customers in Poland 428 premises.

Table 13. Financial result per project for the first half of 2015

Project	1H 2015					
	Premises delivered to customers		Revenue		Gross profit on sales	
	Number of units	Area of premises	[PLN'000]	Share %	[PLN'000]	Gross sales profitability
Part I - projects implemented by the wholly owned subsidiaries of Polnord SA						
Warsaw						
Śródmieście Wilanów (build. A)	1	41	254	-	1	1%
Śródmieście Wilanów (build.C)	15	1 715	14 991	17%	8 042	54%
Neptun I (Stage I)	44	2 453	11 277	13%	1 694	15%
Tricity						
2 Potoki I	3	158	585	1%	76	13%
2 Potoki II	23	1 196	4 631	5%	723	16%
2 Potoki III (build. 1-5)	27	1 211	4 731	6%	879	19%
Dwa Tarasy I	116	5 365	25 438	30%	5 582	22%
Sopocka Rezydencja	1	72	546	1%	(22)	(4%)
Olsztyn						
Osiedle Tęczowy Las (build. 4)	1	40	163	-	50	31%
Osiedle Tęczowy Las (build. 5)	5	306	1 245	1%	147	12%
Szczecin						
Ku Słońcu I	8	592	2 919	3%	(64)	(2%)
Ku Słońcu II (build.2)	1	58	284	-	(8)	(3%)
Ku Słońcu II (build.1)	79	4 104	18 698	22%	(33)	-
Total Part I	324	17 311	85 761	100%	17 068	20%
Part II - projects implemented by the companies jointly controlled by Polnord SA						
Warsaw						
Ostoja Wilanów VII	14	865	6 196	21%	901	15%
Wrocław						
Osiedle Innova VI-VII	21	1 277	7 462	26%	2 422	32%
Tricity						
Aquasfera	69	3 599	15 412	53%	2 830	18%
Total Part II	104	5 741	29 070	100%	6 153	21%
Total Part I and Part II						
Total Part I and Part II	428	23 052	114 831	100%	23 221	20%

Data not weighted with Polnord's share in the project

III FINANCIAL DATA

1. CONSOLIDATED PROFIT AND LOSS ACCOUNT

Table 14. Consolidated Profit and Loss Account

Specification [000'PLN]	For the period from 01.01.2015 to 30.06.2015	For the period from 01.01.2014 to 30.06.2014 <i>restated data</i>	For the period from 01.01.2014 to 30.06.2014 <i>published data</i>
Sales revenue	96 674	62 174	62 174
Revenue from sales of products, goods and materials from related parties	86 085	53 421	53 421
Revenue from sale of services from related parties	2 968 2 262	829 365	829 365
Lease revenue from related parties	7 621 76	7 924 48	7 924 48
Cost of sale	(73 094)	(48 550)	(48 550)
Gross profit (loss) on sales	23 581	13 624	13 624
Revaluation of investment property	(3 868)	10 883	10 883
Selling costs	(3 414)	(3 202)	(3 202)
General administrative expenses	(9 633)	(10 242)	(11 228)
Other operating revenue	849	2 958	2 958
Other operating expenses	(3 647)	(3 501)	(2 189)
Gross operating profit (loss)	3 867	10 520	10 846
Financial revenue	3 422	2 061	2 126
Financial expenses	(12 239)	(13 973)	(13 973)
Result on sale / occasional acquisition of subsidiary			
Share in profit of associates measured with equity method	5 629	5 443	5 443
Gross profit (loss)	678	4 051	4 442
Income tax	2 786	707	1 105
Net profit (loss) on continued operations	3 465	4 758	5 547
Net profit (loss) on discontinued operations	98	(1 555)	(1 555)
Net profit (loss)	3 562	3 203	3 992

2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

Table 15. Consolidated Statement of financial position

Specification [000'PLN]	As at 30.06.2015	As at 31.12.2014
ASSETS		
Fixed assets	977 151	970 808
Tangible fixed assets	1 459	1 596
Investment property	755 224	758 022
Intangible assets	370	495
Investments in associates measured with equity method	81 396	73 867
Goodwill	14	16
Loans granted	1 511	519
Long-term receivables	108 734	107 703
Other financial assets	34	34
Deferred tax assets	28 408	28 556
Current assets (excluding assets classified as held for sale)	740 718	793 096
Inventories	592 567	590 160
Trade and other receivables	48 698	37 430
Loans granted	68 879	74 821
Receivables due to VAT, other taxes, customs duties, insurance and other	4 509	6 803
Income tax receivables	719	767
Prepayments and accrued income	3 297	2 714
Cash and cash equivalents	22 049	80 400
Assets classified as held for sale	9 200	9 200
Current assets (including those classified as held for sale)	749 918	802 296
TOTAL ASSETS	1 727 069	1 773 104

Specification [000'PLN]	As at 30.06.2015	As at 31.12.2014
LIABILITIES		
Equity (attributable to shareholders of the parent company)	1 070 205	1 067 382
Share capital	65 266	65 266
Share premium	1 059 755	1 059 755
Foreign exchange differences on translation of a foreign operation	(9 304)	(11 611)
Other reserve capitals	291 624	296 610
Retained profits/Uncovered losses	(337 136)	(342 638)
Total equity	1 070 205	1 067 382
Long-term liabilities	338 749	406 824
Interest-bearing bank loans and borrowings	337 695	405 256
Provisions	1 031	1 031
Other liabilities	23	536
Deferred income tax provision		
Prepayments and accrued income		
Short-term liabilities (excluding liabilities directly related to assets classified as held for sale)	318 115	298 898
Trade and other liabilities	31 515	30 286
Current long-term portion of bank loans and borrowings	18 759	17 473
Short-term revolving loans		
Other short-term loans and borrowings	87 089	85 430
Liabilities due to VAT, other taxes, customs duties, insurance and other	3 559	7 305
Prepayments and accrued income	2 504	3 613
Advance payments received	117 967	98 105
Provisions	56 723	56 688
Liabilities directly related to assets classified as held for sale		
Short term liabilities	318 115	298 898
Total liabilities	656 865	705 722
TOTAL EQUITY AND LIABILITIES	1 727 069	1 773 104

3. COMMENTARY TO THE CONSOLIDATED STATEMENTS

In the first half of 2015, Polnord Capital Group generated sales revenue of PLN 96,674 thousand and net profit of PLN 3,562 thousand, thus improving the results of the corresponding period of the previous year. The value of 342 units delivered under the housing projects located in Warsaw, Tricity, Olsztyn and Szczecin, disclosed under "Revenue from sales of products, goods and materials", had the most significant impact on the revenues. Profitability of the Polnord Group's operations also shows the positive trend, as the gross return on sales reached 24.4% in the analyzed period of 2015, while in the same period of the previous year it was 21.9%. When analyzing the sales revenues and gross profit on sales, it should be taken into account that these items do not include the development activity implemented through the jointly controlled companies (the results of the activities of these entities are included in "Share in profit of associates measured with equity method").

In the first half of 2015, Fadesa Polnord Polska Sp. z o.o., in which Polnord holds 49% of shares, and Semeko Aquasfera Sp. z o.o., in which Polnord holds 50% of shares, delivered a total of 104 units with a value of PLN 29,070 thousand, generating gross profit on sales of PLN 6,153 thousand.

Due to the fact that in accordance with IAS 18 revenues and costs on real-estate development are recognized in the income statement at the moment of delivering the premises to their buyers, the gross sales do not reflect the sales

activities in a particular period (a sale agreement may be concluded much earlier than the premises are delivered, i.e. at each investment stage, not only upon completion). Therefore, the expected result from sales activities (of the wholly owned and jointly controlled companies) in the first half of 2015 is presented in Table 1, Chapter I (4) of this Report.

In the reporting period, the Group re-examined the assets located in the Russian Federation and, acting in accordance with the prudence principle, given the current political situation, and based, among others, on purchase offers submitted by third parties, revalued the property located in Saratov reducing its value by PLN 3,428 thousand, which is comprised in the value shown in "Revaluation of investment property".

Selling, general and administrative expenses decreased compared to the first half of 2014, amounting to PLN 13,047 thousand (PLN 13,444 thousand in the corresponding period of the previous year). It should be noted that the cost reduction was made despite significantly higher volume of units sold (595 in IH 2015, 461 in IH 2014 – data concerning wholly owned subsidiaries of Polnord SA).

The result on other operating activities amounted to (PLN 2.798 thousand), which was influenced mainly by recognized expenses and provisions for perpetual usufruct fees and property tax.

The financial revenue of PLN 3,422 thousand consists mainly of accrued interest on loans granted to jointly controlled and associated entities in the amount of PLN 1,788 thousand, including interest from Fadesa Polnord Polska Sp. z o.o. in the amount of PLN 1,527 thousand. The second largest item in this category are foreign exchange gains in the amount of PLN 838 thousand.

In the reporting period, financial expenses amounted to PLN 12,239 thousand, of which PLN 10,046 thousand represent interest on bank loans and issued bonds.

The Group's net profit in the analyzed period was also influenced by the acquisition of 761,894 shares of Korporacja Budowlana Dom SA representing 7.67% of the share capital of this company - due to the fact that the fair value of net assets acquired was higher by PLN 5,565 thousand than the consideration paid, this amount was recognized in the Group's result in the item "Share in profit of associates measured with equity method". The item also includes the effects of activities of the entities jointly controlled by Polnord SA. Korporacja Budowlana Dom Group and Semeko Aquasfera sp. z o.o. recorded positive results, while the net results of other entities (in most cases, in the absence of units delivered in the first half of 2015) were negative.

Financial results generated in the analyzed period confirm the effectiveness of the strategy implemented by the Polnord SA Capital Group. At the same time, the ongoing works aimed at launching and introducing new housing projects to market and the continuation of already implemented ones, together with further optimisation of the Polnord Group's operating costs will have a positive influence on the results of the activities in subsequent reporting periods.

4. DIFFERENCES BETWEEN FINANCIAL RESULTS AND A RECENTLY PUBLISHED FORECAST

The Capital Group did not publish a forecast of its 2015 results.

5. FACTORS AND EVENTS, ESPECIALLY THOSE OF A NON-TYPICAL CHARACTER, THAT HAD A SIGNIFICANT IMPACT ON THE FINANCIAL RESULTS

In the first half of 2015, there were no factors or events (especially those of a non-typical character) which would have had an impact on the reported financial results of the Polnord Capital Group.

6. NOTES ON SEASONAL AND CYCLICAL NATURE OF THE POLNORD CAPITAL GROUP'S OPERATIONS

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

IV NOTES AND EXPLANATIONS

1. OTHER IMPORTANT EVENTS IN THE FIRST HALF OF 2015

1.1 PUBLIC BOND ISSUE PROGRAMME

- **Establishing of the public bond issue programme**

On 14.04.2015 the Management Board of the Company adopted a resolution on establishment of the public bond issue programme with a total nominal value of up to PLN 100 million ("Programme"). The Programme assumes the issuance of unsecured bonds in one or a few series. The issues of bonds shall be carried out by way of public offering. The bonds shall be issued on the basis of the basic prospectus drawn up by the Company.

More information is presented in the current report No. 14/2015 of 14.04.2015.

- **Approval of the final terms for the series M1 bonds issued as part of the public offering**

On 01.06.2015, the Company's Management Board adopted a resolution on the approval of the detailed parameters of series M1 bonds ("Bonds"). The Bonds were issued in connection with the Resolution of the Company's Management Board of 14.04.2015 on establishing the public bond issue programme by the Company, the Resolution of the Company's Management Board of 18.05.2015 on the approval of the terms of bond issue and the template form of the final terms of bond issue, and on the basis of the base prospectus ("Prospectus") approved by the Financial Supervision Authority on 01.06.2015. The Prospectus was made available to the public on 02.06.2015 on the Company's website www.polnord.pl and on the website of the investment company offering the Company's Bonds (www.mdm.pl).

On 02.07.2015, the Company issued 500,000 unsecured Bonds with the nominal value of PLN 100 each, with the total nominal value of PLN 50 million. The redemption date of the Bonds is due on 30.06.2018. The Bonds bear floating interest rates constituting the sum of the 3M WIBOR rate and the margin of 3.50% per annum. The interest shall be payable in quarterly interest periods. Net income from the Bonds issue shall be used to restructure the Polnord Capital Group's debt and to finance the development of the Group.

The final terms for the Bonds were made available to the public on 02.06.2015 on the Company's website www.polnord.pl and on the website of the investment company offering the Company's Bonds (www.mdm.pl).

The Management Board of the Warsaw Stock Exchange decided:

- 1) to introduce as of 14.07.2015, by way of an ordinary procedure, to exchange trading on the main market 500,000 series M1 bonds of Polnord with the nominal value of PLN 100 each, registered as PLPOLND00142 by the Central Securities Depository of Poland;
- 2) to list the Bonds in the continuous trading system under the abbreviated name "PND0618".

More information is presented in the current report No. 20/2015 of 01.06.2015, No. 28/2015 of 01.07.2015 and No. 32/2015 of 10.07.2015.

1.2 SIGNIFICANT AGREEMENTS

- **Agreements concluded by and between the Polnord Capital Group and Korporacja Budowlana Dom Sp. z o. o. for implementation of housing projects**

As a result of conclusion of the agreement on 16.06.2015, by and between Polnord Apartamenty Sp. z o. o. (a wholly owned subsidiary of Polnord) and Korporacja Budowlana Dom Sp. z o. o. ("KB Dom"), the value of agreements concluded by and between the companies from the Polnord SA Capital Group and KB Dom during the period of the last 12 months totaled PLN 117.6 million and exceeded 10% of the equity of Polnord.

The subject matter of the aforesaid agreements is the provision of services in respect of implementation of housing projects situated in the area of Warsaw and Tricity.

An agreement of the biggest value, during the period of the last 12 months, was concluded by and between Śródmieście Wilanów Sp. z o.o. and KB Dom on 21.05.2015. The subject matter of the agreement is the appointment of KB Dom as the Investor's Representative ("the Agreement"). Pursuant to the Agreement, KB Dom accepted for implementation the works aimed at preparation, completion and commissioning of a multi-family residential building in Warsaw, Wilanów district, part of which 139 residential premises and 7 commercial premises were designed. The completion date was set at 31.01.2017. Under the Agreement, KB Dom is entitled to remuneration estimated by the parties as at the date of signing of the Agreement at net PLN 33.9 million.

More information is presented in the current report No. 22/2015 of 16.06.2015.

1.3 ORDINARY GENERAL MEETING OF THE COMPANY

On 30.06.2015, the Company's Ordinary General Meeting was held and it passed the resolutions regarding:

- approval of the Management Board's report on the operations of the Company in 2014 and the approval of the Company's financial statements for the financial year 2014,
- acknowledgement of the fulfillment of duties by the Company's authorities in 2014,
- approval of the Polnord Capital Group's consolidated financial statements for 2014,
- distribution of the profit for the year 2014,
- modification of the rules and amount of remuneration for members of the Company's Supervisory Board,
- consent for Polnord S.A. to enter into agreements on management of subsidiaries within the meaning of art. 7 of the Commercial Companies Code,
- merger of Polnord S.A. with its registered office in Gdynia (the "Acquiring Company") with the companies Polnord Marketing Sp. z o.o. with its registered office in Gdynia and 10 H Sp. z o.o. with its registered office in Gdynia (the "Target Companies").

More information is presented in the current report No. 26/2015 of 30.06.2015.

2. ISSUE OF SECURITIES

Issue of shares

In the first half of 2015, the Company issued no shares.

Issue of bonds

In the period from 01.01.2015 to 30.06.2015, Polnord issued bonds with the total nominal value of PLN 44,500 thousand.

Table 16. Issue of bonds by the Company in the first half of 2015

Bond issue in IH 2015			
Data of the issue	Data of maturity	Overall nominal value of bonds [PLN'000]	Issuing agent
27.01.2015	27.01.2018	10,500	Noble Securities SA
13.02.2015	13.02.2018	34,000	Noble Securities SA
Total		44,500	

Redemption of bonds

In the period from 01.01.2015 to 30.06.2015, the Company redeemed bonds of a total nominal value of PLN 106,600 thousand:

Table 17. Redemption of bonds by the Company in the first half of 2015

Redemption of bonds in IH 2015			
Buyout date	Data of maturity	Overall nominal value of bonds [PLN'000]	Issuing agent
04.02.2015*	16.01.2016	5,000	DM Banku BPS SA
16.02.2015*	22.01.2016	26,500	DM Banku BPS SA
05.03.2015*	18.01.2016	20,000	DM Banku BPS SA
19.03.2015*	16.01.2016	5,100	DM Banku BPS SA
26.06.2015	26.06.2015	30,000	mBank SA
26.06.2015	26.06.2015	10,000	mBank SA
26.06.2015	26.06.2015	10,000	mBank SA
Total		106,600	

* early redemption

3. INDEBTEDNESS OF THE POLNORD SA CAPITAL GROUP

As at 30.06.2015, the amount of the Group's liabilities:

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

Table 18. Indebtedness of the Group under issued bonds

Issue date	Underwriter	Debt as at 31.12.2014	Redemption/ issuance in 1H2015	Debt as at 30.06.2015	Bonds redemption schedule (nominal value) [mPLN]								Maturity
					nominal value [mPLN]		3Q2015	4Q2015	1Q2015	2Q2016	3Q2016	4Q2016	
22.01.2013	DM Banku BPS	26.5	-26.5	0.0									16.02.2015
18.01.2013	DM Banku BPS	20.0	-20.0	0.0									05.03.2015
28.06.2012	mBank	30.0	-30.0	0.0									26.06.2015
12.07.2012	mBank	10.0	-10.0	0.0									26.06.2015
05.09.2012	mBank	10.0	-10.0	0.0									26.06.2015
26.09.2012	mBank	10.9		10.9	10.9								28.09.2015
24.10.2012	DM Banku BPS	24.0		24.0		24.0							24.10.2015
16.01.2013	DM Banku BPS	19.0	-10.1	8.9			8.9						16.01.2016
13.05.2013	SGB Bank	29.0		29.0				29.0					13.05.2016
12.06.2014	mBank	13.5		13.5				13.5					10.06.2016
20.08.2012	SGB Bank	60.0		60.0					60.0				20.08.2016
21.09.2012	SGB Bank	8.5		8.5					8.5				21.09.2016
11.12.2014	mBank	10.5		10.5						10.5			12.12.2016
11.02.2014	Noble	50.0		50.0							50.0		11.02.2017
12.06.2014	mBank	20.0		20.0							20.0		12.06.2017
11.12.2014	mBank	18.5		18.5							18.5		11.12.2017
27.01.2015	Noble	0.0	10.5	10.5								10.5	27.01.2018
13.02.2015	Noble	0.0	34.0	34.0								34.0	13.02.2018
Total		360.3	-62.1	298.2	10.9	24.0	8.9	42.5	68.5	10.5	88.5	44.5	

*the amount does not include interest on bonds which amounted to (+ PLN 3.1 million) and accrued commission expenses (- PLN 3.8 million)

- under loans taken out (excluding interest) together with the repayment schedule was as follows:

Table 19. Specification of loans taken out by Polnord SA and its wholly owned subsidiaries

Borrower	Bank	Type	Current limit [mPLN]	Debt as at 30.06.2015 without interest [mPLN]	Schedule of capital repayment (current debt) [mPLN]								Final repayment date	
					3Q2015	4Q2015	1Q2016	2Q2016	3Q2016	4Q2016	2017	after 2017		
Loans of Polnord SA and wholly owned subsidiaries of Polnord SA														
Polnord SA	Getin Noble	investment	35.0	35.0		12.0					23.0			20.12.2016
Wilanów Office Park - Budynek B1 Sp. z o.o.	PKO BP SA	refinancing	62.8	62.8		0.3	0.4	0.4	0.4	0.3	1.8	59.2		31.12.2030
Wilanów Office Park - Budynek B3 Sp. z o.o.	PKO BP SA	development (B3)	33.6	33.6		0.6	0.6	0.6	0.6	0.6	2.8	27.2		30.04.2025
Polnord Warszawa-Ząbki Neptun Sp. z o.o.	Bank BPS SA	investment (land)	14.6	14.6		0.8	0.8	0.8	0.8	0.8	3.2	6.5		31.12.2019
			Debt	146.0		1.4	13.7	1.8	1.8	1.8	24.7	7.8	92.9	

The gross debt indicated in a balance sheet prepared as at 30.06.2015 amounted to PLN 443.5 million, while the net debt amounted to PLN 421.5 million.

In the first half of 2015, the Group's companies did not conclude any new loan agreement.

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

The following are the most important proceedings related to the receivables, conducted by Polnord SA or its subsidiaries. In the reporting period, i.e. from 01.01.2015 to 30.06.2015 there were no material changes in the proceedings, whose total value constituted at least 10% of the Company's equity. In the first half of 2015, there were no new relevant proceedings.

Table 20. Claims filed to the Court

Road compensatory receivables from the Capital City of Warsaw	Date of submission	Claim amount	Case status	Value of assets in Consolidated financial statement
Tort damages from the Capital City of Warsaw and State Treasury	16.09.2013	PLN 123.0 million	Case pending (value of the claim increases over time)	PLN 123.0 million (recognised in Contingent assets)
Compensation for 10 hectares of land allocated for public roads*	28.06.2013	PLN 182.2 million	Administrative proceedings pending	PLN 182.2 million (recognised in Contingent assets)
Compensation for water and sewage infrastructure from MPWiK	Date of submission	Claim amount	Case status	Value of assets in Consolidated financial statement
Claim for compensation for non-contractual use of the water and sewage infrastructure in Miasteczko Wilanów (2004-2011)	25.04.2012	PLN 20.1 million**	Case pending (value of the claim increases over time)	-
Claim for take-over, for remuneration. of the water and sewage infrastructure in Miasteczko Wilanów	05.03.2013	PLN 57.3 million**	Case pending	} PLN 109 million, including: PLN 74.4 million – receivables PLN 34.6 million – inventories
Claim for take-over, for remuneration, of the rain water sewage system in Miasteczko Wilanów		Approx PLN 55 million	In preparation	

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

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

Description of significant pending proceedings:

- **Claim against Miejskie Przedsiębiorstwo Wodociągów i Kanalizacji**

On 05.03.2013 Polnord SA filed to the District Court in Warsaw, 16th Commercial Division a claim against Miejskie Przedsiębiorstwo Wodociągów i Kanalizacji in the capital city of Warsaw SA with its registered office in Warsaw ("MPWiK") for the take-over, for remuneration, of a part of the water and sewage network, constructed during the investment of Miasteczko Wilanów in Warsaw.

The Company demands a substituting declaration of will and a gross payment of PLN 57.3 million ("Remuneration") to Polnord SA. The remuneration amount consists of the value of equipment, all costs of construction and related costs of construction (excluding operating costs) incurred in relation to the investment, using the indexation based on the indicators used in construction.

Legal basis for the petition: Article 49 (2) of the Civil Code and Article 31 of the Act of 7 June 2001 on public water supply and waste water drainage ("the Act").

As part of the Miasteczko Wilanów development project in Warsaw, water and sewage infrastructure was constructed with its estimated gross value, based on appraisal by independent appraisers, at PLN 57.3 million gross. In spite of motions and calls submitted in accordance with the Act, the defendant did not consent to purchase the constructed facilities, which it uses in its business and from which it derives regular financial benefits. The above-mentioned Article 49 (2) of the Polish Civil Code and the Act impose on the defendant an obligation to purchase, for remuneration, the constructed water and sewage infrastructure.

The Company's Management Board emphasises that the statement of the claim mentioned above excludes the remuneration due to the Company for the construction of the storm sewage system in Miasteczko Wilanów as well as remuneration for usufruct by the defendant, on a non-contractual basis, of the system in question, due to the Company independently for each year of its usufruct by the defendant. The above-mentioned remuneration will be subject to a separate forthcoming lawsuit being prepared by the Company.

The proceedings for the take-over, for remuneration, of a part of the water and sewage network, constructed during the investment of Miasteczko Wilanów in Warsaw is pending. The Court set successive dates of hearings.

- **Initiating proceedings against the Capital City of Warsaw for payment of tort indemnity**

On 28.06.2013, Polnord SA filed a claim to the Court in Warsaw against the Capital City of Warsaw ("the City") and the State Treasury (the "Voivode of the Masovia Province") for indemnity of the damage incurred by the Company as a result of unlawful decisions on refusal to pay indemnity for public roads in Wilanów issued by administrative authorities. The initial value of the claim amounted to PLN 140 million.

Since 2009, Polnord has been in the dispute with the City regarding the indemnity for the take-over by the City of ownership of land plots allocated for public roads in Miasteczko Wilanów in Warsaw. The President of the Capital City of Warsaw and the Voivode of the Masovia Province issued in 2009-2010 decisions refusing to pay indemnities due to the Company for a total of 16 hectares of land. As a result of an appeal filed by the Company, in the judgement of 21.12.2010 the Provincial Administrative Court revoked all administrative decisions and unambiguously stated that the claims of Polnord for indemnities for the land allocated for public roads are fully justified under Article 98 (3) of the Real Property Management Act. The decision issued by the Provincial Administrative Court was upheld by the Supreme Administrative Court on 05.06.2012.

As a result of the unlawful decisions issued by the City and the Voivode of the Masovia Province, Polnord had to raise funds for financing its activities from other sources, which involved a tangible loss. Due to the lack of cash receipts on account of indemnities, the Company had to fund investment activities by means of debt financing, and it had to bear the costs related to the servicing of such financing. Moreover, because of the delay in the settlement of the dispute, the

Company sold the receivables from the City to Polski Bank Przedsiębiorczości SA for an amount that is significantly lower than the indemnity due to the Company.

Despite requests for a pre-trial settlement, on 30.07.2013, due to no settlement, the proceedings were closed, therefore, the Company filed a law suit on 16.09.2013 in which it claims a compensation of PLN 123 million (calculated as at 30.06.2013). Due to the nature of the claim the above amount is increased by interest. The initiation of court proceedings is connected with the pursuit by the Company of claims related to blatant and obvious delay by the City in determining and paying indemnities. The Company is convinced that its claims are justified and makes efforts to satisfy them as soon as practicable. The Company has made many attempts to reach a compromise with the City, but they were futile.

On 22.12.2014, the capital city of Warsaw submitted a procedural document together with a motion concerning issuance of partial judgement towards the capital city of Warsaw.

The indemnity case for the damage incurred as a result of the issuance of unlawful decisions by the administrative bodies refusing to pay indemnity for public roads in Wilanów is pending. Dates for successive hearings have been set by the Court. The Company maintains its position.

- **Submitting a motion to the capital city of Warsaw for payment of indemnity for plots in Warsaw**

On 28.06.2013, through its special purpose vehicle Surplus Sp. z o.o. SKA with its registered office in Warsaw (currently Polnord Inwestycje Sp. z o.o.) (a wholly owned subsidiary of Polnord), Polnord submitted a motion to Mayor of the Capital City of Warsaw, pursuant to the provision of Article 98 (1) and (3) of the Real Property Management Act, for undertaking negotiations on determination and payment of indemnities for plots located in the district of Wilanów in Warsaw totalling 10 hectares, allocated for public roads ("the Plots").

The total amount of the indemnity was estimated as PLN 182.2 million in compliance with the valuation adopted in the appraisal report prepared by a certified property appraiser.

Plots were allocated under valid administrative decisions related to the allocation for public roads, as a result of which the ownership of the plots was assigned to the Capital City of Warsaw ("City"), in compliance with Article 98 (1) of the Real Property Management Act which is confirmed in the following judgements of: (i) the Provincial Administrative Court in Warsaw dated 21.12.2010 and (ii) the Supreme Administrative Court dated 05.06.2012, issued in similar cases, applicable to the factual situation.

Before the said allocation decisions became valid, Polnord had the right of perpetual usufruct of the plots in question; thus, in compliance with the above-mentioned judgments, Polnord is entitled to indemnity under the provision of Article 98 (3) of the Real Property Management Act (a subsidiary of Polnord had the right of perpetual usufruct of one plot).

Plots were listed in the preliminary donation agreement dated 30.09.2008, as amended, and in the donation agreement dated 18.12.2009; nevertheless, due to the earlier transfer under the ownership law to the City under the provision of Article 98 (1) of the Real Property Management Act, these agreements had no legal effect, as the City had already been entitled to the plots *ex lege*. This point of view stems directly from the above-mentioned judgments of the Provincial Administrative Court in Warsaw and the Supreme Administrative Court, according to which the ownership of plots was transferred to the City the moment the separation decisions became valid. At the same time it should be pointed out that a lack of legal effect of the above-mentioned donation agreements does not affect the City's indemnity obligation defined in the provision of Article 98 (3) of the Real Property Management Act. Surplus Sp. z o.o. SKA is entitled to file the motion as the claim for payment of compensation was filed to Surplus Sp. z o.o. SKA by Polnord and PD Development Sp. z o.o. under the resolution of the General Shareholders' Meeting dated 21.12.2012. An increase in the share capital of Surplus Sp. z o.o. SKA was effected under a valid decision of the District Court for the Capital City of Warsaw of 03.04.2013.

In connection with Surplus Sp. z o.o. SKA receiving the letter from the Office of the Capital City of Warsaw containing a refusal to initiate negotiations pursuant to the motion of Surplus Sp. z o.o. SKA of 28.06.2013, on 19.09.2013 Surplus Sp. z o.o. SKA filed a motion for issuing a decision on granting the indemnity for the expiry of the perpetual usufruct rights to the President of the Capital City of Warsaw.

On 31.12.2013, Surplus Sp. z o.o. SKA sold the above receivable from the City to the company 10 H Sp. z o.o. with its registered office in Gdynia (wholly owned by Polnord SA) which participated in the proceedings initiated by Surplus Sp. z o.o. SKA.

Polnord filed a complaint about lengthiness of the proceedings and handling of the case in an untimely manner. On 09.09.2014, the Mayor of the capital city of Warsaw issued a decision refusing to pay indemnities for plots located in the district of Wilanów in Warsaw. The proceedings are pending, the company maintains its position in an appeal to the Provincial Administrative Court against the decisions refusing to grant indemnities for the plots separated for public roads.

- **Case for indemnity arising from non-contractual use of water and sewage system equipment in Miasteczko Wilanów**

On 25.04.2012, the Company filed a claim against MPWiK in the capital city of Warsaw for the payment of PLN 11.8 million as remuneration for the non-contractual use of water and sewage system equipment in Miasteczko Wilanów. The case concerns one of many claims related to the construction of water and sewage system (water pipes, waste water and storm sewage system) which should have been taken over by MPWiK into ownership.

Moreover, Polnord SA expanded the range of its claim by the amount of PLN 8.3 million. The current claim amounts to PLN 20.1 million. The proceeding is pending, the Company maintains its position.

In its order of 16.06.2015, the Court appointed an expert witness in construction, cost estimates and business economics, as requested by Polnord SA.

- **Description of the dispute between Wilanów Office Park – building B1 Sp. z o.o. and Przedsiębiorstwo Robót Inżynieryjnych POL-AQUA S.A.**

Wilanów Office Park – building B1 Sp. z o.o. with its register office in Gdynia (formerly Polnord Warszawa – Wilanów III Sp. z o.o.) (“Lessor”) on 27.12.2010 concluded with the company Przedsiębiorstwo Robót Inżynieryjnych POL-AQUA S.A. (“Lessee”) a lease agreement (“Lease Agreement”) of the whole office building marked with B1 symbol, with the leasable area of 7,277 sq m in the Wilanów Office Park complex in Warsaw, at 15 Branickiego St (“the Building”). The Lease Agreement was concluded for the period of 10 years. Before the end of this time period, the parties provided the possibility to terminate the Lease Agreement only by mutual agreement of the parties.

In 2013, the Lessee started raising objections to the Building regarding the fact of not conforming to the required criteria, in view of the lack of access to the public road from the side of the northern entrance (in Branickiego St). On 14.07.2013, the Lessee left the Building and on 31.10.2013, the Lessee filed a suit to determine the non-existence of a lease relationship on the basis of Art. 189 of the Civil Code.

The Lessor declares the Lessee’s Statement ineffective, for the following reasons:

- the agreement was concluded for a period of 10 years by and between two professional entities, and in such cases, the law does not allow for the unilateral termination of the lease agreement,
- the Lessee claims that it was the responsibility of the Lessor or Polnord SA to build an asphalt road on Branickiego St. adjacent to the Building on the northern side, however the agreement does not mention such a responsibility, what is more, only Wilanów Office Park – building B1 Sp. z o.o. is a party to the Lease Agreement, and not Polnord SA; at the time the Lease Agreement was concluded, Polnord SA was no longer the perpetual usufructuary of the plot of land No. 2/53 designated for the public road, because the right of perpetual usufruct of the land expired

earlier and its ownership was passed to the capital city of Warsaw, therefore in this situation the decision to build the road could be made only by the Municipality of Warsaw,

- at the moment of signing the Lease Agreement, the Lessee was fully aware that the Building did not have access to the asphalt road on the northern side, and despite this it decided to sign the Lease Agreement, therefore, pursuant to Art. 694 § 3 of the Civil Code, the Lessee cannot claim that the lack of this road is a defect of the Building that it had not known about.

All the above-mentioned circumstances give reason to claim that the Lessee's Statement was ineffective and the Lease Agreement is still binding, which is in turn involves the obligation to make monthly rent payments by the Lessee.

Currently, two proceedings concerning the case are pending before the District Court in Warsaw, 16th Civil Department:

- suit brought by the Lessee for determining non-existence of lease relationship,
- suit brought by the Lessor for payment of rent.

As at 30.06.2015, Lessor's receivables from the Lessee amounted to PLN 18,368 thousand.

- **Dispute with ANR regarding the payment of an increased annual fee for perpetual usufruct**

The Group companies are the defendant in litigation brought by the State Treasury, on whose behalf the ANR acts, related to agreements for the right of perpetual usufruct of land in Warsaw's Wilanów. These disputes arose as a result of the termination by the ANR of perpetual usufruct agreements, in relation to the amount of the annual fee for perpetual usufruct in 2007. The Group believes that the termination was ineffective. However, the Group created provisions for liabilities connected with these disputes, in the amount equal to the difference between the amount of the revised annual fee and the fee applicable until 2007 together with interest. As at 30.06.2015, the provisions for the principal amount totalled PLN 35,584 thousand, and for interest it was PLN 19,558 thousand.

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

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

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

In the first half of 2015, neither Polnord nor any of its subsidiaries granted a surety or guarantee in the amount exceeding 10% of the Company's equity. As at 30.06.2015, the total value of active sureties granted by Polnord for the loan commitments of subsidiaries and jointly controlled companies concerning their operational activity amounted to PLN 113,418 thousand. The amount of active sureties sanctioned by a Group company, i.e. Śródmieście Wilanów Sp. z o. o. for the credit obligations of Polnord SA totalled PLN 55,500 thousand.

Polnord provides Group companies with sureties securing the repayment of credit obligations related to financing development projects. However, due to the low likelihood of the outflow of funds resulting from the need to meet the commitment, the Company pursuant to IAS 37 does not reveal such contingent liabilities in off-balance sheet items.

7. ACHIEVEMENTS IN THE FIELD OF RESEARCH AND DEVELOPMENT

The Group companies do not carry out research and development activities.

8. INFORMATION ON THE PURCHASE OF OWN SHARES

In the first half of 2015, the Company did not purchase any own shares, nor does it hold any own shares.

9. INFORMATION ON DEPARTMENTS

The Group companies do not have any departments.

10. INFORMATION ON FINANCIAL INSTRUMENTS

The main financial instruments used by the Group include bank loans and bonds. The main objective of these financial instruments is to obtain funds for the Group operations. The Group has also other financial instruments, such as trade receivables and liabilities which arise directly in the course of its business operations, and cash. The Group does not enter into transactions involving derivatives.

More information on financial instruments is presented in Note 29 of the Consolidated statements.

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

In the Company's opinion, there is no significant information for the assessment of the above-mentioned factors other than indicated in this Report.

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

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

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

13. OTHER RISK FACTORS AND THREATS

Factors with potentially negative effect on the business activity of the Company and the Polnord Capital Group include:

- **the banking sector's policy towards property development companies**

The volume of loans granted to property development companies significantly influences the number of projects launched. By issuing bonds, Polnord SA effectively neutralises this risk, and is able to implement the strategy adopted by the Group and initiate new development projects.

- **the banking sector's mortgage loan policy towards natural persons**

The recommendations issued by the Polish Financial Supervision Authority in recent years have significantly affected the mortgage loan market. Recommendations S II and S III introduced stricter requirements for borrowers. The purpose of Recommendation T is to improve the quality of risk management in banks and to prevent borrowers from taking on excessive debt. Recommendation T set the credit worthiness level by defining, among other things, the relation between loan installments and monthly income as the indicator of the maximum loan amount. Recommendation S stipulates that the maximum level of expenditures related to the repayment of mortgage loans in foreign currencies in relation to average net income should not exceed 42%, while the credit worthiness must be calculated with the assumption that the loan is taken out for 25 years. Recommendation S II influences how banks calculate their customers' credit worthiness by limiting the amount of the available loans, in particular foreign currency loans. Recommendation S III introduced a mandatory 5% deposit starting from 01.01.2014, which is ultimately expected to reach 20% in 2017. At the same time, banks cannot grant loans indexed or denominated in foreign currencies, and the maximum repayment period may not exceed 35 years. These regulations, as well as any other which may be issued in the future, could limit access to mortgage loans which may contribute to a decrease in the effective demand for flats.

- **prices of flats**

The main factor which guarantees a successful completion of an investment is the sale of completed development projects (flats, houses) at the planned price, ensuring the expected margin for the developer. There is a risk that the Group may not sell all of the completed investments for the planned prices. Recently, the Company has observed a stabilisation of housing prices and a revival in the residential market.

- **oversupply of residential units**

Currently, the residential market is characterized by oversupply, resulting from the number of units constructed and unsold in the previous years as well as development projects in progress. The large supply in the market may limit the Group's revenue.

- **possible loss of qualified subcontractors**

The unfavourable financial situation in the construction industry may result in a collapse of some companies. Such developments reduce the availability of services and may raise the Company's operation costs.

- **acquiring land for prospective property development projects**

When acquiring land for new investments, projects may be delayed or land preparation costs may increase. This may lead to an investment being less profitable than originally expected.

- **instability of the tax system**

One of the characteristics of the Polish tax system is its instability. Tax regulations change very frequently. In addition, tax authorities use both the tax regulations as well as tax interpretations issued by other authorities or court rulings. Such interpretations or judgments of other revenue authorities or courts are often inconsistent in terms of rulings and are subject to changes depending on when and where a given decision was interpreted or issued.

Therefore, the values included in the financial statements may change after inspection by tax authorities. The Company may be obliged to pay significant amounts of extra tax, interest or fines.

- **obtaining adequate administrative permits**

To run a successful business in the property development industry, permits, decisions or administrative approvals required for implementing construction projects must be obtained. There is a risk that the absence or withdrawal of adequate administrative permits during the implementation of a project may negatively affect the capacity to implement or complete property development projects.

- **macroeconomic factors**

A slowdown of the economic growth, stagnation of remunerations and increase in the effective tax rate as well as a deterioration of the situation on the labour market, limitations of the government programmes supporting acquisition of new flats may all translate into a deterioration of the public sentiment and, therefore, on the purchasing power of the society, leading to a drop in demand for the products offered by the Group.

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

The following events occurred after the balance sheet date:

- on 01.07.2015, the Management Board of the Central Securities Depository of Poland (“KDPW”) adopted the Resolution No. 427/15 on the registration of 500,000 series M1 bonds of the Company with the nominal value of PLN 100 each, maturing on 30.06.2018, in the depository for securities on 02.07.2015. The series M1 bonds were issued on 02.07.2015 as part of the public offering.
- on 03.08.2015, the District Court Gdańsk – Północ in Gdańsk, VIII Commercial Division of the National Court Register issued the decision on entering as of 03.08.2015 into the register of entrepreneurs of the National Court Register the merger of Polnord (the “Acquiring Company”) with the following wholly-owned companies: Polnord Marketing Sp. z o.o. with its registered office in Gdynia and 10 H Sp. z o.o. with its registered office in Gdynia (the “Target Companies”). The merger of the companies was effected in compliance with the content of Article 492 § 1 section 1 in conjunction with Article 515 § 1 of the Commercial Companies Code, through transfer of all assets and liabilities of the Target Companies to the Acquiring Company without increasing the share capital of the Acquiring Company.
- on 04.08.2015, the Company entered into a revolving credit facility agreement to the amount of PLN 50 million with Bank Ochrony Środowiska S.A. with its registered office in Warsaw (“Credit Facility”). The deadline for repayment of the Credit Facility is 03.08.2018. The Credit Facility has been incurred for the purpose of umbrella financing of the investment expenditure in the development projects implemented by Polnord.

B. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY 2015 TO 30 JUNE 2015 CONSISTING OF CONDENSED INTERIM INDIVIDUAL FINANCIAL STATEMENTS OF POLNORD SA

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I INTERIM CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the period from 01.01.2015 to 30.06.2015

Specification [000' PLN]	Note	For the period from 01.01.2015 to 30.06.2015	For the period from 01.01.2014 to 30.06.2014 <i>restated data</i>	For the period from 01.01.2014 to 30.06.2014 <i>published data</i>
Sales revenue	8.1	96 674	62 174	62 174
Revenue from sales of products, goods and materials from related parties		86 085	53 421	53 421
Revenue from sale of services from related parties		2 968 2 262	829 365	829 365
Lease revenue from related parties		7 621 76	7 924 48	7 924 48
Cost of sale	8.2	(73 094)	(48 550)	(48 550)
Gross profit (loss) on sales		23 581	13 624	13 624
Revaluation of investment property	12	(3 868)	10 883	10 883
Selling costs		(3 414)	(3 202)	(3 202)
General administrative expenses		(9 633)	(10 242)	(11 228)
Other operating revenue	8.4	849	2 958	2 958
Other operating expenses	8.5	(3 647)	(3 501)	(2 189)
Gross operating profit (loss)		3 867	10 520	10 846
Financial revenue	8.6	3 422	2 061	2 126
Financial expenses	8.7	(12 239)	(13 973)	(13 973)
Result on sale / occasional acquisition of subsidiary				
Share in profit of associates measured with equity method		5 629	5 443	5 443
Gross profit (loss)		678	4 051	4 442
Income tax	9	2 786	707	1 105
Net profit (loss) on continued operations		3 465	4 758	5 547
Net profit (loss) on discontinued operations		98	(1 555)	(1 555)
Net profit (loss)		3 562	3 203	3 992

II INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period from 01.01.2015 to 30.06.2015

Specification [000'PLN]	For the period from 01.01.2015 to 30.06.2015	For the period from 01.01.2014 to 30.06.2014 <i>restated data</i>	For the period from 01.01.2014 to 30.06.2014 <i>published data</i>
Net profit (loss)	3 562	3 203	3 992
Other comprehensive income:	(739)	(347)	(347)
Items that may be reclassified to profit or loss in the future:	(739)	(347)	(347)
Valuation of financial assets available for sale			
Foreign exchange gains/losses on translation	2 308	(347)	(347)
Other			
Income tax on components of other comprehensive income	(3 047)		
Items that will not be reclassified to profit or loss in the future:			
Revaluation of employee benefit liabilities			
Comprehensive income for the period	2 823	2 856	3 645
Attributable to:			
Shareholders of the parent company	2 823	2 856	3 645
Non-controlling shareholders			

III INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

As at 30.06.2015

Specification [000'PLN]	Note	As at 30.06.2015	As at 31.12.2014
ASSETS			
Fixed assets		977 151	970 808
Tangible fixed assets		1 459	1 596
Investment property	12	755 224	758 022
Intangible assets		370	495
Investments in associates measured with equity method	13	81 396	73 867
Goodwill		14	16
Loans granted	15	1 511	519
Long-term receivables	16	108 734	107 703
Other financial assets	17	34	34
Deferred tax assets		28 408	28 556
Current assets (excluding assets classified as held for sale)		740 718	793 096
Inventories	18	592 567	590 160
Trade and other receivables	19	48 698	37 430
Loans granted	15	68 879	74 821
Receivables due to VAT, other taxes, customs duties, insurance and other		4 509	6 803
Income tax receivables		719	767
Prepayments and accrued income		3 297	2 714
Cash and cash equivalents		22 049	80 400
Assets classified as held for sale		9 200	9 200
Current assets (including those classified as held for sale)		749 918	802 296
TOTAL ASSETS		1 727 069	1 773 104

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) CONT.

As at 30.06.2015

Specification [000'PLN]	Note	As at 30.06.2015	As at 31.12.2014
LIABILITIES			
Equity (attributable to shareholders of the parent company)		1 070 205	1 067 382
Share capital	20	65 266	65 266
Share premium		1 059 755	1 059 755
Foreign exchange differences on translation of a foreign operation		(9 304)	(11 611)
Other reserve capitals		291 624	296 610
Retained profits/Uncovered losses		(337 136)	(342 638)
Total equity		1 070 205	1 067 382
Long-term liabilities		338 749	406 824
Interest-bearing bank loans and borrowings	21	337 695	405 256
Provisions	22	1 031	1 031
Other liabilities		23	536
Deferred income tax provision			
Prepayments and accrued income			
Short-term liabilities (excluding liabilities directly related to assets classified as held for sale)		318 115	298 898
Trade and other liabilities	23	31 515	30 286
Current long-term portion of bank loans and borrowings	21	18 759	17 473
Short-term revolving loans			
Other short-term loans and borrowings	21	87 089	85 430
Liabilities due to VAT, other taxes, customs duties, insurance and other	23	3 559	7 305
Prepayments and accrued income	23	2 504	3 613
Advance payments received		117 967	98 105
Provisions	22	56 723	56 688
Liabilities directly related to assets classified as held for sale			
Short term liabilities		318 115	298 898
Total liabilities		656 865	705 722
TOTAL EQUITY AND LIABILITIES		1 727 069	1 773 104

IV INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the period from 01.01.2015 to 30.06.2015

Specification [000'PLN]	For the period from 01.01.2015 to 30.06.2015	For the period from 01.01.2014 to 30.06.2014 <i>restated data</i>	For the period from 01.01.2014 to 30.06.2014 <i>published data</i>
Cash flows from operating activities			
Gross profit (loss) (including profit on discontinued operation)	776	2 496	2 887
Adjustments:	13 886	18 058	9 773
Share in profit of associates measured with equity method	(5 629)	(5 443)	5 443
Depreciation and amortisation	353	618	618
Net interest and dividends	10 046	12 565	12 565
Profit/(loss) on investing activities	2 083	(8 845)	26 918
(Increase)/decrease in receivables	(11 420)	12 509	59 731
(Increase)/decrease in inventories	3 649	(21 943)	(39 301)
Increase/(decrease) in liabilities excluding loans and borrowings	16 832	35 978	(25 476)
Change in prepayments and accruals	(1 691)	(1 416)	(24 760)
Change in provisions	35	(3 823)	(3 823)
Income tax paid	(8)	(547)	(547)
Other	(365)	(1 595)	(1 595)
Net cash generated by operating activities	14 662	20 554	12 660
Cash flows from investing activities			
Inflows	9 169	12 175	139 829
Sale of tangible fixed assets and intangible assets	2	236	236
Sale of investment properties	1 496		
Sale of financial assets			
Dividends received		3	3
Interest received	5 669	10 121	10 121
Repayment of loans granted	2 002	1 815	129 469
Redemption of third party bonds			
Outflows	(1 525)	(12 484)	(117 670)
Purchase of tangible fixed assets and intangible assets	(85)	(140)	(140)
Purchase of investment properties		(9 089)	(9 089)
Purchase of financial assets	(491)		(3 074)
Acquisition of shares in subsidiary, less acquired cash			
Loans granted	(950)	(3 255)	(105 367)
Other			
Net cash used in investing activities	7 644	(309)	22 159
Cash flows from financing activities			
Inflows	44 500	117 095	163 415
Inflows from issuance of shares			
Inflows from loans/borrowings taken out		37 000	80 320
Inflows from issuance of bonds	44 500	80 095	83 095
Other			
Outflows	(125 156)	(116 123)	(177 017)
Repayment of finance lease liabilities		(30)	(30)
Repayment of loans/borrowings	(2 358)	(73 815)	(134 709)
Dividends paid to equity holders of the parent company			
Dividends paid to non-controlling shareholders			
Interest paid	(16 198)	(15 762)	(15 762)
Redemption of bonds	(106 600)	(26 516)	(26 516)
Other			
Net cash generated by financing activities	(80 656)	972	(13 602)
Net increase (decrease) in cash and cash equivalents	(58 350)	21 217	21 217
Net foreign exchange gains/losses			
Cash and cash equivalents at the beginning of the period	80 400	34 271	34 271
Cash and cash equivalents at the end of the period, of which	22 049	55 488	55 488
Restricted cash	6 153	28	28

V STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

For the period from 01.01.2015 to 30.06.2015

Specification [000'PLN]	Attributable to shareholders of the parent company					Total	Non-controlling interest	Total equity
	Share capital	Share premium	Foreign exchange differences on translation of a foreign operation	Other reserve capitals	Retained profits/uncovered (losses)			
As at 01.01.2014	65 266	1 059 755	(1 660)	274 300	(345 385)	1 052 276		1 052 276
Result of the year					3 203	3 203		3 203
Other comprehensive income			(347)			(347)		(347)
Total comprehensive income			(347)		3 203	2 856		2 856
Share issue								
Retained profits								
Share issue costs								
Result carried forward from previous period				25 829	(25 829)			
Management Option scheme								
As at 30.06.2014	65 266	1 059 755	(2 007)	300 129	(368 011)	1 055 132		1 055 132
As at 01.01.2015	65 266	1 059 755	(11 611)	296 610	(342 638)	1 067 382		1 067 382
Result of the year					3 562	3 562		3 562
Other comprehensive income			2 307	(3 047)		(739)		(739)
Total comprehensive income			2 307	(3 047)	3 562	2 823		2 823
Share issue								
Retained profits								
Share issue costs								
Result carried forward from previous period				(1 939)	1 939			
Management Option scheme								
As at 30.06.2015	65 266	1 059 755	(9 304)	291 624	(337 136)	1 070 205		1 070 205

VI NOTES AND EXPLANATIONS

1 GENERAL INFORMATION

The Polnord SA Capital Group ("Group", "Capital Group", "Polnord Capital Group" or other terms of similar meaning and their grammatical forms) is composed of the parent company Polnord SA and the entities subject to consolidation.

The Interim condensed consolidated financial statements of the Group cover the period of 6 months ended 30.06.2015, and include comparative data as at 31.12.2014 and for the period of 6 months ended 30.06.2014 ("Interim condensed consolidated financial statements").

Data included in the Interim condensed consolidated financial statements for the period of 6 months ended 30.06.2015 r. and comparative data for the period of 6 months ended 30.06.2014 were subject to a review by an independent auditor. The comparative data as at 31.12.2014 were audited by the independent auditor.

Parent Company – Polnord SA primary data are presented below:

Full name (company name)	POLNORD Spółka Akcyjna
Registered office	81-310 Gdynia, ul. Śląska 35/37
Number in the National Court Registered (KRS)	0000041271
Tax identification Number (NIP)	583-000-67-67
Statistical Identification Number (REGON)	000742457
Registered share capital	65,266,054 PLN (fully paid up)
PKD (Polish Classification of Business Activities)	6810 Z – buying and selling of own real estate
Website	www.polnord.pl

Since 2007, the Polnord Group's core business is the implementation of development projects, through special purpose vehicles established by Polnord with or without partners.

The duration of the Parent Company and the companies comprising the Group as at 30.06.2015 is indefinite.

2 COMPOSITION OF THE POLNORD CAPITAL GROUP

Polnord SA is the parent company of Polnord Group SA.

Detailed information about subsidiaries, jointly controlled entities and associates, as at 30.06.2015, is presented below.

Table 1. Structure of Polnord SA Capital Group

Company name	Registered office	Nominal value of shares held [PLN]	% of capital/votes	Consolidation method
Polnord Szczecin Ku Słońcu Sp. z o.o.	Gdynia	50,000	100%	Full
Polnord Łódź City Park Sp. z o.o.	Gdynia	100,000	100%	Full
Polnord Apartamenty Sp. z o.o.	Gdynia	1.050,000	100%	Full
Polnord Sopot II Sp. z o.o.	Gdynia	100,000	100%	Full
Polnord Olsztyn Tęczowy Las Sp. z o.o.	Gdynia	5,000,000	100%	Full
Polnord Warszawa – Ząbki Neptun Sp. z o.o.	Gdynia	50,000	100%	Full
Śródmieście Wilanów Sp. z o.o.	Gdynia	50,000	100%	Full
WILANÓW OFFICE PARK – budynek B1 Sp. z o.o.	Gdynia	8,582,656	100%	Full
WILANÓW OFFICE PARK – budynek B3 Sp. z o.o.	Gdynia	700,000	100%	Full
Polnord Inwestycje Sp. z o.o.	Gdynia	50,000	100%	Full
Polnord Inwestycje Sp. z o.o. Spółka jawna***	Gdynia	contributions	100%	Full
Polnord Marketing Sp. z o.o.	Gdynia	53,605,000	100%	Full
Polnord Gdańsk Dwa Tarasy Sp. z o.o.	Gdynia	5,000	100%	Full
Polnord Gdynia Brama Sopotcka Sp. z o.o.	Gdynia	5,000	100%	Full
10H Sp. z o.o.	Gdynia	5,000	100%	Full
Polnord SA Finanse Spółka jawna**	Gdynia	contributions	100%	Full
SPV 1 Sp. z o.o.	Gdynia	5,000	100%	Full
Stroj-Dom ZSA	Saratov (Russia)	99,290	100%	Full
Hydrosspol Sp. z o.o. In liquidation	Gdańsk	15,000	30%	Not included
Stacja Kazimierz I Sp. z o.o.	Warsaw	2,500	50%	Equity method
Stacja Kazimierz I Sp. z o.o. SKA	Warsaw	25,000	50%	Equity method
Stacja Kazimierz Sp. z o.o.	Warsaw	2,500	50%	Equity method
Stacja Kazimierz Sp. z o.o. SKA	Warsaw	5,041,500	50%	Equity method
Stacja Kazimierz II Sp. z o.o.	Warsaw	2,500	50%	Equity method
Waryński Odolany 1 Sp. z o.o. SKA	Warsaw	25,000	50%	Equity method
Semeko Aquasfera Sp. z o.o.	Gdynia	10,000,000	50%	Equity method
Fadesa Polnord Polska Sp. z o.o.	Warsaw	12,250,000	49%	Equity method
FPP Powsin Sp. z o.o.*	Warsaw	2,474,500	49%	Equity method
Osiedle Innova Sp. z o.o.*	Warsaw	3,454,500	49%	Equity method
FPP Osiedle Moderno Sp. z o.o.*	Warsaw	1,472,450	49%	Equity method
Korporacja Budowlana Dom SA	Kartoszyño	42,632,800	26.84%	Equity method

* indirect subsidiarity through Fadesa Polska Sp. z o.o

**formerly Surplus Sp. z o.o. Domitus SKA

*** formerly Surplus Sp. z o.o. SKA

As at 30.06.2015, the Group's share in the overall number of votes in subsidiaries, jointly-controlled entities and associates is equal to the Group's share in these companies' capitals.

Changes in capital relations of Polnord SA with other entities that occurred in the first half of 2015 and after the balance sheet date, as at the date of preparation of these Interim condensed consolidated financial statements are described in detail in the table below:

Table 2. Changes in organizational and capital links of Polnord Capital Group

Entity name	Description of the event
	<i>Share capital decrease</i>
Polnord Sopot II Sp. z o.o.	On 18.03.2015, Polnord Sopot II Sp. z o.o. purchased from its sole shareholder, i.e. Polnord Inwestycje Sp. z o.o., 252,235 own shares with the nominal value of PLN 100.00 each, with the total nominal value of PLN 25,223,500.00 for redemption. On 10.04.2015, the Extraordinary Meeting of Shareholders of Polnord Sopot II Sp. z o.o. adopted a resolution on voluntary redemption of 252,235 own shares and a resolution on reduction of the share capital to PLN 100,000.00.
	<i>Share capital decrease</i>
Polnord Łódź City Park Sp. z o.o.	On 18.03.2015, Polnord Łódź City Park Sp. z o.o. purchased from its sole shareholder, i.e. Polnord Inwestycje Sp. z o.o., 10,000 own shares with the nominal value of PLN 100.00 each, with the total nominal value of PLN 1,000,000.00 for redemption. On 10.04.2015, the Extraordinary Meeting of Shareholders of Polnord Łódź City Park Sp. z o.o. adopted a resolution on voluntary redemption of 10,000 own shares and a resolution on reduction of the share capital to PLN 100,000.00.
	<i>Purchase of shares, Registration of a change in the company name</i>
Stacja Kazimierz II Sp. z o.o. (formerly: Waryński Odolany 1 Sp. z o.o.)	On 24.03.2015, Polnord SA concluded an agreement for the sale of shares by and between MS Waryński Development SA with its registered office in Warsaw; on the basis of the agreement Polnord SA purchased from MS Waryński Development SA 50 shares in the company Waryński Odolany 1 Sp. z o.o. with its registered office in Warsaw, which constitute 50% of the share capital of this company. In its order of 21.05.2015 the District Court for the capital city of Warsaw, XII Commercial Division of the National Court Register entered the change in the company name from Waryński Odolany 1 Sp. z o.o. to Stacja Kazimierz II Sp. z o.o.
	<i>Purchase of shares</i>
Waryński Odolany 1 Spółka z ograniczoną odpowiedzialnością SKA	On 24.03.2015, Polnord SA concluded an agreement for the sale of shares by and between MS Waryński Development SA with its registered office in Warsaw; on the basis of the agreement Polnord SA purchased from MS Waryński Development SA 25,000 shares of the company Waryński Odolany 1 Spółka z ograniczoną odpowiedzialnością SKA with its registered office in Warsaw, which constitute 50% of all shares of this company.
	<i>Purchase of shares</i>
Korporacja Budowlana Dom SA	As a result of purchasing the shares of Korporacja Budowlana Dom SA on the WSE and implementing the settlements and civil-law contracts, concluded on 27.04.-29.04.2015, Polnord increased its capital involvement in Korporacja Budowlana Dom SA to the level of 26.84%. Before the change, the Company held 1,902,656 shares constituting 19.17% of the share capital and in the total number of votes. After the transaction, Polnord holds 2,664,550 shares constituting 26.84% of the share capital of Korporacja Budowlana Dom SA and in the total number of votes.

The following changes took place after the balance sheet date:

Entity name	Description of the event
	<i>Purchase of shares</i>
Korporacja Budowlana Dom SA	As a result of purchasing the shares of Korporacja Budowlana Dom SA on the WSE and implementing the settlements and civil-law contracts, concluded on 07.07.2015, Polnord increased its capital involvement in Korporacja Budowlana Dom SA to the level of 31.72%. Before the change, the Company held 2,664,550 shares constituting 26.84% of the share capital and in the total number of votes. After the transaction, Polnord holds 3,149,189 shares constituting 31,72% of the share capital of Korporacja Budowlana Dom SA and in the total number of votes.
	<i>Registration of a change in the company name</i>
Stacja Kazimierz II Sp. z o.o. SKA (formerly: Waryński Odolany 1 Spółka z ograniczoną odpowiedzialnością SKA)	In its order of 13.07.2015 the District Court for the capital city of Warsaw, XII Commercial Division of the National Court Register entered the change in the company name from Waryński Odolany 1 Sp. z o.o. SKA to Stacja Kazimierz II Sp. z o.o. SKA.
	<i>Registration of the merger of Polnord with its subsidiaries</i>
Polnord SA	On 03.08.2015, the District Court Gdańsk – Północ in Gdańsk, VIII Commercial Division of the National Court Register issued the decision on entering as of 03.08.2015 into the register of entrepreneurs of the National Court Register the merger of Polnord SA (the "Acquiring Company") with the following wholly-owned companies: Polnord Marketing Sp. z o.o. with its registered office in Gdynia and 10 H Sp. z o.o. with its registered office in Gdynia (the "Target Companies").

In the period covered by the Interim condensed consolidated financial statements, there were also changes in the company names of subsidiaries. Specification of the changes is presented in the table below:

Table 3. Specification of changes in the company names of subsidiaries

Current Company name	Previous Company name
Stacja Kazimierz II Sp. z o.o.	Waryński Odolany 1 Sp. z o.o.

Non-consolidated companies

The Interim condensed consolidated financial statements do not include Hydrosspol Sp. z o.o., in liquidation, which discontinued its business. This company's financial data are not material for the overall Interim condensed consolidated financial statements.

3 APPROVAL OF THE FINANCIAL STATEMENTS

The Interim condensed consolidated financial statements have been approved for publication by the Management Board on 31.08.2015.

4 MATERIAL VALUES BASED ON PROFESSIONAL JUDGEMENT AND ESTIMATES

4.1 INFORMATION ON SIGNIFICANT CHANGES IN ESTIMATES

During the period of six months ended on 30.06.2015, there were no significant changes in estimates and methodology of making estimates, that would affect the current or future periods, in the Interim condensed consolidated financial statements.

Compared to 31.12.2014, the Group has not changed significantly judgments and estimates.

4.1.1 CHANGES TO COMPARATIVE DATA

In order to achieve comparability of data, the Group restated its financial statements for the first half of 2014. The main changes concerned the presentation of fees for perpetual usufruct and property tax, which are presented in other operating expenses; as well as the capitalization of the costs of management contract in the Group.

The impact of changes is presented in the table below.

Changes to comparative data	For the period from 01.01.2014 to 30.06.2014 <i>published data</i>	Presentation adjustments	For the period from 01.01.2014 to 30.06.2014 <i>restated data</i>
Specification [000'PLN]			
Sales revenue	62 174		62 174
Revenue from sales of products, goods and materials	53 421		53 421
from related parties			
Revenue from sale of services	829		829
from related parties	365		365
Lease revenue	7 924		7 924
from related parties	48		48
Cost of sale	(48 550)		(48 550)
Gross profit (loss) on sales	13 624		13 624
Revaluation of investment property	10 883		10 883
Selling costs	(3 202)		(3 202)
General administrative expenses	(11 228)	986	(10 242)
Other operating revenue	2 958		2 958
Other operating expenses	(2 189)	(1 312)	(3 501)
Gross operating profit (loss)	10 846	(326)	10 520
Financial revenue	2 126	(65)	2 061
Financial expenses	(13 973)		(13 973)
Share in profit of associated measured with equity method	5 443		5 443
Gross profit (loss)	4 442	(391)	4 051
Income tax	1 105	(398)	707
Net profit (loss) on continued operations	5 547	(789)	4 758
Net profit (loss) on discontinued operations	(1 555)		(1 555)
Net profit (loss)	3 992	(789)	3 203

4.2 FACTORS AND EVENTS, ESPECIALLY THOSE OF A NON-TYPICAL CHARACTER, THAT HAD AN IMPACT ON FINANCIAL RESULTS

In the analyzed period, such events did not occur.

5 BASIS FOR PREPARING THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These Interim condensed consolidated financial statements have been prepared in line with the historical cost principle, except for investment property and financial assets available for sale which are measured at fair value. The Interim condensed consolidated financial statements are presented in thousands of Polish zloty, unless indicated otherwise.

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

These Interim condensed consolidated financial statements do not include all information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's consolidated financial statements prepared in accordance with IFRS for the financial year ended 31.12.2014.

5.1 COMPLIANCE DECLARATION

These Interim condensed consolidated financial statements have been prepared in compliance with the International Accounting Standard No. 34 Interim Financial Reporting ("IAS 34") approved by the European Union.

5.2 CHANGES RESULTING FROM AMENDMENTS TO IFRS

The principal accounting policies applied in these Interim condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for 2014, except for the following changes to existing standards and the new interpretation.

Standards and interpretations applied for the first time in 2015

The following standards, amendments to the existing standards, and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the first time in 2015:

- **Amendments to various standards "Improvements to IFRSs (cycle 2011-2013)"** - changes made in the procedure of introducing annual amendments to IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) focused primarily on removing inconsistencies and specifying vocabulary - endorsed by the EU on 18.12.2014 (effective for annual periods beginning on 01.01.2015 or after this date)
- **IFRIC 21 Interpretation "Levies"** - endorsed by the EU on 13.06.2014, (effective for annual periods beginning on 17.06.2014 or after this date).

The above-mentioned standards, interpretations and amendments to standards have not had a material effect on the Group's accounting policy.

Standards and Interpretations issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these Interim condensed consolidated financial statements, the Group did not applied the following standards, amendments to the standards and interpretations issued by IASB and adopted by the EU but not yet effective:

- **Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)"** - changes made in the procedure of introducing annual amendments to IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IFRS 16, IAS 24

and IAS 38) focused primarily on removing inconsistencies and specifying vocabulary - endorsed by the EU on 17.12.2014 (effective for annual periods beginning on 01.02.2015 or after this date)

- **Amendments to IAS 19 "Employee benefits"** - Defined benefit plans: employee contributions - approved by the EU on 17.12.2014 (effective for annual periods beginning on 01.02.2015 or after this date).

5.3 STANDARDS NOT YET IN FORCE (NEW STANDARDS AND INTERPRETATIONS)

Standards and Interpretations issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following standards, amendments to the existing standards and interpretations, which were not endorsed for use by the EU as at 31.08.2015 (the effective dates stated below refer to the standards in the full version):

- **IFRS 9 "Financial Instruments"** (effective for annual periods beginning on or after 01.01.2018),
- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 01.01.2016),
- **IFRS 15 "Revenue from Contracts with Customers"** (effective for annual periods beginning on or after 01.01.2017),
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sales or transfers of assets between the investor and the associate or joint venture (effective for annual periods beginning on or after 01.01.2016),
- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures"** – Investment units: application of the exemption from consolidation (effective for annual periods beginning on or after 01.01.2016)
- **Amendments to IFRS 11 "Joint Arrangements"** – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 01.01.2016),
- **Amendments to IAS 1 "Presentation of Financial Statements"** - Initiative in relation to disclosures (effective for annual periods beginning on or after 01.01.2016)
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets"** - Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 01.01.2016),
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture"** - Agriculture: Bearer Plants (effective for annual periods beginning on or after 01.01.2016),
- **Amendments to IAS 27 "Individual Financial Statements"** - Equity Method in Individual Financial Statements (effective for annual periods beginning on or after 01.01.2016),
- **Amendments to various standards "Improvements to IFRSs (cycle 2012-2014)"** - changes made in the procedure of introducing annual amendments to IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) focused

primarily on removing inconsistencies and specifying vocabulary (effective for annual periods beginning on or after 01.01.2016)

The Group anticipates that the adoption of these standards, amendments to the existing standards and interpretations would have no material impact on the Interim condensed consolidated financial statements, if they were applied by the Group at the balance sheet date, except for the impact of amendments to IFRS 9 and IFRS 15 which have not yet been examined by the Group due to the date of application starting respectively from the periods beginning after 01.01.2018 and 01.01.2017.

5.4 CURRENCY FOR MEASUREMENTS AND FINANCIAL STATEMENTS

The items included in the financial statements of individual companies of the Group are measured in the currency of the main business environment in which a given company operates (functional currency).

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

The reporting currency of the Interim condensed consolidated financial statements is the Polish zloty (PLN).

The functional currencies of some of the Group companies are other than the Polish zloty (PLN). These companies' financial statements, prepared in their functional currencies, are included in these Interim condensed consolidated financial statements after being converted into PLN according to the principles of IAS 21.

Financial statements of foreign operations are translated into PLN as follows:

- balance sheet items: according to the average exchange rate published by the National Bank of Poland as at the balance sheet day;
- items from the profit and loss account: according to the arithmetical mean of the average exchange rates published by the National Bank of Poland for the last day of the financial month. Foreign exchange differences resulting from this translation are recognised directly in equity under a separate item. At the time of sale of a foreign operation, the accumulated deferred foreign exchange differences recognised in equity and related to a given foreign operation are recognised in the profit and loss account.

Table 4. Foregin exchange rates

Currency	Exchange rates used for the balance sheet valuation purposes		Exchange rates used for the purposes of valuation of income statement items	
	30.06.2015	31.12.2014	01.01.2015 - 30.06.2015	01.01.2014 - 30.06.2014
USD	3.7645	3.5072	3.7269	3.0539
EUR	4.1944	4.2623	4.1341	4.1784
RUB	0.0676	0.0602	0.0649	0.0867

Table 5. Selected financial data- Interim condensed consolidated financial statements

	[000'PLN]		[000'EUR]	
	01.01.2015 - 30.06.2015	01.01.2014 - 30.06.2014	01.01.2015 - 30.06.2015	01.01.2014 - 30.06.2014
PROFIT AND LOSS ACCOUNT				
Revenue on sales	96 674	62 174	23 384	14 880
Gross profit (loss) on sales	23 581	13 624	5 704	3 261
Gross operating profit (loss)	3 867	10 520	935	2 518
Gross profit (loss)	678	4 051	164	970
Net profit (loss) on continued operations	3 465	4 758	838	1 139
Net profit (loss)	3 562	3 203	862	767
BALANCE SHEET	30.06.2015	31.12.2014	30.06.2015	31.12.2014
Equity	1 070 205	1 067 382	255 151	250 424
Long-term liabilities	338 749	406 824	80 762	95 447
Short-term liabilities	318 115	298 898	75 843	70 126
Fixed assets	977 151	970 808	232 966	227 766
Current assets (including those classified as held for sale)	749 918	802 296	178 790	188 231
Total assets	1 727 069	1 773 104	411 756	415 997

Table 6. Selected financial data – Interim condensed individual financial statements

	[000'PLN]		[000'EUR]	
	01.01.2015 - 30.06.2015	01.01.2014 - 30.06.2014	01.01.2015 - 30.06.2015	01.01.2014 - 30.06.2014
PROFIT AND LOSS ACCOUNT				
Revenue on sales	21 615	15 931	5 228	3 813
Gross profit (loss) on sales	21 509	13 668	5 203	3 271
Gross operating profit (loss)	2 803	6 373	678	1 525
Gross profit (loss)	(623)	3 565	(151)	853
Net profit (loss) on continued operations	64	(1 524)	15	(365)
Net profit (loss)	162	(3 079)	39	(737)
BALANCE SHEET	30.06.2015	31.12.2014	30.06.2015	31.12.2014
Equity	1 084 410	1 083 028	258 539	254 095
Long-term liabilities	620 168	684 042	147 856	160 487
Short-term liabilities	182 226	179 903	43 445	42 208
Fixed assets	1 410 004	1 482 364	336 164	347 785
Current assets (including those classified as held for sale)	476 800	464 608	113 675	109 004
Total assets	1 886 804	1 946 973	449 839	456 789

6 SEASONALITY OF ACTIVITIES

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

7 INFORMATION ON BUSINESS SEGMENTS

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

The Group operates mainly on the territory of Poland. In the first half of 2015, the Group did not generate revenue on continued and discontinued activities outside Poland.

The Group presents the following business segments:

- a. Development activity includes the sale of land and flats.
- b. Commercial projects including the lease of office area by special purpose vehicle
- c. Unallocated activity:
 - assets, revenues and costs related to raising external capital (other than those directly attributed to the abovementioned segments),
 - project management and administrative costs not directly assigned to segments presented above,
 - other assets, revenues and costs not recognised above.

The Group's business segments are presented in the tables below:

For the period from 01.01.2015 to 30.06.2015	Continued operations			Total
	(Residential) Property development	Commercial projects	Unallocated items	
Specification [000'PLN]				
Revenue				
Sales to external customers	86 010	7 372	3 292	96 674
Sales between segments				
Total segment revenues	86 010	7 372	3 292	96 674
Result				
Gross profit (loss) on segment sales	14 067	6 328	3 186	23 581
Revaluation of investment property			(3 868)	(3 868)
General administrative costs and costs of sales	(1 038)	(182)	(11 826)	(13 047)
Other operational revenues and expenses	171	(187)	(2 782)	(2 798)
Profit (loss) on continued operations before tax and financial costs	13 200	5 959	(15 292)	3 867
Financial revenue due to interest	99		648	748
Other financial revenue	51		2 623	2 674
Financial expenses	(81)	(2 331)	(9 827)	(12 239)
Share in profit of associates measured with equity method			5 629	5 629
Profit (loss) before tax and non-controlling interest	13 269	3 628	(16 218)	679
Income tax	685	(252)	2 353	2 786
Net profit (loss) on continued operations	13 954	3 376	(13 865)	3 465

As at 30.06.2015	Continued operations			Total
	(Residential) Property development	Commercial projects	Unallocated items	
Specification [000'PLN]				
Assets and liabilities				
Segment assets	413 734	188 669	1 043 270	1 645 673
including cash	10 771	2 577	8 701	22 049
Investments in associates measured with equity method			81 396	81 396
Unallocated assets				
Total assets	413 734	188 669	1 124 666	1 727 069
Segment liabilities and provisions	155 515	101 283	400 067	656 865
including loans commitments	14 580	96 478	332 485	443 543
Unallocated liabilities				
Equity			1 070 205	1 070 205
Total liabilities and equity	155 515	101 283	1 470 272	1 727 069

For the period from 01.01.2014 to 30.06.2014	Continued operations			
	(Residential) Property development	Commercial projects	Unallocated items	Total
Revenue				
Sales to external customers	51 352	7 672	3 150	62 174
Sales between segments				
Total segment revenues	51 352	7 672	3 150	62 174
Result				
Gross profit (loss) on segment sales	5 981	6 776	867	13 624
Revaluation of investment property		(185)	11 068	10 883
General administrative costs and costs of sales	(1 043)	(911)	(11 490)	(13 444)
Other operational revenues and expenses		(99)	(444)	(543)
Profit (loss) on continued operations before tax and financial costs	4 937	5 581	2	10 520
Financial revenue due to interest			88	88
Other financial revenue			1 973	1 973
Financial expenses		(4 326)	(9 647)	(13 973)
Share in profit of associated companies			5 443	5 443
Profit (loss) before tax and non-controlling interest	4 937	1 255	(2 141)	4 051
Income tax		32	675	707
Net profit (loss) on continued operations	4 937	1 287	(1 466)	4 758

As at 31.12.2014	Continued operations			Total
	(Residential) Property development	Commercial projects	Unallocated items	
Specification [000'PLN]				
Assets and liabilities				
Segment assets	531 503	189 439	978 295	1 699 237
including cash	27 935	2 043	50 422	80 400
Investments in associates measured with equity method			73 867	73 867
Unallocated assets				
Total assets	531 503	189 439	1 052 162	1 773 104
Segment liabilities and provisions	195 972	157 375	352 375	705 722
including credit commitments				
Unallocated liabilities				
Equity			1 067 382	1 067 382
Total liabilities and equity	195 972	157 375	1 419 757	1 773 104

8 REVENUES AND EXPENSES

8.1 OPERATING REVENUE

Note 8.1 - Operating revenues	For the period from 01.01.2015 to 30.06.2015	For the period from 01.01.2014 to 30.06.2014 <i>restated data</i>
Specification [000'PLN]		
Sale of residential apartments	85 785	51 160
Sale of plots of land	300	2 261
Rent	7 621	7 924
Other	2 968	829
Total operating revenues	96 674	62 174

8.2 OPERATING EXPENSES

Note 8.2 - Operating expenses	For the period from 01.01.2015 to 30.06.2015	For the period from 01.01.2014 to 30.06.2014 <i>restated data</i>
Specification [000'PLN]		
Depreciation/Amortisation	353	618
Consumption of materials and energy	771	814
Third-party services	71 051	56 708
Taxes and charges	1 167	1 486
Payroll	4 308	5 323
Social security and other benefits	770	867
Other costs by type	3 177	3 201
Total costs by type	81 597	69 017
Movement in products, prepayments and accruals	(4 438)	9 286
Costs of manufacturing products for internal use (negative value)		
Selling costs (negative value)	(3 414)	(3 202)
General administrative expenses (negative value)	(9 633)	(10 242)
Manufacturing costs of products sold	72 988	46 287
Value of materials and goods sold	106	2 263
Cost of sale	73 094	48 550

8.3 REVALUATION OF INVESTMENT PROPERTY

The Group revalued investment property (decreasing the value) for the total amount of PLN 3,868 thousand, which is presented in Note 12.

8.4 OTHER OPERATING REVENUE

Note 8.4 - Other operating revenue	For the period from 01.01.2015 to 30.06.2015	For the period from 01.01.2014 to 30.06.2014
Specification [000'PLN]		<i>restated data</i>
Total release of provisions	625	927
Other, including:	224	2 031
- liabilities written off		55
- compensations for infrastructure		1 629
- penalties and damages	160	347
- other	64	
Total other operating revenues	849	2 958

8.5 OTHER OPERATING EXPENSES

Note 8.5 - Other operating expenses	For the period from 01.01.2015 to 30.06.2015	For the period from 01.01.2014 to 30.06.2014
Specification [000'PLN]		<i>restated data</i>
Total provisions established, including:	2 268	654
- revaluation of receivables	12	
- other (including provision for perpetual usufruct fees and property tax to Agricultural Property Agency)	2 256	654
Other, including:	1 379	2 847
- costs of disputes	92	132
- unrecoverable receivables	28	
- Result on sale of fixed assets		462
- Revaluation of land plots	27	
- Fees for perpetual usufruct and property tax for investment properties	632	1 312
- Compensation for road infrastructure		133
- Write-down of receivables		
- Provisions for lawsuits		
- Contractual penalties	27	
- Other	573	808
Total other operating expenses	3 647	3 501

8.6 FINANCIAL REVENUE

Note 8.6 - Financial revenue	For the period from 01.01.2015 to 30.06.2015	For the period from 01.01.2014 to 30.06.2014
Specification [000'PLN]		<i>restated data</i>
Revenue from bank and commercial interest	748	88
Interest income on loans	1 788	1 973
Positive FX differences	838	
Other	48	
Total financial revenue	3 422	2 061

8.7 FINANCIAL EXPENSES

Note 8.7 - Financial expenses	For the period from 01.01.2015 to 30.06.2015	For the period from 01.01.2014 to 30.06.2014 <i>restated data</i>
Specification [000'PLN]		
Interest on bank loans, borrowings and bonds	10 046	12 950
Interest on other liabilities	1	52
Financial costs of finance lease agreements		2
Negative FX differences		335
Loans written off		
Provisions for interest on the dispute with ANR	1 227	
Interest on debts	494	
Write-off of receivables for the sold shares		
Other	471	634
Total financial expenses	12 239	13 973

9 INCOME TAX

Main components of income tax burden for the period ended 30.06.2015 and for the comparative period ended on 30.06.2014 are as follows:

Note 9 - Income tax	For the period from 01.01.2015 to 30.06.2015	For the period from 01.01.2014 to 30.06.2014 <i>restated data</i>
Specification [000'PLN]		
Main items of the tax burden		
Profit and loss account:		
Income tax currently payable		
Burden due to income tax currently payable		(813)
Adjustments regarding current income tax brought forward		
Deferred income tax		
Due to occurrence and reversal of temporary differences	2 786	1 520
Tax burden disclosed in the profit and loss account	2 786	707
Statement of changes in equity:		
Deferred income tax		
Other adjustments	(3 047)	
Tax burden disclosed in equity	(3 047)	

10 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing net profit for the period, allocated to ordinary shareholders of the Parent Company, by the weighted average number of the issued ordinary shares over the period.

In the period between 01.01.2015 and 30.06.2015, the share capital of Polnord SA was not increased.

As at 30.06.2015, the share capital of Polnord SA is divided into 32,633,027 ordinary bearer shares with a nominal value of PLN 2 each.

Diluted earnings per stock are calculated by dividing net profit for the period, allocated to ordinary shareholders of the Parent Company (after deducting interest on redeemable preference shares convertible to

ordinary shares) by the weighted average number of the issued ordinary shares over the period (adjusted for dilutive options and dilutive redeemable preference shares convertible to ordinary shares).

Starting from 20.12.2013, the Company launched the Management Option Programme described in detail in the Director's Report for 2013.

The data on profit and shares used for calculating earnings per share are presented below:

Note 10.1 - Earnings per share - basic	For the period from 01.01.2015 to 30.06.2015	For the period from 01.01.2014 to 30.06.2014
Specification [000'PLN]		
Net profit (loss) for the period	3 562	3 203
Net profit (loss) on discontinued operations for the period	98	(1 555)
Net profit (loss) on continued operations for the period	3 465	4 758
Average weighted number of ordinary shares for the period	32 633 027	32 633 027
Net earnings (losses) per ordinary share (PLN)	0,11	0,10
Net profit (loss) on discontinued operations, per ordinary share (PLN)	0,00	(0,05)
Net profit (loss) on continued operations, per ordinary share (PLN)	0,11	0,15

Note 10.2 - Earnings per share - diluted	For the period from 01.01.2015 to 30.06.2015	For the period from 01.01.2014 to 30.06.2014
Specification [000'PLN]		
Net profit (loss) for the period	3 562	3 203
Net profit (loss) on discontinued operations for the period	98	(1 555)
Net profit (loss) on continued operations for the period	3 465	4 758
Net profit (loss) for the period used to calculate diluted earnings per share	3 562	3 203
Net profit (loss) on discontinued operations, for the period used to calculate diluted earnings per share	98	(1 555)
Net profit (loss) on continued operations, for the period used to calculate diluted earnings per share	3 465	4 758
Dilution effect:		
Share options	226 734	116 667
Convertible bonds		
Average weighted diluted number of ordinary shares for the period	32 859 761	32 749 694
Net diluted earnings (losses) per ordinary share (PLN)	0,11	0,10
Net diluted profit (loss) on discontinued operations, per ordinary share (PLN)	0,00	(0,05)
Net diluted profit (loss) on continued operations, per ordinary share (PLN)	0,11	0,15

11 DIVIDENDS PAID

No dividends were paid in 2015.

The Parent Company's Ordinary General Meeting of Shareholders, by way of resolution of 30.06.2015, decided to fully allocate the 2014 net profit to supplementary capital.

The Management Board of the Parent Company will recommend to allocate the 2015 profit to supplementary capital.

12 INVESTMENT PROPERTY

As at 30.06.2015, the value of investment property amounted to PLN 755,224 thousand and was PLN 2,798 thousand lower than that at the end of 2014.

In the first half of 2015, the Group did not purchase investment properties, but in the corresponding period of the previous year investment properties were purchased for a total amount of PLN 17,116 thousand, and the revaluation of investment property was made to the amount of PLN 10,883 thousand, based on valuations performed by property appraisers.

Note 12 - Investment property	For the period from 01.01.2015 to 30.06.2015	For the period from 01.01.2014 to 30.06.2014	For the period from 01.01.2014 to 31.12.2014
Specification [000' PLN]			
Opening balance	758 022	957 410	957 410
Increases (including difference on translation of a foreign operation)	2 571	17 116	11 554
Decreases (sale)	(1 500)	(10 495)	(73 559)
Revaluation of investment property	(3 868)	10 883	2 022
Reclassification			(139 406)
Closing balance	755 224	974 914	758 022

Mortgages are established on some of the Group's investment property, securing the repayment of loans and bonds. The carrying value of investment property on which mortgages are established, as at the balance sheet date, amounts to PLN 719,446 thousand, and as at 31.12.2014 it amounted to PLN 700,103 thousand.

The balance sheet valuation of investment properties at fair value is repetitive and is conducted at level 3 of the fair value hierarchy. During the reporting period no movements occurred between the hierarchy levels. The fair value of investment properties, i.e. the plots of land, was valued using estimation procedures based on comparable transactions and was calculated by independent property appraisers. In estimating the fair value of properties, an approach involving the best and most beneficial use of assets was adopted, which does not differ from the current use.

In 2013, the Lessee of the building Wilanów Office Park - build. B1, PRI POL - AQUA SA left the building on 31.10.2013. The Lessee filed a lawsuit for determining the non-existence of a lease relationship. In the opinion of the Board of Wilanów Office Park - build. B1, the Lessee's statement was ineffective, and the Lease Agreement is still binding, which in turn involves the obligation to make monthly rent payments by the Lessee.

Description of the case is presented in detail in Note 27 of this Interim condensed consolidated financial statements.

13 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES MEASURED WITH EQUITY METHOD

Polnord SA's jointly-controlled entities:

- Fadesa Polnord Polska Sp. z o.o.,
- FPP Powsin Sp. z o.o.,
- Osiedle Innova Sp. z o.o.,
- FPP Osiedle Moderno Sp. z o.o.,
- Stacja Kazimierz I Sp. z o.o.,
- Stacja Kazimierz I Sp. z o.o. SKA,
- Stacja Kazimierz Sp. z o.o.,

- Stacja Kazimierz Sp. z o.o. SKA,
- Semeko Aquasfera Sp. z o.o.,
- Waryński Odolany 1 Sp. z o.o. SKA,
- Stacja Kazimierz II Sp. z o.o.

Korporacja Budowlana Dom SA Capital Group is an associate of the Group.

Changes in equity relations and shares in joint ventures and associates are described in Note 2.

Note 13 - Investments in associates and joint ventures measured with equity method	For the period from 01.01.2015 to 30.06.2014	For the period from 01.01.2014 to 30.06.2014	For the period from 01.01.2014 to 31.12.2014
Specification [000'PLN]			
Opening balance	73 867	50 445	50 445
Increases	1 901	4 768	11 985
Decreases (sale)			
Investment revaluation allowance			
Share in profit of associates measured with equity method	5 629	5 443	11 437
Closing balance	81 396	60 656	73 867

As further described in Note 2, the Company acquired shares of Korporacja Budowlana Dom SA. The fair value of net assets acquired was higher by PLN 5,565 thousand than the consideration paid, which was recognized in the Group's result under "Share in profit of associates measured with equity method".

14 ACQUISITION AND SALE OF BUSINESS

Changes in capital relations of Polnord SA and other entities, that took place in the first half of 2015, are described in detail in Note 2.

15 LOANS GRANTED

Note 15 – Loans granted	As at 30.06.2015	As at 31.12.2014
Specification [000'PLN]		
Loans granted	70 390	75 340
Other		
Total loans granted	70 390	75 340

16 LONG-TERM RECEIVABLES

Note 16 – Long-term receivables	As at 30.06.2015	As at 31.12.2014
Specification [000'PLN]		
Claim against MPWIK	74 432	74 432
Other	34 302	33 272
Total long-term receivables	108 734	107 703
Write-down of receivables	3 448	3 362
Gross value of receivables	112 182	111 065

17 OTHER FINANCIAL ASSETS

Note 17 – Other (long-term) financial assets	As at 30.06.2015	As at 31.12.2014
Specification [000'PLN]		
Shares/interests in unlisted companies	34	34
Shares of listed companies		
Other		
Total other (long-term) financial assets	34	34

18 INVENTORY

Note 18.1 – Inventory	As at 30.06.2015	As at 31.12.2014
Specification [000'PLN]		
Materials (according to the purchase price)	407	649
Work in progress (according to the manufacturing cost)	269 758	167 069
Finished products:	87 083	135 780
<i>According to the purchase price/manufacturing cost</i>	<i>103 286</i>	<i>136 808</i>
<i>According to the net realisable value</i>	<i>87 083</i>	<i>135 780</i>
Goods	235 319	286 663
<i>According to the purchase price/manufacturing cost</i>	<i>238 118</i>	<i>314 767</i>
<i>According to the net realisable value</i>	<i>235 319</i>	<i>286 663</i>
Total inventory, at the lower of the two values: purchase (price manufacturing cost) and net realisable value	592 567	590 160

Note 18.2 – Gross inventory and revaluation allowance	As at 30.06.2015	As at 31.12.2014
Specification [000'PLN]		
Materials		
Gross value	407	649
Revaluation allowance		
Work in progress		
Gross value	289 670	177 745
Revaluation allowance	(19 912)	(10 676)
Finished products:		
Gross value	103 286	136 808
Revaluation allowance	(16 203)	(1 029)
Goods		
Gross value	238 118	314 767
Revaluation allowance	(2 799)	(28 105)
Total inventory	592 567	590 160

Note 18.3 – Inventory revaluation allowance	For the period from 01.01.2015 to 30.06.2015	For the period from 01.01.2014 to 30.06.2014	For the period from 01.01.2014 to 31.12.2014
Opening balance revaluation allowance	39 810	43 158	43 158
<i>Increase</i>	2 213		4 555
<i>Reversal</i>	(300)	(898)	(1 163)
<i>Utilization</i>	(2 809)	(5 140)	(6 740)
Closing balance revaluation allowance	38 914	37 120	39 810

In the first half of 2015, revaluation allowance was made for inventory mostly in connection with the residential project implemented in Łódź. The allowance was used in connection with the sale of land covered by the allowance.

The bonds issued by the Company and the loans taken out by the Group Companies are secured with i.a. real estate properties classified as inventory. The carrying value of inventories burdened with mortgage collateral as at the balance sheet date is PLN 252,923 thousand, while as at 31.12.2014 it was PLN 266,393 thousand.

19 TRADE AND OTHER RECEIVABLES

Transactions with related parties are concluded according to market terms.

Note 19.1- Trade and other receivables	As at 30.06.2015	As at 31.12.2014
Specification [000'PLN]		
Receivables from related parties, including:	10 256	3 271
- Trade receivables	10 256	3 267
- Other		4
Receivables from associates		
Receivables from other entities, including:	38 442	34 159
- Trade receivables	34 034	32 211
- Other	4 407	1 948
Budget receivables		
Total (net) receivables	48 698	37 430
Write-down of receivables	17 338	20 664
Gross receivables	66 036	58 094

In the opinion of the management, there is no additional credit risk above the level defined by the write-down of unrecoverable trade receivables of the Group.

Note 19.2 - Changes of write-down of trade and other receivables	For the period from 01.01.2015 to 30.06.2015	For the period from 01.01.2014 to 30.06.2014	For the period from 01.01.2014 to 31.12.2014
Write-down of receivables as of 01.01.2015	20 664	21 380	21 380
Increase	259	4 171	5 607
Reversal	(349)		(420)
Utilization	(3 235)		(2 541)
Reclassification		(3 362)	(3 362)
Write-down of receivables as of 30.06.2015	17 338	22 189	20 664

The use of revaluation write-down resulted from the transaction of acquiring shares of Korporacja Budowlana Dom SA, further described in Note 2.

The risk related to receivables from PRI Pol-Aqua SA is described in Note 27.

20 SHARE CAPITAL

In the period between 01.01.2015 and 30.06.2015, the share capital of Polnord SA was not increased.

As at 30.06.2015, the share capital of Polnord SA is divided into 32,633,027 ordinary bearer shares with a nominal value of PLN 2 each.

Nominal value of shares

All issued shares have a nominal value of PLN 2 and have been fully paid-up.

Shareholders' rights

The shares of all series are vested with identical privilege to dividend and return on capital.

21 INTEREST-BEARING BANK LOANS AND BORROWINGS

Note 21.1 - Interest-bearing bank loans and borrowings, and bonds

SHORT-TERM	As at 30.06.2015	As at 31.12.2014
Specification [000'PLN]		
Liabilities due to finance lease and leasehold agreements with purchase option		
Bonds and debt bills	87 089	85 430
Overdrafts		
Short-term portion of long-term loans	18 759	17 473
Revolving loans		
Other loans and borrowings		
Total short-term loans and borrowings	105 848	102 903
LONG-TERM	As at 30.06.2015	As at 31.12.2014
Specification [000'PLN]		
Liabilities due to finance lease and leasehold agreements with purchase option		
Bonds	210 348	274 254
Bank loans and borrowings	127 348	131 002
Total long-term loans and borrowings	337 695	405 256

There were no breaches of provisions of loan and borrowing agreements in the reporting period.

Note 21.2 - Change in interest-bearing bank loans and borrowings, and bonds

	For the period from 01.01.2015 to 30.06.2015	For the period from 01.01.2014 to 30.06.2014
Specification [000'PLN]		
Opening balance	508 159	533 110
Incurrence	44 500	117 095
Repayment (capital + interest)	(125 156)	(116 123)
Accrued interest	16 041	15 948
Closing balance	443 543	550 030

In the first half of 2015, no new loans were taken out.

Note - 21.3 Issue of bonds in the first half of 2015

Data of the issue	Data of maturity	Overall nominal value of bonds [PLN'000]	Issuing agent
27.01.2015	27.01.2018	10 500	Noble Securities SA
13.02.2015	13.02.2018	34 000	Noble Securities SA
Total		44 500	

Note - 21.4 Redemption of bonds in the first half of 2015

Buyout date	Data of maturity	Overall nominal value of bonds [PLN'000]	Issuing agent
04.02.2015*	16.01.2016	5 000	DM Banku BPS SA
16.02.2015*	22.01.2016	26 500	DM Banku BPS SA
05.03.2015*	18.01.2016	20 000	DM Banku BPS SA
19.03.2015*	16.01.2016	5 100	DM Banku BPS SA
26.06.2015	26.06.2015	30 000	mBank SA
26.06.2015	26.06.2015	10 000	mBank SA
26.06.2015	26.06.2015	10 000	mBank SA
Total		106 600	

*early redemption

22 PROVISIONS

Note 22.1 - Provisions	Provision for retirement and similar benefits	Provisions for holidays	Provisions for construction works	Provisions for interest	Provisions for liabilities	Provisions for court proceedings	Total
Specification [000'PLN]							
As at 01.01.2015	159	872	2 188	18 910	35 424	167	57 720
Increase during the financial year				1 259	1 885		3 144
Utilization			(773)	(312)	(1 059)		(2 144)
Reversal				(299)	(666)		(965)
Reclassification adjustment							
As at 30.06.2015	159	872	1 415	19 558	35 584	167	57 754
Short-term			1 415	19 558	35 584	167	56 723
Long-term	159	872					1 031

Note 22.2 - Provisions	Provision for retirement and similar benefits	Provisions for holidays	Provisions for construction works	Provisions for interest	Provisions for liabilities	Provisions for court proceedings	Total
Specification [000'PLN]							
As at 01.01.2014	153	804	2 507	15 065	41 399	6 495	66 423
Increase during the financial year					656		656
Utilization					(718)	(2 106)	(2 824)
Reversal			(738)		(486)	(438)	(1 662)
Reclassification adjustment				(282)	1 248	(959)	7
As at 30.06.2014	153	804	1 769	14 783	42 099	2 992	62 600
Short-term			1 769	14 783	41 774	2 992	61 318
Long-term	153	804			325		1 282

Note 22.3 - Provisions	Provision for retirement and similar benefits	Provisions for holidays	Provisions for construction works	Provisions for interest	Provisions for liabilities	Provisions for court proceedings	Total
Specification [000'PLN]							
As at 01.01.2014	153	804	2 507	15 065	41 399	6 495	66 423
Increase during the financial year	6	68	1 698	4 825	1 846		8 443
Utilization			(2 017)		(5 580)	(4 434)	(12 031)
Reversal				(266)		(438)	(704)
Reclassification adjustment				(714)	(2 241)	(1 457)	(4 412)
As at 31.12.2014	159	872	2 188	18 910	35 424	167	57 719
Short-term			2 188	18 910	35 424	167	56 688
Long-term	159	872					1 031

The main component of provisions are provisions for liabilities with interest to the Agricultural Property Agency ("ANR"), due to fees for the right of perpetual usufruct of land in Wilanów district (Warsaw). The established provision relates to the difference between the amount of the fee revised by the ANR and the fee applicable until 2007 together with interest. The Group believes that termination of the currently applicable fee by the ANR was ineffective. A reliable estimate of the deadline for completion of the dispute is not possible, because it depends on the date of settlement by the judicial authorities, whose activities cannot be affected.

In 2014, the Group undertook a comprehensive review of the case records, updating the level of provisions for the principal and interest amount. In the first half of 2015, the Group continued the process of investigating the matter.

As at 30.06.2015, the balance of provisions for the principal fee was PLN 35,584 thousand (PLN 35,424 thousand as at 31.12.2014) and for interest on past due amounts PLN 19,558 thousand (PLN 18,910 thousand as at 31.12.2014).

23 TRADE AND OTHER (SHORT-TERM) LIABILITIES

Note 23 – Trade and other (short-term) liabilities	As at 30.06.2015	As at 31.12.2014
Specification [000' PLN]		
Trade liabilities		
Due to related parties	7 925	8 061
Due to other parties	19 099	14 726
Total trade liabilities	27 024	22 787
Liabilities due to taxes, custom duties, insurance and other		
VAT	3 236	6 928
Personal income tax	69	136
Other	254	240
Total liabilities due to taxes, custom duties, insurance and other	3 559	7 305
Other financial liabilities		
An advance on the sale of financial assets		
Total		
Other liabilities		
Liabilities due to employee remunerations	13	
Liabilities due to related parties		
Other liabilities, including:	4 478	7 498
- Partial reimbursement of compensation	3 494	4 320
- Reclassification from provisions	897	3 057
- Other	88	121
Total other liabilities	4 492	7 498
Accrued expenses due to:		
Unused holidays		
Bonus payments	869	435
Other, including:	1 635	3 178
- Remuneration		
- Perpetual usufruct fees	166	166
- Other	1 469	3 012
Total accrued expenses	2 504	3 613

Rules and terms of payment of the above financial liabilities

Transactions with related parties are concluded according to market terms.

Trade and other liabilities do not bear interest.

The difference between liabilities and receivables due to the goods and services tax is settled with the competent tax authorities on a monthly basis.

24 CONTINGENT LIABILITIES AND ASSETS

A detailed description of tort claims and those related to infrastructure can be found in Note 27.

Note 24 - Contingent liabilities and assets	As at 30.06.2015	As at 31.12.2014
Specification [000'PLN]		
Contingent liabilities		
Repayment of loans guarantees*		
Total contingent liabilities		
Contingent assets		
Claims related to the infrastructure	182 227	182 227
Tort claims from the Capital City of Warsaw	123 036	123 036
Other contingent receivables	46 400	46 400
Total contingent assets	351 663	351 663

* Polnord provides Group companies with sureties securing the repayment of credit obligations related to financing development projects. However, due to low likelihood of money outflow from the Company resulting from the need to meet the commitment, the Company pursuant to IAS 37 does not reveal such contingent liabilities in off-balance sheet items.

25 INVESTMENT LIABILITIES

As at 30.06.2015, there are no investment liabilities in the Group.

26 GRANTED AND RECEIVED SURETIES

In the first half of 2015, neither Polnord nor any of its subsidiaries granted or received sureties in the amount exceeding 10% of the Company's equity.

The table below presents the list of active sureties granted by Polnord SA as at 30.06.2015:

Note 26.1-Specification of active sureties granted by Polnord SA as at 30.06.2015	
Company receiving the surety	Amount of the sureties
Specification [000'PLN]	
Korporacja Budowlana Dom Sp. z o.o.	139
Semeko Aquasfera Sp. z o.o. (in which Polnord SA holds 50% of shares)	2 221

The table below presents the list of active sureties granted by Polnord SA as at 30.06.2014:

Nota - 26.2. Specification of active sureties granted by Polnord SA as at 30.06.2014	
Company receiving the surety	Amount of the sureties
Specification [000'PLN]	
Korporacja Budowlana Dom Sp. z o.o.	460
Semeko Aquasfera Sp. z o.o. (in which Polnord SA holds 50% of shares)	9 586

27 COURT PROCEEDINGS

Description of significant pending proceedings as at 30.06.2015 is presented below:

Description of significant pending proceedings:

- **Claim against Miejskie Przedsiębiorstwo Wodociągów i Kanalizacji**

On 05.03.2013 Polnord SA filed to the District Court in Warsaw, 16th Commercial Division a claim against Miejskie Przedsiębiorstwo Wodociągów i Kanalizacji in the capital city of Warsaw SA with its registered office in Warsaw ("MPWiK") for the take-over, for remuneration, of a part of the water and sewage network, constructed during the investment of Miasteczko Wilanów in Warsaw.

The Company demands a substituting declaration of will and a gross payment of PLN 57.3 million ("Remuneration") to Polnord SA. The remuneration amount consists of the value of equipment, all costs of construction and related costs of construction (excluding operating costs) incurred in relation to the investment, using the indexation based on the indicators used in construction.

Legal basis for the petition: Article 49 (2) of the Civil Code and Article 31 of the Act of 7 June 2001 on public water supply and waste water drainage ("the Act").

As part of the Miasteczko Wilanów development project in Warsaw, water and sewage infrastructure was constructed with its estimated gross value, based on appraisal by independent appraisers, at PLN 57.3 million gross. In spite of motions and calls submitted in accordance with the Act, the defendant did not consent to purchase the constructed facilities, which it uses in its business and from which it derives regular financial benefits. The above-mentioned Article 49 (2) of the Polish Civil Code and the Act impose on the defendant an obligation to purchase, for remuneration, the constructed water and sewage infrastructure.

The Company's Management Board emphasises that the statement of the claim mentioned above excludes the remuneration due to the Company for the construction of the storm sewage system in Miasteczko Wilanów as well as remuneration for usufruct by the defendant, on a non-contractual basis, of the system in question, due to the Company independently for each year of its usufruct by the defendant. The above-mentioned remuneration will be subject to a separate forthcoming lawsuit being prepared by the Company.

The proceedings for the take-over, for remuneration, of a part of the water and sewage network, constructed during the investment of Miasteczko Wilanów in Warsaw is pending. The Court set successive dates of hearings.

- **Initiating proceedings against the Capital City of Warsaw for payment of tort indemnity**

On 28.06.2013, Polnord SA filed a claim to the Court in Warsaw against the Capital City of Warsaw ("the City") and the State Treasury (the "Voivode of the Masovia Province") for indemnity of the damage incurred by the Company as a result of unlawful decisions on refusal to pay indemnity for public roads in Wilanów issued by administrative authorities. The initial value of the claim amounted to PLN 140 million.

Since 2009, Polnord has been in the dispute with the City regarding the indemnity for the take-over by the City of ownership of land plots allocated for public roads in Miasteczko Wilanów in Warsaw. The President of the Capital City of Warsaw and the Voivode of the Masovia Province issued in 2009-2010 decisions refusing to pay indemnities due to the Company for a total of 16 hectares of land. As a result of an appeal filed by the Company, in the judgement of 21.12.2010 the Provincial Administrative Court revoked all administrative decisions and unambiguously stated that the claims of Polnord for indemnities for the land allocated for public roads are fully justified under Article 98 (3) of the Real Property Management Act. The decision issued by the Provincial Administrative Court was upheld by the Supreme Administrative Court on 05.06.2012.

As a result of the unlawful decisions issued by the City and the Voivode of the Masovia Province, Polnord had to raise funds for financing its activities from other sources, which involved a tangible loss. Due to the lack of cash receipts on account of indemnities, the Company had to fund investment activities by means of debt financing, and it had to bear the costs related to the servicing of such financing. Moreover, because of the delay in the settlement of the dispute, the Company sold the receivables from the City to Polski Bank Przedsiębiorczości SA for an amount that is significantly lower than the indemnity due to the Company.

Despite requests for a pre-trial settlement, on 30.07.2013, due to no settlement, the proceedings were closed, therefore, the Company filed a law suit on 16.09.2013 in which it claims a compensation of PLN 123 million (calculated as at 30.06.2013). Due to the nature of the claim the above amount is increased by interest. The initiation of court proceedings is connected with the pursuit by the Company of claims related to blatant and obvious delay by the City in determining and paying indemnities. The Company is convinced that its claims are justified and makes efforts to satisfy them as soon as practicable. The Company has made many attempts to reach a compromise with the City, but they were futile.

On 22.12.2014, the capital city of Warsaw submitted a procedural document together with a motion concerning issuance of partial judgement towards the capital city of Warsaw.

The indemnity case for the damage incurred as a result of the issuance of unlawful decisions by the administrative bodies refusing to pay indemnity for public roads in Wilanów is pending. Dates for successive hearings have been set by the Court. The Company maintains its position.

- **Submitting a motion to the capital city of Warsaw for payment of indemnity for plots in Warsaw**

On 28.06.2013, through its special purpose vehicle Surplus Sp. z o.o. SKA with its registered office in Warsaw (currently Polnord Inwestycje Sp. z o.o.) (a wholly owned subsidiary of Polnord), Polnord submitted a motion to Mayor of the Capital City of Warsaw, pursuant to the provision of Article 98 (1) and (3) of the Real Property Management Act, for undertaking negotiations on determination and payment of indemnities for plots located in the district of Wilanów in Warsaw totalling 10 hectares, allocated for public roads ("the Plots").

The total amount of the indemnity was estimated as PLN 182.2 million in compliance with the valuation adopted in the appraisal report prepared by a certified property appraiser.

Plots were allocated under valid administrative decisions related to the allocation for public roads, as a result of which the ownership of the plots was assigned to the Capital City of Warsaw ("City"), in compliance with Article 98 (1) of the Real Property Management Act which is confirmed in the following judgements of: (i) the Provincial Administrative Court in Warsaw dated 21.12.2010 and (ii) the Supreme Administrative Court dated 05.06.2012, issued in similar cases, applicable to the factual situation.

Before the said allocation decisions became valid, Polnord had the right of perpetual usufruct of the plots in question; thus, in compliance with the above-mentioned judgments, Polnord is entitled to indemnity under the provision of Article 98 (3) of the Real Property Management Act (a subsidiary of Polnord had the right of perpetual usufruct of one plot).

Plots were listed in the preliminary donation agreement dated 30.09.2008, as amended, and in the donation agreement dated 18.12.2009; nevertheless, due to the earlier transfer under the ownership law to the City under the provision of Article 98 (1) of the Real Property Management Act, these agreements had no legal effect, as the City had already been entitled to the plots *ex lege*. This point of view stems directly from the above-mentioned judgments of the Provincial Administrative Court in Warsaw and the Supreme Administrative Court, according to which the ownership of plots was transferred to the City the moment the separation decisions became valid. At the same time it should be pointed out that a lack of legal effect of the above-mentioned donation agreements does not affect the City's indemnity obligation defined in the provision of

Article 98 (3) of the Real Property Management Act. Surplus Sp. z o.o. SKA is entitled to file the motion as the claim for payment of compensation was filed to Surplus Sp. z o.o. SKA by Polnord and PD Development Sp. z o.o. under the resolution of the General Shareholders' Meeting dated 21.12.2012. An increase in the share capital of Surplus Sp. z o.o. SKA was effected under a valid decision of the District Court for the Capital City of Warsaw of 03.04.2013.

In connection with Surplus Sp. z o.o. SKA receiving the letter from the Office of the Capital City of Warsaw containing a refusal to initiate negotiations pursuant to the motion of Surplus Sp. z o.o. SKA of 28.06.2013, on 19.09.2013 Surplus Sp. z o.o. SKA filed a motion for issuing a decision on granting the indemnity for the expiry of the perpetual usufruct rights to the President of the Capital City of Warsaw.

On 31.12.2013, Surplus Sp. z o.o. SKA sold the above receivable from the City to the company 10 H Sp. z o.o. with its registered office in Gdynia (wholly owned by Polnord SA) which participated in the proceedings initiated by Surplus Sp. z o.o. SKA.

Polnord filed a complaint about lengthiness of the proceedings and handling of the case in an untimely manner. On 09.09.2014, the Mayor of the capital city of Warsaw issued a decision refusing to pay indemnities for plots located in the district of Wilanów in Warsaw. The proceedings are pending, the company maintains its position in an appeal to the Provincial Administrative Court against the decisions refusing to grant indemnities for the plots separated for public roads.

- **Case for indemnity arising from non-contractual use of water and sewage system equipment in Miasteczko Wilanów**

On 25.04.2012, the Company filed a claim against MPWiK in the capital city of Warsaw for the payment of PLN 11.8 million as remuneration for the non-contractual use of water and sewage system equipment in Miasteczko Wilanów. The case concerns one of many claims related to the construction of water and sewage system (water pipes, waste water and storm sewage system) which should have been taken over by MPWiK into ownership.

Moreover, Polnord SA expanded the range of its claim by the amount of PLN 8.3 million. The current claim amounts to PLN 20.1 million. The proceeding is pending, the Company maintains its position.

In its order of 16.06.2015, the Court appointed an expert witness in construction, cost estimates and business economics, as requested by Polnord SA.

- **Description of the dispute between Wilanów Office Park – building B1 Sp. z o.o. and Przedsiębiorstwo Robót Inżynieryjnych POL-AQUA S.A.**

Wilanów Office Park – building B1 Sp. z o.o. with its register office in Gdynia (formerly Polnord Warszawa – Wilanów III Sp. z o.o.) (“Lessor”) on 27.12.2010 concluded with the company Przedsiębiorstwo Robót Inżynieryjnych POL-AQUA S.A. (“Lessee”) a lease agreement (“Lease Agreement”) of the whole office building marked with B1 symbol, with the leasable area of 7,277 sq m in the Wilanów Office Park complex in Warsaw, at 15 Branickiego St (“the Building”). The Lease Agreement was concluded for the period of 10 years. Before the end of this time period, the parties provided the possibility to terminate the Lease Agreement only by mutual agreement of the parties.

In 2013, the Lessee started raising objections to the Building regarding the fact of not conforming to the required criteria, in view of the lack of access to the public road from the side of the northern entrance (in Branickiego St). On 14.07.2013, the Lessee left the Building and on 31.10.2013, the Lessee filed a suit to determine the non-existence of a lease relationship on the basis of Art. 189 of the Civil Code.

The Lessor declares the Lessee’s Statement ineffective, for the following reasons:

- the agreement was concluded for a period of 10 years by and between two professional entities, and in such cases, the law does not allow for the unilateral termination of the lease agreement,
- the Lessee claims that it was the responsibility of the Lessor or Polnord SA to build an asphalt road on Branickiego St. adjacent to the Building on the northern side, however the agreement does not mention such a responsibility, what is more, only Wilanów Office Park – building B1 Sp. z o.o. is a party to the Lease Agreement, and not Polnord SA; at the time the Lease Agreement was concluded, Polnord SA was no longer the perpetual usufructuary of the plot of land No. 2/53 designated for the public road, because the right of perpetual usufruct of the land expired earlier and its ownership was passed to the capital city of Warsaw, therefore in this situation the decision to build the road could be made only by the Municipality of Warsaw,
- at the moment of signing the Lease Agreement, the Lessee was fully aware that the Building did not have access to the asphalt road on the northern side, and despite this it decided to sign the Lease Agreement, therefore, pursuant to Art. 694 § 3 of the Civil Code, the Lessee cannot claim that the lack of this road is a defect of the Building that it had not known about.

All the above-mentioned circumstances give reason to claim that the Lessee's Statement was ineffective and the Lease Agreement is still binding, which is in turn involves the obligation to make monthly rent payments by the Lessee.

Currently, two proceedings concerning the case are pending before the District Court in Warsaw, 16th Civil Department:

- suit brought by the Lessee for determining non-existence of lease relationship,
- suit brought by the Lessor for payment of rent.

As at 30.06.2015, Lessor's receivables from the Lessee amounted to PLN 18,368 thousand, and the amount of revenue recognized for the first half of 2015 amounted to PLN 3,769 thousand.

The litigation is still pending, which, irrespective of the position of the Company's Management Board in this case, creates uncertainty regarding the resolution of the dispute.

- **The dispute with ANR for the payment of an increased annual fee for perpetual usufruct**

The Group companies are the defendant in litigation brought by the State Treasury, on whose behalf the ANR acts, related to agreements for the right of perpetual usufruct of land in Warsaw's Wilanów. These disputes arose as a result of the termination by the ANR of perpetual usufruct agreements in relation to the amount of the annual fee for perpetual usufruct in 2007. The Group believes that the termination was ineffective. However, the Group created provisions for liabilities connected with these disputes, with the amount equal to the difference between the amount of the revised annual fee and the fee applicable until 2007 together with interest. As at 30.06.2015, the provisions for the principal amount totalled PLN 35,584 thousand, and for interest it was PLN 19,558 thousand.

28 INFORMATION ABOUT RELATED PARTIES

28.1 TERMS OF TRANSACTIONS WITH RELATED PARTIES

The tables below present the total amounts of transactions concluded with related parties for the respective reporting periods.

Transactions with related parties are concluded according to market terms and settled in cash.

Note 28.1.1 - Company's transactions with related parties for the first half of 2015	Associates	Joint ventures in which the entity is a venturer	Key management personnel	Other related parties	TOTAL
Specification [000'PLN]					
PROFIT AND LOSS ACCOUNT, STATEMENT OF COMPREHENSIVE INCOME					
Sales revenue		2 286		52	2 338
Other operating revenue	234				234
Financial revenue		1 569		219	1 788
Operating expenses				220	220
Other operating expenses					
Financial expenses					
TOTAL	234	3 855		491	4 580

Note 28.1.2 - Company's transactions with related parties for the first half of 2014	Associates	Joint ventures in which the entity is a venturer	Key management personnel	Other related parties	TOTAL
Specification [000'PLN]					
PROFIT AND LOSS ACCOUNT, STATEMENT OF COMPREHENSIVE INCOME					
Sales revenue		413			413
Other operating revenue					
Financial revenue		1 719		236	1 955
Operating expenses	10				10
Other operating expenses					
Financial expenses					
TOTAL	10	2 132		236	2 378

Note 28.1.3 – Settlements of the Company with related parties as at 30.06.2015	Associates	Joint ventures in which the entity is a venturer	Key management personnel	Other related parties	TOTAL
Specification [000'PLN]					
ASSETS					
Trade receivables	9 311	531		415	10 256
Other financial receivables					
Loans granted		61 324		5 733	67 057
Acquired bonds					
Other short-term assets					
TOTAL ASSETS	9 311	61 855		6 148	77 313
LIABILITIES					
Issued bonds					
Loans received					
Trade liabilities	7 925				7 925
Other financial liabilities					
TOTAL LIABILITIES	7 925				7 925

Note 28.1.4 - Settlements of the Company with related parties as at 31.12.2014	Associates	Joint ventures in which the entity is a venturer	Key management personnel	Other related parties	TOTAL
Specification [000'PLN]					
ASSETS					
Trade receivables		3 267			3 267
Other financial receivables					
Loans granted		63 704		7 705	71 409
Acquired bonds					
Other short-term assets					
TOTAL ASSETS		66 971		7 705	74 676
LIABILITIES					
Issued bonds					
Loans received					
Trade liabilities	8 061				8 061
Other financial liabilities					
TOTAL LIABILITIES	8 061				8 061

28.2 OTHER RELATED PARTIES

There were no significant transactions with other related parties that should be disclosed.

28.3 BORROWINGS GRANTED TO MEMBERS OF THE MANAGEMENT BOARD

In the first half of 2015 and of 2014, no borrowings were granted to members of the Management Board.

28.4 OTHER TRANSACTIONS INVOLVING MEMBERS OF THE MANAGEMENT BOARD

In the first half of 2015 and of 2014, there were no transactions in the Group involving members of the Management Board of the Group companies.

28.5 REMUNERATION OF SENIOR EXECUTIVES OF THE GROUP

Note 28.5 - Remuneration of senior executives of the Group	For the period from 01.01.2015 to 30.06.2015	For the period from 01.01.2014 to 30.06.2014
Specification [000'PLN]		
Short-term employee benefits (salary and social contributions)	1 313	1 305
Jubilee bonuses and retirement benefits		
Post-employment benefits		
Benefits due to termination of employment		
Payments based on shares		
Other - option agreement, additional benefits	8	10
Total remuneration paid to senior executives	1 321	1 315
Management Board	1 321	1 315
Supervisory Board	167	127
Total	1 488	1 442

29 FINANCIAL INSTRUMENTS

29.1 CARRYING AMOUNT OF CATEGORIES AND CLASSES OF FINANCIAL INSTRUMENTS

Note 29.1.1 - Financial instrument classes as at 30.06.2015	Financial assets held for sale	Financial assets measured in fair value through Profit and Loss account	Borrowings and receivables	Financial liabilities measured in fair value through Profit and Loss account	Financial liabilities measured at amortized cost	Out of scope of IAS 39	Total
Specification [000'PLN]							
Long-term loans			1 545				1 545
Long-term receivables			108 734				108 734
Trade and other receivables			47 652			1 046	48 698
Short-term loans			68 879				68 879
Cash and cash equivalents			22 049				22 049
Financial assets in total			248 860			1 046	249 906
Interest-bearing bank loans and borrowings					337 695		337 695
Trade and other liabilities					31 515		31 515
Current long-term portion of bank loans and borrowings					18 759		18 759
Other short-term loans and borrowings					87 089		87 089
Financial liabilities in total					475 058		475 058

Note 29.1.2 - Financial instrument classes as at 31.12.2014	Financial assets held for sale	Financial assets measured in fair value through Profit and Loss account	Borrowings and receivables	Financial liabilities measured in fair value through Profit and Loss account	Financial liabilities measured at amortized cost	Out of scope of IAS 39	Total
Specification [000'PLN]							
Long-term loans			553				553
Long-term receivables			107 703				107 703
Trade and other receivables			35 482			1 948	37 430
Short-term loans			74 821				74 821
Cash and cash equivalents			80 400				80 400
Financial assets in total			298 960			1 948	300 908
Interest-bearing bank loans and borrowings					405 256		405 256
Trade and other liabilities					30 285		30 285
Current long-term portion of bank loans and borrowings					17 473		17 473
Other short-term loans and borrowings					85 430		85 430
Financial liabilities in total					538 444		538 444

For the category of financial instruments, which as at the balance sheet date are not measured at fair value, the Group does not disclose the fair value due to the fact that the fair value of these financial instruments as at 30 June 2015 and as at 31 December 2014 did not differ significantly from the values presented in the financial statements for the respective periods, for the following reasons:

- in relation to short-term instruments, the possible discount effect is not significant;
- the instruments relate to transactions concluded according to market terms.

The Group does not disclose the fair value for shares in companies not listed in active markets, classified in the category of financial assets available for sale and assets excluded from the scope of IAS 39. The Group is not able to reliably determine the fair value of shares held in companies not listed in active markets. As at the balance sheet date, shares in the category of financial assets available for sale are measured at cost less impairment losses.

29.2 FAIR VALUE HIERARCHY

The fair value hierarchy consists of the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1/ Method 1)
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2/ Method 2) and
- inputs for the asset or liability which are not based on observable market data (unobservable inputs) (Level 3/ method 3).

The levels of the fair value hierarchy for financial instruments measured at fair value as at 30.06.2015 and 31.12.2014, are presented in the table below.

Note 29.2 - Financial instrument classes	As at 30.06.2015			As at 31.12.2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Specification [000'PLN]						
Assets						
Shares and stocks			34			34

In the reporting periods, there were no transfers between levels of the fair value hierarchy.

30 STRUCTURE OF EMPLOYMENT

Employment in Polnord and wholly owned subsidiaries was as follows:

Note 30 - Employment structure	As at 30.06.2015	As at 31.12.2014
Company's Management Board	2	2
Finance and Administration Division	49	49
Property Development Division	12	14
Total	63	65

31 AUDITOR'S REMUNERATION

In 2015, the financial statements are subject to review and audit by an auditing company, Deloitte Polska Sp. z o.o. Sp. K., with its registered office in Warsaw.

Remuneration to the Auditor for an audit of the annual individual financial statements of the Group companies and the consolidated statements of the Polnord SA Capital Group, as well as for a review of the interim condensed individual and consolidated financial statements totals PLN 222 thousand. The remuneration for other advisory services amounted to PLN 30 thousand.

32 EVENTS AFTER THE BALANCE SHEET DATE

The following events occurred after the balance sheet date:

- on 01.07.2015, the Management Board of the Central Securities Depository of Poland ("KDPW") adopted the Resolution No. 427/15 on the registration of 500,000 series M1 bonds of the Company with the nominal value of PLN 100 each, maturing on 30.06.2018, in the depository for securities on 02.07.2015. The series M1 bonds were issued on 02.07.2015 as part of the public offering.
- on 03.08.2015, the District Court Gdańsk – Północ in Gdańsk, VIII Commercial Division of the National Court Register issued the decision on entering as of 03.08.2015 into the register of entrepreneurs of the National Court Register the merger of Polnord (the "Acquiring Company") with the following wholly-owned companies: Polnord Marketing Sp. z o.o. with its registered office in Gdynia and 10 H Sp. z o.o. with its registered office in Gdynia (the "Target Companies"). The merger of the companies was effected in compliance with the content of Article 492 § 1 section 1 in conjunction with Article 515 § 1 of the Commercial Companies Code, through transfer of all assets and liabilities of the Target Companies to the Acquiring Company without increasing the share capital of the Acquiring Company.
- on 04.08.2015, the Company entered into a revolving credit facility agreement to the amount of PLN 50 million with Bank Ochrony Środowiska S.A. with its registered office in Warsaw ("Credit Facility"). The deadline for repayment of the Credit Facility is 03.08.2018. The Credit Facility has been incurred for the

purpose of umbrella financing of the investment expenditure in the development projects implemented by Polnord.

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

1 INTERIM CONDENSED INDIVIDUAL PROFIT AND LOSS ACCOUNT

For the period between 01.01.2015 and 30.06.2015

Specification [000' PLN]	Note	For the period from 01.01.2015 to 30.06.2015	For the period from 01.01.2014 to 30.06.2014 <i>restated data</i>	For the period from 01.01.2014 to 30.06.2014 <i>published data</i>
Sales revenue	10.1	21 615	15 931	15 950
Revenue from sales of products, goods and materials from related parties		300	2 261	2 261
Revenue from sale of services from related parties		21 105 20 618	13 373 13 088	13 387 13 102
Lease revenue from related parties		210 142	297 102	302 107
Cost of sale	10.2	(106)	(2 263)	(2 263)
Gross profit (loss) on sales		21 509	13 668	13 687
Revaluation of investment property	10.3	(440)	11 068	11 068
Result on sale of investment property				
Selling costs		(5 788)	(5 688)	(5 688)
General administrative expenses		(10 138)	(10 549)	(11 849)
Other operating revenue	10.4	18	473	473
Other operating expenses	10.5	(2 358)	(2 599)	(22 357)
Gross operating profit (loss)		2 803	6 373	(14 666)
Financial revenue	10.6	20 479	12 523	167
Financial expenses	10.7	(23 905)	(15 331)	(14 914)
Profit (loss) on sale of subsidiary				
Gross profit (loss)		(623)	3 565	(29 414)
Income tax	11	687	(5 089)	(1 085)
Net profit (loss) on continued operations		64	(1 524)	(30 499)
Net profit (loss) on discontinued operations		98	(1 555)	(1 555)
Net profit (loss)		162	(3 079)	(32 054)

2 INTERIM CONDENSED INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME

For the period between 01.01.2015 and 30.06.2015

Specification [000' PLN]	For the period from 01.01.2015 to 30.06.2015	For the period from 01.01.2014 to 30.06.2014 <i>restated data</i>	For the period from 01.01.2014 to 30.06.2014 <i>published data</i>
Net profit (loss)	162	(3 079)	(32 054)
Other comprehensive income:			
Items that may be reclassified to profit or loss in the future:	1 220	(1 170)	(1 170)
Valuation of financial assets available for sale	4 267	(1 445)	(1 445)
Foreign exchange gains/losses on translation			
Other			
Income tax on components of other comprehensive income	(3 047)	275	275
Items that will not be reclassified to profit or loss in the future:			
Revaluation of employee benefit liabilities			
Comprehensive income for the period	1 382	(4 249)	(33 224)

3 INTERIM CONDENSED INDIVIDUAL STATEMENT OF FINANCIAL POSITION

As at 30.06.2015

Specification [000' PLN]	Note	As at 30.06.2015	As at 31.12.2014
ASSETS			
Fixed assets		1 410 004	1 482 364
Tangible fixed assets		1 421	1 583
Investment property	13	568 031	569 971
Intangible assets		363	486
Investments in subsidiaries, jointly controlled entities and associates	14	482 242	490 218
Investments in associates measured with equity method			
Loans granted	15	225 585	282 126
Long-term receivables		108 734	118 142
Other financial assets		9 892	3 744
Deferred tax assets		13 736	16 096
Current assets (excluding assets classified as held for sale)		467 600	455 408
Inventories	16	222 467	214 871
Trade and other receivables		57 332	66 697
Receivables due to VAT, other taxes, customs duties, insurance and other		426	297
Income tax receivables		422	421
Prepayments and accrued income		983	415
Short-term deposits			
Cash and cash equivalents		8 622	50 377
Loans granted	15	177 348	122 331
Other short-term financial assets			
Assets classified as held for sale		9 200	9 200
Current assets (including those classified as held for sale)		476 800	464 608
TOTAL ASSETS		1 886 804	1 946 973

Specification [000' PLN]	Note	As at 30.06.2015	As at 31.12.2014
LIABILITIES			
Equity		1 084 410	1 083 028
Share capital		65 266	65 266
Share premium		1 059 721	1 059 721
Own shares			
Foreign exchange differences on translation of a foreign operation			
Other reserve capitals		269 491	254 458
Retained profits/Uncovered losses		(310 068)	(296 417)
Long-term liabilities		620 168	684 042
Interest-bearing bank loans and borrowings		233 348	297 254
Provisions		1 031	1 031
Other liabilities		385 779	385 756
Deferred income tax provision			
Accruals and deferred income		10	
Short-term liabilities (excluding liabilities directly related to assets classified as held for sale)		182 226	179 903
Current long-term portion of bank loans and borrowings		12 048	12 058
Trade and other liabilities		24 160	24 686
Short-term revolving loans			
Other short-term loans and borrowings		87 089	85 430
Liabilities due to VAT, other taxes, customs duties, insurance and other		458	4 985
Income tax liabilities			
Other financial liabilities			
Accruals and deferred income		2 761	931
Advance payments received		2 947	1 634
Provisions		52 763	50 178
Other liabilities directly related to assets classified as held for sale			
Short-term liabilities		182 226	179 903
Total liabilities		802 394	863 945
TOTAL EQUITY AND LIABILITIES		1 886 804	1 946 973

4 INTERIM CONDENSED INDIVIDUAL CASH FLOW STATEMENT

For the period between 01.01.2015 and 30.06.2015

Specification [000' PLN]	For the period from 01.01.2015 to 30.06.2015	For the period from 01.01.2014 to 30.06.2014 <i>restated data</i>	For the period from 01.01.2014 to 30.06.2014 <i>published data</i>
Cash flows from operating activities			
Gross profit (loss) (including profit on discontinued operation)	(525)	2 010	(30 969)
Adjustments:	(6 887)	14 918	19 874
Share in the result of associates measured with equity method			
Depreciation and amortisation	348	357	357
Net interest and dividends	13 728	13 983	13 983
Profit/(loss) on investing activities	(6 398)	5 509	10 439
(Increase)/decrease in receivables	(4 458)	17 473	17 487
(Increase)/decrease in inventories	(7 597)	1 911	1 911
Increase/(decrease) in liabilities excluding loans and borrowings	(4 337)	(21 159)	(21 147)
Change in prepayments and accruals	76	(34)	(34)
Change in provisions	2 584	(2 544)	(2 544)
Income tax paid			
Other	(834)	(578)	(578)
Net cash generated by operating activities	(7 412)	16 928	(11 095)
Cash flows from investing activities			
Inflows	66 006	60 845	20 566
Sale of tangible fixed assets and intangible assets	2	239	239
Sale of investment properties	8 993		
Sale of financial assets			
Dividends received			
Interest received	5 580	10 054	127
Repayment of loans granted	51 432	50 552	20 200
Redemption of third party bonds			
Outflows	(24 716)	(94 057)	(29 220)
Purchase of tangible fixed assets and intangible assets	(65)	(140)	(140)
Purchase of investment properties		(8 725)	(8 725)
Purchase of financial assets	(491)	(25)	(25)
Loans granted	(24 160)	(85 167)	(20 330)
Other			
Net cash used in investing activities	41 290	(33 212)	(8 654)
Cash flows from financing activities			
Inflows	44 500	140 166	143 215
Inflows from issuance of shares			
Inflows from loans/borrowings taken out		60 120	60 120
Inflows from issuance of bonds	44 500	80 046	83 095
Other			
Outflows	(120 133)	(107 342)	(107 369)
Repayment of finance lease liabilities		(30)	(30)
Repayment of loans/borrowings		(68 966)	(68 966)
Dividends paid to equity holders of the parent company			
Dividends paid to noncontrolling interests			
Interest paid	(13 533)	(11 830)	(11 857)
Redemption of bonds	(106 600)	(26 516)	(26 516)
Other			
Net cash generated by financing activities	(75 633)	32 824	35 846
Net increase (decrease) in cash and cash equivalents	(41 755)	16 540	16 097
Net foreign exchange gains/losses			
Cash and cash equivalents at the beginning of the period	50 377	22 564	22 528
Cash and cash equivalents at the end of the period, of which	8 622	39 104	38 625
Restricted cash	24	29	29

5 STATEMENT OF CHANGES IN EQUITY

For the period between 01.01.2015 and 30.06.2015

Specification [000'PLN]	Attributable to shareholders of the parent company				Total
	Share capital	Share premium	Other reserve capitals	Retained profits/uncovered (losses)	
As at 01.01.2014	65 266	1 059 721	245 018	(296 426)	1 073 580
Result of the year				(3 079)	(3 079)
Other comprehensive income			(1 170)		(1 170)
Total comprehensive income			(1 170)	(3 079)	(4 249)
Share issue					
Retained profits					
Share issue costs					
Result carried forward from previous period			13 805	(13 805)	
Management Option scheme					
As at 30.06.2014	65 266	1 059 721	257 653	(313 310)	1 069 331
As at 01.01.2015	65 266	1 059 721	254 458	(296 417)	1 083 028
Result of the year				162	162
Other comprehensive income			1 220		1 220
Total comprehensive income			1 220	162	1 382
Share issue					
Retained profits					
Share issue costs					
Result carried forward from previous period			13 813	(13 813)	
Management Option scheme					
As at 30.06.2015	65 266	1 059 721	269 491	(310 068)	1 084 410

6 CONDENSED ADDITIONAL INFORMATION

In the condensed additional information to the Interim condensed individual financial statements, the Company presented only those notes that are relevant to the proper assessment of the economic, financial position and the financial results of the Company, and that have not been included in the Interim condensed consolidated financial statements. Notes 16, 21.3, 21.4 and 22 included in the Condensed additional information to the Interim condensed consolidated financial statements also apply to this report.

7 BASIS FOR THE PREPARATION OF THE INDIVIDUAL FINANCIAL STATEMENTS

These Interim condensed individual financial statements have been prepared in line with the historical cost principle, except for investment property and financial assets available for sale which are measured at fair value.

The Interim condensed individual financial statements are presented in thousands of Polish zloty, unless indicated otherwise.

The Interim condensed individual financial statements have been prepared based on the going concern assumption in the foreseeable future. Therefore, as at the day of approving these Interim condensed individual

financial statements for publication, there are no circumstances threatening the company's going concern status.

These Interim condensed individual financial statements do not include all information and disclosures required in the annual financial statements and should be read in conjunction with the Company's financial statements prepared in accordance with IFRS for the financial year ended 31.12.2014.

8 COMPLIANCE DECLARATION

These Interim condensed individual financial statements have been prepared in compliance with the International Accounting Standard No. 34 Interim Financial Reporting ("IAS 34") approved by the European Union.

8.1 CHANGES RESULTING FROM AMENDMENTS TO IFRS

The principal accounting policies applied in these Interim condensed individual financial statements are consistent with those used in the annual individual financial statements for 2014, except for the following changes to existing standards and the new interpretation.

Standards and interpretations applied for the first time in 2015

The following standards, amendments to the existing standards, and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the first time in 2015:

- **Amendments to various standards "Improvements to IFRSs (cycle 2011-2013)"** - changes made in the procedure of introducing annual amendments to IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) focused primarily on removing inconsistencies and specifying vocabulary - endorsed by the EU on 18.12.2014 (effective for annual periods beginning on 01.01.2015 or after this date)
- **IFRIC 21 Interpretation "Levies"** - endorsed by the EU on 13.06.2014, (effective for annual periods beginning on 17.06.2014 or after this date).

The above-mentioned interpretation and amendments to the existing standards have not had a material effect on the Company's accounting policy.

Standards and interpretations issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these Interim condensed individual financial statements, the Company did not applied the following standards, amendments to the standards and interpretations issued by IASB and adopted by the EU but not yet effective:

- **Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)"** - changes made in the procedure of introducing annual amendments to IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IFRS 16, IAS 24 and IAS 38) focused primarily on removing inconsistencies and specifying vocabulary - endorsed by the EU on 17.12.2014 (effective for annual periods beginning on 01.02.2015 or after this date)
- **Amendments to IAS 19 "Employee benefits"** - Defined benefit plans: employee contributions - approved by the EU on 17.12.2014 (effective for annual periods beginning on 01.02.2015 or after this date).

8.2 STANDARDS NOT YET IN FORCE (NEW STANDARDS AND INTERPRETATIONS)

Standards and Interpretations issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following standards, amendments to the existing standards and interpretations, which were not endorsed for use by the EU, as at 31.08.2015 (the effective dates stated below refer to the standards in the full version):

- **IFRS 9 “Financial Instruments”** (effective for annual periods beginning on or after 01.01.2018),
- **IFRS 14 “Regulatory Deferral Accounts”** (effective for annual periods beginning on or after 01.01.2016),
- **IFRS 15 “Revenue from Contracts with Customers”** (effective for annual periods beginning on or after 01.01.2017),
- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”** - Sales or transfers of assets between the investor and the associate or joint venture (effective for annual periods beginning on or after 01.01.2016),
- **Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures”** – Investment units: application of the exemption from consolidation (effective for annual periods beginning on or after 01.01.2016),
- **Amendments to IFRS 11 “Joint Arrangements”** – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 01.01.2016),
- **Amendments to IAS 1 “Presentation of Financial Statements”** - Initiative in relation to disclosures (effective for annual periods beginning on or after 01.01.2016),
- **Amendments to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets”** - Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 01.01.2016),
- **Amendments to IAS 16 “Property, Plant and Equipment” and IAS 41 “Agriculture”** - Agriculture: Bearer Plants (effective for annual periods beginning on or after 01.01.2016),
- **Amendments to IAS 27 “Individual Financial Statements”** - Equity Method in Individual Financial Statements (effective for annual periods beginning on or after 01.01.2016),
- **Amendments to various standards “Improvements to IFRSs (cycle 2012-2014)”** - changes made in the procedure of introducing annual amendments to IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) focused primarily on removing inconsistencies and specifying vocabulary (effective for annual periods beginning on or after 01.01.2016)

The Company anticipates that the adoption of these standards, amendments to the existing standards and interpretations would have no material impact on the Interim condensed individual financial statements, if they were applied by the Company at the balance sheet date, except for the impact of amendments to IFRS 9 and IFRS 15 which have not yet been examined by the Company due to the date of application from the periods beginning after 01.01.2018 and 01.01.2017.

9 MATERIAL VALUES BASED ON PROFESSIONAL JUDGEMENT AND ESTIMATES

9.1 IMPORTANT ESTIMATES AND ASSUMPTIONS

During the period of six months ended on 30.06.2015, there were no significant changes in estimates and methodology of making estimates, that would affect the current or future periods, in the interim condensed individual financial statements.

Compared to 31.12.2014, the Company has not changed significantly judgments and estimates.

9.1.1 RECOGNITION OF THE ASSETS TRANSFERRED TO SUBSIDIARY

In 2014, the Company conducted a comprehensive analysis of regulations in the International Financial Reporting Standards, and related interpretations issued in the form of regulations of the European Commission (the "IFRS") for recognition of financial revenues generated during the financial year by the company Polnord SA Finanse SJ in the Polnord SA individual financial statements.

To determine whether the entity should present the assets on the balance sheet, the Company made an analysis the extent to which it retains the risks and rewards of ownership of the financial assets (loans granted) contributed in kind by Polnord SA to Polnord SA Finanse SJ (formerly Surplus Sp. z o.o. Domitus S.J, hereinafter referred to as SPV) in accordance with the conditions set out in IAS 39.

This standard indicates that "the entity derecognize a financial asset in the balance sheet when, and only when:

(a) the contractual rights to the cash flows from the financial asset expire; or

(b) it transfers the financial asset as set out in paragraphs 18 and 19 and the transfer qualifies for derecognition in accordance with paragraph 20. (IAS 39.17)

In the analysed case, the contractual rights to the cash flows do not expire (borrowers must continue to repay the loans). Therefore, the Company analysed the conditions for transfer of the asset, which are applicable because the following criterion from IAS 39.18 has been met: *"The entity transfers the financial asset only when (...) it transfers the contractual rights to receive the cash flows from the financial asset (...)"*.

In order to determine whether the entity should retain the assets in the balance sheet, the Company has analysed to which extent the entity transferred and retained the risks and rewards of ownership of the particular assets pursuant to the conditions in IAS 39.20, which has been analysed in details below:

If the entity transfers the financial asset (see par. 18), the entity has to assess to what extent it retains the risks and rewards of ownership of the asset:

a) if the entity transfers substantially all the risks and rewards of ownership of the financial asset, then the entity must derecognise the financial asset, exclude it from the balance sheet and recognise separately as assets or liabilities any rights and obligations created or retained as a result of the transfer,

- The above does not give grounds to conclude that Polnord SA has transferred substantially all risks and rewards, because loan repayments – although through SPV – are to ultimately finance the repayment of financial liabilities of Polnord SA. In case of the borrower's failure to repay loans, Polnord SA will have fewer chances for repayment of bonds. Therefore, Polnord SA retains (to some extent) both rewards and risks.
- In the opinion of the Company's Management Board, the condition from IAS 39.21 *"The entity retains substantially all the risks and rewards of ownership of the financial asset, if its exposure to the variability in the present value of the future net cash flows does not significantly change as a result of*

the transfer (e.g. because the entity has sold the monetary asset being a subject of the agreement on repurchase for the fixed price or the sales price increased by the lender's margin)." has not been met.

b) if the entity retains substantially all the risks and rewards of ownership of the financial asset, the entity continues to recognise the financial asset,

- It cannot be concluded that Polnord SA has retained substantially all the risks and rewards. If SPV does not generate a positive financial result and does not have sufficient funds, Polnord SA will not be able to disburse funds from SPV (in the form of profit distribution/advance payments towards anticipated profit distribution or loans granted by SPV to Polnord SA). The payment schedule will also change (the amounts and dates of disbursements of funds from SPV will not be the same as in case of cash flows from loans).

c) if the entity neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, then the entity determines whether it has retained control of the financial asset. In the case concerned:

- In the Board's opinion, Polnord SA neither retained nor transferred substantially all the risks and rewards, therefore it is necessary to conduct an analysis of control. According to IAS 39.23 *"the entity retains control (see: par. 20c) of the transferred asset depending upon whether the transferee has the ability to sell the asset. If the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, the entity has not retained control. In all other cases, the entity has retained control.*

In view of the above, it is necessary to assess (in)dependence of SPV from Polnord SA. Considering that:

- Polnord SA holds 99% shares in SPV
- The compositions of the Management Boards of Polnord SA and SPV overlap in 66%.
- Polnord SA intends to settle liabilities arising from bonds with funds obtained from the amounts of loan repayments to SPV (however, this intent has not been formally confirmed in the financial plan).

it is possible to conclude that SPV has no ability to independently, unilaterally sell the loans (obtained from Polnord SA) to an unrelated third party. In such a case Polnord SA has retained control and, as a consequence – pursuant to IAS 39.20 – *it must continue to recognise the financial asset to the extent of its continuing involvement in the financial asset (see par. 30).*

On the basis of the conducted analysis and the interpretation of IAS 39, the Company concluded that Polnord SA Finanse SJ has no ability to independently, unilaterally sell the loans (obtained from Polnord SA) to an unrelated third party. In such a case Polnord SA has retained control and, as a consequence – pursuant to IAS 39.20 – *it must continue to recognise the financial asset to the extent of its continuing involvement in the financial asset (see par. 30).* Therefore, the loans covered by the analysis should be maintained in the balance sheet of Polnord SA. It also means that Polnord SA should recognise, on a current basis, financial revenue from interest accrued on those loans.

On the basis of the analysis, the Company disclosed in the financial statements of Polnord SA the following items from the financial statements of Polnord SA Finanse SJ:

Item	As at 30.06.2015	As at 31.12.2014
Loans granted – long-term	225 585	282 126
Loans granted – short-term	169 777	115 758
Retained profits	(18 347)	27 217
Other long-term liabilities	385 756	385 756
Shares of Polnord SA in Polnord SA Finanse SJ	354 291	354 291

In relation to the above, the individual statements of Polnord SA for the financial year ended 30.06.2015 and the period from 01.01.2015 to 30.06.2015 contain assets presented above together with financial assets of Polnord SA Finanse SJ and present relevant comparative data as at 31.12.2014.

Due to the above, in the individual profit and loss account of Polnord SA for the period from 01.01.2015 to 30.06.2015 financial revenue has been recognised in the amount of PLN 15,070 thousand, and net result in the amount of PLN 15,045 thousand from the financial statements of Polnord SA Finanse SJ.

The comparative data of Polnord SA - for the period from 01.01.2014 to 30.06.2014 - recognised financial revenue in the amount of PLN 12,356 thousand, and net profit of PLN 11,908 thousand from the financial statements of Polnord SA Finanse SJ.

The Company also made presentation changes and other adjustments related to the costs of perpetual usufruct of land, the value of investment property and property tax, which affected the amounts disclosed in the Profit and Loss Account in “Other operating expenses”.

In order to achieve comparability of data, the Company restated the statements for the first half of 2014. The impact of changes is presented in the table below:

Specification [000' PLN]	For the period from 01.01.2014 to 30.06.2014 <i>published data</i>	Presentation an other adjustments	For the period from 01.01.2014 to 30.06.2014 <i>restated data</i>
Sales revenue	15 950	(19)	15 931
Revenue from sales of products, goods and materials from related parties	2 261		2 261
Revenue from sale of services from related parties	13 387 13 102	(14) (14)	13 373 13 088
Lease revenue from related parties	302 107	(5) (5)	297 102
Cost of sale	(2 263)		(2 263)
Gross profit (loss) on sales	13 687	(19)	13 668
Result on sale of investment property			
Revaluation of investment property	11 068		11 068
Selling costs	(5 688)		(5 688)
General administrative expenses	(11 849)	1 300	(10 549)
Other operating revenue	473		473
Other operating expenses	(22 357)	19 758	(2 599)
Gross operating profit (loss)	(14 666)	21 038	6 373
Financial revenue	167	12 356	12 523
Financial expenses	(14 914)	(417)	(15 331)
Gross profit (loss)	(29 414)	32 977	3 565
Income tax	(1 085)	(4 004)	(5 089)
Net profit (loss) on continued operations	(30 499)	28 975	(1 524)
Net profit (loss) on discontinued operations	(1 555)		(1 555)
Net profit (loss)	(32 054)	28 975	(3 079)

10 REVENUES AND EXPENSES

10.1 OPERATING REVENUE

Note 10.1 - Operating revenue	For the period from 01.01.2015 to 30.06.2015	For the period from 01.01.2014 to 30.06.2014
Specification [000' PLN]		<i>restated data</i>
Sale of residential apartments		
Sale of plots of land	300	2 261
Rent	210	297
Project management	18 331	12 742
Other	2 774	631
Total operating revenue	21 615	15 931

10.2 OPERATING EXPENSES

Note 10.2 - Operating expenses	For the period from 01.01.2015 to 30.06.2015	For the period from 01.01.2014 to 30.06.2014
Specification [000' PLN]		<i>restated data</i>
Depreciation/Amortisation	348	357
Consumption of materials and energy	351	320
Third-party services	9 847	8 665
Taxes and charges	191	596
Payroll	4 154	5 142
Social security and other benefits	760	862
Other costs by type	598	987
Total costs by type	16 250	16 929
Movement in products, prepayments and accruals	324	692
Costs of manufacturing products for internal use (negative value)		
Selling costs (negative value)	(5 788)	(5 688)
General administrative expenses (negative value)	(10 138)	(10 549)
Manufacturing costs of products sold		
Value of materials sold	106	2 263
Cost of sale	106	2 263

10.3 REVALUATION OF INVESTMENT PROPERTY

In the first half of 2015, Polnord Group revalued investment properties. The decrease in the fair value of investment properties by PLN 440 thousand has been recognised in the Profit and loss account in – “Revaluation of investment property”.

10.4 OTHER OPERATING REVENUES

Note 10.4 - Other operating revenues	For the period from 01.01.2015 to 30.06.2015	For the period from 01.01.2014 to 30.06.2014
Specification [000' PLN]		
Total release of provisions, including:		438
- for liabilities including Agricultural Property Agency		438
- other provisions		
Other, including:	18	35
- lease		
- liabilities written off		
- compensations for infrastructure		
- other, including:		
<i>Penalties and damages</i>		
<i>Other</i>	18	35
Total other operating revenue	18	473

10.5 OTHER OPERATING EXPENSES

Note 10.5 - Other operating expenses	For the period from 01.01.2015 to 30.06.2015	For the period from 01.01.2014 to 30.06.2014
Specification [000' PLN]		<i>restated data</i>
Total provisions established, including:	1 357	
- revaluation of receivables	12	
- fees for perpetual usufruct and property tax	1 345	
Other, including:	1 000	2 599
- costs of disputes	73	29
- unrecoverable receivables		
- revaluation of plots of land		
- provisions for lawsuits		
- result on sale of fixed assets		437
- fees for perpetual usufruct and property tax	632	1 312
- contractual penalties		687
- other	295	134
Total other operating expenses	2 358	2 599

10.6 FINANCIAL REVENUE

Note 10.6 - Financial revenue	For the period from 01.01.2015 to 30.06.2015	For the period from 01.01.2014 to 30.06.2014
Specification [000' PLN]		<i>restated data</i>
Revenue from bank and commercial interest	648	45
Interest income on loans	14 385	12 478
Positive FX differences	838	
Other (including dividends from subsidiaries)	4 608	
Total financial revenue	20 479	12 523

10.7 FINANCIAL EXPENSES

Note 10.7 - Financial expenses	For the period from 01.01.2015 to 30.06.2015	For the period from 01.01.2014 to 30.06.2014
Specification [000' PLN]		<i>restated data</i>
Interest on bank loans, borrowings and bonds	13 710	14 585
Interest on other liabilities		49
Financial costs of finance lease agreements		2
Negative FX differences		335
Bank commissions and commissions on bank guarantees		205
Loans - written off		
Provisions for interest on the dispute with ANR	1 697	
Interest on debts		
Write-off of receivables for the sold shares		
Write-down on shares and loans	8 004	
Other	494	155
Total financial expenses	23 905	15 331

In the reporting period of 2015, the Company re-examined the assets located in the Russian Federation and, acting in accordance with the prudence principle, given the current political situation, and based, among others, on purchase offers submitted by third parties, revalued the property located in Saratov reducing its value by PLN 8,004 thousand. The amount has been included in the Interim condensed individual financial statements in "Financial expenses".

11 INCOME TAX

The main items of the tax burden for the period ended on 30.06.2015 and for the comparative period ended on 30.06.2014 are as follows:

Note 11 - Income tax	For the period from 01.01.2015 to 30.06.2015	For the period from 01.01.2014 to 30.06.2014
Specification [000' PLN]		<i>restated data</i>
Profit and loss account:		
Income tax currently payable		
Burden due to income tax currently payable		
Adjustments regarding current income tax brought forward		
Deferred income tax		
Due to occurrence and reversal of temporary differences	687	(5 089)
Tax burden disclosed in the profit and loss account	687	(5 089)
Statement of changes in other comprehensive income		
Deferred income tax		
Valuation of financial assets available for sale	(3 047)	275
Tax burden disclosed in other comprehensive income	(3 047)	275

12 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing net profit for the period, allocated to ordinary shareholders of the Parent Company, by the weighted average number of the issued ordinary shares over the period.

In the period from 01.01.2015 to 30.06.2015, the share capital of Polnord SA was not increased.

As at 30.06.2015, the share capital of Polnord SA is divided into 32,633,027 ordinary bearer shares with a nominal value of PLN 2 each.

Diluted earnings per share are calculated by dividing net profit for the period, allocated to ordinary shareholders of the Parent Company (after deducting interest on redeemable preference shares convertible to ordinary shares) by the weighted average number of the issued ordinary shares over the period (adjusted for dilutive options and dilutive redeemable preference shares convertible to ordinary shares).

Starting from 20.12.2013, the Company launched another Management Option Programme, further described in the Director's Report for 2013.

The data on profit and shares used for calculating earnings per share are presented below:

Note 12.1 - Basic earnings per share	For the period from 01.01.2015 to 30.06.2015	For the period from 01.01.2014 to 30.06.2014
Specification [000' PLN]		
Net profit (loss)	162	(3 079)
Net profit (loss) on discontinued operations for the period	98	(1 555)
Net profit (loss) on continued operations for the period	64	(1 524)
Average weighted number of ordinary shares for the period	32 633 027	32 633 027
Net earnings (losses) per ordinary share (PLN)	0,00	(0,09)
Net profit (loss) on discontinued operations, per ordinary share (PLN)	0,00	(0,05)
Net profit (loss) on continued operations, per ordinary share (PLN)	0,00	(0,05)

Note 12.2 - Diluted earnings per share	For the period from 01.01.2015 to 30.06.2015	For the period from 01.01.2014 to 30.06.2014
Specification [000' PLN]		
Net profit (loss)	162	(3 079)
Net profit (loss) on discontinued operations for the period	98	(1 555)
Net profit (loss) on continued operations for the period	64	(1 524)
Net profit (loss) for the period used to calculate diluted earnings per share	162	(3 079)
Net profit (loss) on discontinued operations, for the period used to calculate diluted earnings per share	98	(1 555)
Net profit (loss) on continued operations, for the period used to calculate diluted earnings per share	64	(1 524)
Dilution effect:		
Share options	226 734	116 667
Average weighted diluted number of ordinary shares for the period	32 859 761	32 749 694
Net diluted earnings (losses) per ordinary share (PLN)	0,00	(0,09)
Net diluted profit (loss) on discontinued operations, per ordinary share (PLN)	0,00	(0,05)
Net diluted profit (loss) on continued operations, per ordinary share (PLN)	0,00	(0,05)

13 INVESTMENT PROPERTY

Note 13 - Investment property	For the period from 01.01.2015 to 30.06.2015	For the period from 01.01.2014 to 31.12.2014	For the period from 01.01.2014 to 30.06.2014
Specification [000' PLN]			
Opening balance	569 971	757 734	757 734
Increases		11 555	17 146
Decreases (sale)	(1 500)	(73 560)	(31 926)
Reclassification		(128 381)	
Revaluation of investment property	(440)	2 623	11 068
Closing balance	568 031	569 971	754 022

Mortgages are established on some of the Company's investment property, securing the repayment of loans and bonds. The carrying value of investment property on which mortgages are established, as at the balance sheet date, amounts to PLN 549,031 thousand, and as at 31.12.2014 it amounted to PLN 529,687 thousand.

14 INVESTMENTS IN SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND JOINT VENTURES

Investments in subsidiaries are presented below:

Note 14 - Investments in subsidiaries, jointly controlled entities and joint ventures	For the period from 01.01.2015 to 30.06.2015	For the period from 01.01.2014 to 31.12.2014	For the period from 01.01.2014 to 30.06.2014
Specification [000' PLN]			
Opening balance	490 218	473 359	473 359
Increases (purchase)	28	5 049	5 043
Decreases (sale)			
Write-down on shares and loans	(8 004)	11 810	
Closing balance	482 242	490 218	478 402

In the reporting period of 2015, the Company re-examined the assets located in the Russian Federation and, acting in accordance with the prudence principle, given the current political situation, and based, among others, on purchase offers submitted by third parties, revalued the property located in Saratov reducing its value by PLN 8,004 thousand. The amount has been included in the Interim condensed individual financial statements in "Financial expenses".

15 LOANS GRANTED

Note 15.1 - Loans granted	As at 30.06.2015	As at 31.12.2014
Specification [000' PLN]		
Loans granted	402 933	404 457
Other		
Total loans granted	402 933	404 457

Note 15.2 - Change in loans granted	For the period from 01.01.2015 to 30.06.2015	For the period from 01.01.2014 to 30.06.2014
Specification [000' PLN]		
Opening balance	404 457	338 964
Lending	38 907	85 167
Reimbursement	(57 012)	(60 606)
Accrued interest	16 581	12 449
Closing balance	402 933	375 974

16 INVENTORY

Note 16.1 - Inventory	As at 30.06.2015	As at 31.12.2014
Specification [000' PLN]		
Materials (according to the purchase price)		196
Work in progress (according to the manufacturing cost)		
Finished products:	34 638	34 638
<i>According to the purchase price/manufacturing cost</i>	34 638	34 638
<i>According to the net realisable value</i>	34 638	34 638
Goods	187 830	180 038
<i>According to the purchase price/manufacturing cost</i>	189 478	184 468
<i>According to the net realisable value</i>	187 830	180 038
Total inventory, at the lower of the two values: purchase price (manufacturing cost) and net realisable value	222 467	214 871

Note 16.2 - Gross inventory and revaluation allowance	As at 30.06.2015	As at 31.12.2014
Specification [000' PLN]		
Materials		196
Gross value		
Revaluation allowance		
Work in progress		
Gross value		
Revaluation allowance		
Finished products:		
Gross value	34 638	34 638
Revaluation allowance		
Goods		
Gross value	189 478	184 468
Revaluation allowance	(1 648)	(4 430)
Total inventory	222 467	214 871

Note 16.3 - Inventory revaluation allowance	As at 30.06.2015	As at 31.12.2014
Specification [000' PLN]		
Opening balance revaluation allowance	(4 430)	(1 040)
<i>Increase</i>	<i>(27)</i>	<i>(4 430)</i>
<i>Reversal</i>		
<i>Utilisation</i>	2 809	1 040
Closing balance revaluation allowance	(1 648)	(4 430)

In the first half of 2015, revaluation allowances were made for inventory in the total amount of PLN 27 thousand and PLN 2,809 thousand of the allowance was used in connection with the sale of land; in 2014 the allowance amounted to PLN 4,430 thousand.

The repayment of loans and the bonds of the Company are secured with i.a. real estate properties. The carrying value of inventory on which mortgages are established, as at 30.06.2015, amounts to PLN 181,725 thousand; PLN 170,332 thousand as at 31.12.2014 accordingly.

17 BUSINESS SEGMENTS

In relation to specific activities of Polnord SA (operational activities are conducted through subsidiaries), the Company does not distinguish separate operating segments in the individual statements. Information on operating segments is presented for the Polnord SA Capital Group in the consolidated statements.

18 INFORMATION ABOUT RELATED PARTIES

18.1 TERMS OF TRANSACTIONS WITH RELATED PARTIES

The tables below present the total amounts of transactions concluded with related parties for the particular reporting period.

Transactions with related parties are concluded according to market terms and settled in cash.

Note 18.1.1 - Company's transactions with related parties for the first half of 2015	Subsidiaries of the Company	Associates	Joint ventures in which the entity is a venturer	Key management personnel	Other related parties	TOTAL
Specification [000' PLN]						
PROFIT AND LOSS ACCOUNT, STATEMENT OF COMPREHENSIVE INCOME						
Sales revenue	18 398	42	2 286		34	20 760
Other operating revenue						
Financial revenue	12 597		1 569		219	14 385
Operating expenses	3 774				220	3 994
Other operating expenses						
Financial expenses						
TOTAL	34 769	42	3 855		473	39 139

Note 18.1.2 - Company's transactions with related parties for the first half of 2014	Subsidiaries of the Company	Associates	Joint ventures in which the entity is a venturer	Key management personnel	Other related parties	TOTAL
Specification [000' PLN]						
PROFIT AND LOSS ACCOUNT, STATEMENT OF COMPREHENSIVE INCOME						
Sales revenue	12 786		363		41	13 190
Other operating revenue						
Financial revenue	10 525		1 717		236	12 478
Operating expenses						
Other operating expenses						
Financial expenses						
TOTAL	23 311		2 080		277	25 668

Note 18.1.3 - Settlements of the Company with related parties as at 30.06.2015	Subsidiaries of the Company	Associates	Joint ventures in which the entity is a venturer	Key management personnel	Other related parties	TOTAL
Specification [000' PLN]						
ASSETS						
Trade receivables	41 794		502		418	42 714
Other financial receivables						
Loans granted	332 542		61 323		5 733	399 598
Acquired bonds						
Other short-term assets						
TOTAL ASSETS	374 336		61 825		6 151	442 312
LIABILITIES						
Issued bonds						
Loans received						
Trade liabilities	15 510				2	15 512
Other financial liabilities						
TOTAL LIABILITIES	15 510				2	15 512

Note 18.1.4 - Settlements of the Company with related parties at 31.12.2014	Subsidiaries of the Company	Associates	Joint ventures in which the entity is a venturer	Key management personnel	Other related parties	TOTAL
Specification [000' PLN]						
ASSETS						
Trade receivables	49 715		479		571	50 765
Other financial receivables						
Loans granted	330 078		63 704		7 705	401 487
Acquired bonds						
Other short-term assets						
TOTAL ASSETS	379 793		64 183		8 276	452 252
LIABILITIES						
Issued bonds						
Loans received						
Trade liabilities	13 189				1	13 190
Other financial liabilities						
TOTAL LIABILITIES	13 189				1	13 190

19 FINANCIAL INSTRUMENTS

19.1 CARRYING AMOUNT OF CATEGORIES AND CLASSES OF FINANCIAL INSTRUMENTS

Note 19.1.1 - Financial instrument classes as at 30.06.2015	Financial assets held for sale	Financial assets measured in fair value through Profit and Loss account	Borrowings and receivables	Financial liabilities measured in fair value through Profit and Loss account	Financial liabilities measured at amortized cost	Other than by IAS 39	Total
Specification [000' PLN]							
Long-term loans			225 585				225 585
Long-term receivables			108 734				108 734
Trade and other receivables			56 286			1 046	57 332
Short-term loans			177 348				177 348
Cash and cash equivalents			8 622				8 622
Other financial assets	9 892						9 892
Financial assets in total	9 892		576 575			1 046	587 513
Interest-bearing bank loans and borrowings					233 348		233 348
Trade and other liabilities					24 160		24 160
Current long-term portion of bank loans and borrowings					12 048		12 048
Other short-term loans and borrowings					87 089		87 089
Financial liabilities in total					356 645		356 645

Note 19.1.2 - Financial instrument classes as at 31.12.2014	Financial assets held for sale	Financial assets measured in fair value through Profit and Loss account	Borrowings and receivables	Financial liabilities measured in fair value through Profit and Loss account	Financial liabilities measured at amortized cost	Other than by IAS 39	Total
Specification [000' PLN]							
Long-term loans			282 126				282 126
Long term receivables			118 142				118 142
Trade and other receivables			64 802			1 894	66 696
Short-term loans			122 331				122 331
Cash and cash equivalents			50 377				50 377
Other financial assets	3 744						3 744
Financial assets in total	3 744		637 778			1 894	643 416
Interest-bearing bank loans and borrowings					297 254		297 254
Trade and other liabilities					24 686		24 686
Current long-term portion of bank loans and borrowings					12 058		12 058
Other short-term loans and borrowings					85 430		85 430
Financial liabilities in total					419 428		419 428

For the categories of financial instruments, which as at the balance sheet date are not measured at fair value, the Company does not disclose the fair value due to the fact that the fair value of these financial instruments as at 30.06.2015 and as at 31.12.2014 did not differ significantly from the values presented in the financial statements for the respective periods, for the following reasons:

- in relation to short-term instruments, the possible discount effect is not significant;
- the instruments relate to transactions concluded according to market terms.

The Company does not disclose the fair value for shares and stocks in companies not listed in active markets, classified in the category of financial assets available for sale and assets excluded from the scope of IAS 39. The Company is not able to reliably determine the fair value of shares and stocks held in companies not listed in active markets. As at the balance sheet date, shares and stocks in the category of financial assets available for sale are measured at cost less impairment losses.

19.2 FAIR VALUE HIERARCHY

The fair value hierarchy consists of the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1/ Method 1)
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2/ Method 2) and
- inputs for the asset or liability which are not based on observable market data (unobservable inputs) (Level 3/ method 3).

The levels of the fair value hierarchy for financial instruments measured at fair value as at 30.06.2015 and 31.12.2014, are presented in the table below.

Note 19.2 - Financial instrument classes	As at 30.06.2015			As at 31.12.2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Shares and stocks			34			34

In the reporting periods, there were no transfers between levels of the fair value hierarchy.

Gdynia, 31.08.2015

Piotr Wesółowski

Tomasz Sznajder

Katarzyna Brzózka

President of the Management Board

Vice-President of the Management Board

Main Accountant

C. STATUTORY AUDITOR'S REPORT ON THE REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY 2015 TO 30 JUNE 2015

**AUDITOR'S REPORT ON THE REVIEW OF THE CONDENSED
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2015 TO 30 JUNE 2015**

To the Shareholders and Supervisory Board of POLNORD S.A.

We have reviewed the attached condensed interim consolidated financial statements of the Polnord S.A. Capital Group with Polnord S. A. having its registered office in Gdynia, at Ślaska 35/37, as the Parent Company, including a consolidated statement of financial position prepared as of 30 June 2015, consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the period from 1 January 2015 to 30 June 2015 and notes, comprising a summary of significant accounting policies and other explanatory information.

Compliance of these condensed interim consolidated financial statements with the requirements laid down in IAS 34 "Interim Financial Reporting" as endorsed by the European Union ("MSR 34") and with other regulations in force is the responsibility of the Management Board and Supervisory Board of the Parent Company. Our responsibility was to review the financial statements.

Our review has been conducted in accordance with the national auditing standards issued by the National Council of Statutory Auditors. These Standards require that we plan and conduct the review in such a way as to obtain reasonable assurance that the consolidated financial statements are free from material misstatement.

Our review has been conducted mainly based on an analysis of data included in the financial statements, examination of the accounting records as well as information provided by the management and the financial and accounting personnel of the Group.

The scope and methodology of a review of condensed interim financial statements differ significantly from an audit, which serves as the basis for expressing an opinion on compliance of annual financial statements with the applicable accounting principles (policy) and an opinion on their fairness and clarity. Therefore, no such opinion on the attached financial statements may be issued.

Based on our review, we have not identified any issues which would prevent us from concluding that the condensed interim consolidated financial statements have been prepared, in all material respects, in compliance with the requirements laid down in IAS 34 “Interim Financial Reporting” as endorsed by the European Union.

Without raising any qualifications to the condensed interim consolidated financial statement, we would like to draw attention to Note 27 of additional information, in which the Management Board of Parent Company submits the dispute between Subsidiary Company Wilanów Office Park – Budynek B1 Sp. z o.o. and Przedsiębiorstwo Robót Inżynieryjnych “POL-AQUA” S.A. concerning the payment of rent for the tenancy and risks arising from the aforementioned dispute. The value of trade receivables presented in the condensed interim consolidated financial statement concerning the dispute amounts to PLN 18.367.561,85. According to the Management Board of the Parent Company the tenancy agreement is binding and there is no need to create provisions in connection with this dispute. However, the lawsuit is pending which cause uncertainty about the judicial decision. The report contains no qualifications in this respect.

.....
Piotr Sokołowski
Key certified auditor
conducting the review
No. 9752

On behalf of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. – entity authorized to audit financial statements entered under number 73 on the list kept by the National Council of Statutory Auditors:

.....
Piotr Sokołowski – Vice-President of the Management Board of Deloitte Polska Sp. z o.o. - which is the General Partner of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k.

Warsaw, 31 August 2015

The above auditor’s report on the review is a translation from the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version shall prevail.

D. STATUTORY AUDITOR'S REPORT ON THE REVIEW OF THE INTERIM CONDENSED INDIVIDUAL FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY 2015 TO 30 JUNE 2015

**AUDITOR'S REPORT ON THE REVIEW OF THE CONDENSED
INTERIM SEPARATE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2015 TO 30 JUNE 2015**

To the Shareholders and Supervisory Board of POLNORD S.A.

We have reviewed the attached condensed interim separate financial statements of Polnord S.A. with its registered office in Gdynia at Ślaska 35/37, including a statement of financial position prepared as of 30 June 2015, income statement and statement of comprehensive income, statement of changes in equity, statement of cash flows for the period from 1 January 2015 to 30 June 2015 and notes, comprising a summary of significant accounting policies and other explanatory information.

Compliance of these condensed interim separate financial statements with the requirements laid down in IAS 34 "Interim Financial Reporting" as endorsed by the European Union ("IAS 34") and with other regulations in force is the responsibility of the Management Board and Supervisory Board of the Company. Our responsibility was to review the financial statements.

Our review has been conducted in accordance with the national auditing standards issued by the National Council of Statutory Auditors. These Standards require that we plan and conduct the review in such a way as to obtain reasonable assurance that the separate financial statements are free from material misstatement. Our review has been conducted mainly based on an analysis of data included in the financial statements, examination of the accounting records as well as information provided by the management and the financial and accounting personnel of the Company.

The scope and methodology of a review of condensed interim financial statements differ significantly from an audit, which serves as the basis for expressing an opinion on compliance of annual financial statements with the applicable accounting principles (policy) and an opinion on their fairness and clarity. Therefore, no such opinion on the attached financial statements may be issued.

Based on our review, we have not identified any issues which would prevent us from concluding that the condensed interim separate financial statements have been prepared, in all material respects, in compliance with the requirements laid down in IAS 34 "Interim Financial Reporting" as endorsed by the European Union.

.....
Piotr Świętochowski
Key certified auditor
conducting the review
No. 90039

On behalf of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. – entity authorized to audit financial statements entered under number 73 on the list kept by the National Council of Statutory Auditors:

.....
Piotr Sokołowski – Vice-President of the Management Board of Deloitte Polska Sp. z o.o. - which is the General Partner of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k.

Warsaw, 31 August 2015

The above auditor's report on the review is a translation from the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version shall prevail.

The above auditor's report on the review is a translation from the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version shall prevail.

E. STATEMENT OF THE MANAGEMENT BOARD ON THE ACCURACY OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY 2015 TO 30 JUNE 2015

Gdynia, 31.08.2015

STATEMENT

The Management Board of Polnord SA hereby declares that according to its best knowledge the interim condensed individual financial statements of Polnord SA for the period from 01.01.2015 to 30.06.2015 and comparative data as well as the interim condensed consolidated financial statements of Polnord SA Capital Group for the period from 01.01.2015 to 30.06.2015 and comparative data have been prepared in line with the binding accounting principles and reflect the Company's and the Capital Group's material and financial statement and their financial results in a true, reliable and clear way. The Report on Activity of Polnord SA Capital Group for the first half of 2015 contains a true picture of its development and achievements, including a description of basic threats and risks.

Piotr Wesołowski**Tomasz Sznajder****President of the Management Board****Vice-President of the Management Board**

F. STATEMENT OF THE MANAGEMENT BOARD ON THE ENTITY AUTHORISED TO AUDIT FINANCIAL STATEMENTS

Gdynia, 31.08.2015

STATEMENT

The Management Board of Polnord SA hereby declares that the entity authorised to audit financial statements, reviewing the condensed financial statements of Polnord SA for the period from 01.01.2015 to 30.06.2015 and the condensed consolidated financial statements of Polnord SA Capital Group for the period from 01.01.2015 to 30.06.2015 has been elected pursuant to the provisions of the law and that the said entity and the statutory auditors who have audited these statements have met the conditions for expressing an impartial and independent opinion about the audited financial statements, pursuant to the binding provisions of the law and professional standards.

Piotr Wesołowski**Tomasz Sznajder****President of the Management Board****Vice-President of the Management Board**