



POLNORD SA
CAPITAL GROUP

CONSOLIDATED REPORT FOR THE THIRD QUARTER OF 2015

CONTAINING
INTERIM CONDENSED INDIVIDUAL FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

GDYNIA, 16 NOVEMBER 2015

THE CONSOLIDATED REPORT FOR THE THIRD QUARTER OF 2015 INCLUDES:

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- B. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY 2015 TO 30 SEPTEMBER 2015 CONSISTING OF CONDENSED INTERIM INDIVIDUAL FINANCIAL STATEMENTS OF POLNORD SA..... 53

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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 SEPTEMBER 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 report for the third half of 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 30.09.2015. “Consolidated statements” mean the Interim condensed consolidated financial statements of the Polnord SA Capital Group prepared as at 30.09.2015, covering the period from 01.01.2015 to 30.09.2015 and containing relevant comparative data as at 31.12.2014 and for the period from 01.01.2014 to 30.09.2014, as well as the result for the period from 01.07.2015 to 30.09.2015 and for the corresponding comparable period of 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). In the recent years, employing its long-standing experience, 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, C and build. D in Kazachska St (520 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), Stage II (172 units);

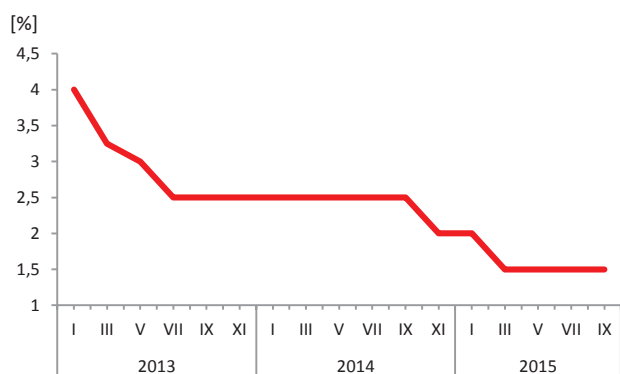
- Gdynia: “Brama Sopotcka I” (54 units);
- Olsztyn: “Osiedle Tęczowy Las” build. 1-5 (436 units) and build. 6 (149 units);
- Łódź: “City Park” Stage I-III (235 units);
- Szczecin: “Ku Słońcu” Stage I, II (build. 1,2) (539 units);
- Polnord is also responsible for the implementation of the office complex “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 third quarter 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 third quarter of 2015, 13.2 thousand units were sold, while in the corresponding period of 2014 it was 10.4 thousand units. The number of premises put on the market increased by over 20% in comparison with the previous quarter and amounted to 15.9 thousand. The factors that stimulate demand on the real estate market are:

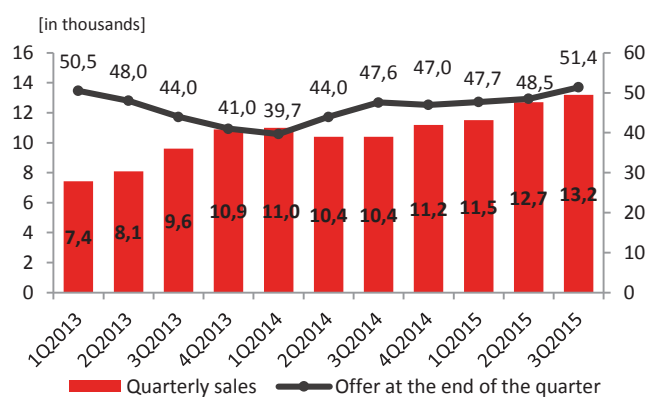
- low interest rates (of mortgage loans and term deposits),
- stable prices of units (since the end of 2014, a mild increase in prices per square meter has been observed),
- the offer tailored to the needs of buyers,
- financial support under the government programme “Mieszkanie dla Młodych” (“MdM Programme”) and,
- escrow accounts providing security to buyers.

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 30.09.2015



Source: REAS

In 2014, under the Recommendation S III mortgage loans for 100% of the real estate value were withdrawn from the banks' offers. From the beginning of 2015, the amount of the down payment amounts to 10% and in 2016 it will increase up to 15%. The requirements concerning the increased down payment have not turned out to be an impediment to the purchase of apartments in 2015, and according to REAS, the situation on the market in 2016 will be similar. In the first half of 2015, the MdM Programme, which eliminated the consequences of the Recommendation S III, has had a significant impact on the real estate market. 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. In the third quarter of 2015, the number of applications for subsidies under the MdM Programme remained at a similar level.

Since September 2015, new rules have been introduced to the MdM Programme. A significant change from the perspective of developers is the fact that secondary market transactions have been also covered with financial support. In the near future, the influence of the MdM Programme on the primary market will lose significance due to the need to allocate funds for subsidies between the primary and secondary markets and the approaching termination of 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, in Piaseczno (Warsaw agglomeration) in Grochowskiego St as well as in Cracow in Polonijna St. and in Katowice in Gen. Pułaskiego 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 THREE QUARTERS OF 2015

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

At the end of the third quarter of 2015, Polnord, through the wholly owned subsidiaries and jointly controlled companies, was implementing 18 residential projects, presented in Table 10, within which 2,333 units of the total usable area of 126 thousand sq m are to be built.

Pursuant to IFRS, The Group recognizes revenue from sales of premises after transferring risks and benefits to clients (which always takes place not earlier than after handing over of a particular housing project for use – i.e. after construction works are finished) on the basis of the handover certificate or after signing of a notarial deed. The above mentioned method of presentation of revenue 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 30.09.2015 on the result and operating cash flows will be recognized in financial statements when a particular housing project is handed over for use.

Table 1. Expected operating income and direct margin on sales from units sold in I-III quarters of 2015

INVESTMENT	number ¹⁾ of concluded/cancelled agreements	For the period from 01.01.2015 to 30.09.2015			
		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)	3	1 734	611	268	879
Śródmieście Wilanów (build. D)	6	2 532	689	465	1 154
Śródmieście Wilanów (build. E)	63	29 794	8 158	5 007	13 165
Śródmieście Wilanów (build. F)	46	18 101	3 721	3 916	7 637
Wilanów Brzozowy Zakątek (build. A1)	17	7 845	631	2 187	2 818
Smart Aparthotel	190	29 482	1 908	7 049	8 957
Neptun I (Stage 1)	16	4 350	976	522	1 498
Neptun I (Stage 2)	60	15 708	3 772	1 836	5 608
Tricity					
Ostoja Myśliwska I-II	2	980	335	86	421
2 Potoki I	4	819	177	82	259
2 Potoki II	23	4 536	980	510	1 490
2 Potoki III	46	8 169	1 369	1 123	2 492
Sopocka Rezydencja	2	1 251	-	940	940
Dwa Tarasy I	13	2 924	805	299	1 104
Dwa Tarasy II	95	23 093	6 568	2 324	8 892
Brama Sopocka I	12	4 559	730	1 009	1 739
Olsztyn					
Osiedle Tęczowy Las (build. 4)	1	162	53	10	63
Osiedle Tęczowy Las (build. 5)	4	1 020	219	39	258
Osiedle Tęczowy Las (build. 6)	53	11 134	2 703	641	3 344
Szczecin					
Ku Słońcu I	5	8 714	1 433	1 705	3 138
Ku Słońcu II (build. 1)	32	7 285	1 057	990	2 047
Ku Słońcu III (build. 3)	35	1 741	243	291	534

Łódź					
City Park II	2	802	-	195	195
City Park (IV EA5)	51	9 900	1 301	964	2 265
City Park (IV EA3)	3	770	107	119	226
Total - Part I	784	197 405	38 546	32 577	71 123
Part II - projects implemented by the companies jointly controlled by Polnord SA					
Warsaw					
Ostoja Wilanów V-VII	15	2 726	454	685	1 139
Ostoja Wilanów VIa (B4)	41	10 673	2 335	2 682	5 017
Ostoja Wilanów VIa (C2)	41	14 717	4 152	3 643	7 795
Stacja Kazimierz etap I	65	13 073	4 444	1 529	5 973
Stacja Kazimierz etap II	31	6 779	2 148	788	2 936
Wrocław					
Osiedle Innova VI-VII	6	1 009	321	185	506
Apartamenty Innova I	47	6 927	1 675	1 278	2 953
Osiedle Moderno	97	12 616	4 060	1 353	5 413
Tricity					
Aquasfera (Pacific)	38	4 531	850	727	1 577
Aquasfera (build. Indian, staircases A and B)	21	1 977	273	304	577
Total - Part II	402	75 028	20 712	13 174	33 886
Total - Part I and II	1 186	272 433	59 258	45 751	105 009

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.

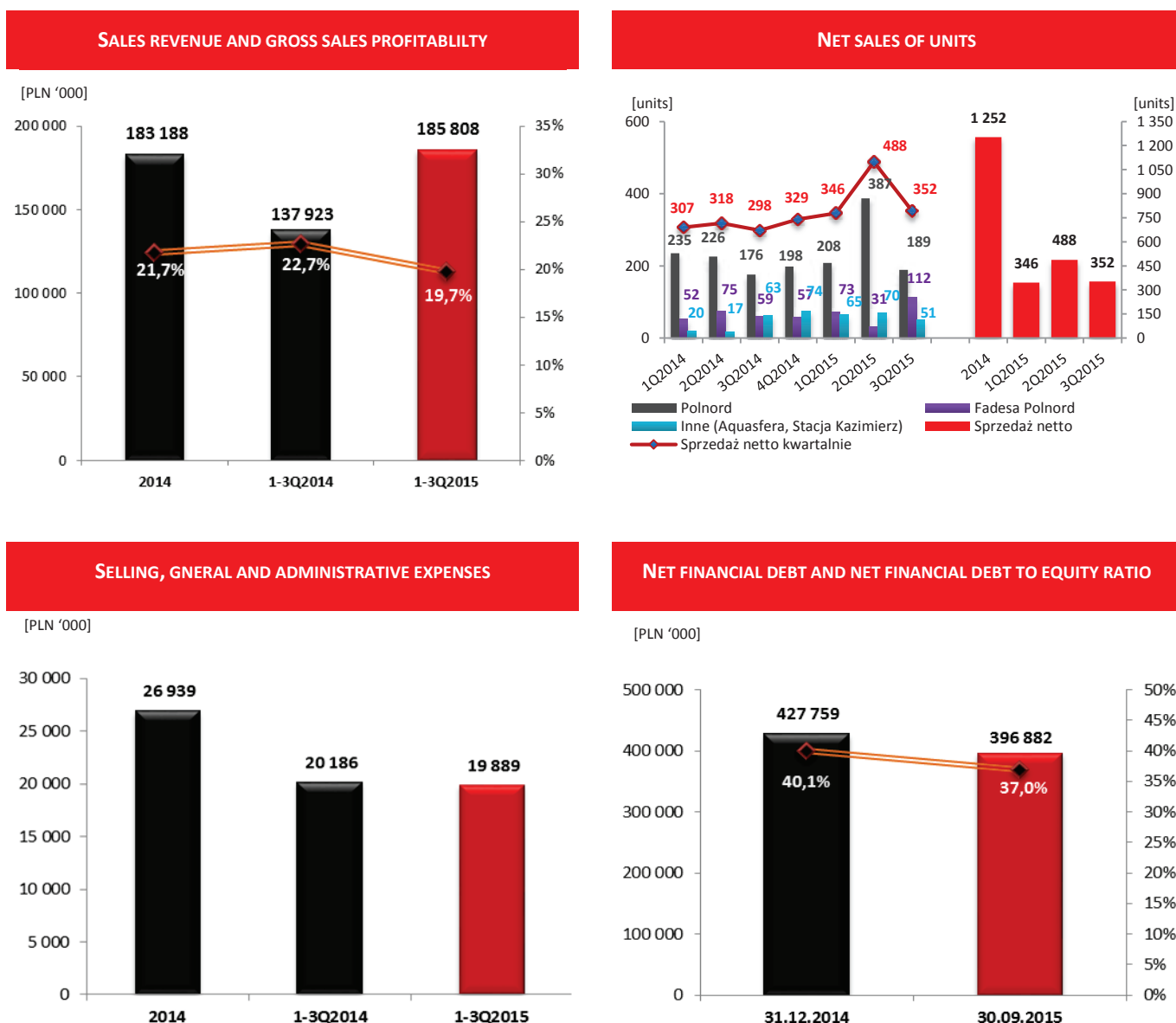
The selling, general and administrative costs in the period from the beginning of the year to 30.09.2015 amounted to PLN 19,889 thousand and were lower than in the corresponding period of the previous year, when they totalled PLN 20,186 thousand. Slight variations in costs among particular quarters are natural for the industry in which Polnord Group operates.

Debt reduction

As at 30.09.2015, the net financial debt of the Group (Polnord SA and wholly owned subsidiaries) shown in the consolidated balance sheet amounted to PLN 396,882 thousand, which shows a decrease of PLN 30,877 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 - 30.09.2015	01.01.2014 - 30.09.2014	01.01.2015 - 30.09.2015	01.01.2014 - 30.09.2014
Sales revenue	185 808	137 923	44 681	32 993
Gross profit (loss) on sales	36 683	31 309	8 821	7 490
Gross operating profit (loss)	8 111	20 479	1 951	4 899
Gross profit (loss)	2 854	6 612	686	1 582
Net profit (loss) on continued operations	5 218	7 165	1 255	1 714
Net profit (loss)	5 075	6 306	1 220	1 509
BALANCE SHEET	30.09.2015	31.12.2014	30.09.2015	31.12.2014
Equity	1 072 165	1 067 382	252 953	250 424
Long-term liabilities	317 541	406 824	74 916	95 447
Short-term liabilities	372 413	298 898	87 862	70 126
Fixed assets	984 813	970 808	232 344	227 766
Current assets (including those classified as held for sale)	777 305	802 296	183 387	188 231
Total assets	1 762 118	1 773 104	415 731	415 997

Table 3. Selected individual financial data

PROFIT AND LOSS ACCOUNT	[000'PLN]		[000'EUR]	
	01.01.2015 - 30.09.2015	01.01.2014 - 30.09.2014	01.01.2015 - 30.09.2015	01.01.2014 - 30.09.2014
Sales revenue	36 994	28 266	8 896	6 762
Gross profit (loss) on sales	33 379	26 004	8 027	6 221
Gross operating profit (loss)	7 460	13 712	1 794	3 280
Gross profit (loss)	1 769	8 295	425	1 984
Net profit (loss) on continued operations	3 986	7 940	959	1 899
Net profit (loss)	3 843	7 081	924	1 694
BALANCE SHEET	30.09.2015	31.12.2014	30.09.2015	31.12.2014
Equity	1 004 329	1 000 282	236 949	234 681
Long-term liabilities	599 088	681 980	141 341	160 003
Short-term liabilities	287 746	237 202	67 887	55 651
Fixed assets	1 435 106	1 454 553	338 580	341 260
Current assets (including those classified as held for sale)	456 056	464 911	107 596	109 075
Total assets	1 891 163	1 919 464	446 176	450 335

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.

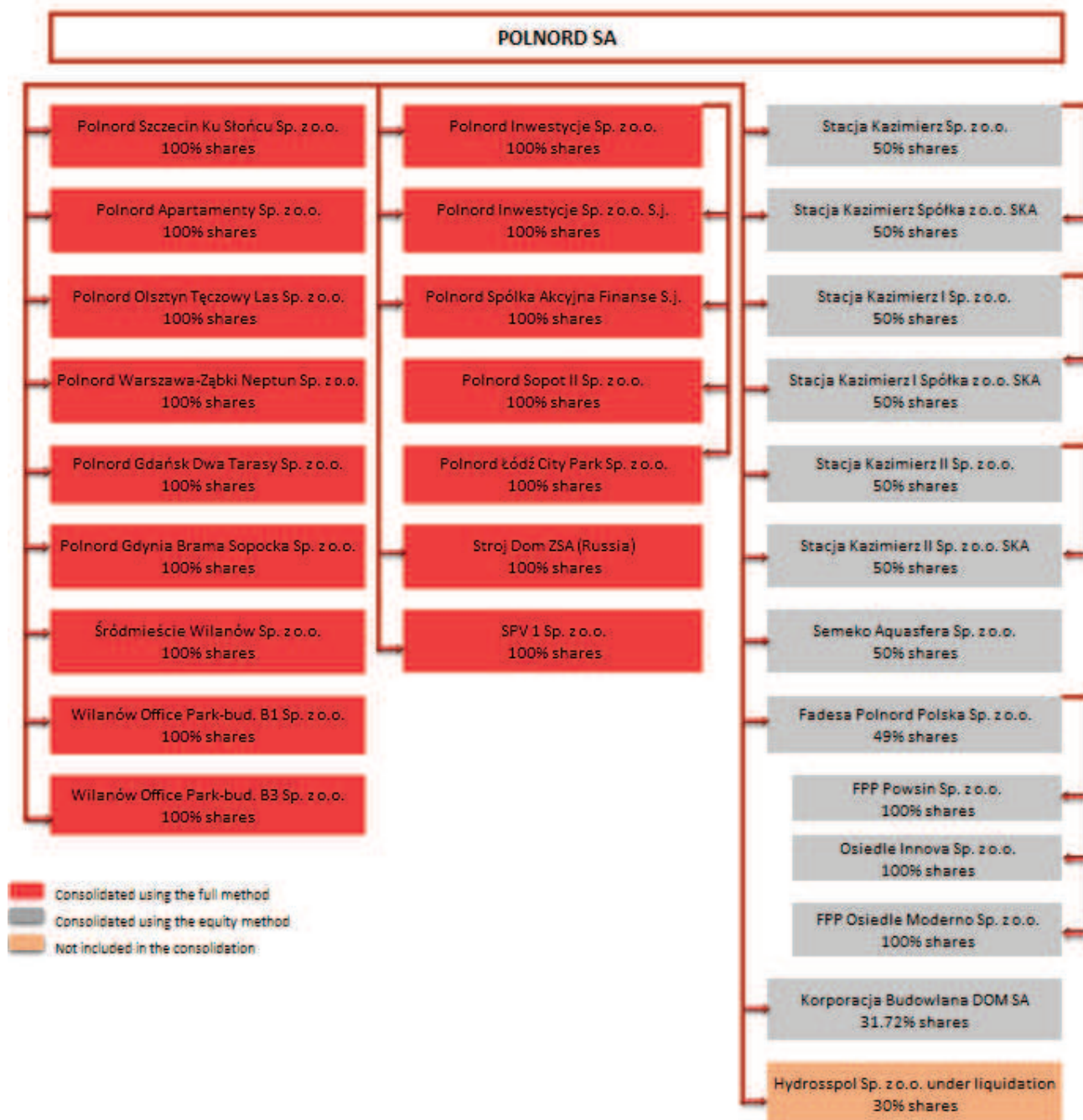
The duration of the Company and companies comprising the Group as at 30.09.2015 is indefinite.

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 30.09.2015.

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.

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 period from 01.01.2015 to 30.09.2015, 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. The Company, following a procedure of notifying the creditors, filed an application for the registration of the share capital reduction of the company to the Registry Court. The change has not been registered by 30.09.2015.
	<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. The Company, following a procedure of notifying the creditors, filed an application for the registration of the share capital reduction of the company to the Registry Court. The change has not been registered by 30.09.2015.
	<i>Purchase of shares, registration of a change in the company name</i>
Stacja Kazimierz II 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 has held 2,664,550 shares constituting 26.84% of the share capital of Korporacja Budowlana Dom SA and in the total number of votes.

Purchase of shares

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.

Registration of a change in the company name

Stacja Kazimierz II
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 Spółka z ograniczoną odpowiedzialnością SKA to Stacja Kazimierz II Spółka z ograniczoną odpowiedzialnością SKA.

Registration of the merger of Polnord with its subsidiaries

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"). The merger was effected pursuant to Article 492 § 1 section 1 of the CCC in conjunction with Article 515 § 1 and Article 516 § 6 of the CCC, through transfer of all assets and liabilities of the Target Companies to the Acquiring Company without increasing the share capital of the Acquiring Company, in compliance with the Merger Plan of 25.05.2015 pursuant to the resolutions on merging the above mentioned companies adopted by the GSM of Polnord SA of 30.06.2015 and the Extraordinary Shareholders Meeting of Polnord Marketing Sp. z o.o. of 06.07.2015 and the Extraordinary Shareholders Meeting of 10 H Sp. z o.o. of 06.07.2015.

The following changes took place after the balance sheet date:

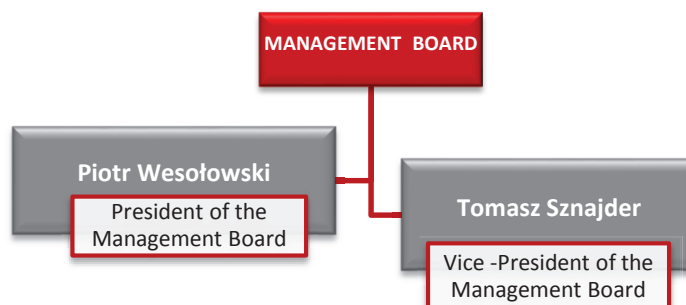
Entity name	Description of the event
	<i>Registration of the decrease in the company's share capital</i>
Polnord Sopot II Sp. z o.o.	On 04.11.2015, the District Court Gdańsk – Północ in Gdańsk, VIII Commercial Division of the National Court Register issued the decision on the registration of the decrease in the share capital of Polnord Sopot II Sp. z o.o. to the amount of PLN 100,000.
	<i>Registration of the decrease in the company's share capital</i>
Polnord Łódź City Park Sp. z o.o.	On 16.11.2015, the District Court Gdańsk – Północ in Gdańsk, VIII Commercial Division of the National Court Register issued the decision on the registration of the decrease in the share capital of Polnord Łódź City Park Sp. z o.o. to the amount of PLN 100,000.

As at 30.09.2015, 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 30.09.2015, 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.

Brief characteristics of the Management Board:

Piotr Wesołowski - President of the Management Board

He is a graduate of the University of Physical Education and Sport in Gdańsk. He has been pursuing a professional career in the construction industry for over 20 years now. Between 1987 and 1990, the head of "Various Services" Department at Zakład Usługowo-Produkcyjny UNIBUD in Gdańsk. In 1991, he founded UNI-BUD MARMURY (marble) company and became the President of its Management Board, creating a thriving enterprise significant on the entire Polish national market. In 2005, he sold his shares in the company and founded WES-BUD Nieruchomości (real estate), engaging in real estate development activity which he pursued until being appointed to the Management Board of Polnord SA. From June 2005 to November 2012, appointed as a Vice-President of the Management Board of Polnord, he was responsible for investment implementation, marketing and sales. Since November 2012, he has been the President of the Management Board of Polnord SA.

In 2001-2014, he was a member of the Supervisory Board of SSA ARKA Gdynia. He is also a President of the Supervisory Board of KB Dom SA. and a Member of the Supervisory Board of Fadesa Polnord Polska Sp. z o.o.

Tomasz Sznajder – Vice-President of the Management Board

A graduate of Gdańsk University of Technology with a degree in Management and Economics, he participated in a doctoral programme at Warsaw School of Economics. Between 1999 and 2005, he worked as an expert and manager in various financial and banking institutions, inter alia in the Investment Banking Department of BGŻ SA, where he handled issues of debt securities. Between 2006 and 2008, he was a successful managing director of a production company constituting a part of a large Swedish international capital group, SCA. He contributed then to a rapid increase of revenue and profit of the managed company. He has been working for Polnord Group since 2008. In 2009-2012, he was the Chief Financial Officer of Polnord SA. Since August 2012 –Member of the Management Board and since November 2012 – Vice-President of the Management Board of Polnord SA.

Mr Tomasz Sznajder is a Member of the Supervisory Board of KB Dom SA and a Vice-President of the Management Board of Fadesa Polnord Polska Sp. z o.o.

Supervisory Board

As at 30.09.2015, 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 changed as follows.

On 30.10.2015, the 31st Extraordinary General Meeting of the Company changed the composition of the Supervisory Board of Polnord.

The following persons were dismissed from the Supervisory Board of the Company:

1. Piotr Stanisław Chudzik
2. Maciej Grelowski
3. Piotr Jerzy Nadolski
4. Andrzej Tadeusz Podgórski
5. Zygmunt Michał Roman

The following persons were appointed to the current Supervisory Board of the Company:

1. Jerzy Bartosiewicz
2. Czcibor Dawid
3. Bartłomiej Kędzior
4. Mariusz Krzysztof Kozłowski
5. Maciej Stradomski.

In connection with the changes made, indicated above, the current composition of the Company's Supervisory Board is as follows:

1. Jerzy Bartosiewicz
2. Czcibor Dawid
3. Marcin Dukaczewski
4. Artur Piotr Jędrzejewski
5. Bartłomiej Kędzior
6. Mariusz Krzysztof Kozłowski
7. Maciej Stradomski.

Mr Jerzy Bartosiewicz, Mr Bartłomiej Kędzior and Mr Maciej Stradomski made statements about meeting the independence criteria, in line with §13 (5) of the Company's Articles of Association - independence criteria referred to in Annex II to the Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board.

The current three-year term of office of the Supervisory Board of Polnord commenced on 28.06.2013.

The Supervisory Board of the Company has not been constituted by the date of publishing this Report.

Brief characteristics of the Supervisory Board Members:

Jerzy Bartosiewicz

A graduate of the University of Łódź, stockbroker. Over the period 1991-1998 he worked in Bank Handlowy successively as a Broker, Deputy Director and Director. Former head of the team establishing the Investment Fund company of Bank Handlowy, and then Chairman of its Supervisory Board. Member of the team establishing the Open Pension Fund of Bank Handlowy and PKO BP, and then member of the Supervisory Board; Member of the team responsible for privatisation of Bank Handlowy. From 1998 to 2000, Vice-President of the Management Board of Powszechny Zakład Ubezpieczeń na Życie S.A. After that he was an Advisor to the Management Board of NFI im. E. Kwiatkowskiego S.A., LST Capital and Browary Polskie Brok-Strzelec where he was the Finance Director. From 2004 to 2011, a Member of the Management Board and Managing Partner in 4Fin Corporate Finance. From 2012, he has been the Investment Manager in Krajowy Fundusz Kapitałowy. Chairman of the supervisory bodies of Skyline Venture Fund and Impera Seed Fund.

Czcibor Dawid

He holds an MBA from the University of Chicago Booth School of Business and a Master's degree in Economics of the Warsaw School of Economics. Since 1994, associated with the capital market. In 1994-2001 He worked successively in: Powszechny Bank Kredytowy as a dealer in the equity market, JPMorgan Securities as an Equity Trader, AIG PTE as an Equity Portfolio Manager and as a Vice-President / Market Maker at Dresdner Kleinwort Benson. In 2002-2008, Department Director of Bank Handlowy responsible, among others, for products of Treasury and Private Banking. From 2008 to 2010, Vice-President of TMS Brokers. President of the Management Board of Noble Securities in 2010-2014. He has been currently serving as the Member of the Board for Business Development in Altus TFI SA.

Marcin Dukaczewski

He studied International Relations at the Faculty of Journalism and Political Science of the University of Warsaw. Since 2001 he was connected with Prokom Investments SA Capital Group where he participated in the main IT and capital projects run by Prokom Software SA as well as in investment and commercial projects implemented by Bioton SA, Petrolinvest SA, Polnord SA and other entities of the Prokom Investments SA Group. He is Vice-President of the Management Board of Prokom Investments SA. He is also a member of the following supervisory boards: Bioton SA, Petrolinvest SA, Silurian Sp. z o.o., as well as a member of the Boards of Directors of the Bioton Group companies: SciGen Ltd and BIOLEK Sp. z o.o.. He is also a member of the Management Board of PZT Prokom Sp. z o.o..

Artur Piotr Jędrzejewski

He holds an MBA from the University in Minnesota and is a graduate of the Warsaw School of Economics. In 1994-1996, Management Accountant in the financial department at Commercial Union Towarzystwie Ubezpieczeń na Życie Polska SA. In 1996-2000, he worked in Corporate Finance SA successively as a Consultant, Senior Consultant and Manager, and in Netia Telekom SA as the business analysis Director and Budget Officer. In 2001-2002, he was a mergers and acquisitions Director at BRE Corporate Finance SA. President of the Management Board of Carlson Capital Partners Sp. z o.o. in 2002-2011 and of Gaudi Management SA in 2007-2011. Since 2003, General Director of Carlson Private Equity Ltd.; since 2010, President of the Management Board of Bouchard & Cie A.G. with its registered office in Switzerland.

Bartłomiej Kędzior

A graduate of the Faculty of Law at the University of Wrocław. For several years he worked as a lawyer for the companies involved in construction projects, in 2003 he became President of the Management Board of City Management – a company providing services of project management and management of office buildings. He was also a member of the Supervisory Board of the investment company Phoenix Group. In 2004-2006, Secretary of the Board of Directors of Vratislavia Holdings in Luxembourg. In 2007, he was a co-founder, President of the Management Board and Chief Executive Officer of Prime Project sp. z o.o. with its registered office in Wrocław, specializing in comprehensive services for construction investment projects, investment and technical consulting and real estate management.

Mariusz Krzysztof Kozłowski

A graduate of the Warsaw School of Economics, a licensed securities broker. Since 1995, associated with the capital market in DML Brokerage House and ABN AMRO Securities SA. From 2000 to 2015, he has been employed in GTC SA, where he has worked as the Investor Relations Director, Leasing and Marketing Director and International Retail Director. In 2002-2015, the Member of the Management Board of GTC SA.

Maciej Stradomski

A graduate of the Faculty of Management at the University of Economics in Poznań, as well as post-graduate studies in the field of real estate management at the University of Economics in Poznań. Doctor and professor at the University of Economics in Poznań. Since 1996, connected with the financial sector, successively in: W. Frąckowiak i Partnerzy Wielkopolska Grupa Konsultingowa, Bank Handlowy, as well as W. Frąckowiak Partnerzy Konsulting - today F5 Konsulting Sp. z o.o. In 2004, he was appointed Chief Financial Officer of Eteron Sp. z o.o.; President of the Management Board of DMP Finanse Sp. z o.o. in 2006-2007 and of Eteron Investment Sp. z o.o. in 2007-2009. Currently, the Member of the Management Board of Eteron Sp. z o.o. and CMT Advisory Sp. z o.o.

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 as at 16.11.2015

Name	Function	Number of shares
Piotr Wesołowski	President of the Management Board	38,227
Tomasz Sznajder	Vice-President of the Management Board	42,074
Mariusz Krzysztof Kozłowski*	Member of the Supervisory Board	42,635
Marcin Dukaczewski	Member of the Supervisory Board	7,115

* appointed to the Supervisory Board on 30.10.2015, holding 42,635 shares of the Company

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 16.11.2015

Name	Number of warrants held	Issue price of series S shares (change price) [PLN]	The deadline for the exercise of rights of warrants
Piotr Wesołowski - President of the Management Board	150,000	9.00	31.12.2016
Tomasz Sznajder - Vice-President of the Management Board	100,000	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.

The third (last) tranche of 110,066 series C warrants was issued and delivered on 26.10.2015, including a total of 83,466 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 30.09.2015, the following shareholders held shares vested with at least 5% of votes at the General Meeting:

Table 7. Shareholding of Polnord SA as at 30.09.2015*

Shareholders	Number of shares/votes	Nominal value of shares [PLN]	% of share capital/votes
Prokom Investments SA in Gdynia**	3,795,313	7,590,626	11.63%
Pioneer Pekao Investment Management SA (all customers of PPIM)***	3,119,628	6,239,256	9.56%
ALTUS Towarzystwo Funduszy Inwestycyjnych SA (investment funds managed by ALTUS TFI SA)	3,094,603	6,189,206	9.48%
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	19,349,220	38,698,440	59.29%
Total	32,633,027	65,266,054	100.00%

* according to the information provided to the Company by Shareholders pursuant to art. 69 of the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading and Public Companies;

** 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 period from 01.01.2015 to 30.09.2015, 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>Exceeding the threshold of 5% in the total number of votes in Polnord</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 has owned 1,637,600 shares, constituting 5.02% of share in the share capital and 5.02% in Polnord's voting rights.</p>

23.07.2015	BZ WBK Asset Management 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.</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 constituted 5.02% of the share capital. The shares were vested with 1,636,663 votes, which constituted 5.02% share in the total number of votes at the general shareholders meeting of Polnord.</p>
05.08.2015	SEB Asset Management SA with its registered office in Luxembourg	<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 SA on 04.08.2015.</p> <p>Before the change in the share, SEB Asset Management SA 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 SA has held 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>
15.09.2015	Prokom Investments SA with its registered office in Gdynia ("Prokom")	<p><i>Reduction of the share in the total number of votes in Polnord</i></p> <p>The reduction was caused by the sale of a total of 3,085,726 Company shares by Prokom on the regulated market of the Warsaw Stock Exchange, in a block transaction, on 10.09.2015.</p> <p>Prior to the occurrence of the above event, Prokom held:</p> <ul style="list-style-type: none"> (i) directly in the Company's share capital, 6,879,803 shares, corresponding to 6,879,803 votes, which represented 21.08% of the share capital of the Company and 21.08% in the total number of votes, and (ii) indirectly together with Osiedle Wilanowskie Sp. z o.o. – Prokom's subsidiary, a total of 6,881,039 shares of the Company, corresponding to 6,881,039 votes, which represented 21.08% of the share capital of the Company and 21.08% in the total number of votes. <p>As a result of the sale of 3,085,726 shares of Polnord, Prokom has held:</p> <ul style="list-style-type: none"> (i) directly in the Company's share capital, 3,794,077 shares, corresponding to 3,794,077 votes, representing 11.63% of the share capital of the Company and 11.63% in the total number of votes, and (ii) indirectly together with Osiedle Wilanowskie Sp. z o.o., a total of 3,795,313 shares of the Company, corresponding to 3,795,313 votes, representing 11.63% of the share capital of the Company and 11.63% in the total number of votes.

15.09.2015	ALTUS Towarzystwo Funduszy Inwestycyjnych SA with its registered office in Warsaw ("ALTUS TFI")	<p><i>Exceeding the threshold of 5 % in the total number of votes in Polnord</i></p> <p>The 5% threshold in the total number of votes in the Company was exceeded as a result of the settlement on 10.09.2015 of acquisition of 3,085,726 Company shares in a the block transaction.</p> <p>Prior to change of share, investment funds managed by ALTUS TFI SA held a total of 8,877 Company shares, constituting 0.03% of the share capital of the Company, vested with 8,877 votes, which constituted 0.03% in the total number of votes in the Company.</p> <p>After the change, investment funds managed by ALTUS TFI SA have held a total of 3,094,603 Company shares, constituting 9.48% of the share capital of the Company, vested with 3,094,603 votes, which constituted 9.48% in the total number of votes in the Company.</p>
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After the balance sheet date, there were changes in the Company's shareholding:

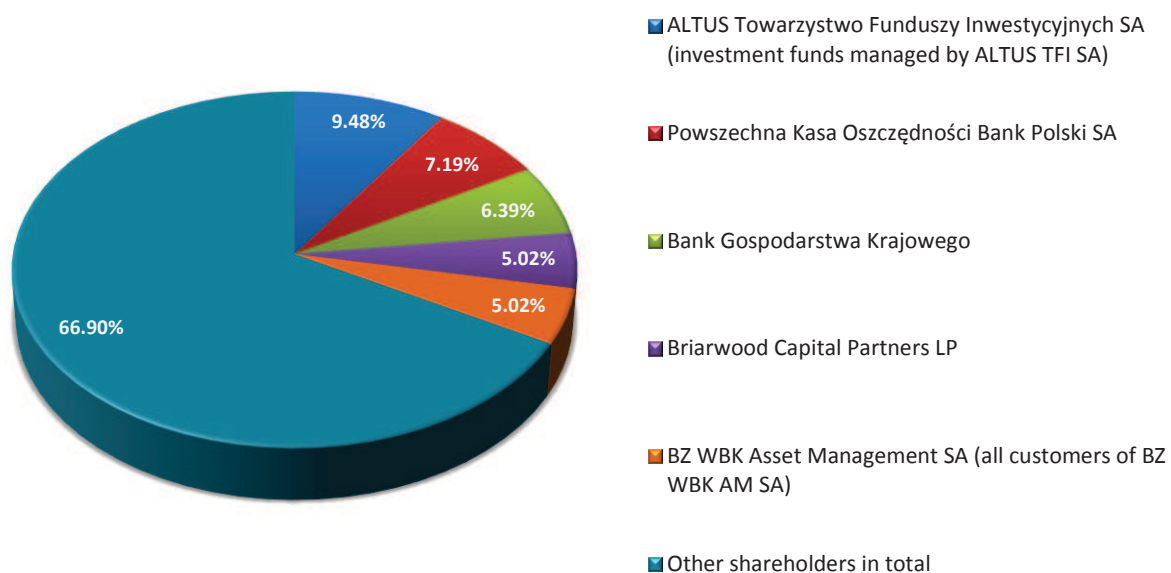
Date of notification to the Company	Name of the notifier	Description of the event
20.10.2015	Powszechna Kasa Oszczędności Bank Polski SA with its registered office in Warsaw ("PKO BP")	<p><i>Exceeding the threshold of 5 % in the total number of votes in Polnord</i></p> <p>The 5% threshold in the total number of votes in the Company was exceeded on 16.10.2015 in connection with the acquisition by PKO BP of the collateral in the form of shares of the Company, under art. 22 of the Act of 06.12.1996 on Registered Pledges and the Pledge Register.</p> <p>Before the event causing the obligation of notification, PKO BP and its subsidiaries did not hold any shares of Polnord.</p> <p>Following the event, PKO BP has held 2,345,893 shares of Polnord, vested with 2,345,893 votes which constituted 7.19% in the share capital of the Company and 7.19% in the total number of votes at the general meeting of the Company.</p>
21.10.2015	Prokom Investments SA with its registered office in Gdynia ("Prokom")	<p><i>Reduction of the share in the total number of votes in Polnord</i></p> <p>The reduction took place on 16.10.2015 as a result of the acquisition by the financial institutions, under Article 22 of the Act on registered pledge, of a total of 3,794,077 shares of the Company from Prokom.</p> <p>Prior to the occurrence of the above event, Prokom held 3,794,077 shares in the Company's share capital, corresponding to 3,794,077 votes, which represented 11.63% of the share capital of the Company and 11.63% in the total number of votes.</p> <p>As a result of the acquisition of a total of 3,794,077 shares of the Company by the financial institutions on 16.10.2015, Prokom holds no shares of Polnord.</p>

		<p><i>Exceeding the threshold of 5 % in the total number of votes in Polnord</i></p> <p>On 16.10.2015, BGK acquired 1,448,184 shares of the Company constituting 4.438% in the share capital of the Company and representing 4.438% of voting rights in the total number of votes at a general meeting of the Company.</p> <p>The Company shares have been acquired by BGK as part of a recovery process by:</p> <p>(i) taking them over, pursuant to art. 22 clause 1(1) of the Act of 6.12.1996 on Registered Pledge and Pledge Register, by the administrator of the pledge established to secure the receivables of BGK, followed by</p> <p>(ii) transferring them to BGK by the pledge administrator through taking over, as described in point (i) hereinabove, towards satisfaction of the secured receivables.</p> <p>Before the acquisition, BGK held 638,706 shares of Polnord, which constituted 1.957% in the share capital of the Company, vested with 1.957% votes of the total number of votes at a general meeting of the Company.</p> <p>After the acquisition of the Company shares on 16.10.2015, BGK has held a total of 2,086,890 shares of Polnord, which constituted 6.395% in the share capital of the Company, vested with 6.395% votes of the total number of votes at a general meeting of the Company.</p>
22.10.2015	Bank Gospodarstwa Krajowego with its registered office in Warsaw ("BGK")	
		<p><i>Reduction of the share in the total number of votes in Polnord</i></p> <p>The reduction took place on 27.10.2015 as a result of the disposal of 506 224 shares of Polnord by the customers of PPIM. Before the change in the share, all Customers of PPIM held 1 786 961 shares in the share capital of the Company, corresponding to 1 786 961 votes, which represented 5.48% of the share capital of the Company and 5.48% of total number of votes at the general meeting. Upon the change in the share, all Customers of PPIM have held 1 280 737 shares in the share capital of the Company, corresponding to 1 280 737 votes, representing 3.92% of the share capital of the Company and 3.92% of total number of votes at the general meeting.</p>
04.11.2015	Pioneer Pekao Investment Management SA with its registered office in Warsaw ("PPIM")	

Table 8. Shareholding of Polnord SA at 16.11.2015*

Shareholder	Number of shares/votes	Par value of shares [PLN]	% of share capital/votes
ALTUS Towarzystwo Funduszy Inwestycyjnych SA (investment funds managed by ALTUS TFI SA)	3,094,603	6,189,206	9.48%
Powszechna Kasa Oszczędności Bank Polski SA	2,345,893	4,691,786	7.19%
Bank Gospodarstwa Krajowego	2,086,890	4,173,780	6.39%
Briarwood Capital Partners LP	1,637,600	3,275,200	5.02%
BZ WBK Asset Management SA (all customers BZ WBK AM SA)	1,636,663	3,273,326	5.02%
Other shareholders in total	21,831,378	43,662,756	66.90%
Total	32,633,027	65,266,054	100.00%

* according to the information provided to the Company by Shareholders pursuant to art. 69 of the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading and Public Companies.

Shareholding of Polnord SA as at 16.11.2015

II ACTIVITIES OF THE CAPITAL GROUP

1 MAIN PRODUCTS, GOODS, SERVICES AND MAIN SALES MARKETS

In the period of three quarters of 2015, the Group achieved revenue from sales of PLN 185,808 thousand. Sales of residential and commercial premises at the level of 89.3% constitutes the main source of the Group's revenue.

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

Table 9. Polnord Capital Group revenue by source

Source of revenue	I – III Q 2015		I – III Q 2014	
	Sales [PLN '000]	Share [%]	Sales [PLN '000]	Share [%]
Sale of residential and commercial premises*	165,957	89.3	122,099	88.5
Lease	11,874	6.4	12,156	8.8
Sales of land plots**	3,835	2.1	2,297	1.7
Other	4,142	2.2	1,371	1.0
Total	185,808	100.0	137,923	100.0

*The Group recognizes revenue from sales of premises after transferring risks and benefits to clients (which always takes place not earlier than after handing over of a particular housing project for use – i.e. after construction works are finished) on the basis of the handover certificate or after signing of a notarial deed. The amount of revenues from the sale of premises is not equivalent to the amount of sale agreements made in a given reporting period.

**The item contains revenue from sales of plots, which were included in the Inventory. A complete list of the plots of land sold is presented in Chapter 2, point 2.4.

Poland has been the core area of business of the Polnord Capital Group in the period from 01.01.2015 to 30.09.2015. The Group operated in the domestic market 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 30.09.2015. In the period from 01.01.2015 to 30.09.2015, the companies of the Polnord Capital Group sold net 1,186 premises (on the basis of preliminary and reservation agreements), of which 352 units in the third quarter of 2015.

Table 10. Sales and offers as at 30.09.2015

Projekt	General information				Premises sold (net-including cancellations)		Offer as at 30.09.2015
	Usable area (sq m)	Number of premises	Date of the handing over for use	Company implementing the project	until 31.12.2014	including I-IIIQ 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	3	1
Śródmieście Wilanów (build. D)	9 532	189	IIIQ 2015	Śródmieście Wilanów	183	6	-
Neptun I (Stage I)	6 211	109	IIQ 2015	Polnord Warszawa Ząbki Neptun	91	16	2

Projects under development							
Śródmieście Wilanów (build. E)	8 776	151	IVQ 2016*	Śródmieście Wilanów	11	63	77
Śródmieście Wilanów (build. F)	6 693	125	IIQ 2016*	Śródmieście Wilanów	70	46	9
Neptun I (Stage II)	5 623	105	IVQ 2015*	Polnord Warszawa Ząbki Neptun	17	60	28
Projects launched in 2015							
Wilanów Brzozowy Zakątek (build. A1)	7 770	128	IQ 2017*	Śródmieście Wilanów	-	17	111
Smart Aparthotel	3 931	190	IIQ 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	4	2
2 Potoki II	7 142	162	IVQ 2013	Polnord Apartamenty	135	23	4
2 Potoki III	7 239	156	2012-2013	Polnord Apartamenty	44	46	66
Sopocka Rezydencja	9 672	162	IQ 2012	Polnord Sopot II	160	2	-
Dwa Tarasy I	7 314	162	IVQ 2014	Polnord Gdańsk Dwa Tarasy	148	13	1
Dwa Tarasy II	8 387	172	IIIQ 2015	Polnord Gdańsk Dwa Tarasy	31	95	46
Brama Sopocka I	3 581	54	IIIQ 2015	Polnord Gdynia Brama Sopocka	7	12	35
Projects launched in 2015							
2 Potoki IV	4 500	96	IIIQ 2016*	Polnord Apartamenty	-	-	96
Brama Sopocka II	3 396	42	IIQ 2017*	Polnord Gdynia Brama Sopocka	-	-	42
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
Osiedle Tęczowy Las (build. 6)	6 971	149	IIIQ 2015	Polnord Olsztyn Tęczowy Las	64	53	32
Projects launched in 2015							
Osiedle Tęczowy Las (build. 7)	5 083	87	IIIQ 2017*	Polnord Olsztyn Tęczowy Las	-	-	87
SZCZECIN							
Projects handed over for use							
Ku Stońcu I	12 203	223	IVQ 2011	Polnord Szczecin Ku Stońcu	215	5	3
Ku Stońcu II (build. 2)	7 657	158	IVQ 2012	Polnord Szczecin Ku Stońcu	157	-	1
Ku Stońcu II (build. 1)	7 676	158	IVQ 2014	Polnord Szczecin Ku Stońcu	123	32	3
Projects launched in 2015							
Ku Stońcu III (build. 3)	9 191	182	IIQ 2017*	Polnord Szczecin Ku Stońcu	-	35	147
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	IVQ 2015*	Polnord Łódź City Park	28	51	15
Projects launched in 2015							
City Park IV (build. EA 3)	7 401	115	IQ 2017*	Polnord Łódź City Park	-	3	112
Projects handed over for use - total	141 600	2 700			2 174	319	207
Projects under development - total	66 232	1 315			126	465	724
<i>including projects launched in 2015</i>	<i>41 271</i>	<i>840</i>			<i>-</i>	<i>245</i>	<i>595</i>
Total Part I	207 832	4 015			2 300	784	931

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	15	7
Projects under development							
Ostoja Wilanów VIA (B4)	9 272	137	IVQ 2015*	Fadesa Polnord	55	41	41
Stacja Kazimierz Stage I	9 413	184	IQ 2016*	Stacja Kazimierz	97	65	22
Projects launched in 2015							
Ostoja Wilanów (Stage VI build. C2)	12 532	126	IQ 2017*	Fadesa Polnord	-	41	85
Stacja Kazimierz Stage II	6 887	116	IIQ 2017*	Stacja Kazimierz II	-	31	85
TRICITY							
Projects handed over for use							
Aquasfera (Pacific)	11 104	216	IIQ 2015	Semeko Aquasfera	153	38	25
Projects launched in 2015							
Aquasfera (build. Indian, staircases A and B)	4 265	87	IVQ 2016*	Semeko Aquasfera	-	21	66
WROCŁAW							
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	97	16
Apartamenty Innova I	10 272	210	IVQ 2016*	Osiedle Innova	-	47	163
Projects handed over for use - total	73 032	1 113			1 022	59	32
Projects under development - total	59 884	1 018			197	343	478
<i>including projects launched in 2015</i>	<i>23 684</i>	<i>329</i>			<i>-</i>	<i>93</i>	<i>236</i>
Total Part II	132 916	2 131			1 219	402	510
Total Part I and Part II							
Projects handed over for use - total	214 632	3 813			3 196	378	239
Projects under development - total	126 116	2 333			323	808	1 202
<i>including projects launched in 2015</i>	<i>64 956</i>	<i>1 169</i>			<i>-</i>	<i>338</i>	<i>831</i>
Total Part I and Part II	340 748	6 146			3 519	1 186	1 441

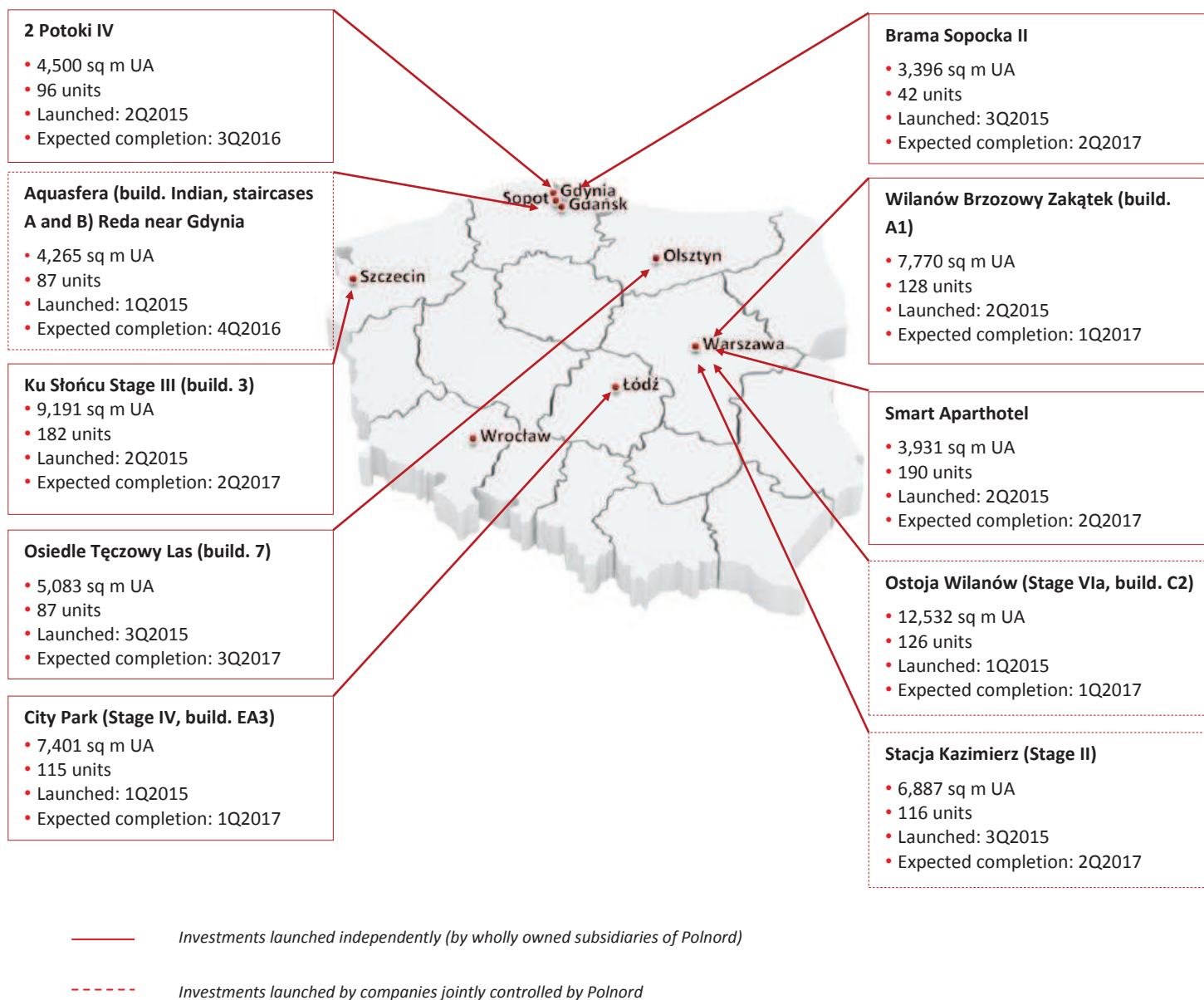
*Planned date of the handing over for use

Data not weighted with Polnord's share in the project

2.2 PROJECT LAUNCHED

In I-III quarters of 2015, the Group commenced the execution of ten projects, which constitute mostly successive stages of the projects already implemented, within which 1,169 flats are to be built in Warsaw, Tricity, Łódź, Szczecin and Olsztyn of a total surface area of 64,956 sq m.

Project launched in I-III quarters of 2015

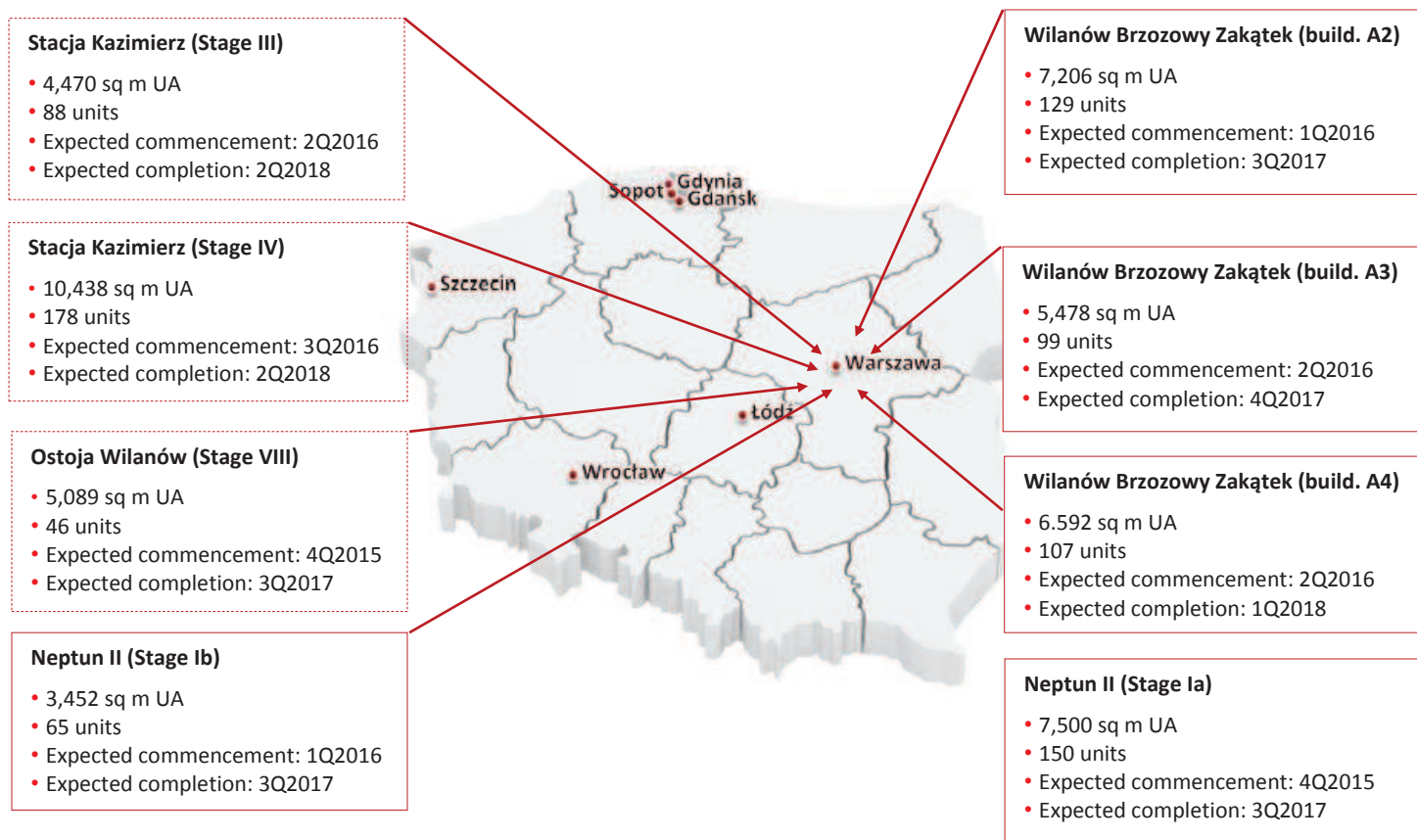


2.3 PROJECT TO BE LAUNCHED

By the end of the third quarter of 2016, the Group plans to launch 14 investments, 12 of which constitute successive stages of the projects already implemented.

New projects will be executed in attractive locations in Warsaw, Tricity, Olsztyn, Szczecin and Wrocław. The planned projects create the potential to expand the offer by 1,670 premises of a total usable area of 92,539 sq m.

Project to be launched in Warsaw



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

From the beginning of the year to 30.09.2015, 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,
- a 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,
- a plot of land of 1,053 sq m located in Gdynia, Plażowa St. for the net amount of PLN 3,535 thousand,
- a plot of land of 2,816 sq m located in Jastarnia for the net amount of PLN 4,500 thousand,
- a plot of land of 4,052 sq m located in Warsaw in the Wilanów district, neighborhood of Prymasa A. Hlonda St., for the net amount of PLN 3,200 thousand,
- a plot of land No. 2/43 of 9,050 sq m located in Warsaw in the Wilanów district, next to Prymasa A. Hlonda St. and Św. Urszuli Ledóchowskiej St., for the net amount of PLN 7,800 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 11. 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 Consolidate d 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. However, the Company plans the construction, as a joint venture, of approx. 173 thousand sq m UA of residential space 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	60,955	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	34,254	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 Brzozowy Zakątek (build. A4) with 107 premises of 6,592 sq m UA. Design works are currently taking place. An application for a building permit has been expected to be submitted by the end of October 2015.
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	14,641	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	11,554	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. An application for a building permit was submitted on 08.09.2015.
Gdańsk Morena	Polnord SA	Inventory	386/2, 388, 289/6, 389/8, 389/10, 389/11, 389/13	18,955	9,751	The Land designated for residential and service development. Estimated usable area 20 000 sq m, which translates into around 400 premises. Design works are currently taking place.
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 launched.
Total				1,133,798	694,708	

* 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 12 presents development projects that are included in the financial result of the Group.

The number of units which were recognised in the financial result for the period from 1 January 2015 to 30 September 2015 was 722, of which 294 units only in the third quarter of 2015.

Table 12. Financial result per project for I-III quarters of 2015

Project	For the period from 01.01.2015 to 30.09.2015					
	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	9%	8 042	54%
Śródmieście Wilanów (build. D)	150	7 763	51 950	31%	7 517	14%
Neptun I (Stage I)	100	5 433	25 342	15%	4 137	16%
Tricity						
2 Potoki I	7	281	1 401	1%	129	9%
2 Potoki II	34	1 776	6 846	4%	984	14%
2 Potoki III	40	1 798	7 040	4%	1 247	18%
Dwa Tarasy I	121	5 637	26 649	16%	5 806	22%
Sopocka Rezydencja	2	155	1 251	1%	(313)	(25%)
Olsztyn						
Osiedle Tęczowy Las (build. 4)	1	40	163	-	50	31%
Osiedle Tęczowy Las (build. 5)	6	357	1 445	1%	178	12%
Osiedle Tęczowy Las (build. 6)	21	1 045	4 439	3%	865	19%
Szczecin						
Ku Słońcu I	11	820	3 926	2%	(80)	(2%)
Ku Słońcu II (build. 2)	2	109	507	-	18	4%
Ku Słońcu II (build. 1)	82	4 263	19 395	12%	61	-
Łódź						
City Park II	1	60	257	-	-	-
Total Part I	594	31 293	165 856	100%	28 642	17%
Part II - projects implemented by the companies jointly controlled by Polnord SA						
Warsaw						
Ostoja Wilanów VII	20	1 182	8 426	24%	1 092	13%
Wrocław						
Osiedle Innova VI-VII	21	1 276	7 462	21%	2 422	32%
Tricity						
Aquasfera	87	4 554	19 567	55%	3 107	16%
Total Part II	128	7 012	35 455	100%	6 620	19%
Total Part I and Part II						
Total Part I and Part II	722	38 305	201 311	100%	35 263	18%

Data not weighted with Polnord's share in the project

III FINANCIAL DATA

1 CONSOLIDATED PROFIT AND LOSS ACCOUNT

Table 13. Consolidated Profit and Loss Account

Specification [000'PLN]	For the period from 01.01.2015 to 30.09.2015	For the period from 01.07.2015 to 30.09.2015	For the period from 01.01.2014 to 30.09.2014 <i>restated data</i>	For the period from 01.07.2014 to 30.09.2014 <i>restated data</i>
Sales revenue	185 808	89 134	137 923	75 749
Revenue from sales of products, goods and materials	169 792	83 707	124 396	70 975
from related parties				
Revenue from sale of services	4 142	1 174	1 371	542
from related parties	3 065	803	625	260
Lease revenue	11 874	4 252	12 156	4 232
from related parties	77	1	86	38
Cost of sale	(149 124)	(76 031)	(106 614)	(58 064)
Gross profit (loss) on sales	36 683	13 103	31 309	17 685
Result on sale of investment property			11 068	11 068
Revaluation of investment property	(3 868)			(10 883)
Selling costs	(5 343)	(1 929)	(5 077)	(1 875)
General administrative expenses	(14 546)	(4 913)	(15 109)	(4 867)
Other operating revenue	890	41	3 049	91
Other operating expenses	(5 705)	(2 058)	(4 761)	(1 260)
Gross operating profit (loss)	8 111	4 244	20 479	9 959
Financial revenue	3 998	576	3 459	1 398
Financial expenses	(17 685)	(5 445)	(22 438)	(8 465)
Share in profit of associates measured with equity method	8 429	2 801	5 112	(331)
Gross profit (loss)	2 854	2 176	6 612	2 561
Income tax	2 364	(422)	553	(154)
Net profit (loss) on continued operations	5 218	1 754	7 165	2 407
Net profit (loss) on discontinued operations	(143)	(241)	(859)	696
Net profit (loss)	5 075	1 513	6 306	3 103

2 CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

Table 14. Consolidated Statement of financial position

Specification [000'PLN]	As at 30.09.2015	As at 31.12.2014
ASSETS		
Fixed assets	984 813	970 808
Tangible fixed assets	2 650	1 596
Investment property	742 924	758 022
Intangible assets	333	495
Investments in associates measured with equity method	85 246	73 867
Goodwill	14	16
Loans granted	6 629	519
Long-term receivables	118 996	107 703
Other financial assets	34	34
Deferred tax assets	27 986	28 556
Current assets (excluding assets classified as held for sale)	768 105	793 096
Inventories	557 188	590 160
Trade and other receivables	58 261	37 430
Loans granted	63 423	74 821
Receivables due to VAT, other taxes, customs duties, insurance and other	3 510	6 803
Income tax receivables	206	767
Prepayments and accrued income	3 744	2 714
Cash and cash equivalents	81 775	80 400
Assets classified as held for sale	9 200	9 200
Current assets (including those classified as held for sale)	777 305	802 296
TOTAL ASSETS	1 762 118	1 773 104

Specification [000'PLN]	As at 30.09.2015	As at 31.12.2014
LIABILITIES		
Equity (attributable to shareholders of the parent company)	1 072 165	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	(8 857)	(11 611)
Other reserve capitals	293 353	296 610
Retained profits/Uncovered losses	(337 352)	(342 638)
Total equity	1 072 165	1 067 382
Long-term liabilities	317 541	406 824
Interest-bearing bank loans and borrowings	316 487	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)	372 413	298 898
Trade and other liabilities	38 182	30 286
Current long-term portion of bank loans and borrowings	17 465	17 473
Short-term revolving loans		
Other short-term loans and borrowings	144 705	85 430
Liabilities due to VAT, other taxes, customs duties, insurance and other	6 179	7 305
Prepayments and accrued income	2 592	3 613
Advance payments received	104 473	98 105
Provisions	58 816	56 688
Liabilities directly related to assets classified as held for sale		
Short term liabilities	372 413	298 898
Total liabilities	689 954	705 722
TOTAL EQUITY AND LIABILITIES	1 762 118	1 773 104

3 COMMENTARY TO THE CONSOLIDATED STATEMENTS

In the period of 9 months of 2015, the Polnord Capital Group generated sales revenue of PLN 185,808 thousand and gross profit on sales of PLN 36,683 thousand, thus improving the results of the corresponding period of the previous year. In the third quarter of 2015 alone, revenues amounted to PLN 89,134 thousand and gross profit on sales PLN 13,103 thousand. The value of 594 units delivered to Clients 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 generated during three quarters of this year (in the period from July to September – there were 270 units delivered).

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 analyzed period 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 128 units with a value of PLN 35,455 thousand, generating gross profit on sales of PLN 6,620 thousand.

In accordance with IAS 18, revenues and costs on real-estate development are recognized in the income statement after transferring risks and benefits to Clients (which always takes place not earlier than after handing over of a particular housing project for use – i.e. after construction works are finished) on the basis of a handover certificate or after signing of a notarial deed, and as a result, 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 period of first three quarters of 2015 is presented in Table 1, Chapter I point 4 of this Report.

In the second quarter of 2015, 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 under "Revaluation of investment property".

Selling, general and administrative expenses decreased compared to the corresponding period of 2014, amounting to PLN 19,889 thousand (PLN 20,186 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 (in the period of I-III quarter of 2015 it was 1,186 units, in the same period of 2014 it was 923).

Other operating expenses, recognized in the period of three quarters of 2015, in the amount of PLN 5,705 thousand were mainly influenced by charges and provisions for fees resulting from the right of perpetual usufruct of land (approx. PLN 3,000 thousand in total).

The financial revenue of PLN 3,998 thousand consists mainly of accrued interest on loans granted to jointly controlled and associated entities in the amount of PLN 2,644 thousand, including interest from Fadesa Polnord Polska Sp. z o.o. in the amount of PLN 2,296 thousand. The second largest item in this category is Revenue from bank and commercial interest in the amount of PLN 1,101 thousand.

In the reporting period, financial expenses amounted to PLN 17,685 thousand, of which PLN 14,541 thousand represent interest on bank loans and issued bonds. Attention should be paid to the significant decrease in financial expenses, compared to the same period of 2014 (a decrease of PLN 4,753 thousand) which is the result of the Group's debt reduction strategy successfully implemented by the Management Board.

The Group's net profit in the analyzed period was also influenced by the acquisition of 1,246,533 shares of Korporacja Budowlana Dom SA representing 12.55% of the share capital of this company - due to the fact that the fair value of net assets acquired was higher by PLN 9,250 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 I-III quarter of 2015) were negative.

Financial results generated 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 period from 01.01.2015 to 30.09.2015, 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 sales of premises after transferring risks and benefits to clients (which always takes place not earlier than after handing over of a particular housing project for use – i.e. after construction works are finished) on the basis of a handover certificate or after signing of a notarial deed. 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 PERIOD OF THREE QUARTERS 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 are payable in quarterly interest periods. Net income from the Bonds issue has been 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 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.

Credit facility agreements

- 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. 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.
- On 24.09.2015, the Company entered into an overdraft facility agreement up to the amount of PLN 40 million with Getin Noble Bank S.A. with its registered office in Warsaw. The deadline for repayment of the Credit Facility is 20.12.2018. The Credit Facility has been incurred to finance the current operations of Polnord.

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 period from 01.01.2015 to 30.09.2015, the Company issued no shares.

Issue of bonds

In the period from 01.01.2015 to 30.09.2015, Polnord issued bonds with the total nominal value of PLN 94,500 thousand.

Table 15. Issue of bonds by the Company in the first three quarters of 2015

Bond issue in the period from 01.01.2015 to 30.09.2015			
Date of the issue	Date of maturity	Total 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
02.07.2015	30.06.2018	50,000	mBank SA
Total		94,500	

Redemption of bonds

In the period from 01.01.2015 to 30.09.2015, the Company redeemed bonds of a total nominal value of PLN 118,350 thousand:

Table 16. Redemption of bonds by the Company in the first three quarters of 2015

Redemption of bonds in the period from 01.01.2015 to 30.09.2015			
Redemption date	Date of maturity	Total 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
28.09.2015	28.09.2015	11,750**	mBank SA
Total		118,350	

* early redemption

** of which the bonds of a total nominal value of PLN 890 thousand were held by Polnord SA Finanse Spółka Jawna

3 INDEBTEDNESS OF THE POLNORD SA CAPITAL GROUP

As at 30.09.2015, the amount of the Group's liabilities:

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

Table 17. Indebtedness of the Group under issued bonds

Issue date	Underwriter	Debt as at 31.12.2014	Redemption/ issuance in 1-3Q2015	Debt as at 30.09.2015	Bonds redemption schedule (nominal value) [mPLN]						Maturity	
					nominal value [mPLN]			4Q2015	1Q2015	2Q2016		3Q2016
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	0.0								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
02.07.2015	mBank	0.0	50.0	50.0							50.0	30.06.2018
Total		360.3	-23.0	337.3*	24.0	8.9	42.5	68.5	10.5	88.5	94.5	

*the amount does not include interest on bonds which amounted to (+ PLN 3.4 million) and accrued commission expenses (- PLN 4.7 million)

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

Table 18. Specification of loans taken out by Polnord SA and its wholly owned subsidiaries

Borrower	Bank	Type	Current limit [mPLN]	Debt as at 30.09.2015 without interest [mPLN]	Schedule of capital repayment (current debt) [mPLN]							Final repayment date	
					4Q2015	1Q2016	2Q2016	3Q2016	4Q2016	2017	after 2017		
Loans of Polnord SA and wholly owned subsidiaries of Polnord SA													
Polnord SA	Getin Noble Bank SA	investment	33.0	33.0	10.0					23.0			20.12.2016
Polnord SA	BOŚ SA	revolving	50.0	0.0									03.08.2018
Polnord SA	Getin Noble Bank SA	overdraft	40.0	0.0									20.12.2018
Wilanów Office Park - Budynek B1 Sp. z o.o.	PKO BP SA	refinancing	62.7	62.7	0.2	0.4	0.5	0.5	0.6	2.4	58.1		31.12.2030
Wilanów Office Park - Budynek B3 Sp. z o.o.	PKO BP SA	development (B3)	33.1	33.1	0.6	0.6	0.6	0.6	0.6	2.8	27.3		30.04.2025
Polnord Warszawa-Ząbki Neptun Sp. z o.o.	Bank BPS SA	investment (land)	13.8	13.8	0.8	0.8	0.8	0.8	0.8	3.2	6.5		31.12.2019
			Debt	142.6	11.6	1.8	1.9	1.9	25.0	8.4	91.9		

The gross debt indicated in a balance sheet prepared as at 30.09.2015 amounted to PLN 478.7 million, while the net debt amounted to PLN 396.9 million.

In the period of three quarters of 2015, Polnord SA entered into new credit facility agreements with:

- Bank Ochrony Środowiska SA with its registered office in Warsaw, to the amount of PLN 50 million, further described in Chapter 3, point 1.2.
- Getin Noble Bank SA with its registered office in Warsaw, to the amount of PLN 40 million, further described in Chapter 3, point 1.2.

At the balance sheet date (30.09.2015), the Company did not use the above mentioned credit facilities.

Moreover, in the third quarter of 2015, the companies: Wilanów Office Park - budynek B1 Sp. z o.o. and Wilanów Office Park - budynek B3 Sp. z o.o. signed annexes to credit facility agreements which changed, among other things, the loan repayment schedules.

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 30.09.2015 there were no material changes in the proceedings, whose total value constituted at least 10% of the Company's equity. In the third quarter of 2015, there were no new relevant proceedings.

Table 19. 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	Legal - administrative proceeding 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	

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

Description of significant pending proceedings:

- **Claim against Miejskie Przedsiębiorstwo Wodociągów i Kanalizacji for the take-over of equipment**

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 declared the invalidity of administrative decisions and clearly 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.

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. 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 President of the Capital City of Warsaw issued decisions refusing to pay indemnities for the expired right of perpetual usufruct of land. These decisions were upheld by the Governor of the Mazowieckie Province after considering the appeals of the Company. On 03.08.2015, Polnord merged with the company 10 H Sp. z o.o.

Provincial Administrative Court in Warsaw, in its judgments of: 09.10.2015 and 16.10.2015, overruled all unfavorable decisions of the President of the Capital City of Warsaw and the Governor of the Mazowieckie Province on the case. The Court found that the refusal to pay indemnity was not justified, as the indemnity should be, in fact, paid to Polnord SA. The judgments are not legally binding, cassation appeals can be filed to the Supreme Administrative Court.

- **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 POL – AQUA Sp. z o.o. (formerly: PRI POL - AQUA SA)**

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 POL – AQUA Sp. z o.o. (formerly: PRI POL - AQUA SA) (“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 Braniskiego 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, one proceeding concerning the case is pending before the District Court in Warsaw, 16th Civil Department, involving the following claims:

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

As at 30.09.2015, Lessor's receivables from the Lessee amounted to PLN 21,286 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 30.09.2015, the provisions for the principal amount totalled PLN 35,783 thousand, and for interest it was PLN 20,046 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 period from 01.01.2015 to 30.09.2015, neither Polnord nor any of its subsidiaries granted a surety or guarantee in the amount exceeding 10% of the Company's equity.

As at 30.09.2015, the total value of active sureties granted by Polnord for the credit commitments of subsidiaries, concerning their operational activity amounted to PLN 109,568 thousand.

The amount of active sureties sanctioned by the Group companies:

- Śródmieście Wilanów Sp. z o. o. for the loan commitments of Polnord SA totalled PLN 49,500 thousand
- Polnord SA Finanse Spółka Jawna for the loan commitments of Wilanów Office Park - bud. B1 Sp. z o.o. totalled PLN 15 thousand.

Moreover, on 03.08.2015 the wholly owned subsidiaries of Polnord (Polnord Łódź City Park Sp. z o.o., Polnord Gdynia Brama Sopocka Sp. z o.o., Polnord Szczecin Ku Słońcu Sp. z o.o., Polnord Gdańsk Dwa Tarasy Sp. z o.o., Polnord Olsztyn Tęczowy Las Sp. z o.o., Polnord Sopot II Sp. z o.o.) granted Polnord sureties for the credit commitments under credit facility agreement in the amount of PLN 50 million concluded with Bank Ochrony Środowiska SA. As at 30.09.2015, debt arising from the aforementioned credit facility agreement was non-existent.

Polnord provides Group companies with sureties, and the Group companies provide Polnord and other 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 Group 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 period from the beginning of the year to 30.09.2015, 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 12.10.2015, the Company performed full early redemption of credit commitments in the amount of PLN 33.1 million, arising from the credit facility agreement concluded with Getin Noble Bank S.A. on 03.04.2015.
- On 19.10.2015, the Company performed early redemption of all, i.e. 240,000 series F bonds of Polnord, with a total nominal value of PLN 24 million. The bonds were issued on 24.10.2012, with a maturity date on 24.10.2015.
- On 26.10.2015 the Company issued and delivered the third (last) tranche of 110,066 series C subscription warrants in total under the Management Option Programme ("MO Programme"). The MO Programme is directed at the Management Board of the Company and at Polnord employees and associates of key importance for implementing the Company strategy ("Entitled Individuals"). The MO Programme provided for issue of no more than 350,000 subscription warrants for no consideration, issued in three tranches ("Warrants"). On 26.10.2015, the Entitled Individuals made their declaration of accession to the MO Programme obtaining at the same time the

right to acquire series C Warrants with the total number of 110,066. Consequently, on 26.10.2015 the third (last) tranche of 110,066 series C Warrants was issued and delivered to the Entitled Individuals, of which a total of 83,466 Warrants were received by the Members of the Company's Management Board. The Company reminds that the first tranche of 116,667 Series A Warrants was issued and delivered on 20.12.2013, and the second tranche of 110,067 Series B Warrants was issued and delivered on 9 December 2014. As part of the issue of series A and series B Warrants, the Members of the Company's Management Board received a total of 166,534 Warrants. As a result of the MO Programme implementation, a total of 336,800 Warrants – series A, B and C were issued and delivered. Each Warrant gives the right to acquire one series S share. The issue price of series S shares for every warrants amounts to PLN 9.00. The Entitled Individual may exercise the right to acquire series S share not later than until 31.12.2016.

- On 29.10.2015, the Company concluded with SGB Bank SA with its registered office in Poznań (the "Bank") an agreement regarding the organisation and service of the issue of bonds (the "Agreement"). In the Agreement, the Bank undertook to acquire all the bonds issued under the Agreement with a total nominal value of PLN 60 million (the "Bonds") on its own account. The proceeds from the Bond issue will be entirely used for the early redemption of bonds issued on 20.08.2012 with a total nominal value of PLN 60 million, which were reported by the Company in the current report No. 29/2012 of 21.08.2012. The Bonds in question will be the covered bonds maturing 4 years after the issue date. The issue will not be a public issue.
- As a result of conclusion of an agreement on 10.11.2015, by and between Polnord Warszawa Ząbki - Neptun Sp. z o.o. with its registered office in Gdynia (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 Polnord SA Capital Group companies and KB Dom totalled PLN 112.7 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 the projects of residential buildings and hotels situated in Warsaw and in the vicinity of Gdańsk. The agreement of the biggest value has been concluded by and between Polnord Warszawa Ząbki - Neptun Sp. z o.o. and KB Dom on 10.11.2015. and regards the implementation of a residential project by KB Dom, as the Investor's Representative, in Ząbki near Warsaw (the "Project"). As part of the Project, KB Dom accepted the construction of 5 multi-family residential buildings with a total of 203 residential premises and 12 service premises with an underground garage. Under the agreement, KB Dom is entitled to remuneration estimated by the parties at net PLN 38.2 million.

B. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY 2015 TO 30 SEPTEMBER 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 30.09.2015

Specification [000'PLN]	Note	For the period from 01.01.2015 to 30.09.2015	For the period from 01.07.2015 to 30.09.2015	For the period from 01.01.2014 to 30.09.2014 <i>restated data</i>	For the period from 01.07.2014 to 30.09.2014 <i>restated data</i>
Sales revenue	8.1	185 808	89 134	137 923	75 749
Revenue from sales of products, goods and materials from related parties		169 792	83 707	124 396	70 975
Revenue from sale of services from related parties		4 142 3 065	1 174 803	1 371 625	542 260
Lease revenue from related parties		11 874 77	4 252 1	12 156 86	4 232 38
Cost of sale	8.2	(149 124)	(76 031)	(106 614)	(58 064)
Gross profit (loss) on sales		36 683	13 103	31 309	17 685
Result on sale of investment property				11 068	11 068
Revaluation of investment property	12	(3 868)			(10 883)
Selling costs		(5 343)	(1 929)	(5 077)	(1 875)
General administrative expenses		(14 546)	(4 913)	(15 109)	(4 867)
Other operating revenue	8.4	890	41	3 049	91
Other operating expenses	8.5	(5 705)	(2 058)	(4 761)	(1 260)
Gross operating profit (loss)		8 111	4 244	20 479	9 959
Financial revenue	8.6	3 998	576	3 459	1 398
Financial expenses	8.7	(17 685)	(5 445)	(22 438)	(8 465)
Share in profit of associates measured with equity method		8 429	2 801	5 112	(331)
Gross profit (loss)		2 854	2 176	6 612	2 561
Income tax	9	2 364	(422)	553	(154)
Net profit (loss) on continued operations		5 218	1 754	7 165	2 407
Net profit (loss) on discontinued operations		(143)	(241)	(859)	696
Net profit (loss)		5 075	1 513	6 306	3 103

II INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period from 01.01.2015 to 30.09.2015

Specification [000'PLN]	For the period from 01.01.2015 to 30.09.2015	For the period from 01.07.2015 to 30.09.2015	For the period from 01.01.2014 to 30.09.2014	For the period from 01.07.2014 to 30.09.2014
			<i>restated data</i>	<i>restated data</i>
Net profit (loss)	5 075	1 513	6 306	3 103
Other comprehensive income:	(292)	447	(1 537)	(1 190)
Items that may be reclassified to profit or loss in the future:	(292)	447	(1 537)	(1 190)
Valuation of financial assets available for sale				
Foreign exchange gains/losses on translation	2 754	447	(1 537)	(1 190)
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	4 783	1 960	4 769	1 913
Attributable to:				
Shareholders of the parent company	4 783	1 960	4 769	1 913
Non-controlling shareholders				

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

As at 30.09.2015

Specification [000'PLN]	Note	As at 30.09.2015	As at 31.12.2014
ASSETS			
Fixed assets		984 813	970 808
Tangible fixed assets		2 650	1 596
Investment property	12	742 924	758 022
Intangible assets		333	495
Investments in associates measured with equity method	13	85 246	73 867
Goodwill		14	16
Loans granted	15	6 629	519
Long-term receivables	16	118 996	107 703
Other financial assets	17	34	34
Deferred tax assets		27 986	28 556
Current assets (excluding assets classified as held for sale)		768 105	793 096
Inventories	18	557 188	590 160
Trade and other receivables	19	58 261	37 430
Loans granted	15	63 423	74 821
Receivables due to VAT, other taxes, customs duties, insurance and other		3 510	6 803
Income tax receivables		206	767
Prepayments and accrued income		3 744	2 714
Cash and cash equivalents		81 775	80 400
Assets classified as held for sale		9 200	9 200
Current assets (including those classified as held for sale)		777 305	802 296
TOTAL ASSETS		1 762 118	1 773 104

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

As at 30.09.2015

Specification [000'PLN]	Note	As at 30.09.2015	As at 31.12.2014
LIABILITIES			
Equity (attributable to shareholders of the parent company)		1 072 165	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		(8 857)	(11 611)
Other reserve capitals		293 353	296 610
Retained profits/Uncovered losses		(337 352)	(342 638)
Total equity		1 072 165	1 067 382
Long-term liabilities		317 541	406 824
Interest-bearing bank loans and borrowings	21	316 487	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)		372 413	298 898
Trade and other liabilities	23	38 182	30 286
Current long-term portion of bank loans and borrowings	21	17 465	17 473
Short-term revolving loans			
Other short-term loans and borrowings	21	144 705	85 430
Liabilities due to VAT, other taxes, customs duties, insurance and other	23	6 179	7 305
Prepayments and accrued income	23	2 592	3 613
Advance payments received		104 473	98 105
Provisions	22	58 816	56 688
Liabilities directly related to assets classified as held for sale			
Short term liabilities		372 413	298 898
Total liabilities		689 954	705 722
TOTAL EQUITY AND LIABILITIES		1 762 118	1 773 104

IV INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the period from 01.01.2015 to 30.09.2015

Specification [000'PLN]	For the period from 01.01.2015 to 30.09.2015	For the period from 01.01.2014 to 30.09.2014 <i>restated data</i>	For the period from 01.01.2014 to 30.09.2014 <i>published data</i>
Cash flows from operating activities			
Gross profit (loss) (including profit on discontinued operation)	2 711	5 753	6 637
Adjustments:	40 584	55 240	54 356
Share in profit of associates measured with equity method	(8 429)	(5 112)	(5 112)
Depreciation and amortisation	515	543	543
Net interest and dividends	14 161	17 496	17 496
Profit/(loss) on investing activities	1 529	10 579	10 514
(Increase)/decrease in receivables	(26 232)	40 061	40 061
(Increase)/decrease in inventories	42 966	(7 643)	(8 462)
Increase/(decrease) in liabilities excluding loans and borrowings	12 625	3 917	3 917
Change in prepayments and accruals	1 292	(218)	(218)
Change in provisions	2 128	(3 373)	(3 373)
Income tax paid	(100)	(1 010)	(1 010)
Other	128		
Net cash generated by operating activities	43 295	60 993	60 993
Cash flows from investing activities			
Inflows	22 976	47 315	47 315
Sale of tangible fixed assets and intangible assets	2	247	247
Sale of investment properties	9 296	20 504	20 504
Sale of financial assets			
Dividends received		75	75
Interest received	5 973	21 771	21 771
Repayment of loans granted	7 705	4 718	4 718
Redemption of third party bonds			
Outflows	(9 609)	(20 016)	(20 016)
Purchase of tangible fixed assets and intangible assets	(1 370)	(405)	(405)
Purchase of investment properties		(8 296)	(8 296)
Purchase of financial assets	(2 249)	(8 115)	(8 115)
Acquisition of shares in subsidiary, less acquired cash			
Loans granted	(5 990)	(3 200)	(3 200)
Other			
Net cash used in investing activities	13 367	27 299	27 299
Cash flows from financing activities			
Inflows	94 500	120 095	120 095
Inflows from issuance of shares			
Inflows from loans/borrowings taken out		37 000	37 000
Inflows from issuance of bonds	94 500	83 095	83 095
Other			
Outflows	(149 788)	(172 598)	(172 598)
Repayment of finance lease liabilities		(46)	(46)
Repayment of loans/borrowings	(5 849)	(96 115)	(96 115)
Dividends paid to equity holders of the parent company			
Dividends paid to non-controlling shareholders			
Interest paid	(26 479)	(24 355)	(24 355)
Redemption of bonds	(117 460)	(52 082)	(52 082)
Other			
Net cash generated by financing activities	(55 288)	(52 503)	(52 503)
Net increase (decrease) in cash and cash equivalents	1 375	35 789	35 789
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	81 775	70 060	70 060
Restricted cash	9 831	10 123	10 123

V STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

For the period from 01.01.2015 to 30.09.2015

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					6 306	6 306		6 306
Other comprehensive income			(1 537)			(1 537)		(1 537)
Total comprehensive income			(1 537)		6 306	4 769		4 769
Share issue								
Retained profits								
Share issue costs								
Result carried forward from previous period				25 829	(25 829)			
Management Option scheme								
As at 30.09.2014	65 266	1 059 755	(3 197)	300 129	(364 908)	1 057 045		1 057 045
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					5 075	5 075		5 075
Other comprehensive income			2 754	(3 047)		(292)		(292)
Total comprehensive income			2 754	(3 047)	5 075	4 783		4 783
Share issue								
Retained profits								
Share issue costs								
Result carried forward from previous period				(210)	210			
Management Option scheme								
As at 30.09.2015	65 266	1 059 755	(8 857)	293 353	(337 352)	1 072 165		1 072 165

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 9 months ended 30.09.2015, and include comparative data as at 31.12.2014 and for the period of 9 months ended 30.09.2014. The Interim condensed consolidated financial statements of the Group include also the results for the period from 01.07.2015 to 30.09.2015 and for the corresponding comparable period of 2014 ("Interim condensed consolidated financial statements").

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 30.09.2015 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 30.09.2015, 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 – Żąbki 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 Gdańsk Dwa Tarasy Sp. z o.o.	Gdynia	5,000	100%	Full
Polnord Gdynia Brama Sopocka 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
Stacja Kazimierz II 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	50,387,024	31.72%	Equity method

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

As at 30.09.2015, 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 period from 01.01.2015 to 30.09.2015 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 the 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 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. The Company, following a procedure of notifying the creditors, filed an application for the registration of the share capital reduction of the company to the Registry Court. The change has not been registered by 30.09.2015.
	<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. The Company, following a procedure of notifying the creditors, filed an application for the registration of the share capital reduction of the company to the Registry Court. The change has not been registered by 30.09.2015.
	<i>Purchase of shares, Registration of a change in the company name</i>
Stacja Kazimierz II 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.
	<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.

Stacja Kazimierz II 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"). The merger was effected pursuant to Article 492 § 1 section 1 of the CCC in conjunction with Article 515 § 1 and Article 516 § 6 of the CCC, through transfer of all assets and liabilities of the Target Companies to the Acquiring Company without increasing the share capital of the Acquiring Company, in compliance with the Merger Plan of 25.05.2015 pursuant to resolution on merging the above mentioned companies adopted by the GSM of Polnord SA of 30.06.2015 and the Extraordinary Shareholders Meeting of Polnord Marketing Sp. z o.o. of 06.07.2015 and the Extraordinary Shareholders Meeting of 10 H Sp. z o.o. of 06.07.2015.</p>

The following changes took place after the balance sheet date:

Entity name	Description of the event
Polnord Sopot II Sp. z o.o.	<p><i>Registration of the decrease in the company's share capital</i></p> <p>On 04.11.2015, the District Court Gdańsk – Północ in Gdańsk, VIII Commercial Division of the National Court Register issued the decision on the registration of the decrease in the share capital of Polnord Sopot II Sp. z o.o. to the amount of PLN 100,000.</p>
Polnord Łódź City Park Sp. z o.o.	<p><i>Registration of the decrease in the company's share capital</i></p> <p>On 16.11.2015, the District Court Gdańsk – Północ in Gdańsk, VIII Commercial Division of the National Court Register issued the decision on the registration of the decrease in the share capital of Polnord Łódź City Park Sp. z o.o. to the amount of PLN 100,000.</p>

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.
Stacja Kazimierz II Sp. z o.o. SKA	Waryński Odolany 1 Sp. z o.o. SKA

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 16.11.2015.

4 MATERIAL VALUES BASED ON PROFESSIONAL JUDGEMENT AND ESTIMATES

4.1 INFORMATION ON SIGNIFICANT CHANGES IN ESTIMATES

During the period of nine months ended on 30.09.2015, 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 period from 01.01.2014 to 30.09.2014. 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.

Specification [000' PLN]	For the period from 01.01.2014 to 30.09.2014	Presentation adjustments	For the period from 01.01.2014 to 30.09.2014
	<i>published data</i>		<i>restated data</i>
Sales revenue	137 923		137 923
Revenue from sales of products, goods and materials from related parties	124 396		124 396
Revenue from sale of services from related parties	1 371 625		1 371 625
Lease revenue from related parties	12 156 45	41	12 156 86
Cost of product sold	(106 614)		(106 614)
Gross profit (loss) on sales	31 309		31 309
Result on sale of investment property	11 068		11 068
Revaluation of investment property			
Selling costs	(5 077)		(5 077)
General administrative expenses	(15 829)	720	(15 109)
Other operating revenue	3 049		3 049
Other operating expenses	(3 222)	(1 539)	(4 761)
Gross operating profit (loss)	21 298	(819)	20 479
Financial revenue	3 524	(65)	3 459
Financial expenses	(22 438)		(22 438)
Share in profit of associated measured with equity method	5 112		5 112
Gross profit (loss)	7 496	(884)	6 612
Income tax	385	168	553
Net profit (loss) on continued operations	7 881	(716)	7 165
Net profit (loss) on discontinued operations	(859)		(859)
Net profit (loss)	7 022	(716)	6 306

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 16.11.2015 (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. Foreign exchange rates

Currency	Exchange rates used for the balance sheet valuation purposes		Exchange rates used for the purposes of valuation of income statement items	
	30.09.2015	31.12.2014	01.01.2015 - 30.09.2015	01.01.2014 - 30.09.2014
USD	3.7754	3.5072	3.7453	3.1030
EUR	4.2386	4.2623	4.1585	4.1803
RUB	0.0576	0.0602	0.0629	0.0865

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

	[000'PLN]		[000'EUR]	
	01.01.2015 - 30.09.2015	01.01.2014 - 30.09.2014	01.01.2015 - 30.09.2015	01.01.2014 - 30.09.2014
PROFIT AND LOSS ACCOUNT				
Revenue on sales	185 808	137 923	44 681	32 993
Gross profit (loss) on sales	36 683	31 309	8 821	7 490
Gross operating profit (loss)	8 111	20 479	1 951	4 899
Gross profit (loss)	2 854	6 612	686	1 582
Net profit (loss) on continued operations	5 218	7 165	1 255	1 714
Net profit (loss)	5 075	6 306	1 220	1 509
BALANCE SHEET	30.09.2015	31.12.2014	30.09.2015	31.12.2014
Equity	1 072 165	1 067 382	252 953	250 424
Long-term liabilities	317 541	406 824	74 916	95 447
Short-term liabilities	372 413	298 898	87 862	70 126
Fixed assets	984 813	970 808	232 344	227 766
Current assets (including those classified as held for sale)	777 305	802 296	183 387	188 231
Total assets	1 762 118	1 773 104	415 731	415 997

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

	[000'PLN]		[000'EUR]	
	01.01.2015 - 30.09.2015	01.01.2014 - 30.09.2014	01.01.2015 - 30.09.2015	01.01.2014 - 30.09.2014
PROFIT AND LOSS ACCOUNT				
Revenue on sales	36 994	28 266	8 896	6 762
Gross profit (loss) on sales	33 379	26 004	8 027	6 221
Gross operating profit (loss)	7 460	13 712	1 794	3 280
Gross profit (loss)	1 769	8 295	425	1 984
Net profit (loss) on continued operations	3 986	7 940	959	1 899
Net profit (loss)	3 843	7 081	924	1 694
BALANCE SHEET	30.09.2015	31.12.2014	30.09.2015	31.12.2014
Equity	1 004 329	1 000 282	236 949	234 681
Long-term liabilities	599 088	681 980	141 341	160 003
Short-term liabilities	287 746	237 202	67 887	55 651
Fixed assets	1 435 106	1 454 553	338 580	341 260
Current assets (including those classified as held for sale)	456 056	464 911	107 596	109 075
Total assets	1 891 163	1 919 464	446 176	450 335

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 sales of premises after transferring risks and benefits to clients (which always takes place not earlier than after handing over of a particular housing project for use – i.e. after construction works are finished) on the basis of a handover

certificate or after signing of a notarial deed. 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.

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

The Group presents the following business segments:

- i. Development activity includes the sale of land and flats.
- ii. Commercial projects including the lease of office area by special purpose vehicle
- iii. 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 30.09.2015	Continued operations			Total
	(Residential) Property development	Commercial projects	Unallocated items	
Specification [000'PLN]				
Revenue				
Sales to external customers	166 327	11 667	7 814	185 808
Sales between segments				
Total segment revenues	166 327	11 667	7 814	185 808
Result				
Gross profit (loss) on segment sales	22 591	9 893	4 198	36 683
Revaluation of investment property			(3 868)	(3 868)
General administrative costs and costs of sales	(1 423)	(291)	(18 175)	(19 888)
Other operational revenues and expenses	279	(344)	(4 750)	(4 815)
Profit (loss) on continued operations before tax and financial costs	21 448	9 258	(22 595)	8 111
Financial revenue due to interest	160		941	1 101
Other financial revenue	252	2	2 643	2 897
Financial expenses	(107)	(3 483)	(14 094)	(17 685)
Share in profit of associates measured with equity method			8 429	8 429
Profit (loss) before tax and non-controlling interest	21 752	5 777	(24 676)	2 854
Income tax	508	(396)	2 252	2 364
Net profit (loss) on continued operations	22 260	5 382	(22 424)	5 218

As at 30.09.2015	Continued operations			Total
	(Residential) Property development	Commercial projects	Unallocated items	
Specification [000'PLN]				
Assets and liabilities				
Segment assets	419 383	191 475	1 066 015	1 676 872
including cash	39 258	3 086	39 431	81 775
Investments in associates measured with equity method			85 246	85 246
Unallocated assets				0
Total assets	419 383	191 475	1 151 260	1 762 118
Segment liabilities and provisions	157 517	101 273	431 164	689 954
including loans commitments	13 770	95 798	369 089	478 657
Unallocated liabilities				0
Equity			1 072 165	1 072 165
Total liabilities and equity	157 517	101 273	1 503 329	1 762 118

For the period from 01.01.2014 to 30.09.2014	Continued operations			Total
	(Residential) Property development	Commercial projects	Unallocated items	
Revenue				
Sales to external customers	122 401	11 832	3 691	137 923
Sales between segments				
Total segment revenues	122 401	11 832	3 691	137 923
Result				
Gross profit (loss) on segment sales	20 016	9 999	1 294	31 309
Revaluation of investment property				
Result on sale of investment property			11 068	11 068
General administrative costs and costs of sales	(1 754)	(812)	(17 619)	(20 186)
Other operational revenues and expenses	1 578	(532)	(2 758)	(1 712)
Profit (loss) on continued operations before tax and financial costs	19 839	8 655	(8 015)	20 479
Financial revenues due to interest	85		260	345
Other financial revenues			3 114	3 114
Financial costs		(4 202)	(18 236)	(22 438)
Share in profit of associated companies			5 112	5 112
Profit (loss) before tax and minority interest	19 924	4 453	(17 765)	6 612
Income tax	1 042	32	(521)	553
Net profit (loss) on continued operations	20 966	4 485	(18 286)	7 165

As at 31.12.2014	Continued operations			
	(Residential) Property development	Commercial projects	Unallocated items	Total
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	15 800	62 848	352 621	431 269
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 revenue	For the period from 01.01.2015 to 30.09.2015	For the period from 01.01.2014 to 30.09.2014 <i>restated data</i>
Specification [000'PLN]		
Sale of residential apartments	165 957	122 099
Sale of plots of land	3 835	2 297
Rent	11 874	12 156
Other	4 142	1 371
Total operating revenue	185 808	137 923

8.2 OPERATING EXPENSES

Note 8.2 - Operating expenses	For the period from 01.01.2015 to 30.09.2015	For the period from 01.01.2014 to 30.09.2014 <i>restated data</i>
Specification [000'PLN]		
Depreciation/Amortisation	516	543
Consumption of materials and energy	1 087	1 111
Third-party services	113 009	94 383
Taxes and charges	1 684	1 697
Payroll	7 022	7 463
Social security and other benefits	1 152	1 140
Other costs by type	5 018	5 347
Total costs by type	129 488	111 684
Movement in products, prepayments and accruals	(35 910)	(12 852)
Costs of manufacturing products for internal use (negative value)		
Selling costs (negative value)	(5 343)	(5 077)
General administrative expenses (negative value)	(14 546)	(15 109)
Manufacturing costs of products sold	145 509	104 351
Value of materials and goods sold	3 615	2 263
Cost of sale	149 124	106 614

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 30.09.2015	For the period from 01.01.2014 to 30.09.2014
Specification [000'PLN]		<i>restated data</i>
Total release of provisions	204	927
Other, including:	686	2 122
- liabilities written off		
- compensations for infrastructure	226	
- penalties and damages	250	1 835
- other	210	288
Total other operating revenues	890	3 049

8.5 OTHER OPERATING EXPENSES

Note 8.5 - Other operating expenses	For the period from 01.01.2015 to 30.09.2015	For the period from 01.01.2014 to 30.09.2014
Specification [000'PLN]		<i>restated data</i>
Total provisions established, including:	2 064	668
- revaluation of receivables	12	
- other (including provision for perpetual usufruct fees and property tax from Agricultural Property Agency)	2 052	668
Other, including:	3 641	4 093
- costs of disputes	143	188
- unrecoverable receivables		
- Result on sale of fixed assets		439
- Revaluation of land plots	64	
- Fees for perpetual usufruct and property tax for investment properties	961	1 539
- Compensation for road infrastructure		282
- Write-down of receivables		
- Provisions for lawsuits		
- Contractual penalties	71	67
- Other	2 402	1 578
Total other operating expenses	5 705	4 761

8.6 FINANCIAL REVENUE

Note 8.6 - Financial revenue	For the period from 01.01.2015 to 30.09.2015	For the period from 01.01.2014 to 30.09.2014 <i>restated data</i>
Specification [000'PLN]		
Revenue from bank and commercial interest	1 101	345
Interest income on loans	2 644	3 114
Positive FX differences		
Other	253	
Total financial revenue	3 998	3 459

8.7 FINANCIAL EXPENSES

Note 8.7 - Financial expenses	For the period from 01.01.2015 to 30.09.2015	For the period from 01.01.2014 to 30.09.2014 <i>restated data</i>
Specification [000'PLN]		
Interest on bank loans, borrowings and bonds	14 541	20 034
Interest on other liabilities	1	53
Financial costs of finance lease agreements		2
Negative FX differences	293	1 393
Loans written off		
Provisions for interest on the dispute with ANR	1 830	
Interest on debts	509	460
Write-off of receivables for the sold shares		
Other	511	496
Total financial expenses	17 685	22 438

9 INCOME TAX

Main components of income tax burden for the period ended 30.09.2015 and for the comparative period ended on 30.09.2014 are as follows:

Note 9 - Income tax	For the period from 01.01.2015 to 30.09.2015	For the period from 01.01.2014 to 30.09.2014 <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		3
Adjustments regarding current income tax brought forward		
Deferred income tax		
Due to occurrence and reversal of temporary differences	2 364	550
Tax burden disclosed in the profit and loss account	2 364	553
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 30.09.2015, the share capital of Polnord SA was not increased.

As at 30.09.2015, 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 30.09.2015	For the period from 01.01.2014 to 30.09.2014
Specification [000'PLN]		
Net profit (loss) for the period	5 075	6 306
Net profit (loss) on discontinued operations for the period	(143)	(859)
Net profit (loss) on continued operations for the period	5 218	7 165
Average weighted number of ordinary shares for the period	32 633 027	32 633 027
Net earnings (losses) per ordinary share (PLN)	0,16	0,19
Net profit (loss) on discontinued operations, per ordinary share (PLN)	(0,00)	(0,03)
Net profit (loss) on continued operations, per ordinary share (PLN)	0,16	0,22

Note 10.2 - Earnings per share - diluted	For the period from 01.01.2015 to 30.09.2015	For the period from 01.01.2014 to 30.09.2014
Specification [000'PLN]		
Net profit (loss) for the period	5 075	6 306
Net profit (loss) on discontinued operations for the period	(143)	(859)
Net profit (loss) on continued operations for the period	5 218	7 165
Net profit (loss) for the period used to calculate diluted earnings per share	5 075	6 306
Net profit (loss) on discontinued operations, for the period used to calculate diluted earnings per share	(143)	(859)
Net profit (loss) on continued operations, for the period used to calculate diluted earnings per share	5 218	7 165
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)	0,15	0,19
Net diluted profit (loss) on discontinued operations, per ordinary share (PLN)	(0,00)	(0,03)
Net diluted profit (loss) on continued operations, per ordinary share (PLN)	0,16	0,22

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 30.09.2015, the value of investment property amounted to PLN 742,924 thousand and was PLN 15,098 thousand lower than that at the end of 2014.

In the period from 01.01.2015 to 30.09.2015, the Group did not purchase investment properties (however, translation of investment property of a foreign operation was applied), but in the corresponding period of the previous year, investment properties were purchased for a total amount of PLN 8,296 thousand, there were reductions in investment properties due to sales and translation of investment property of a foreign operation made for a total amount of PLN 13,676 thousand.

Note 12 - Investment property	For the period from 01.01.2015 to 30.09.2015	For the period from 01.01.2014 to 30.09.2014	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)	2 570	8 296	11 554
Decreases (including difference on translation of a foreign operation)	(13 800)	(13 676)	(85 185)
Revaluation of investment property	(3 868)		2 623
Reclassification			(128 381)
Closing balance	742 923	952 031	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 693,500 thousand, while 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 (in accordance with IFRS 13). 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 Sp. z o.o., POL – AQUA Sp. z o.o. (formerly: 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 Sp. z o.o., 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. Accordingly, the valuation of the building B1 was made on the assumption that the agreement is valid and binding.

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.,
- Stacja Kazimierz II 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 30.09.2015	For the period from 01.01.2014 to 30.09.2014	For the period from 01.01.2014 to 31.12.2014
Specification [000'PLN]			
Opening balance	73 867	50 445	50 445
Increases	2 950	5 043	11 985
Decreases (sale)			
Investment revaluation allowance			
Share in profit of associates measured with equity method	8 429	5 112	11 437
Closing balance	85 246	60 600	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 9,250 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 from 01.01.2015 to 30.09.2015, are described in detail in Note 2.

15 LOANS GRANTED

Note 15 – Loans granted	As at 30.09.2015	As at 31.12.2014
Specification [000'PLN]		
Loans granted	70 052	75 340
Other		
Total loans granted	70 052	75 340

16 LONG-TERM RECEIVABLES

Note 16 – Long-term receivables	As at 30.09.2015	As at 31.12.2014
Specification [000'PLN]		
Claim against MPWIK	74 432	74 432
Other	44 565	33 272
Total long-term receivables	118 996	107 703
Write-down of receivables	3 448	3 362
Gross value of receivables	122 444	111 065

17 OTHER FINANCIAL ASSETS

Note 17 – Other (long-term) financial assets	As at 30.09.2015	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	Stan na 30.09.2015	Stan na 31.12.2014
Specification [000'PLN]		
Materials (according to the purchase price)	249	649
Work in progress	203 988	167 069
Finished products:	116 925	135 780
<i>According to the purchase price/manufacturing cost</i>	117 938	136 808
<i>According to the net realisable value</i>	116 925	135 780
Goods	236 025	286 663
<i>According to the purchase price/manufacturing cost</i>	266 837	314 767
<i>According to the net realisable value</i>	236 025	286 663
Advances for deliveries		
Total inventory, at the lower of the two values: purchase (price manufacturing cost) and net realisable value	557 188	590 160

Note 18.2 – Gross inventory and revaluation allowance	As at 30.09.2015	As at 31.12.2014
Specification [000'PLN]		
Materials		
Gross value	249	649
Revaluation allowance		
Work in progress		
Gross value	212 464	177 745
Revaluation allowance	(8 476)	(10 676)
Finished products:		
Gross value	117 938	136 808
Revaluation allowance	(1 013)	(1 029)
Goods		
Gross value	266 837	314 767
Revaluation allowance	(30 812)	(28 105)
Advances for deliveries		
Total inventory	557 188	590 160

Note 18.3 – Inventory revaluation allowance	For the period from 01.01.2015 to 30.09.2015	For the period from 01.01.2014 to 30.09.2014	For the period from 01.01.2014 to 31.12.2014
Opening balance revaluation allowance	39 810	43 158	43 158
<i>Increase</i>	5 248		4 555
<i>Reversal</i>	(300)	(898)	(1 163)
<i>Utilization</i>	(4 457)	(6 240)	(6 740)
Closing balance revaluation allowance	40 301	36 020	39 810

In the period from 01.01.2015 to 30.09.2015, 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 245,622 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 30.09.2015	As at 31.12.2014
Specification [000'PLN]		
Receivables from related parties, including:	8 901	3 271
- Trade receivables	8 901	3 267
- Other		4
Receivables from associates		
Receivables from other entities, including:	49 360	34 159
- Trade receivables	46 418	32 211
- Other	2 942	1 948
Budget receivables		
Total (net) receivables	58 261	37 430
Write-down of receivables	13 623	20 664
Gross receivables	71 884	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 in write-downs of trade and other receivables	For the period from 01.01.2015 to 30.09.2015	For the period from 01.01.2014 to 30.09.2014	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	4 947	5 607
Reversal	(349)		(420)
Utilization	(6 950)		(2 541)
Reclassification		(3 362)	(3 362)
Write-down of receivables as of 30.09.2015	13 623	22 965	20 664

The use of revaluation write-down resulted, for the most part (PLN 5,613 thousand), from the transaction of acquiring shares of Korporacja Budowlana Dom SA, further described in Note 2.

The risk related to receivables from POL – AQUA Sp. z o.o. (formerly: PRI POL - AQUA SA) is described in Note 27.

20 SHARE CAPITAL

In the period between 01.01.2015 and 30.09.2015, the share capital of Polnord SA was not increased.

As at 30.09.2015, 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	As at 30.09.2015	As at 31.12.2014
SHORT-TERM		
Specification [000'PLN]		
Liabilities due to finance lease and leasehold agreements with purchase option		
Bonds and debt bills	144 704	85 430
Overdrafts		
Short-term portion of long-term loans	17 465	17 473
Revolving loans		
Other loans and borrowings		
Total short-term loans and borrowings	162 170	102 903

LONG-TERM	As at 30.09.2015	As at 31.12.2014
Specification [000'PLN]		
Liabilities due to finance lease and leasehold agreements with purchase option		
Bonds	191 339	274 254
Bank loans and borrowings	125 149	131 002
Total long-term loans and borrowings	316 487	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

Specification [000'PLN]	For the period from 01.01.2015 to 30.09.2015	For the period from 01.01.2014 to 30.09.2014
Opening balance	508 159	533 110
Incurrence	93 610	120 095
Repayment (capital + interest)	(149 788)	(172 552)
Accrued interest	26 676	22 661
Closing balance	478 657	503 314

In the period between 01.01.2015 and 30.09.2015, there were new loan agreements concluded. However, as of the balance sheet day they were not used.

Bond issue in the period from 01.01.2015 to 30.09.2015			
Date of the issue	Date of maturity	Total 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
02.07.2015	30.06.2018	50,000	mBank SA
Total		94,500	

Redemption of bonds in the period from 01.01.2015 to 30.09.2015			
Redemption date	Date of maturity	Total 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
28.09.2015	28.09.2015	11,750**	mBank SA
Total		118,350	

* early redemption

** of which the bonds of a total nominal value of PLN 890 thousand were held by Polnord SA Finanse Spółka Jawna

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
Raised during the financial year			1 415	1 945	2 561		5 921
Utilization			(782)	(510)	(1 536)		(2 828)
Reversal				(299)	(666)		(965)
Reclassification adjustment							0
As at 30.09.2015	159	872	2 821	20 046	35 783	167	59 847
Short-term			2 821	20 046	35 783	167	58 816
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
Raised during the financial year			1 698		1 285		2 983
Utilization			(595)		(1 489)	(3 354)	(5 439)
Reversal					(486)	(438)	(924)
Reclassification adjustment				(289)	1 248	(959)	
As at 30.09.2014	153	804	3 610	14 776	41 956	1 744	63 043
Short-term			3 610	14 776	41 623	1 744	61 753
Long-term	153	804			333		1 290

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
Raised 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 third quarter of 2015, the Group continued the process of investigating the matter.

As at 30.09.2015, the balance of provisions for the principal fee was PLN 35,783 thousand (PLN 35,424 thousand as at 31.12.2014) and for interest on past due amounts PLN 20,046 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 30.09.2015	As at 31.12.2014
Specification [000'PLN]		
Trade liabilities		
Due to related parties	10 925	8 061
Due to other parties	27 120	14 726
Total trade liabilities	38 044	22 787
Liabilities due to taxes, custom duties, insurance and other		
VAT	5 959	6 928
Personal income tax	83	136
Other	137	240
Total liabilities due to taxes, custom duties, insurance and other	6 179	7 305
Other financial liabilities		
An advance on the sale of financial assets		
Total		
Other liabilities		
Liabilities due to employee remunerations	10	
Liabilities due to related parties		
Other liabilities, including:	127	7 498
- Partial reimbursement of compensation		4 320
- Reclassification		3 057
- Other	127	121
Total other liabilities	137	7 498
Accrued expenses due to:		
Unused holidays		
Bonus payments	315	435
Other, including:	2 277	3 178
- Remuneration		
- Perpetual usufruct fees	166	166
- Other (including future liabilities towards contractors)	2 111	3 012
Total accrued expenses	2 592	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 claims can be found in Note 27.

Note 24 - - Contingent liabilities and assets	As at 30.09.2015	As at 31.12.2014
Specification [000'PLN]		
Contingent liabilities		
Loan repayment guarantees*		
Total contingent liabilities		
Contingent assets		
Compensation claims	182 227	182 227
Tort claims	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 30.09.2015, there are no investment liabilities in the Group.

26 GRANTED AND RECEIVED SURETIES

In the period from 01.01.2015 to 30.09.2015, neither Polnord nor any of its subsidiaries granted or received sureties in the amount exceeding 10% of the Company's equity.

As at 30.09.2015, there were no active sureties granted by Polnord SA to entities other than the subsidiaries. The table below presents the list of active sureties granted by Polnord SA to entities other than the subsidiaries as at 30.09.2014:

Nota - 26 Specification of active sureties granted by Polnord SA as at 30.09.2014	
Company receiving the surety	Amount of the sureties
Specification [000'PLN]	
Korporacja Budowlana Dom Sp. z o.o.	581
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 30.09.2015 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 declared the invalidity of administrative decisions and clearly 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.

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. 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 President of the Capital City of Warsaw issued decisions refusing to pay indemnities for the expired right of perpetual usufruct of land. These decisions were upheld by the Governor of the Mazowieckie Province after considering the appeals of the Company. On 03.08.2015, Polnord merged with the company 10 H Sp. z o.o.

Provincial Administrative Court in Warsaw, in its judgments of: 09.10.2015 and 16.10.2015, overruled all unfavorable decisions of the President of the Capital City of Warsaw and the Governor of the Mazowieckie Province on the case. The Court found that the refusal to pay indemnity was not justified, as the indemnity should be, in fact, paid to Polnord SA. The judgments are not legally binding, cassation appeals can be filed to the Supreme Administrative Court.

- **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 POL – AQUA Sp. z o.o. (formerly: PRI POL - AQUA SA)**

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 POL – AQUA Sp. z o.o. (formerly: PRI POL - AQUA SA) (“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 Braniskiego 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, one proceeding concerning the case is pending before the District Court in Warsaw, 16th Civil Department, involving the following claims:

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

As at 30.09.2015, Lessor's receivables from the Lessee amounted to PLN 21,286 thousand.

- **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, 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 30.09.2015, the provisions for the principal amount totalled PLN 35,783 thousand, and for interest it was PLN 20,046 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 period of 01.01.2015-30.09.2015

	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	64	3 044		34	3 142
Other operating revenue	234				234
Financial revenue		2 419		225	2 644
Operating expenses		(7)		(341)	(348)
Other operating expenses					
Financial expenses					
TOTAL	298	5 456		(82)	5 672

Note 28.1.2 - Company's transactions with related parties for the period of 01.01.2014-30.09.2014

	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	41	630		41	712
Other operating revenue	26	8			34
Financial revenue		2 653		353	3 006
Operating expenses	(112)			(331)	(443)
Other operating expenses					
Financial expenses	(11)				(11)
TOTAL	(56)	3 292		62	3 298

Note 28.1.3 - Settlements of the Company with related parties as at 30.09.2015

	Associates	Joint ventures in which the entity is a venturer	Key management personnel	Other related parties	TOTAL
Specification [000'PLN]					
ASSETS					
Trade receivables	7 986	625		290	8 901
Other financial receivables					
Loans granted		67 213			67 213
Acquired bonds					
Other short-term assets					
TOTAL ASSETS	7 986	67 839		290	76 115
LIABILITIES					
Issued bonds					
Loans received					
Trade liabilities	10 925				10 925
Other financial liabilities					
TOTAL LIABILITIES	10 925				10 925

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 period from 01.01.2015 to 30.09.2015 and from 01.01.2014 to 30.09.2014, no borrowings were granted to members of the Management Board of Polnord SA.

28.4 OTHER TRANSACTIONS INVOLVING MEMBERS OF THE MANAGEMENT BOARD

In the period from 01.01.2015 to 30.09.2015 and from 01.01.2014 to 30.09.2014, there were no transactions in the Group involving members of the Management Board of Polnord SA.

28.5 REMUNERATION OF SENIOR EXECUTIVES OF THE GROUP

Note 28.5 - Remuneration of senior executives of the Group	Za okres od 01.01.2015 do 30.09.2015	Za okres od 01.01.2014 do 30.09.2014
Short-term employee benefits	2 553	2 438
Jubilee bonuses and retirement benefits		
Post-employment benefits		
Benefits due to termination of employment		
Payments based on shares		
Other - option agreement, additional benefits	13	14
Total remuneration paid to senior executives	2 566	2 452
Management Board	2 566	2 452
Supervisory Board	263	208
Total	2 829	2 660

29 FINANCIAL INSTRUMENTS

29.1 CARRYING AMOUNT OF CATEGORIES AND CLASSES OF FINANCIAL INSTRUMENTS

Note 29.1.1 - Financial instrument classes as at 30.09.2015	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			6 629				6 629
Long-term receivables			118 996				118 996
Trade and other receivables			58 261				58 261
Short-term loans			63 423				63 423
Cash and cash equivalents			81 775				81 775
Financial assets in total			329 084				329 084
Interest-bearing bank loans and borrowings					316 487		316 487
Trade and other liabilities					38 182		38 182
Current long-term portion of bank loans and borrowings					17 465		17 465
Other short-term loans and borrowings					144 705		144 705
Financial liabilities in total					516 839		516 839

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			519				519
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			298 925			1 948	300 873
Interest-bearing bank loans and borrowings					405 256		405 256
Trade and other liabilities					30 286		30 286
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					538 445		538 445

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

30.09.2015 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 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 30.09.2015 and 31.12.2014, are presented in the table below.

Note 29.2 - Financial instrument classes	As at 30.09.2015			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 30.09.2015	As at 31.12.2014
Company's Management Board	2	2
Finance and Administration Division	51	49
Property Development Division	11	14
Total	64	65

31 AUDITOR'S REMUNERATION

The auditor's remuneration is further described in the condensed consolidated interim financial statements for the first half of 2015.

32 EVENTS AFTER THE BALANCE SHEET DATE

The following events occurred after the balance sheet date:

- On 12.10.2015, the Company performed full early redemption of credit commitments in the amount of PLN 33.1 million, arising from the credit facility agreement concluded with Getin Noble Bank S.A. on 03.04.2015.
- On 19.10.2015, the Company performed early redemption of all, i.e. 240,000 series F bonds of Polnord, with a total nominal value of PLN 24 million. The bonds were issued on 24.10.2012, with a maturity date on 24.10.2015.
- On 26.10.2015 the Company issued and delivered the third (last) tranche of 110,066 series C subscription warrants in total under the Management Option Programme ("MO Programme"). The MO Programme is directed at the Management Board of the Company and at Polnord employees and associates of key importance for implementing the Company strategy ("Entitled Individuals"). The MO Programme provided for issue of no more than 350,000 subscription warrants for no consideration, issued in three tranches ("Warrants"). On 26.10.2015, the Entitled Individuals made their declaration of accession to the MO Programme obtaining at the same time the right to acquire series C Warrants with the total number of 110,066. Consequently, on 26.10.2015 the third (last) tranche of 110,066 series C Warrants was issued and delivered to the Entitled Individuals, of which a total of 83,466 Warrants were received by the Members of the Company's Management Board. The Company reminds that the first tranche of 116,667 Series A Warrants was issued and delivered on 20.12.2013, and the second tranche of 110,067 Series B Warrants was issued and delivered on 9 December 2014. As part of the issue of series A and series B Warrants, the Members of the Company's Management Board received a total of 166,534 Warrants. As a result of the MO Programme implementation, a total of 336,800 Warrants – series A, B and C were issued and delivered. Each Warrant gives the right to acquire one series S share. The issue price of series S shares for every warrants amounts to PLN 9.00. The Entitled Individual may exercise the right to acquire series S share not later than until 31.12.2016.
- On 29.10.2015, the Company concluded with SGB Bank SA with its registered office in Poznań (the "Bank") an agreement regarding the organisation and service of the issue of bonds (the "Agreement"). In the Agreement, the Bank undertook to acquire all the bonds issued under the Agreement with a total nominal value of PLN 60 million (the "Bonds") on its own account. The proceeds from the Bond issue will be entirely used for the early redemption of bonds issued on 20.08.2012 with a total nominal value of PLN 60 million, which were reported by the Company in the current report No. 29/2012 of 21.08.2012. The Bonds in question will be the covered bonds maturing 4 years after the issue date. The issue will not be a public issue.
- As a result of conclusion of an agreement on 10.11.2015, by and between Polnord Warszawa Ząbki - Neptun Sp. z o.o. with its registered office in Gdynia (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 Polnord SA Capital Group companies and KB Dom totalled PLN 112.7 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 the projects of residential buildings and hotels situated in Warsaw and in the vicinity of Gdańsk. The agreement of the biggest value has been concluded by and between Polnord Warszawa Ząbki - Neptun Sp. z o.o. and KB Dom on 10.11.2015. and regards the implementation of a residential project by KB Dom, as the Investor's Representative, in Ząbki near Warsaw (the "Project"). As part of the Project, KB Dom accepted the construction of 5 multi-family residential buildings with a total of 203 residential premises and 12 service premises with an underground garage. Under the agreement, KB Dom is entitled to remuneration estimated by the parties at net PLN 38.2 million.

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

In connection with the merger of Polnord SA with Polnord Marketing Sp. z o.o. and 10H Sp. z o.o. through transfer of all assets and liabilities of the target companies to the acquiring company – Polnord SA (merger by acquisition), the condensed interim individual financial statements include comparative data, the so-called "aggregated data", defined in such a way as if the merger had taken place at the beginning of the previous financial year. The merger took place on 03.08.2015 using the pooling of interests method. The share of Polnord SA in the capital of the absorbed companies was 100%.

1 INTERIM CONDENSED INDIVIDUAL PROFIT AND LOSS ACCOUNT

For the period between 01.01.2015 and 30.09.2015

Specification [000' PLN]	Note	For the period	For the period	For the period	For the period
		from 01.01.2015 to 30.09.2015	from 01.07.2015 to 30.09.2015	from 01.01.2014 to 30.09.2014	from 01.07.2014 to 30.09.2014
				<i>restated data</i>	<i>restated data</i>
Sales revenue	10.1	36 994	15 472	28 266	12 428
Revenue from sales of products, goods and materials		3 835	3 535	2 261	
from related parties					
Revenue from sale of services		32 888	11 864	25 633	12 336
from related parties		32 190	11 653	25 194	12 181
Lease revenue		273	74	372	92
from related parties		171	40	106	22
Cost of sale	10.2	(3 615)	(3 509)	(2 263)	
Gross profit (loss) on sales		33 379	11 963	26 004	12 428
Revaluation of investment property	10.3	(440)			(11 068)
Result on sale of investment property				11 068	11 068
Selling costs		(5 433)	(1 958)	(5 077)	(1 927)
General administrative expenses		(15 766)	(5 312)	(15 566)	(4 773)
Other operating revenue	10.4	143	125	474	1
Other operating expenses	10.5	(4 423)	(2 066)	(3 192)	(593)
Gross operating profit (loss)		7 460	2 752	13 712	5 136
Financial revenue	10.6	25 045	5 836	18 706	6 639
Financial expenses	10.7	(30 735)	(6 830)	(24 123)	(8 792)
Profit (loss) on sale of subsidiary					
Gross profit (loss)		1 769	1 758	8 295	2 983
Income tax	11	2 217	(113)	(355)	(470)
Net profit (loss) on continued operations		3 986	1 645	7 940	2 513
Net profit (loss) on discontinued operations		(143)	(241)	(859)	696
Net profit (loss)		3 843	1 405	7 081	3 208

2 INTERIM CONDENSED INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME

For the period between 01.01.2015 and 30.09.2015

Specification [000' PLN]	For the period from 01.01.2015 to 30.09.2015	For the period from 01.07.2015 to 30.09.2015	For the period from 01.01.2014 to 30.09.2014 <i>restated data</i>	For the period from 01.07.2015 to 30.09.2015 <i>restated data</i>
Net profit (loss)	3 843	1 405	7 081	3 208
Other comprehensive income:				
Items that may be reclassified to profit or loss in the future:	203	(1 017)	(1 170)	
Valuation of financial assets available for sale	3 250	(1 017)	(1 445)	
Foreign exchange gains/losses on translation				
Other				
Income tax on components of other comprehensive income	(3 047)		275	
Items that will not be reclassified to profit or loss in the future:				
Revaluation of employee benefit liabilities				
Comprehensive income for the period	4 046	388	5 911	3 208

3 INTERIM CONDENSED INDIVIDUAL STATEMENT OF FINANCIAL POSITION

As at 30.09.2015

Specification [000' PLN]	Note	As at 30.09.2015	As at 31.12.2014
			<i>restated data</i>
ASSETS			
Fixed assets		1 435 106	1 454 553
Tangible fixed assets		2 644	1 589
Investment property	13	555 731	569 971
Intangible assets		333	495
Investments in subsidiaries, jointly controlled entities and associates	14	485 727	489 467
Loans granted	15	241 876	250 438
Long-term receivables		118 996	118 142
Other financial assets		9 922	3 744
Deferred tax assets		19 878	20 707
Current assets (excluding assets classified as held for sale)		446 856	455 711
Inventories	16	216 351	214 873
Trade and other receivables		64 709	66 928
Receivables due to VAT, other taxes, customs duties, insurance and other		415	343
Income tax receivables		1	421
Prepayments and accrued income		1 673	418
Cash and cash equivalents		39 393	50 397
Loans granted	15	124 315	122 331
Assets classified as held for sale		9 200	9 200
Current assets (including those classified as held for sale)		456 056	464 911
TOTAL ASSETS		1 891 163	1 919 464

Specification [000' PLN]	Note	As at 30.09.2015	As at 31.12.2014 <i>restated data</i>
LIABILITIES			
Equity		1 004 329	1 000 282
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		216 010	196 939
Retained profits/Uncovered losses		(336 669)	(321 645)
Long-term liabilities		599 088	681 980
Interest-bearing bank loans and borrowings		214 339	297 254
Provisions		1 031	1 031
Other liabilities		383 717	383 695
Deferred income tax provision			
Accruals and deferred income			
Short-term liabilities (excluding liabilities directly related to assets classified as held for sale)		287 746	237 202
Current long-term portion of bank loans and borrowings		10 046	12 058
Trade and other liabilities		74 962	81 765
Short-term revolving loans			
Other short-term loans and borrowings		144 704	85 430
Liabilities due to VAT, other taxes, customs duties, insurance and other		1 980	5 205
Income tax liabilities			
Other financial liabilities			
Accruals and deferred income		1 950	931
Advance payments received		15	1 634
Provisions		54 088	50 178
Other liabilities directly related to assets classified as held for sale			
Short-term liabilities		287 746	237 202
Total liabilities		886 834	919 182
TOTAL EQUITY AND LIABILITIES		1 891 163	1 919 464

4 INTERIM CONDENSED INDIVIDUAL CASH FLOW STATEMENT

For the period between 01.01.2015 and 30.09.2015

Specification [000' PLN]	For the period from 01.01.2015 to 30.09.2015	For the period from 01.01.2014 to 30.09.2014 <i>restated data</i>	For the period from 01.01.2014 to 30.09.2014 <i>published data</i>
Cash flows from operating activities			
Gross profit (loss) (including profit on discontinued operation)	1 626	7 436	(35 444)
Adjustments:	(16 492)	(4 637)	38 346
Share in the result of associates measured with equity method			
Depreciation and amortisation	515	542	539
Net interest and dividends	23 371	21 557	21 778
Profit/(loss) on investing activities	(19 218)	(30 440)	10 441
(Increase)/decrease in receivables	(13 887)	10 229	12 722
(Increase)/decrease in inventories	(1 478)	1 893	1 893
Increase/(decrease) in liabilities excluding loans and borrowings	(11 623)	(4 314)	(4 926)
Change in prepayments and accruals	1 722	108	112
Change in provisions	3 910	(3 792)	(3 792)
Income tax paid			(421)
Other	196	(421)	
Net cash generated by operating activities	(14 866)	2 799	2 902
Cash flows from investing activities			
Inflows	90 694	144 387	62 197
Sale of tangible fixed assets and intangible assets	2	247	247
Sale of investment properties	16 793	37 246	37 246
Sale of financial assets			
Dividends received			
Interest received	5 829	21 861	4 459
Repayment of loans granted	68 070	85 034	20 245
Redemption of third party bonds			
Outflows	(39 399)	(122 424)	(49 168)
Purchase of tangible fixed assets and intangible assets	(1 370)	(405)	(405)
Purchase of investment properties		(8 296)	(8 296)
Purchase of financial assets	(2 249)	(23 115)	(20 067)
Loans granted	(35 780)	(90 608)	(20 400)
Other			
Net cash used in investing activities	51 295	21 963	13 029
Cash flows from financing activities			
Inflows	94 500	140 295	168 685
Inflows from issuance of shares			
Inflows from loans/borrowings taken out		57 200	85 590
Inflows from issuance of bonds	94 500	83 095	83 095
Other			
Outflows	(141 933)	(138 088)	(158 171)
Repayment of finance lease liabilities		(46)	(46)
Repayment of loans/borrowings	(2 000)	(68 093)	(85 967)
Dividends paid to equity holders of the parent company			
Dividends paid to noncontrolling interests			
Interest paid	(22 473)	(17 866)	(17 892)
Redemption of bonds	(117 460)	(52 082)	(54 266)
Other			
Net cash generated by financing activities	(47 433)	2 207	10 514
Net increase (decrease) in cash and cash equivalents	(11 004)	26 969	26 445
Net foreign exchange gains/losses			
Cash and cash equivalents at the beginning of the period	50 397	22 726	22 528
Cash and cash equivalents at the end of the period, of which	39 393	49 695	48 973
Restricted cash	44	55	55

5 STATEMENT OF CHANGES IN EQUITY

For the period between 01.01.2015 and 30.09.2015

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	186 394	(323 255)	988 126
Result of the year				7 081	7 081
Other comprehensive income			(1 170)		(1 170)
Total comprehensive income			(1 170)	7 081	5 911
Share issue					
Retained profits					
Share issue costs					
Result carried forward from previous period			14 910	(14 910)	
Management Option scheme					
As at 30.09.2014	65 266	1 059 721	200 134	(331 084)	994 037
As at 01.01.2015	65 266	1 059 721	196 939	(321 644)	1 000 282
Result of the year				3 843	3 843
Other comprehensive income			203		203
Total comprehensive income			203	3 843	4 046
Share issue					
Retained profits					
Share issue costs					
Result carried forward from previous period			18 868	(18 868)	
Management Option scheme					
As at 30.09.2015	65 266	1 059 721	216 010	(336 667)	1 004 329

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 nine months ended on 30.09.2015, 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.

9.2. RECOGNITION OF THE ASSETS TRANSFERRED TO A SUBSIDIARY AND RESTATEMENT OF COMPARABLE DATA

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 30.09.2015	As at 31.12.2014
Loans granted – long-term	241 876	250 438
Loans granted – short-term	121 473	115 758
Retained profits	(9 474)	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 ended on 30.09.2015 and for the period from 01.01.2015 to 30.09.2015, except for the effects of the merger with Polnord Marketing Sp. z o.o. and 10H Sp. z o.o. using the pooling of interests method, 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 30.09.2015 financial revenue has been recognised in the amount of PLN 22,849 thousand, and net result in the amount of PLN 22,805 thousand from the financial statements of Polnord SA Finanse SJ.

The comparative data of Polnord SA - for the period from 01.01.2014 to 30.09.2014 - recognised financial revenue in the amount of PLN 19,830 thousand, and net profit of PLN 24,519 thousand from the financial statements of Polnord SA Finanse SJ.

The Company also made presentation changes and other adjustments to the comparable data of 2014 related to the costs of perpetual usufruct of land and property tax, which affected the amounts disclosed in the Profit and Loss Account under "Other operating expenses". The adjustments also related to valuation of investment properties which affected the amounts disclosed in the Profit and Loss Account under "Result on sale of investment property" and "Revaluation of investment property".

In order to achieve comparability of data, the Company restated the statements for the period from 01.01.2014 to 30.09.2014. The impact of changes is presented in the tables below.

The impact of changes on the income statement for the period 01.01.2014-30.09.2014 covers (as described above) adjustments regarding the individual profit and loss account published, the effects of the merger with Polnord Marketing Sp. z o.o. and 10H Sp. z o.o., as well as inclusion of relevant items of the statements of Polnord SA Finanse SJ.

Specification [000'PLN]	For the period from 01.01.2014 to 30.09.2014	Presentation changes and other adjustments; effects of the merger	For the period from 01.01.2014 to 30.09.2014
	<i>published data</i>		<i>restated data</i>
Sales revenue	28 434	(168)	28 266
Revenue from sales of products, goods and materials	2 261		2 261
from related parties			
Revenue from sale of services	25 767	(134)	25 633
from related parties	25 327	(133)	25 194
Lease revenue	406	(34)	372
from related parties	140	(34)	106
Cost of sale	(2 263)		(2 263)
Gross profit (loss) on sales	26 171	(168)	26 004
Result on sale of investment property	1 065	10 003	11 068
Revaluation of investment property	(11 068)	11 068	
Selling costs	(8 740)	3 663	(5 077)
General administrative expenses	(16 707)	1 141	(15 566)
Other operating revenue	474		474
Other operating expenses	(1 653)	(1 539)	(3 192)
Gross operating profit (loss)	(10 458)	24 170	13 712
Financial revenue	435	18 271	18 706
Financial expenses	(24 562)	439	(24 123)
Gross profit (loss)	(34 585)	42 880	8 295
Income tax	(1 312)	957	(355)
Net profit (loss) on continued operations	(35 897)	43 837	7 940
Net profit (loss) on discontinued operations	(859)		(859)
Net profit (loss)	(36 756)	43 837	7 081

Moreover, in order to determine the result for the period 01.07.2015-30.09.2015 and for the corresponding comparable period, the profit and loss account for the first half of 2015 and for the first half of 2014 was also restated. In comparison to the published financial statements for the first half of 2015, the restated profit and loss accounts presented below include the impact of the described merger of the Company with Polnord Marketing Sp. z o.o. and 10H Sp. z o.o. as if it had occurred at the beginning of the previous financial year.

Specification [000' PLN]	For the period from 01.01.2015 to 30.06.2015 <i>published data</i>	Merger adjustments	For the period from 01.01.2015 to 30.06.2015 <i>restated data</i>	For the period from 01.01.2014 to 30.06.2014 <i>published as comparable data in the statements of IH 2015</i>	Merger adjustments	For the period from 01.01.2014 to 30.06.2014 <i>restated data</i>
Sales revenue	21 615	(92)	21 522	15 931	(93)	15 838
Revenue from sales of products, goods and materials	300		300	2 261		2 261
from related parties						
Revenue from sale of services	21 105	(81)	21 024	13 373	(75)	13 298
from related parties	20 618	(80)	20 537	13 088	(75)	13 013
Lease revenue	210	(12)	198	297	(17)	280
from related parties	142	(12)	130	102	(18)	84
Cost of sale	(106)		(106)	(2 263)		(2 263)
Gross profit (loss) on sales	21 509	(92)	21 416	13 668	(93)	13 575
Revaluation of investment property	(440)		(440)	11 068		11 068
Result on sale of investment property						
Selling costs	(5 788)	2 313	(3 475)	(5 688)	2 538	(3 150)
General administrative expenses	(10 138)	(316)	(10 454)	(10 549)	(244)	(10 793)
Other operating revenue	18		18	473		473
Other operating expenses	(2 358)		(2 358)	(2 599)		(2 599)
Gross operating profit (loss)	2 803	1 905	4 708	6 373	2 202	8 575
Financial revenue	20 479	(1 270)	19 209	12 523	(455)	12 068
Financial expenses	(23 905)		(23 905)	(15 331)		(15 331)
Profit (loss) on sale of subsidiary						
Gross profit (loss)	(623)	634	11	3 565	1 747	5 312
Income tax	687	1 642	2 329	(5 089)	5 204	115
Net profit (loss) on continued operations	64	2 277	2 341	(1 524)	6 951	5 427
Net profit (loss) on discontinued operations	98		98	(1 555)		(1 555)
Net profit (loss)	162	2 277	2 439	(3 079)	6 951	3 872

The Company also restated the statement of financial position as at 31.12.2014. In comparison to the statement of financial position published in the statements for 2014 (which already contained the relevant items of the statements of Polnord SA Finance S.J.) the restatement of data results from the merger of Polnord SA with Polnord Marketing Sp. z o.o. and 10H Sp. z o.o. Using the pooling of interests method, the comparative data, the so-called "aggregated data", were defined in such a way as if the merger had taken place at the beginning of the previous financial year.

The impact of changes is presented in the table below.

Specification [000' PLN]	As at 31.12.2014 <i>published data</i>	Effects of the merger	As at 31.12.2014 <i>restated data</i>
ASSETS			
Fixed assets	1 482 364	(27 812)	1 454 553
Tangible fixed assets	1 583	6	1 589
Investment property	569 971		569 971
Intangible assets	486	10	495
Investments in subsidiaries, jointly controlled entities and associates	490 218	(751)	489 467
Loans granted	282 125	(31 688)	250 438
Long-term receivables	118 142		118 142
Other financial assets	3 744		3 744
Deferred tax assets	16 096	4 612	20 707
Current assets (excluding assets classified as held for sale)	455 407	302	455 711
Inventories	214 871	2	214 873
Trade and other receivables	66 697	231	66 928
Receivables due to VAT, other taxes, customs duties, insurance and other	297	46	343
Income tax receivables	421		421
Prepayments and accrued income	415	3	418
Cash and cash equivalents	50 377	20	50 397
Loans granted	122 331		122 331
Assets classified as held for sale	9 200		9 200
Current assets (including those classified as held for sale)	464 608	302	464 911
TOTAL ASSETS	1 946 972	(27 508)	1 919 464

Specification [000' PLN]	As at 31.12.2014 <i>published data</i>	Effects of the merger	As at 31.12.2014 <i>restated data</i>
LIABILITIES			
Equity	1 083 028	(82 746)	1 000 282
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	254 458	(57 519)	196 939
Retained profits/Uncovered losses	(296 417)	(25 227)	(321 645)
Long-term liabilities	684 043	(2 062)	681 980
Interest-bearing bank loans and borrowings	297 254		297 254
Provisions	1 031		1 031
Other liabilities	385 756	(2 062)	383 695
Deferred income tax provision			
Accruals and deferred income			
Short-term liabilities (excluding liabilities directly related to assets classified as held for sale)	179 903	57 299	237 202
Current long-term portion of bank loans and borrowings	12 058		12 058
Trade and other liabilities	24 686	57 078	81 765
Short-term revolving loans			
Other short-term loans and borrowings	85 430		85 430
Liabilities due to VAT, other taxes, customs duties, insurance and other	4 985	220	5 205
Income tax liabilities			
Other financial liabilities			
Accruals and deferred income	931		931
Advance payments received	1 634		1 634
Provisions	50 178		50 178
Other liabilities directly related to assets classified as held for sale			
Short-term liabilities	179 903	57 299	237 202
Total liabilities	863 946	55 236	919 182
TOTAL EQUITY AND LIABILITIES	1 946 973	(27 508)	1 919 464

10 REVENUES AND EXPENSES

10.1 OPERATING REVENUE

Specification [000' PLN]	For the period from 01.01.2015 to 30.09.2015	For the period from 01.01.2014 to 30.09.2014 <i>restated data</i>
Note 10.1 - Operating revenue		
Sale of residential apartments		
Sale of plots of land	3 835	2 261
Rent	273	372
Project management	29 193	24 701
Other	3 695	932
Total operating revenue	36 994	28 266

10.2 OPERATING EXPENSES

Note 10.2 - Operating expenses	For the period from 01.01.2015 to 30.09.2015	For the period from 01.01.2014 to 30.09.2014
Specification [000' PLN]		<i>restated data</i>
Depreciation/Amortisation	515	542
Consumption of materials and energy	485	464
Third-party services	11 723	9 419
Taxes and charges	365	512
Payroll	6 965	7 411
Social security and other benefits	1 147	1 140
Other costs by type	1 245	1 124
Total costs by type	22 444	20 612
Movement in products, prepayments and accruals	1 246	(31)
Costs of manufacturing products for internal use (negative value)		
Selling costs (negative value)	(5 433)	(5 077)
General administrative expenses (negative value)	(15 766)	(15 566)
Manufacturing costs of products sold		
Value of materials sold	3 615	2 263
Cost of sale	3 615	2 263

10.3 REVALUATION OF INVESTMENT PROPERTY

In the period from 01.01.2015 to 30.09.2015, the Company 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 revenue	For the period from 01.01.2015 to 30.09.2015	For the period from 01.01.2014 to 30.09.2014
Specification [000' PLN]		<i>restated data</i>
Total release of provisions, including:		438
- for liabilities including Agricultural Property Agency		438
- other provisions		
Other, including:	143	35
- lease		
- compensations from insurers	115	
- liabilities written off		
- other	28	36
Total other operating revenue	143	474

10.5 OTHER OPERATING EXPENSES

Note 10.5 - Other operating expenses	For the period from 01.01.2015 to 30.09.2015	For the period from 01.01.2014 to 30.09.2014
Specification [000' PLN]		<i>restated data</i>
Total provisions established, including:	2 050	
- revaluation of receivables	12	
-fees for perpetual usufruct and property tax	2 038	
Other, including:	2 373	3 192
-costs of disputes	114	69
-unrecoverable receivables		
-revaluation of plots of land		
-provisions for lawsuits		
-result on sale of fixed assets		439
-fees for perpetual usufruct and property tax	927	1 539
-contractual penalties		
-other	1 332	1 145
Total other operating expenses	4 423	3 192

10.6 FINANCIAL REVENUE

Note 10.6 - Financial revenue	For the period from 01.01.2015 to 30.09.2015	For the period from 01.01.2014 to 30.09.2014
Specification [000' PLN]		<i>restated data</i>
Revenue from bank and commercial interest	937	260
Interest income on loans	19 499	18 446
Positive FX differences		
Other (including dividends from subsidiaries)	4 609	
Total financial revenue	25 045	18 706

10.7 FINANCIAL EXPENSES

Note 10.7 - Financial expenses	For the period from 01.01.2015 to 30.09.2015	For the period from 01.01.2014 to 30.09.2014
Specification [000' PLN]		<i>restated data</i>
Interest on bank loans, borrowings and bonds	20 131	21 722
Interest on other liabilities		50
Financial costs of finance lease agreements		2
Negative FX differences	292	1 393
Bank commissions and commissions on bank guarantees		
Loans - written off		
Provisions for interest on the dispute with ANR	1 830	
Interest on debts	509	460
Write-off of receivables for the sold shares		
Write-down on shares and loans	7 467	
Other	506	496
Total financial expenses	30 735	24 123

In the second quarter 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 the offers of purchase of the property located in Saratov submitted by third parties, it made revaluation write-down on shares and loans granted for a total amount of PLN 7,467 thousand. The amount has been included in the Interim condensed individual financial statements under "Financial expenses".

11 INCOME TAX

The main items of the tax burden for the period ended on 30.09.2015 and for the comparative period ended on 30.09.2014 are as follows:

Note 11 - Income tax	For the period from 01.01.2015 to 30.09.2015	For the period from 01.01.2014 to 30.09.2014 <i>Restated data</i>
Specification [000' PLN]		
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	2 217	(355)
Tax burden disclosed in the profit and loss account	(2 217)	(355)
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 30.09.2015, the share capital of Polnord SA was not increased.

As at 30.09.2015, 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 30.09.2015	For the period from 01.01.2014 to 30.09.2014
Specification [000' PLN]		
Net profit (loss) for the period	3 843	7 081
Net profit (loss) on discontinued operations for the period	(143)	(859)
Net profit (loss) on continued operations for the period	3 986	7 940
Average weighted number of ordinary shares for the period	32 633 027	32 633 027
Net earnings (losses) per ordinary share (PLN)	0.12	0.22
Net profit (loss) on discontinued operations, per ordinary share (PLN)	(0.00)	(0.03)
Net profit (loss) on continued operations, per ordinary share (PLN)	0.12	0.24

Note 12.2 - Diluted earnings per share	For the period from 01.01.2015 to 30.09.2015	For the period from 01.01.2014 to 30.09.2014
Specification [000' PLN]		
Net profit (loss) for the period	3 843	7 081
Net profit (loss) on discontinued operations for the period	(143)	(859)
Net profit (loss) on continued operations for the period	3 986	7 940
Net profit (loss) for the period used to calculate diluted earnings per share	3 843	7 081
Net profit (loss) on discontinued operations, for the period used to calculate diluted earnings per share	(143)	(859)
Net profit (loss) on continued operations, for the period used to calculate diluted earnings per share	3 986	7 940
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)	0.12	0.22
Net diluted profit (loss) on discontinued operations, per ordinary share (PLN)	(0.00)	(0.03)
Net diluted profit (loss) on continued operations, per ordinary share (PLN)	0.12	0.24

13 INVESTMENT PROPERTY

Note 13 - Investment property	For the period from 01.01.2015 to 30.09.2015	For the period from 01.01.2014 to 31.12.2014	For the period from 01.01.2014 to 30.09.2014
Specification [000' PLN]		<i>restated data</i>	<i>restated data</i>
Opening balance	569 971	757 734	757 734
Increases		11 555	8 296
Decreases (sale)	(13 800)	(73 560)	(12 037)
Reclassification		(128 381)	
Revaluation of investment property	(440)	2 623	
Closing balance	555 731	569 971	753 993

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 523,085 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 30.09.2015	For the period from 01.01.2014 to 31.12.2014	For the period from 01.01.2014 to 30.09.2014
Specification [000' PLN]		<i>restated data</i>	<i>restated data</i>
Opening balance	489 467	472 608	472 608
Increases (purchase)	28	20 049	20 049
Decreases (sale)		(15 000)	
Investment revaluation allowance	(3 768)	11 810	
Closing balance	485 727	489 467	492 657

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 the offers of purchase of the property located in Saratov submitted by third parties, it made revaluation write-down on shares held for a total amount of 3,768 thousand. The amount has been included in the Interim condensed individual financial statements under "Financial expenses".

15 LOANS GRANTED

Note 15.1 - Loans granted	As at 30.09.2015	As at 31.12.2014
Specification [000' PLN]		<i>restated data</i>
Loans granted	366 191	372 769
Other		
Total loans granted	366 191	372 769

Note 15.2 - Change in loans granted	For the period from 01.01.2015 to 30.09.2015	For the period from 01.01.2014 to 30.09.2014
Specification [000' PLN]		<i>restated data</i>
Opening balance	372 769	369 810
Incurrence	47 822	96 103
Repayment	(73 899)	(106 895)
Accrued interest	19 499	18 446
Closing balance	366 191	377 464

16 INVENTORY

Note 16.1 - Inventory	As at 30.09.2015	As at 31.12.2014
Specification [000' PLN]		<i>restated data</i>
Materials (according to the purchase price)	2	198
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	181 711	180 037
<i>According to the purchase price/manufacturing cost</i>	181 711	184 467
<i>According to the net realisable value</i>	181 711	180 037
Total inventory, at the lower of the two values: purchase price (manufacturing cost) and net realisable value	216 351	214 873

Note 16.2 - Gross inventory and revaluation allowance	As at 30.09.2015	As at 31.12.2014
Specification [000' PLN]		<i>restated data</i>
Materials		
Gross value	2	198
Revaluation allowance		
Work in progress		
Gross value		
Revaluation allowance		
Finished products:	34 638	34 638
Gross value	34 638	34 638
Revaluation allowance		
Goods	181 711	184 467
Gross value	181 711	184 467
Revaluation allowance		(4 430)
Total inventory	216 351	214 873

Note 16.3 - Inventory revaluation allowance	As at 30.09.2015	As at 31.12.2014
Specification [000' PLN]		<i>restated data</i>
Opening balance revaluation allowance	(4 430)	(1 040)
Increase	(27)	(4 430)
Reversal		
Utilisation	4 457	1 040
Closing balance revaluation allowance		(4 430)

In the period from 01.01.2015 to 30.09.2015, revaluation allowances were made for inventory in the total amount of PLN 27 thousand and PLN 4,457 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 the balance sheet date 30.09.2015, amounts to PLN 181,747 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 three quarters 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	29 219	64	3 044		34	32 361
Other operating revenue		196				196
Financial revenue	16 855		2 419		225	19 499
Operating expenses	(33)				(341)	(374)
Other operating expenses						
Financial expenses						
TOTAL	46 041	260	5 463		(82)	51 682

Note 18.1.2 - Company's transactions with related parties for three quarters 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	24 587	41	630		41	25 300
Other operating revenue			8			8
Financial revenue	15 409		2 653		353	18 415
Operating expenses		(18)			(331)	(349)
Other operating expenses						
Financial expenses		(11)				(11)
TOTAL	39 996	12	3 292		62	43 362

Note 18.1.3 - Settlements of the Company with related parties as at 30.09.2015

	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	44 576	1	625		303	45 506
Other financial receivables						
Loans granted	296 136		67 213			363 350
Acquired bonds						
Other short-term assets						
TOTAL ASSETS	340 712	1	67 839		303	408 856
LIABILITIES						
Issued bonds						
Loans received						
Trade liabilities	70 885					70 885
Other financial liabilities						
TOTAL LIABILITIES	70 885					70 885

Note 18.1.4 - Settlements of the Company with related parties as 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	49 598		514		571	50 682
Other financial receivables						
Loans granted	298 390		63 704		7 705	369 799
Acquired bonds						
Other short-term assets						
TOTAL ASSETS	347 988		64 218		8 276	420 481
LIABILITIES						
Issued bonds						
Loans received						
Trade liabilities	69 956					69 956
Other financial liabilities						
TOTAL LIABILITIES	69 956					69 956

19 FINANCIAL INSTRUMENTS

19.1 CARRYING AMOUNT OF CATEGORIES AND CLASSES OF FINANCIAL INSTRUMENTS

Specification [000' PLN]	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
Long-term loans			241 876				241 876
Long-term receivables			118 996				118 996
Trade and other receivables			64 709				64 709
Short-term loans			124 315				124 315
Cash and cash equivalents			39 393				39 393
Other financial assets	9 922						9 922
Financial assets in total	9 922		589 289				599 211
Interest-bearing bank loans and borrowings					214 339		214 339
Trade and other liabilities					74 962		74 962
Current long-term portion of bank loans and borrowings					10 046		10 046
Other short-term loans and borrowings					144 704		144 704
Financial liabilities in total					444 051		444 051

Note 19.1.2 - Financial instrument classes as at 31.12.2014							
Specification [000' PLN]	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
Long-term loans			250 438				250 438
Long term receivables			118 142				118 142
Trade and other receivables			65 034			1 894	66 928
Short-term loans			122 331				122 331
Cash and cash equivalents			50 397				50 397
Other financial assets	3 744						3 744
Financial assets in total	3 744		606 342			1 894	611 980
Interest-bearing bank loans and borrowings					297 254		297 254
Trade and other liabilities					81 765		81 765
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					476 507		476 507

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 30.09.2015 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 30.09.2015 and 31.12.2014, are presented in the table below.

Note 19.2 - Financial instrument classes	As at 30.09.2015			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, 16.11.2015

Piotr Wesołowski

Tomasz Sznajder

Katarzyna Brzózka

President of the Management Board

Vice-President of the Management Board

Main Accountant