



CAPITAL GROUP

POLSKI HOLDING NIERUCHOMOŚCI SPÓŁKA AKCYJNA

Consolidated quarterly report for the third quarter of 2015



**POLSKI HOLDING
NIERUCHOMOŚCI S.A.**

Selected financial data

Selected consolidated financial data	in PLN million		in EUR thousand	
	Period ended 30 September 2015	Period ended 30 September 2014	Period ended 30 September 2015	Period ended 30 September 2014
I. Operating revenues	115.2	120.2	27,702.3	28,904.7
II. Operating profit/(loss)	48.4	12.1	11,638.8	2,909.7
III. Profit/(loss) before tax on continued operations	42.7	12.7	10,268.1	3,054.0
IV. Net profit /(loss)	67.9	48.8	16,328.0	11,735.0
V. Cash flows from operating activities	37.3	(6.8)	8,969.6	(1,635.2)
VI. Cash flows cash from investing activities	(147.1)	(12.2)	(35,373.3)	(2,933.8)
VII. Cash flows from financing activities	77.8	(100.2)	18,708.7	(24,095.2)
VIII. Net increase/(decrease) in cash and cash equivalents	(32.0)	(119.2)	(7,695.1)	(28,664.2)
	As at 30 September 2015	As at 31 December 2014	As at 30 September 2015	As at 31 December 2014
IX. Assets	2,497.7	2,283.4	589,274.8	538,715.6
X. Non-current liabilities	371.0	98.6	87,528.9	23,262.4
XI. Current liabilities	126.6	184.1	29,868.4	43,434.2
XII. Equity attributable to equity holders of the parent	1,966.6	1,947.1	463,974.0	459,373.4
XIII. Share capital	46.7	46.5	11,009.5	10,966.4
XIV. Number of shares (in pcs)	46,664,852	46,482,044	46,664,852	46,482,044
XV. Net profit (loss) per share attributable to shareholders of the parent (PLN / EUR)	1.41	1.04	0.34	0.25
XVI. Book value per share attributable to shareholders of the parent (PLN / EUR)	42.14	41.89	9.94	9.88

Selected separate financial data	in PLN million		in EUR thousand	
	Period ended 30 September 2015	Period ended 30 September 2014	Period ended 30 September 2015	Period ended 30 September 2014
I. Operating revenues	19.3	3.8	4,641.1	913.8
II. Operating profit/(loss)	57.4	63.9	13,803.1	15,366.1
III. Profit (loss) before tax	65.6	61.9	15,774.9	14,885.2
IV. Net profit /(loss)	64.6	62.0	15,534.4	14,909.2
V. Cash flows from operating activities	(0.4)	(0.9)	(96.2)	(216.4)
VI. Cash flows cash from investing activities	183.8	0.0	44,198.6	0.0
VII. Cash flows from financing activities	(180.3)	0.8	(43,357.0)	192.4
VIII. Net increase/(decrease) in cash and cash equivalents	3.1	(0.1)	745.5	(24.0)
	As at 30 September 2015	As at 31 December 2014	As at 30 September 2015	As at 31 December 2014
IX. Assets	1,931.3	2,034.9	455,645.7	480,087.8
X. Non-current liabilities	1.4	0.3	330.3	70.8
XI. Current liabilities	6.5	120.5	1,533.5	28,429.2
XII. Equity	1,923.4	1,914.1	453,781.9	451,587.8
XIII. Share capital	46.7	46.5	11,009.5	10,966.4
XIV. Number of shares (in pcs)	46,664,852	46,482,044	46,664,852	46,482,044
XV. Profit (loss) per ordinary share (PLN/EUR)	1.39	1.35	0.33	0.32
XVI. Book value per share (PLN/EUR)	41.22	41.18	9.72	9.72

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

- individual items of assets, liabilities and equity – at the average exchange rate of the National Bank of Poland as at 30 September 2015: 4.2386 PLN/EUR

- individual items of the consolidated statement of comprehensive income and the consolidated statement of cash flows – at the exchange rate representing an arithmetic mean of the average exchange rates of the National Bank of Poland as at the last day of each month of the reporting period from 1 January 2015 to 30 September 2015: 4.1585 PLN/EUR.

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

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

**FOR THE 9-MONTH AND 3-MONTH PERIOD ENDED
30 SEPTEMBER 2015**

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



**POLSKI HOLDING
NIERUCHOMOŚCI S.A.**

A. Interim condensed consolidated financial statements

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

	Note	30 September 2015 unaudited	31 December 2014 audited
Non-current assets			
Investment properties	7	2,121.5	1,924.1
Property, plant and equipment	8	47.7	22.5
Goodwill	9	4.0	0.0
Intangible assets	10	0.1	0.1
Investments in associates and jointly controlled entities	11	19.6	18.6
Deferred tax assets		26.1	12.5
Non-current financial assets		1.7	0.0
Other non-current assets		3.2	1.1
Total non-current assets		2,223.9	1,978.9
Current assets			
Inventories related to property development	12	67.9	35.8
Trade receivables and other assets	13	53.3	119.1
Income tax receivables	13	2.2	1.2
Cash and cash equivalents	15	104.4	136.4
Total current assets		227.8	292.5
Assets classified as held for sale		46.0	12.0
Total assets		2,497.7	2,283.4
Current liabilities			
Trade and other payables	14	(63.6)	(135.1)
Current debt	14	(7.9)	(0.3)
Prepayments related to property development	14	(4.5)	(2.7)
Income tax liabilities	14	(0.2)	(0.3)
Current provisions	18	(50.4)	(45.7)
Total current liabilities		(126.6)	(184.1)
Non-current liabilities			
Non-current debt	14	(296.8)	(15.0)
Deferred tax liabilities		(47.2)	(55.2)
Non-current provisions	18	(26.1)	(26.1)
Other non-current liabilities	14	(0.9)	(2.3)
Total non-current liabilities		(371.0)	(98.6)
Total liabilities		(497.6)	(282.7)
Net assets		2,000.1	2,000.7
Equity			
Share capital	16	46.7	46.5
Supplementary capital	17	1,810.8	1,746.3
Revaluation reserve	17	3.2	3.2
Retained earnings	17	105.1	151.1
Other reserves	17	0.8	0.0
Equity attributable to the equity holders of the parent company		1,966.6	1,947.1
Non-controlling interests		33.5	53.6
Total equity		2,000.1	2,000.7

Notes to interim condensed consolidated financial statements on pages 10-26 are an integral part of these consolidated financial statements.

This document is a translation of the consolidated report for the first half of 2015 prepared in Polish. In the case of any doubts as regards its interpretation, the Polish version of the report is binding.

POLSKI HOLDING NIERUCHOMOŚCI S.A.

Consolidated quarterly report for the third quarter of 2015
(all amounts are expressed in PLN million, unless stated otherwise)

Interim condensed consolidated statement of comprehensive income
for the 9-month and 3-month period ended 30 September 2015

	Note	9 months ended		3 months ended	
		30 September 2015 unaudited	30 September 2014 unaudited	30 September 2015 unaudited	30 September 2014 unaudited
Operating activities					
Lease revenues		92.9	90.7	32.5	29.6
Property maintenance costs		(49.6)	(47.8)	(17.2)	(16.0)
Profit / (loss) on lease activities		43.3	42.9	15.3	13.6
Revenue from property development		18.6	29.2	7.6	11.9
Cost of property development		(14.4)	(20.2)	(6.2)	(6.6)
Profit/ (loss) on property development		4.2	9.0	1.4	5.3
Revenue from other activities	19	3.7	0.3	2.1	0.2
Cost of other activities	20	(2.8)	(0.5)	(1.5)	(0.2)
Profit / (loss) on other activities		0.9	(0.2)	0.6	0.0
Administrative and selling expenses		(25.3)	(26.3)	(8.5)	(8.2)
Change in the fair value of investment properties		(9.1)	(6.6)	1.3	(0.5)
Gain on disposal of investment properties		0.2	0.4	0.1	0.3
Other revenues	19	41.9	4.2	7.9	1.0
Other costs	20	(7.7)	(11.3)	(1.6)	(2.6)
Operating profit		48.4	12.1	16.5	8.9
Finance income	22	2.3	2.6	0.6	0.5
Finance costs	22	(8.5)	(2.6)	(4.7)	(0.9)
Net profit from financing activities		(6.2)	0.0	(4.1)	(0.4)
Share in profits of associates and jointly controlled entities		0.5	0.6	0.1	0.2
Profit before tax from continuing operations		42.7	12.7	12.5	8.7
Corporate income tax	23	24.9	36.2	26.2	26.7
Net profit from continuing operations		67.6	48.9	38.7	35.4
Net profit / (loss) from discontinued operations		0.3	(0.1)	(0.0)	(0.0)
Net profit		67.9	48.8	38.7	35.4
Other comprehensive income		0.0	0.0	0.0	0.0
Total comprehensive income		67.9	48.8	38.7	35.4
Net profit attributable to:					
equity holders of the parent company		65.7	47.6	37.0	34.9
non-controlling interests	24	2.2	1.2	1.7	0.5
Comprehensive income attributable to:					
equity holders of the parent company		65.7	47.6	37.0	34.9
non-controlling interests	24	2.2	1.2	1.7	0.5
Basic and diluted net earnings per share attributable to the equity holders of the parent company	25	PLN 1.41	PLN 1.04	PLN 0.80	PLN 0.76
Basic and diluted net earnings from continuing operations per share attributable to the equity holders of the parent company	25	PLN 1.41	PLN 1.04	PLN 0.80	PLN 0.76

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POLSKI HOLDING NIERUCHOMOŚCI S.A.
 Consolidated quarterly report for the third quarter of 2015
 (all amounts are expressed in PLN million, unless stated otherwise)

**Interim condensed consolidated statement of changes in equity
 for the 9-month and 3-month period ended 30 September 2015**

Equity attributable to the equity holders of the parent company

	Note	Share capital	Supplementary capital	Revaluation reserve	Retained earnings	Other reserves	Equity attributable to the equity holders of the parent company	Non-controlling interests	Total equity
As at 1 January 2015		46.5	1,746.3	3.2	151.1		1,947.1	53.6	2,000.7
Net profit for the period					65.7		65.7	2.2	67.9
Total comprehensive income for the period					65.7		65.7	2.2	67.9
Payment of dividend					(60.7)		(60.7)		(60.7)
Share issue	16	0.2	4.4			0.8	5.4		5.4
Changes in the structure of non-controlling interests	17				9.1		9.1	(22.3)	(13.2)
Reclassifications between equity items	17		60.1		(60.1)		0.0		0.0
As at 30 September 2015		46.7	1,810.8	3.2	105.1	0.8	1,966.6	33.5	2,000.1
As at 1 January 2014		44.6	1,696.5	3.2	117.4		1,861.7	131.0	1,992.7
Net profit for the period					47.6		47.6	1.2	48.8
Total comprehensive income for the period					47.6		47.6	1.2	48.8
Payment of dividend					(99.8)		(99.8)		(99.8)
Share issue		1.8	47.2			1.4	50.4		50.4
Changes in the structure of non-controlling interests					27.6		27.6	(78.0)	(50.4)
As at 30 September 2014		46.4	1,743.7	3.2	92.8	1.4	1,887.5	54.2	1,941.7

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**Interim condensed consolidated statement of cash flows
for the 9-month and 3-month period ended 30 September 2015**

	Note	9 months ended		3 months ended	
		30 September 2015 unaudited	30 September 2014 unaudited	30 September 2015 unaudited	30 September 2014 unaudited
Cash flows from operating activities					
Profit before tax		43.0	12.6	12.5	8.7
Adjustments to cash flows from operating activities		(5.7)	(19.4)	17.4	27.0
Depreciation and amortization		1.1	1.1	0.5	0.3
Change in the fair value of investment properties and profit / (loss) on disposal		8.9	6.2	(1.4)	0.2
Change in the value of other assets and profit / (loss) on disposal	15	(25.2)	0.0	(5.2)	0.0
Share in profits of jointly controlled entities		(0.5)	(0.6)	(0.1)	(0.2)
Net foreign exchange gains/ (losses)		0.0	0.0	0.2	0.0
Interest income from investing activities		(1.0)	(2.4)	(0.4)	(0.4)
Financing costs		2.3	0.0	2.3	0.0
Change in working capital	15	12.3	(14.8)	22.3	31.9
Income tax paid		(3.6)	(8.9)	(0.8)	(4.8)
Net cash flows from operating activities		37.3	(6.8)	29.9	35.7
Cash flows from investing activities					
Total inflows		8.8	23.1	1.9	3.6
Proceeds from sale of investment properties		7.2	20.0	0.9	3.2
Proceeds from sale of property, plant and equipment and intangible assets		0.1	0.1	0.1	0.0
Interest from investing activities		1.0	2.4	0.4	0.4
Dividends		0.5	0.6	0.5	0.0
Total outflows		(155.9)	(35.3)	(81.0)	(9.4)
Expenditure on investment properties		(104.1)	(35.2)	(31.9)	(9.3)
Purchase of property, plant and equipment and intangible assets		(0.0)	(0.1)	(0.0)	(0.1)
Purchase of subsidiaries less cash and cash equivalents of subsidiaries		(49.1)	0.0	(49.1)	0.0
Purchase of shares in jointly controlled entities		(1.0)	0.0	0.0	0.0
Loans		(1.7)	0.0	0.0	0.0
Net cash flows from investing activities		(147.1)	(12.2)	(79.1)	(5.8)
Cash flows from financing activities					
Total inflows		166.1	0.0	81.5	0.0
Bank loans		166.1	0.0	81.5	0.0
Total outflows		(88.3)	(100.2)	(75.7)	(0.1)
Bank loans		(21.7)	0.0	(14.8)	0.0
Finance lease payments		(0.3)	(0.3)	(0.1)	0.0
Financing costs		(0.1)	(0.1)	(0.1)	(0.1)
Dividends		(60.7)	(99.8)	(60.7)	0.0
Repurchase of shares		(5.5)	0.0	0.0	0.0
Net cash from financing activities		77.8	(100.2)	5.8	(0.1)
Total net cash flows		(32.0)	(119.2)	(43.4)	29.8
Change in cash and cash equivalents in the balance sheet		(32.0)	(119.2)	(43.6)	29.8
Foreign exchange gains/(losses)		0.0	0.0	(0.2)	0.0
Cash and cash equivalents at the beginning of the period		136.4	217.8	148.0	68.8
Cash and cash equivalents at the end of the period		104.4	98.6	104.4	98.6

Notes to interim condensed consolidated financial statements on pages 10-26 are an integral part of these consolidated financial statements.

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Notes to the interim condensed consolidated financial statements

1. General information

Polski Holding Nieruchomości S.A. ("PHN", "the Parent Company", "the Company") located in Warsaw at Al. Jana Pawła II 12 is the Parent Company of the Group comprising PHN and its subsidiaries (together "the Group"). As at the balance sheet date, the State Treasury was the entity controlling PHN. All

subsidiaries which form part of the Group are consolidated using the acquisition method, while shares in the jointly controlled entities are recognized using the equity method in the consolidated financial statements. The structure of the Group is presented in the Directors' Report for the Group (note 2).

2. Basis for preparation of the interim condensed consolidated financial statements

These interim condensed consolidated financial statements have been prepared in accordance with the requirements of IAS 34, "Interim Financial Reporting" and the Decree of the Minister of Finance of 19 February 2009 on current and periodical information submitted by issuers of securities and conditions for considering the information required under the legislation of a non-Member State as equivalent (consolidated text: Journal of Laws of 2014, item 133) ("the Decree") and present the financial position of the Polski Holding Nieruchomości S.A. Group as at 30 September 2015 and 31 December 2014, the results of its operations and cash flows for the periods of 9 months and 3 months ended 30 September 2015 and 30 September 2014.

These interim condensed consolidated financial statements have been prepared on the assumption that the Group will continue in operation as a going concern in the foreseeable future. As at the date of approval of these interim condensed consolidated financial statements, there are no circumstances indicating any threats to the Group continuing in operation.

The duration of the operations of the Parent Company and other Group entities is unlimited.

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

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

Management representations concerning the fairness of the preparation of the interim condensed consolidated financial statements

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

3. Changes to International Financial Reporting Standards

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

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

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

4. Major accounting policies

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

Significant judgements made by the Management Board in these interim condensed consolidated financial statements in relation to the application of the Group's accounting policies and the main sources of uncertainty in its estimates were the same

as those described in note 5.3 to the consolidated financial statements as at and for the year ended 31 December 2014, with the following exceptions:

in the current reporting period the Group decided to apply hedge accounting with respect to:

- ✓ fair value in order to hedge the fair value of properties against the risk of changes in the EUR/PLN exchange rate (foreign exchange risk);

- ✓ cash flows in order to hedge the cash flows relating to interest expenses against the risk of changes in interest rates on loans received to finance real properties.

As part of financial risk management, the Group identified a risk of impairment of the fair value of both purchased and newly built commercial properties that generate revenues denominated in EUR due to changes in the EUR/PLN exchange rate. In order to mitigate such risk, whenever the Group uses external financing, it tries to match the loan currency with the currency of the revenues generated by a given property. Since the Group took loans in EUR (as at 30 September 2015: 226.5, 30 September 2014: PLN 0.00) for the financing of properties that generate revenues denominated in EUR, a hedging relationship has been established between those properties (hedged items) and the loans (hedging items) to hedge the fair value of the properties. Consequently, the effect of changes in the EUR/PLN exchange rates on the loan amounts is recognized in the consolidated statement of comprehensive income under "Change in the fair value of investment properties".

Moreover, the Group recognized the fact that future cash flows in respect of interest on variable interest loans received (both in EUR and in PLN) are exposed to a risk of changes in interest rates. In order to mitigate such risk, the Group enters into interest rate swap (IRS) contracts with banks, which effectively replace variable interest rates with fixed interest rates. As at the balance sheet date, the Group used an IRS to hedge interest expenses on a loan in EUR received to finance an investment property. In order to better present the outcome of its current operations, the Group established a hedging relationship (a cash flow hedge) between that loan (the hedged item) and the IRS (the hedging item). In consequence, the effects of changes in the IRS value resulting from fair value measurement are recognized in revaluation reserve.

5. Seasonality of operations

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

6. Segment reporting

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

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

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

particular, income and costs relating to the hotel business and ports business.

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

Segmental analysis for the 9-month period ended 30 September 2015 and as at 30 September 2015 (unaudited)

	Leases	Property development	Discontinued operations	Other activities	Unallocated	Total
Sales revenue	92.9	18.6		3.7		115.2
Operating expenses	(49.6)	(14.4)		(2.8)		(66.8)
Gross profit/(loss) on sales	43.3	4.2		0.9		48.4
Administrative expenses	(19.8)	(2.2)	(0.1)		(3.3)	(25.4)
Change in the fair value of investment properties	(9.1)					(9.1)
Gain on disposal of investment properties	0.2					0.2
Other revenues	41.7	0.2	0.4		0.0	42.3
Other costs	(7.6)	(0.0)			(0.1)	(7.7)
Profit/ (loss) on operating activities	48.7	2.2	0.3	0.9	(3.4)	48.7
Finance income					2.3	2.3

Notes to interim condensed consolidated financial statements on pages 10-26 are an integral part of these consolidated financial statements.

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Finance costs					(8.5)	(8.5)
Share in profits of associates and jointly controlled entities					0.5	0.5
Corporate income tax					24.9	24.9
Segment profit (loss)	48.7	2.2	0.3	0.9	15.8	67.9
Segment assets	2,426.2	32.6	0.1	31.2	7.6	2,497.7
Segment liabilities	464.3	25.6	0.1	1.3	6.3	497.6
Capital expenditure	101.9					101.9
Depreciation and amortization	0.9			0.2		1.1

Other revenues include mainly: in the lease segment – a reassessment of the legal status of properties of PLN 25.1 million; refundable civil law transactions tax on contributions in kind made in previous years to a partnership limited by shares of PLN 8.0 million; reversal of a part of a provision for using a property without a contract of PLN 3.5 million; a reversal of receivables write-downs of PLN 4.2 million.

Other costs include mainly: in the lease segment - receivables write-downs of PLN 6.7 million; costs relating to a change in the VAT deducting structure of PLN 0.3 million; severance pay for dismissed employees of PLN 0.2 million.

Segmental analysis for the 9-month period ended 30 September 2014 (unaudited) and as at 31 December 2014 (audited)

	Leases	Property development	Discontinued operations	Other activities	Unallocated	Total
Sales revenue	90.7	29.2		0.3		120.2
Operating expenses	(47.8)	(20.2)		(0.5)		(68.5)
Gross profit/(loss) on sales	42.9	9.0		(0.2)		51.7
Administrative expenses	(18.1)	(2.7)	(0.1)		(5.5)	(26.4)
Change in the fair value of investment properties	(6.6)					(6.6)
Gain on disposal of investment properties	0.4					0.4
Other revenues	4.0	0.2				4.2
Other costs	(11.1)	(0.2)				(11.3)
Profit/ (loss) on operating activities	11.5	6.3	(0.1)	(0.2)	(5.5)	12.0
Finance income					2.6	2.6
Finance costs					(2.6)	(2.6)
Share in profits of associates and jointly controlled entities					0.6	0.6
Corporate income tax					36.2	36.2
Segment profit (loss)	11.5	6.3	(0.1)	(0.2)	31.3	48.8
Segment assets	2,216.8	60.7	0.1	4.2	1.6	2,283.4
Segment liabilities	244.6	36.7	0.6	0.5	0.3	282.7
Capital expenditure	35.3					35.3
Depreciation and amortization	1.0	0.1				1.1

Other revenues include mainly: in the lease segment - a release of a provision for State Budget claims of PLN 1.3 million; a reversal of receivables write-downs of PLN 1.5 million; damages received of PLN 0.2 million; a gain on disposal of non-financial non-current assets of PLN 0.1 million.

Other costs include mainly: in the lease segment - a provision for claims in respect of benefits derived from leased properties of PLN 3.0 million; receivables write-downs of PLN 5.3 million; severance pay for dismissed employees of PLN 0.9 million; damages and penalties paid of PLN 0.8 million; a provision for a tenant's claims relating to prior years of PLN 0.6 million.

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Segmental analysis of revenues, costs, profits, losses and expenditure for the 3-month period ended 30 September 2015 (unaudited)

	Leases	Property development	Discontinued operations	Other activities	Unallocated	Total
Sales revenue	32.5	7.6		2.1		42.2
Operating expenses	(17.2)	(6.2)		(1.5)		(24.9)
Gross profit/(loss) on sales	15.3	1.4		0.6		17.3
Administrative expenses	(6.7)	(0.9)			(0.9)	(8.5)
Change in the fair value of investment properties	1.3					1.3
Gain on disposal of investment properties	0.1					0.1
Other revenues	7.9	0.0			0.0	7.9
Other costs	(1.6)	(0.0)			0.0	(1.6)
Profit/ (loss) on operating activities	16.3	0.5		0.6	(0.9)	16.5
Finance income					0.6	0.6
Finance costs					(4.7)	(4.7)
Share in profits of associates and jointly controlled entities					0.1	0.1
Corporate income tax					26.2	26.2
Segment profit (loss)	16.3	0.5		0.6	21.3	38.7

Capital expenditure 21.5 21.5
 Depreciation and amortization 0.3 0.2 0.5
 Other revenues include mainly: in the lease segment – a reassessment of the legal status of properties of PLN 5.1 million; reversal of a part of a provision for using a property without a contract of PLN 1.1 million; a reversal of receivables write-downs of PLN 1.5 million.
 Other costs include mainly: in the lease segment - receivables write-downs of PLN 1.3 million.

Segmental analysis of revenues, costs, profits, losses and expenditure for the 3-month period ended 30 September 2014 (unaudited)

	Leases	Property development	Discontinued operations	Other activities	Unallocated	Total
Sales revenue	29.6	11.9		0.2		41.7
Operating expenses	(16.0)	(6.6)		(0.2)		(22.8)
Gross profit/(loss) on sales	13.6	5.3		0.0		18.9
Administrative expenses	(5.7)	(0.9)			(1.6)	(8.2)
Change in the fair value of investment properties	(0.5)					(0.5)
Gain (loss) on disposal of investment properties	0.3					0.3
Other revenues	0.9	0.1				1.0
Other costs	(2.6)					(2.6)
Profit/ (loss) on operating activities	6.0	4.5			(1.6)	8.9
Finance income					0.5	0.5
Finance costs					(0.9)	(0.9)
Share in profits of associates and jointly controlled entities					0.2	0.2
Corporate income tax					26.7	26.7
Segment profit (loss)	6.0	4.5			24.9	35.4

Capital expenditure 11.9 11.9
 Depreciation and amortization 0.2 0.1 0.3
 Other revenues include mainly: in the lease segment - reversal of receivables write-downs of PLN 0.6 million.
 Other costs include mainly: in the lease segment - receivables write-downs of PLN 1.6 million; severance pay for dismissed

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employees of PLN 0.2 million; a provision for a tenant's claims relating to prior years of PLN 0.6 million.

7. Investment properties

	9 months ended	
	30 September 2015 unaudited	30 September 2014 unaudited
As at 1 January	1,924.1	1,927.9
Purchase of investment property	196.3	0.0
Expenditure on investment properties	101.9	35.3
Change in the fair value of investment properties	(7.0)	(6.6)
Value of disposed investment properties	(0.4)	(19.0)
Reclassification from property, plant and equipment	0.0	3.8
Reclassification to property, plant and equipment	(26.0)	0.0
Reclassification from/to assets with unclear legal status	25.1	0.0
Reclassification to inventories	(46.5)	0.0
Reclassification to non-current assets classified as held for sale	(46.0)	(6.0)
As at the end of the period	2,121.5	1,935.4

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

	9 months ended	
	30 September 2015 unaudited	30 September 2014 unaudited
Rental income from investment properties	92.9	90.7
Direct operating expenses incurred on rent-generating investment properties	(49.6)	(47.8)
Change in the fair value of investment properties	(7.0)	(6.6)
Gain on disposal of investment properties	0.2	0.4
<i>Sales of investment properties</i>	12.6	36.8
<i>Cost of properties sold (classified as investment properties or assets held for sale)</i>	(12.4)	(36.4)
Gain on investment properties	36.5	36.7

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

As a result, the Group reclassified three properties to the unclear legal status category with a favourable outlook for clearing their legal status, and recognized them as assets in the consolidated statement of financial position in the amount of

PLN 20.0 million. The Group recognized reclassification in the statement of comprehensive income under „Other revenue”.

In Q3 2015, the Group received a decision of the Mazowiecki Voivod confirming acquisition of the right to perpetual usufruct of the property at ul. Kryniczna 2 in Warsaw. Consequently, the Group recognized that property in assets. The effect of reclassification (change of the legal status) was recognized in the consolidated statement of comprehensive income under Other revenues (PLN 5.1 million).

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

In Q3 2015, the Group acquired 100% of the shares in Andersia Business Centre Sp. z o.o. with its registered office in Poznań, a company which owns an A class office building with a retail space, Andersia Business Centre, located in the heart of the business district in Poznań.

Expenditure on investment properties comprise:

- ✓ expenditure relating to the construction of commercial development projects in 9M 2015: Domaniewska 37C,

Retkinia, Krywulka 2 in the total amount of PLN 84.0 million; in 9M 2014: Domaniewska 37C, Retkinia, Krywulka 2, Rakowiecka 19 in the total amount of PLN 31.2 million;

- ✓ expenditure on the preparation of the commercial development projects amounting to: 9M 2015: PLN 2.8 million; 9M 2014: PLN 0.8 million;
- ✓ modernization and arrangement of properties amounting to: 9M 2015: PLN 15.1 million; 9M 2014: PLN 3.3 million.

Reclassification to assets held for sale, in accordance with IFRS 5, was due to the fact that buyers were found for a number of properties.

In 9M 2015, the Group sold properties at ul. Stągiewna in Gdańsk, Łowicka 44 in Warsaw, Żurawia 13 in Otwock, in Dziebędów, Łask, Gucin and a part of a property in Katowice.

8. Property, plant and equipment

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

- ✓ depreciation in the period of 9 months ended 30 September 2015: PLN 1.1 million; 30 September 2014: PLN 0.9 million.
- ✓ acquisitions in the period of 9 months ended 30 September 2015: PLN 0.3 million; 30 September 2014: PLN 0.1 million.

9. Goodwill

On 1 July 2015, the Group acquired 100% of shares in Andersia Business Centre Sp. z o.o. (after the change of its name to PHN SPV 33 Sp.z o.o.) with its registered office in Poznań, a company which owns an A class office building with service space, Andersia Business centre, located in the heart of the business district in Poznań. As a result of the provisional settlement of the purchase transaction, which is presented in note 28 to the consolidated financial statements for the 6 months ended 30 June 2015, goodwill of PLN 3.8 million was recognized, representing the difference between the purchase price and the fair value of the net assets acquired. Additional purchase costs were recognized in Q3 2015, which resulted in an increase in goodwill to PLN 4.0 million. It is expected that the final settlement of the purchase transaction will be completed by the end of Q4 2015 and presented in the consolidated financial statements for the year ended 31 December 2015.

10. Intangible assets

In the period of the first 9 months of 2015 and 2014, there were no material changes in intangible assets.

The Group hedges against the risk of changes in the fair value of properties that generate lease revenues denominated in EUR, in the part resulting from foreign exchange risk, up to the amount of external financing (loan) for a given property denominated in the same currency in which the revenues are generated. As part of hedge accounting, the Group establishes a relationship (fair value hedge) between a property (the hedged item) and the loan financing that property (the hedging item). The effects of changes in the fair value of the property and in the value of the loans (recognized at amortized cost) are offset and recognized in the consolidated statement of comprehensive income under "Change in the fair value of investment properties".

- ✓ reclassification in the period of 9 months ended 30 September 2015 of properties Zgoda 6 and Hotel Wilanów to property, plant and equipment due to the fact that hotel activities started to be conducted in these properties: PLN 26.0 million.

The carrying amount of real properties included in property, plant and equipment amounted to PLN 45.4 million as at 30 September 2015.

The amount of goodwill was confirmed by an increase in the net asset value of the acquired company resulting from the contribution of a property to the partnership limited by shares, which took place after the balance sheet date, and its subsequent sale to a special purpose vehicle, leading to an increase in the tax value of the acquired property. Consequently, in Q4 2015 the Group will reverse the deferred tax provision, which as at the balance sheet date amounted to PLN 10.8 million (of which PLN 10.5 million was acquired as a result of the acquisition of the company) and recognize it in the consolidated statement of comprehensive income. As a result, goodwill will be realized effectively, and therefore the Group will write it off in Q4 2015

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

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

In 9M 2015, Dalmor S.A. and mLocum S.A. established a company, Apartamenty Molo Rybackie Sp. z o.o., in order to carry out a joint project called Molo Rybackie in Gdynia. The companies each hold a 50% in Apartamenty Molo Rybackie Sp. z o.o.

In 9M 2015, Polski Holding Nieruchomości S.A. and PHN SPV 4 Sp. z o.o. concluded a joint venture agreement with Parzniew

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

The Group accounts for the interests held using the equity method.

	9 months ended	
	30 September 2015 unaudited	30 September 2014 unaudited
As at 1 January	18.6	18.5
Purchase	1.0	0.0
Share in profits	0.5	0.6
Payment of dividend	(0.5)	(0.6)
As at the end of the period	19.6	18.5

Jointly controlled entities are not listed on an active market. Their selected financial data as at and for the period of 9 months ended 30 September 2015 are as follows:

	Assets	Equity	Liabilities	Revenues	Profit	The Group's share in profit
Wrocław Industrial Park	38.7	38.0	0.7	1.1	0.9	0.5
Apartamenty Molo Rybackie	1.9	1.9	0.0	0.0	(0.1)	(0.0)
Parzniew Logistics Center Infrastructure	3.0	(0.0)	3.0	0.0	(0.0)	(0.0)
Parzniew Logistics Center 1	0.8	(0.0)	0.8	0.0	(0.0)	(0.0)
Total	44.4	39.9	4.5	1.1	0.8	0.5

12. Inventories related to property development

Structure of inventories	30 September 2015 unaudited	31 December 2014 audited
Land	50.2	4.2
Work in progress	0.2	0.0
Finished goods	17.5	31.6
Total inventories related to property development	67.9	35.8

Changes in inventories during the reporting period

	9 months ended	
	30 September 2015 unaudited	30 September 2014 unaudited
As at 1 January	35.8	65.4
Expenditure on construction	0.2	4.2
Disposal of premises	(14.6)	(18.0)
Disposal of undeveloped land	0.0	(3.5)
Impairment write-downs	0.0	1.3
Reclassification from investment properties	46.5	0.0
As at the end of the period	67.9	49.4

The item "land" includes all land associated with residential property development.

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In Q3 2015 the Group commenced a residential development project on the part of Prymasa Tysiąclecia property. Consequently, in the Q3 2015 the Group reclassified this property from investment properties to inventories.

In 9M 2015, the Group incurred expenditure on the Wilanów project in the amount of PLN 0.2 million.

13. Analysis of receivables

Analysis of receivables	30 September 2015 unaudited			31 December 2014 audited		
	Total	Financial	Non-financial	Total	Financial	Non-financial
Trade receivables and other assets	53.3	9.6	43.7	119.1	11.2	107.9
Trade receivables	8.7	8.7	0.0	10.2	10.2	0.0
Receivables from the State Budget	38.0	0.0	38.0	102.5	0.0	102.5
<i>VAT on purchase of properties within the Group</i>	29.1	0.0	29.1	99.0	0.0	99.0
<i>Other receivables from the State Budget</i>	8.9	0.0	8.9	3.5	0.0	3.5
Prepayments	5.7	0.0	5.7	5.4	0.0	5.4
Other receivables	0.9	0.9	0.0	1.0	1.0	0.0
Income tax receivables	2.2	0.0	2.2	1.2	0.0	1.2
Total receivables and other assets	55.5	9.6	45.9	120.3	11.2	109.1

14. Analysis of liabilities

Analysis of liabilities	30 September 2015 unaudited			31 December 2014 audited		
	Total	Financial	Non-financial	Total	Financial	Non-financial
Current liabilities						
Debt	7.9	7.9	0.0	0.3	0.3	0.0
Bank loans	7.3	7.3	0.0	0.0	0.0	0.0
Car fleet leases	0.6	0.6	0.0	0.3	0.3	0.0
Trade and other payables	63.6	38.3	25.3	135.1	39.6	95.5
Trade payables	9.6	9.6	0.0	10.3	10.3	0.0
Capital expenditure commitments	10.7	10.7	0.0	12.5	12.5	0.0
Tenants' deposits	9.6	9.6	0.0	9.0	9.0	0.0
Payables to the State Budget	24.2	0.0	24.2	88.9	0.0	88.9
<i>VAT on disposal of properties within the Group</i>	22.7	0.0	22.7	86.8	0.0	86.8
<i>Other payables to the State Budget</i>	1.5	0.0	1.5	2.1	0.0	2.1
Prepayments for purchase of properties	1.1	0.0	1.1	6.6	0.0	6.6
Deposits of construction work subcontractors	3.1	3.1	0.0	6.3	6.3	0.0
Valuation of derivative financial instruments	0.5	0.5	0.0	0.0	0.0	0.0
Other current liabilities	4.8	4.8	0.0	1.5	1.5	0.0
Income tax liabilities	0.2	0.0	0.2	0.3	0.0	0.3
Prepayments related to property development	4.5	0.0	4.5	2.7	0.0	2.7
Total current liabilities	76.2	46.2	30.0	138.4	39.9	98.5
Non-current liabilities						
Debt	296.8	296.8	0.0	15.0	15.0	0.0
Bank loans	296.6	296.6	0.0	14.3	14.3	0.0
Car fleet leases	0.2	0.2	0.0	0.7	0.7	0.0
Other	0.9	0.9	0.0	2.3	2.3	0.0
Tenants' deposits	0.8	0.8	0.0	1.5	1.5	0.0
Deposits of construction work subcontractors	0.1	0.1	0.0	0.8	0.8	0.0
Total non-current liabilities	297.7	297.7	0.0	17.3	17.3	0.0
Total liabilities	373.9	343.9	30.0	155.7	57.2	98.5

Valuation of the IRS which was entered into for the purposes of hedging cash flows is recognized in liabilities. The IRS is a part of hedge accounting due to being related to the loan for

financing a property, and the effects of its valuation are recognized in revaluation reserve.

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15. Cash and cash equivalents and explanations to the interim condensed consolidated statement of cash flows

Analysis of cash and cash equivalents	30 September 2015 unaudited	31 December 2014 audited
Cash in hand and at bank	18.2	1.7
Short-term bank deposits	86.2	134.7
Total	104.4	136.4

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

Change in the value of other assets and gain/(loss) on disposal	9 months ended		3 months ended	
	30 September 2015 unaudited	30 September 2014 unaudited	30 September 2015 unaudited	30 September 2014 unaudited
Reclassification from assets with unclear legal status	25.1	0.0	5.1	0.0
Gain/(loss) on disposal of other non-current assets	0.1	0.0	0.1	0.0
Total	25.2	0.0	5.2	0.0

Changes in working capital in the statement of cash flows	9 months ended		3 months ended	
	30 September 2015 unaudited	30 September 2014 unaudited	30 September 2015 unaudited	30 September 2014 unaudited
Change in inventories	14.4	16.0	5.8	6.3
Change in receivables	65.4	127.4	(1.9)	7.6
Change in other assets	(2.1)	(0.4)	(2.0)	(0.2)
Change in liabilities	(69.6)	(159.5)	17.5	16.0
Change in provisions	4.2	1.7	2.9	2.2
Total	12.3	(14.8)	22.3	31.9

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

Receivables	9 months ended		3 months ended	
	30 September 2015 unaudited	30 September 2014 unaudited	30 September 2015 unaudited	30 September 2014 unaudited
Change in receivables in the statement of financial position	65.8	110.6	(3.3)	(9.6)
Acquisition of receivables	2.0	0.0	2.0	0.0
Change in investment receivables	(2.4)	16.8	(0.6)	17.2
Change in receivables in the statement of cash flows	65.4	127.4	(1.9)	7.6

Liabilities	9 months ended		3 months ended	
	30 September 2015 unaudited	30 September 2014 unaudited	30 September 2015 unaudited	30 September 2014 unaudited
Change in liabilities in the statement of financial position	(71.1)	(159.3)	(47.4)	19.6
Acquisition of liabilities	(6.3)	0.0	(6.3)	
Change in investment liabilities	7.8	(0.2)	10.5	(3.6)
Change in liabilities relating to the payment of dividend	0.0	0.0	60.7	0.0
Change in liabilities in the statement of cash flows	(69.6)	(159.5)	17.5	16.0

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Provisions	9 months ended		3 months ended	
	30 September 2015 unaudited	30 September 2014 unaudited	30 September 2015 unaudited	30 September 2014 unaudited
Change in provisions in the statement of financial position	4.7	1.7	3.4	2.2
Acquisition of provisions	(0.5)	0.0	(0.5)	0.0
Change in inventories in the statement of cash flows	4.2	1.7	2.9	2.2

16. Share capital

	30 September 2015 unaudited	30 September 2014 unaudited
Number of shares as at 1 January	46,482,044	44,599,947
Share issue	182,808	1,755,358
Number of shares as at 30 September (fully paid)	46,664,852	46,355,305

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

The share issue was conducted pursuant to:

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

share capital of PLN 469,000 by means of issuing 469,000 C series bearer shares with a par value of PLN 1 each.

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

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

In the 9 months of 2015, the Company acquired shares in subsidiaries in exchange for own shares issued (for details, see note 16). The purchase price was determined based on the cost of issue of PHN S.A.'s shares, estimated on the basis of the quotations of PHN S.A. shares on the dates on which the shares in subsidiaries were acquired. The excess of purchase price over the par value of shares of PLN 1 per share was recognized as share premium in supplementary capital. The commitment to issue own shares in exchange for the acquired shares in subsidiaries which were not issued by PHN S.A. as at the balance sheet date was recognized in other reserves in the amount of PLN 0.8 million.

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

Retained earnings of PLN 151.1 million as at 31 December 2014 decreased to PLN 105.1 million as at 30 September 2015 due to:

- ✓ the net profit for the first 9 months of 2015 of PLN 65.7 million generated by the Group;
- ✓ recognition of the share premium representing the excess of the book value of non-controlling interests over PHN S.A.'s commitment to issue shares of PLN 16.9 million;
- ✓ a repurchase of a part of shares in subsidiaries from non-controlling shareholders of PLN 7.8 million;
- ✓ earmarking PLN 60.7 million for the payment of dividend to shareholders and PLN 60.1 for transfer to supplementary capital

18. Provisions

Type of provision	30 September 2015 unaudited			31 December 2014 audited		
	Total	Non-current	Current	Total	Non-current	Current
Claims in respect of benefits derived from leased properties and non-contractual use of properties	41.7	25.3	16.4	41.5	25.3	16.2
Guarantee repairs and compensations in property development	24.2	0.0	24.2	25.7	0.0	25.7
Severance payments	0.0	0.0	0.0	0.2	0.0	0.2
Employee benefits	0.9	0.8	0.1	0.9	0.8	0.1
Other	9.7	0.0	9.7	3.5	0.0	3.5
Total	76.5	26.1	50.4	71.8	26.1	45.7

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

In Q2 of 2015, a tax authority conducted a tax audit in respect of VAT in the company which received the contribution in kind. In the opinion of the tax authority, the nominal value of the shares taken up should be the basis for taxation of the contribution in kind. Therefore, the tax authority challenged the right to deduct

VAT on the excess of the issuing price over the nominal price. In the Company's opinion, such an approach is not justified. The Company made objections to the post-audit report. By the date of preparing these financial statements, the tax authorities did not issue a decision in this respect.

Should the decision be unfavourable for the inspected company, the company will adjust its VAT return and will recognize a VAT liability of PLN 110.7 million with interest of PLN 6.0 million as at the balance sheet date. At the same time, in the company which made the contribution, an overpaid VAT receivable of PLN 110.7 million will arise.

Given the risk of an unfavourable decision of the tax authorities, the Group recognized a provision for the potential interest expense on the VAT liability of PLN 6.0 million, disclosed in the consolidated statement of comprehensive income under "Finance costs".

19. Revenue from operating activities

Revenue from operating activities	9 months ended		3 months ended	
	30 September 2015 unaudited	30 September 2014 unaudited	30 September 2015 unaudited	30 September 2014 unaudited
Lease revenues	92.9	90.7	32.5	29.6
Revenue from property development	18.6	29.2	7.6	11.9
Revenue from other activities	3.7	0.3	2.1	0.2
Hotel business	3.6	0.3	2.0	0.2
Management services	0.1	0.0	0.1	0.0
Total revenue from operating activities	115.2	120.2	42.2	41.7

Other revenues	9 months ended		3 months ended	
	30 September 2015 unaudited	30 September 2014 unaudited	30 September 2015 unaudited	30 September 2014 unaudited
Gains on disposal of non-financial non-current assets	0.1	0.1	0.1	0.1
Reclassification from assets with unclear legal status	25.1	0.0	5.1	0.0
Compensations	0.1	0.2	0.1	0.0
Revaluation of receivables	4.2	1.5	1.5	0.6
Reversal of provision for using properties without a contract	3.5	0.2	1.1	0.0
Reversal of other provisions	0.4	1.8	0.0	0.3
Refund of tax on civil law transactions	8.0	0.0	0.0	0.0
Other	0.5	0.4	0.0	0.0
Total other revenues	41.9	4.2	7.9	1.0

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

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

20. Operating expenses

Costs of core business activities	9 months ended		3 months ended	
	30 September 2015 unaudited	30 September 2014 unaudited	30 September 2015 unaudited	30 September 2014 unaudited
Property maintenance costs	49.6	47.8	17.2	16.0
Cost of property development	14.4	20.2	6.2	6.6
Costs of other activities	2.8	0.5	1.5	0.2
Hotel business	2.8	0.5	1.5	0.2
Total operating expenses	66.8	68.5	24.9	22.8

Other costs	9 months ended		3 months ended	
	30 September 2015 unaudited	30 September 2014 unaudited	30 September 2015 unaudited	30 September 2014 unaudited
Revaluation of receivables	6.7	5.3	1.3	1.6
Provision for claims in respect of benefits derived from leased properties	0.0	3.0	0.0	0.0
Tenant's claims relating to prior years	0.0	0.6	0.0	0.6
Change in the structure of VAT deductions	0.3	0.0	0.0	0.0
Compensations and penalties	0.2	0.8	0.1	0.1
Severance payments	0.2	1.0	0.0	0.2
Other	0.3	0.6	0.2	0.1
Total other costs	7.7	11.3	1.6	2.6

Due to a negative impact of the situation on the real estate market on the Group's clients' ability to settle their liabilities, the Group recognized write-downs for its receivables of PLN 6.7

million in the first nine months of 2015 and PLN 5.3 million in the first nine months of 2014.

21. Costs by type

The Group, excluding property development	9 months ended		3 months ended	
	30 September 2015 unaudited	30 September 2014 unaudited	30 September 2015 unaudited	30 September 2014 unaudited
Depreciation and amortization	1.1	1.0	0.5	0.2
Materials and energy used	9.7	9.4	2.4	3.2
External services	33.5	29.5	13.0	10.3
Taxes and fees	17.4	16.3	6.0	5.6
Wages and salaries, and other employee benefits	13.4	15.1	4.2	4.1
Other costs by type	0.4	0.6	0.2	0.1
Total operating expenses	75.5	71.9	26.3	23.5
Administrative expenses	(17.1)	(18.0)	(5.1)	(5.2)
Selling expenses	(1.8)	(1.8)	(0.4)	(0.6)
Cost of preparation and execution of commercial development projects	(3.6)	(1.9)	(2.0)	(0.6)
One - off costs (Group privatization and restructuring)	(0.6)	(1.9)	(0.1)	(0.9)
Cost of sales	52.4	48.3	18.7	16.2

Notes to interim condensed consolidated financial statements on pages 10-26 are an integral part of these consolidated financial statements.

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

Property development	9 months ended		3 months ended	
	30 September 2015 unaudited	30 September 2014 unaudited	30 September 2015 unaudited	30 September 2014 unaudited
Depreciation and amortization	0.0	0.1	0.0	0.1
Materials and energy used	0.1	0.2	0.0	0.0
External services	1.3	5.7	0.7	1.0
Taxes and fees	0.1	0.2	0.0	0.0
Wages and salaries, and other employee benefits	0.5	0.6	0.2	0.1
Cost of goods for resale and materials sold	0.5	2.2	0.2	1.7
Change in inventory of finished goods	14.1	13.9	6.0	4.6
Total operating expenses	16.6	22.9	7.1	7.5
Administrative expenses	(0.8)	(1.2)	(0.4)	(0.5)
Selling expenses	(0.5)	(0.6)	(0.2)	(0.1)
Cost of maintaining inventories and property development infrastructure	(0.9)	(0.9)	(0.3)	(0.3)
Cost of sales	14.4	20.2	6.2	6.6

22. Finance income and costs

Finance income	9 months ended		3 months ended	
	30 September 2015 unaudited	30 September 2014 unaudited	30 September 2015 unaudited	30 September 2014 unaudited
Interest income	2.0	2.5	0.5	0.5
<i>Short-term bank deposits</i>	1.0	2.4	0.4	0.4
<i>Other interest</i>	1.0	0.1	0.1	0.1
Foreign exchange gains/(losses)	0.3	0.0	0.1	0.0
Other finance income	0.0	0.1	0.0	0.0
Total finance income	2.3	2.6	0.6	0.5

In the period of 9 months ended 30 September 2015, mainly interest on receivables from the Tax Office in respect of overpaid tax on civil law transactions of PLN 0.9 million was

disclosed in interest income under "Other interest income" (for details, see Note 19).

Finance costs	9 months ended		3 months ended	
	30 September 2015 unaudited	30 September 2014 unaudited	30 September 2015 unaudited	30 September 2014 unaudited
Financing costs	2.3	0.1	2.3	0.1
<i>Loans and borrowings</i>	2.2	0.0	2.2	0.0
<i>Finance lease</i>	0.1	0.1	0.1	0.1
Discount of provisions for claims in respect of benefits derived from leased properties	0.0	2.1	0.0	0.8
Interest on overdue liabilities	6.0	0.2	2.2	0.0
Other finance costs	0.2	0.2	0.2	0.0
Total finance costs	8.5	2.6	4.7	0.9
Net finance income/expense	(6.2)	0.0	(4.1)	(0.4)

In the period of 9 months ended 30 September 2015, a provision for potential costs of tax arrears of PLN 6.0 million was recognized in "Interest on overdue liabilities" in connection with

the risk of the tax authorities adopting a different interpretation of VAT taxation on contributions in kind made by the Group in prior years (for details, see Note 18).

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23. Reconciliation of effective tax rate

	9 months ended		3 months ended	
	30 September 2015 unaudited	30 September 2014 unaudited	30 September 2015 unaudited	30 September 2014 unaudited
Current tax	(2.5)	(7.5)	(0.1)	(4.7)
Deferred tax	27.4	43.7	26.3	31.4
Corporate income tax	24.9	36.2	26.2	26.7

	9 months ended		3 months ended	
	30 September 2015 unaudited	30 September 2014 unaudited	30 September 2015 unaudited	30 September 2014 unaudited
Profit before tax	42.7	12.6	12.5	9.1
Tax calculated at the rate applicable in Poland (19%)	(8.1)	(2.4)	(2.4)	(1.6)
Share of profits (losses) of jointly controlled entities	0.1	0.1	0.0	0.1
Non-taxable income	1.1	0.5	0.1	0.3
Non-deductible costs (permanent differences)	(0.1)	(0.7)	0.0	(0.6)
Net profit /(loss) of partnerships	4.1	0.3	0.8	0.0
Tax losses for which a deferred tax asset was not recognized or was written off	0.0	(0.3)	0.0	(0.1)
Contribution in kind and sale of a property to a subsidiary	27.7	38.7	27.7	28.6
Other	0.1	0.0	0.0	0.0
Corporate income tax	24.9	36.2	26.2	26.7

Due to the continued process of changing the Group's structure, Warszawski Holding Nieruchomości S.A. and Dalmor S.A. contributed properties to a partnership limited by shares. After the date of preparation of these consolidated financial statements the partnership sold selected properties to a special purpose vehicle, which resulted in an increase in their tax value and, consequently, the conditions for reversing the deferred tax provision were fulfilled: in the period of 9M 2015: PLN 27.7 million; 9M 2014: PLN 38.7 million.

As at 30 September 2015 and 31 December 2014, deferred income tax assets and liabilities were recognized mainly on the differences between carrying values and tax value of properties.

Deferred income tax assets and provision are offset if there is an enforceable legal title to offset deferred income tax assets against deferred income tax provisions and if deferred income tax assets and provisions relate to taxes imposed by the same tax authorities on the same taxpayer.

24. Net profit attributable to non-controlling interests

In the first 9 months of 2015, shares were repurchased from holders of non-controlling interests in Warszawski Holding Nieruchomości S.A., Intraco S.A., Dalmor S.A. and Budexpo S.A. The profit attributable to non-controlling interests was

determined based on the assumption that they participate in the entire net profit for the first 9 months of 2015 and in the profit for the first half of 2015 in line with the proportion of the shares held in the respective periods.

25. Earnings per share

	9 months ended		3 months ended	
	30 September 2015 unaudited	30 September 2014 unaudited	30 September 2015 unaudited	30 September 2014 unaudited
Basic and diluted net earnings(loss) per share attributable to the equity holders of the parent company				
Profit attributable to equity holders of the Company (in PLN million)	65.7	47.6	37.0	34.9
Weighted average number of ordinary shares (in millions)	46.6	45.9	46.6	46.3
Basic and diluted earnings (loss) per share (in PLN)	1.41	1.04	0.80	0.76

Notes to interim condensed consolidated financial statements on pages 10-26 are an integral part of these consolidated financial statements.

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POLSKI HOLDING NIERUCHOMOŚCI S.A.

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

Basic and diluted net earnings (loss) from continuing operations per share attributable to the equity holders of the parent company	9 months ended		3 months ended	
	30 September 2015	30 September 2014	30 September 2015	30 September 2014
	unaudited	unaudited	unaudited	unaudited
Profit from continuing operations attributable to equity holders of the Company (in PLN million)	65.4	47.7	37.0	34.9
Weighted average number of ordinary shares (in millions)	46.6	45.9	46.6	46.3
Basic and diluted earnings (loss) per share (in PLN)	1.41	1.04	0.80	0.76

26. Contingent assets and contingent liabilities

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

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

companies. As at the balance sheet date, the risk of such penalties being imposed on the Group is low and the potential amount of such penalties cannot be reliably estimated. Therefore, the Group did not recognize provisions for the potential penalties.

a) Capital expenditure commitments

There are no material capital expenditure commitments.

b) Operating lease

There are no material contingent liabilities under operating lease agreement.

27. Transactions with related entities

Transactions with the State Treasury and the State Treasury companies

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

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

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

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

Revenue from sales of goods for resale and services	9 months ended		3 months ended	
	30 September 2015	30 September 2014	30 September 2015	30 September 2014
	unaudited	unaudited	unaudited	unaudited
Revenue from the State Treasury	7.1	8.0	1.5	2.6

Remuneration of key management members

	9 months ended		3 months ended	
	30 September 2015	30 September 2014	30 September 2015	30 September 2014
	unaudited	unaudited	unaudited	unaudited
Remuneration of the Management Board of the Parent Company	1.7	1.9	0.5	0.4
Remuneration of the Management Board of the subsidiaries	0.9	1.3	0.3	0.2
Remuneration of the Supervisory Board of the Parent Company	0.2	0.2	0.1	0.1
Remuneration of the Supervisory Board of the subsidiaries	0.3	0.3	0.1	0.1
Total	3.1	3.7	1.0	0.8

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Transactions with associates and jointly controlled entities (joint ventures)

In the 9M of 2015, PHN S.A. granted long-term loans to Parzniew Logistics Center Infrastructure Sp. z o.o. (of PLN 1.4 million) and Parzniew Logistics Center 1 Sp. z o.o. (of PLN 0.3 million).

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

28. Other information

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

In the first 9 months of 2015, the Group acquired a part of a property at Al. Jana Pawła II 12 in Warsaw (Kaskada) and became the sole owner of the property.

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

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

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

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

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

In the period of 9 months ended 30 September 2015 and 30 September 2014, no material other transactions were concluded with associates and jointly controlled entities.

Acquisition of a loan agreement

On 1 July 2015, the Group purchased 100% of the shares in Andersia Business Centre Sp. z o.o. with its registered office in Poznań (which subsequently changed its name to PHN SPV 33 Sp. z o.o.). At the same time, the Group took over a loan agreement with Bank Zachodni WBK S.A. concluded by Andersia Business Centre Sp. z o.o. for the construction of an office building. The outstanding amount was EUR 25.5 million. Moreover, in September 2015 it took out an additional tranche of an investment loan of EUR 3.1 million. This loan was repaid (refinanced) on 30 October 2015. In its place, a Group company (PHN SPV 15 Sp. z o.o.) concluded a new loan agreement on the same terms and conditions with the same bank. The loan is in EUR and bears interest rate based on EURIBOR rate for 3-monthly deposits plus the bank's margin. The remaining terms and conditions of the loan agreement, including collateral, do not significantly differ from those commonly applied for similar agreements.

In order to secure repayment of liabilities resulting from the loan agreement and in order to execute the said agreement properly, the subsidiaries of PHN S.A. established in particular the following security for Bank Zachodni WBK S.A.:

- (i) financial and registered pledge on the shares in PHN SPV 15 Sp. z o.o. (hereinafter: "the Borrower") held by the Group companies;
- (ii) financial and registered pledges on liabilities resulting from the Borrower's bank account agreements with powers of attorney and voluntary statements of submission to enforcement under Art. 777 of the Code of Civil Procedure;
- (iii) a contractual mortgage on the property at Pl. Andersa 7 in Poznań with assignment of rights under the insurance policy for the property;
- (iv) agreement for transfer of the Borrower's rights resulting, among others, from lease agreements;
- (v) the Borrower's submission to enforcement under Art. 777 of the Code of Civil Procedure.
- (vi) an obligation to conclude an IRS transaction secured with a mortgage and a statement of voluntary submission to enforcement under Art. 777 of the Code of Civil Procedure.

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

In the first 9 months of 2015, the Group repurchased shares from holders of non-controlling interests in Warszawski Holding Nieruchomości S.A. and Intraco S.A. The repurchase price was determined at the level of PLN 23.19 per 1 share in Warszawski

Holding Nieruchomości S.A. and PLN 19.52 per 1 share in Intraco S.A., in accordance with a court decision. Holders of non-controlling interests raised an objection to their being deleted from the share register. In the Group's opinion, the objection is groundless.

29. Post balance sheet date events

After obtaining all corporate approvals, in Q4 2015, Warszawski Holding Nieruchomości S.A. contributed selected properties to PHN 4 Sp. z o.o. Spółka komandytowo-akcyjna. Subsequently, PHN 4 Sp. z o.o. Spółka komandytowo-akcyjna sold selected properties to special purpose vehicles, thus increasing their tax value. Consequently, in Q4 2015 the Group will reverse the deferred tax provision of PLN 36 million.

In Q4 2015, the Group signed preliminary sale agreements for a few properties with the total value of PLN 26.3 million, which were disclosed in the consolidated statement of financial position under "Non-current assets classified as held for sale".

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

These interim condensed consolidated financial statements were approved by the Management Board of the Parent Company on 16 November 2015.

Włodzimierz Piotr Stasiak
Member of the Management Board

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

Artur Lebieziński
President of the Management Board

Grzegorz Grotek
Responsible for preparing the consolidated financial statements

OTHER NOTES TO THE CONSOLIDATED QUARTERLY REPORT

FOR THE 9-MONTH PERIOD ENDED 30 SEPTEMBER 2015



**POLSKI HOLDING
NIERUCHOMOŚCI S.A.**

B. Other notes to the consolidated quarterly report

1. General information about the Group

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

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

2. Group structure

All the subsidiaries that belong to the Group are consolidated using the acquisition accounting method, and shares in jointly controlled entities are disclosed in the consolidated financial

statements using the equity method. All Group entities are presented below.

Entity	Shareholder	Share in capital and in voting rights	
		30 September 2015	31 December 2014
Polski Holding Nieruchomości S.A. (PHN S.A.) - parent company			
Subsidiaries			
Warszawski Holding Nieruchomości S.A. (WHN S.A.)	PHN S.A.	97.81%	97,82%
Dalmor S.A	WHN S.A.	90.31%	0,00%
	PHN 5 Sp. z o.o.	0.00%	90,31%
	PHN S.A.	2.54%	1,21%
PHN Nieruchomości 3 Sp. z o.o.	WHN S.A.	100.00%	100,00%
PHN Foksal Sp. z o.o.	WHN S.A.	100.00%	100,00%
Agro-Man Sp. z o.o.	WHN S.A.	100.00%	100,00%
Investon Sp. z o.o.	PHN 4 Sp. z o.o. SKA	100.00%	100,00%
PHN 3 Sp. z o.o.	WHN S.A.	100.00%	70,186%
	Intraco S.A.	0.00%	19,456%
	Budexpo S.A.	0.00%	10,358%
DKP Dalmor Sp. z o.o. in liquidation	Dalmor S.A.	100.00%	100,00%
	Dalmor S.A.	99.00%	99,00%
Dalmor Fishing LTD	Alliance Trust Company LTD	1.00%	1,00%
	PHN 3 Sp. z o.o.	100.00%	100,00%
PHN SPV 1 Sp. z o.o.	PHN 4 Sp. z o.o. *	0.00%	0,00%
PHN SPV 2 Sp. z o.o.	PHN 3 Sp. z o.o.	100.00%	100,00%
PHN SPV 3 Sp. z o.o.	PHN 3 Sp. z o.o.	100.00%	100,00%
	PHN 4 Sp. z o.o. *	0.00%	0,00%
PHN SPV 4 Sp. z o.o.	PHN 3 Sp. z o.o.	100.00%	100,00%
	PHN 4 Sp. z o.o. *	0.00%	0,00%
PHN SPV 5 Sp. z o.o.	PHN 3 Sp. z o.o.	100.00%	100,00%
	PHN 4 Sp. z o.o. *	0.00%	0,00%
PHN SPV 6 Sp. z o.o.	PHN 3 Sp. z o.o.	100.00%	100,00%
	PHN 4 Sp. z o.o. *	0.00%	0,00%
PHN SPV 7 Sp. z o.o.	PHN 3 Sp. z o.o.	100.00%	100,00%
	PHN 4 Sp. z o.o. *	0.00%	0,00%
PHN SPV 8 Sp. z o.o.	PHN 3 Sp. z o.o.	100.00%	100,00%
	PHN 4 Sp. z o.o. *	0.00%	0,00%
PHN SPV 9 Sp. z o.o.	PHN 3 Sp. z o.o.	100.00%	100,00%
	PHN 4 Sp. z o.o. *	0.00%	0,00%
PHN SPV 10 Sp. z o.o.	PHN 3 Sp. z o.o.	100.00%	100,00%
	PHN 4 Sp. z o.o. *	0.00%	0,00%
PHN SPV 11 Sp. z o.o.	PHN 3 Sp. z o.o.	100.00%	100,00%
	PHN 4 Sp. z o.o. *	0.00%	0,00%
PHN SPV 12 Sp. z o.o.	PHN S.A.	100.00%	100,00%
PHN 4 Sp. z o.o.	PHN S.A.	100.00%	100,00%
PHN 4 Sp. z o.o. spółka komandytowo - akcyjna	WHN S.A.	100.00%	89,30%
	Budexpo S.A.	0.00%	10,70%
PHN Hotel Management Sp. z o.o. (formerly PHN SPV Aktywa	PHN S.A.	100.00%	100,00%
PHN 5 Sp. z o.o.	PHN S.A.	100.00%	100,00%

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

PHN Property Management Sp. z o. o.	PHN S.A.	100.00%	100,00%
PHN Dewelopment Sp. z o. o.	PHN 3 Sp. z o.o.	0.00%	100,00%
	PHN S.A.	100.00%	0,00%
PHN Hotel Pruszków Sp. z o.o.	WHN S.A.	100.00%	99,90%
	PHN 3 Sp. z o.o.	0.00%	0,10%
PHN SPV 13 Sp. z o.o.	PHN 3 Sp. z o.o.	99.90%	100,00%
	PHN 4 Sp. z o.o. *	0.10%	0,00%
PHN SPV 14 Sp. z o.o.	PHN 3 Sp. z o.o.	99.90%	100,00%
	PHN 4 Sp. z o.o. *	0.10%	0,00%
PHN SPV 15 Sp. z o.o.	PHN 3 Sp. z o.o.	99.90%	100,00%
	PHN 4 Sp. z o.o. *	0.10%	0,00%
PHN SPV 16 Sp. z o.o.	PHN 3 Sp. z o.o.	99.90%	100,00%
	PHN 4 Sp. z o.o. *	0.10%	0,00%
PHN SPV 17 Sp. z o.o.	PHN 3 Sp. z o.o.	99.90%	100,00%
	PHN 4 Sp. z o.o. *	0.10%	0,00%
PHN SPV 18 Sp. z o.o.	PHN 3 Sp. z o.o.	100.00%	100,00%
PHN SPV 19 Sp. z o.o.	PHN 3 Sp. z o.o.	100.00%	100,00%
PHN SPV 20 Sp. z o.o.	PHN 3 Sp. z o.o.	100.00%	100,00%
PHN SPV 21 Sp. z o.o.	PHN 3 Sp. z o.o.	100.00%	100,00%
PHN SPV 22 Sp. z o.o.	PHN 3 Sp. z o.o.	100.00%	100,00%
PHN SPV 23 Sp. z o.o.	PHN 3 Sp. z o.o.	100.00%	100,00%
PHN SPV 24 Sp. z o.o.	PHN 3 Sp. z o.o.	100.00%	100,00%
PHN SPV 25 Sp. z o.o.	PHN 3 Sp. z o.o.	100.00%	100,00%
PHN SPV 26 Sp. z o.o.	PHN 3 Sp. z o.o.	100.00%	100,00%
PHN SPV 27 Sp. z o.o.	PHN 3 Sp. z o.o.	100.00%	100,00%
PHN SPV 28 Sp. z o.o.	PHN 3 Sp. z o.o.	100.00%	100,00%
PHN SPV 31 Sp. z o.o.	PHN 3 Sp. z o.o.	100.00%	100,00%
PHN SPV 32 Sp. z o.o.	PHN 3 Sp. z o.o.	100.00%	100,00%
Marina Molo Rybackie Sp. z o.o. **	PHN S.A.	100.00%	n/a
Dalmor Property Management Sp. z o. o. **	PHN 5 Sp. z o.o.	100.00%	n/a
PHN SPV 33 Sp. z o.o. (formerly Andersia Business Centre Sp. z o.o.)	PHN S.A.	100.00%	n/a

In the first 9 months of 2015, business combinations took place between Agro-Man Sp. z o.o. and Port Okrzei Sp.z o.o. and between Warszawski Holding Nieruchomości S.A. and the following companies: INTRACO S.A., Budexpo S.A., Wrocławskie Centrum Prasowe S.A., Warton Sp. z o.o. and Kaskada Service Sp. z o.o.

In the first 9 months of 2015, the Group sold to Parzniew Partners B.V. 50% of the shares in each of the two subsidiaries:

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

The Group also holds 50% of the shares in each of the following jointly controlled entities:

Wrocław Industrial Park Sp. z o.o.
Parzniew Logistics Center Infrastructure Sp. z o. o.
Parzniew Logistics Center 1 Sp. z o. o.
Apartamenty Molo Rybackie Sp. z o.o.****

* As at 30 September 2015, PHN 4 Sp. z o.o. holds 1 share

**A company established in the first half of 2015

***A company acquired in Q3 2015

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

3. The Group's real estate portfolio

Fair value. As at 30 September 2015, the Group's real estate portfolio comprised 144 properties separated for business purposes with the fair value of PLN 2,308.4 million, which were disclosed in the financial statements as assets. The portfolio comprised 14 properties with the fair value of PLN 168.6 million with unclear legal status (with a positive outlook, though) and one property which is used for the purposes of a joint venture with a third party.

The Group also had 19 properties with unclear legal status with insufficient potential for a positive outcome for these properties to be disclosed in the financial statements as assets. Had they been free from legal defects, the fair value of those properties would amount to PLN 121.1 million.

In the period from 1 January to 30 September 2015, the Group sold 6 properties: in Gdańsk at ul. Stągiewna, in Warsaw at ul. Łowicka, in Otwock at ul. Żurawia, in Dziebędów, Łask and Gucin, and a part of a property located in Katowice. After the

balance sheet date up to the date of signing this report, the Group sold two properties and parts of two other ones, and signed 8 preliminary (or conditional) sale agreements and one for a part of a property.

The Group acquired the property Andersia Business Centre located in Poznań at ul. Królowej Jadwigi and an interest in the property Kaskada (at present the Group is the sole owner of the building). It also acquired a legal title (perpetual usufruct) to a property at ul. Kryniczna 2 in Warsaw.

In the period from 1 January to 30 September 2015, the Group reallocated 3 properties (in one case it was a part of the property) from the category with unclear legal status with insufficient potential for a positive outcome to be disclosed as assets to the Group's portfolio (for details, see note 7 to the interim consolidated financial statements). The Group also separated 5 other properties for business purposes and performed re-segmentation of a part of its portfolio.

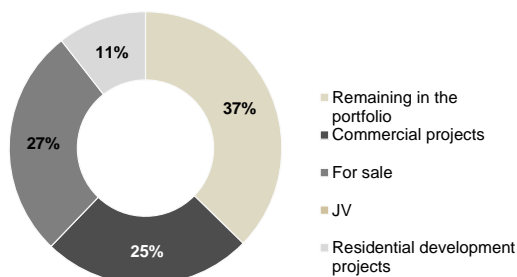
From the perspective of actions planned to be taken with regard to the properties, the Group has divided its portfolio into the following segments:

- ✓ portfolio properties - 18 properties with the fair value of PLN 854.3 million, disclosed in the financial statements under investment properties (with the fair value of PLN 822.6 million) and under fixed assets for the Group's own use (with the fair value of PLN 31.1 million);
- ✓ commercial projects - 12 properties with the fair value of PLN 570.1 million, which the Group uses or plans to use for the purposes of commercial projects, disclosed in the financial statements under investment properties at the fair value;
- ✓ a joint venture (JV) with a third party - one property with the fair value of PLN 18.0 million, disclosed in the financial

statements indirectly as a component of interest in a joint venture;

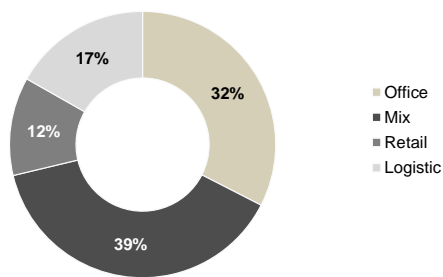
- ✓ properties held for sale - 81 properties with the fair value of PLN 624.0 million, disclosed in the financial statements under investment properties (with the fair value of PLN 564.9 million), under assets classified as held for sale (with the fair value of PLN 46.0 million), under fixed assets (with the fair value of PLN 4.1 million) and under inventories (with the fair value of PLN 3.0 million);
- ✓ residential projects - 32 properties with the fair value of PLN 242.0 million, which are used or are planned to be used for the purposes of residential construction projects, including:
 - 4 properties with completed projects with the fair value of PLN 18.5 million, including 3 with unsold flats, disclosed in the financial statements under inventories in the amount of PLN 18.0 million,
 - 27 properties designated for potential projects with the fair value of PLN 221.9 million, disclosed in the financial statements under investment properties with the fair value of PLN 163.9 million, under fixed assets with the fair value of PLN 11.2 million, and under inventories with the fair value of PLN 46.7 million; this group consists of 7 independent projects, one of them comprising 21 buildings (treated for business properties as separate properties);
 - 1 property comprising road plots with the fair value of PLN 1.6 million, disclosed in the financial statements under inventories in the amount of PLN 0.2 million.

Property portfolio structure by segment*
fair value %

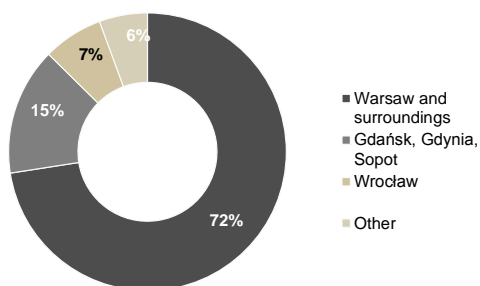


* this item does not include 19 properties with unclear legal status

Commercial projects by type of target space
fair value %



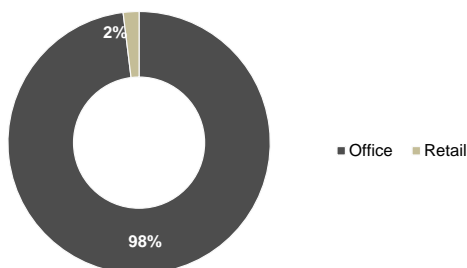
Geographical structure of the property portfolio*
fair value %



* this item does not include 19 properties with unclear legal status

Gross leasable area (GLA) and vacancy ratio. As at 30 September 2015, GLA of the Group's real estate portfolio amounted to 346.7 thousand m², and the vacancy ratio amounted to 27.1% (calculated as the share of not leased space in GLA less space designated for the Group's own use and permanently not leasable space).

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



Lease result (NOI). In the period from 1 January to 30 September 2015, the Group generated NOI of PLN 43.3 million, including: the portfolio properties segment: PLN 22.7 million; the commercial projects segment: PLN 8.4 million; the

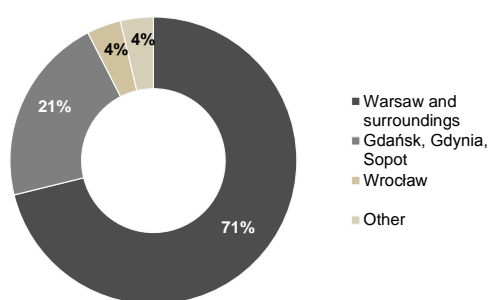
4. The Group's activities

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

Lease services offered by the Group comprise:

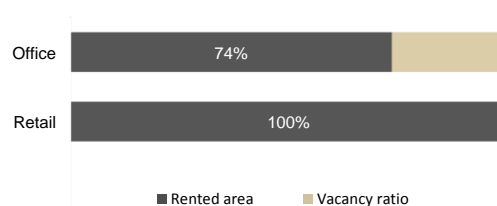
- ✓ lease of office space,
- ✓ lease of retail space,
- ✓ lease of warehouse and logistic space,
- ✓ lease of residential and other space,
- ✓ additional services – lease of offices for starting business, lease of 'virtual offices', conference halls, advertising space (walls, facades of buildings and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

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



Gross leasable area of the properties remaining in the portfolio amounted to 113.2 thousand m², and the vacancy ratio amounted to 25.8%. This ratio was significantly affected by withdrawal of the main tenant from the Intraco building and pending commercialization of a newly built property at ul. Domaniewska.

Lease ratio of properties remaining in the portfolio
% of space



segment of properties held for sale: PLN 11.2 million; the residential projects segment: PLN 1.0 million. The Group classifies 95 properties with the fair value of PLN 1,729.0 million as properties generating lease revenues.

Office space. Office buildings of A, B and C class, residential properties, residencies used for office purposes and diplomatic outposts represent the office space portfolio. Customers of the office space segment include mainly small and medium enterprises, both Polish and with foreign capital. Diplomatic representations are a significant group of the Group's customers.

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

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

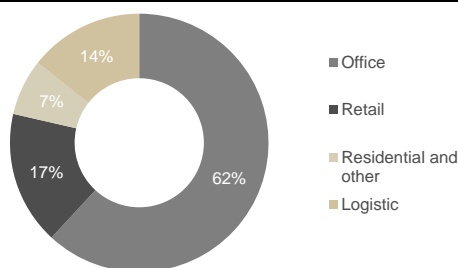
addressed to marine carriers. Other locations comprise medium-sized areas which are usually used by office and retail tenants as additional space necessary for their business activities.

Residential and other space. The residential portfolio comprises villas (mainly used as diplomatic outposts),

5. Tenants

The structure of the Group's tenants is highly differentiated; therefore, the Group is not exposed to any significant risk associated with a single tenant or a group of tenants.

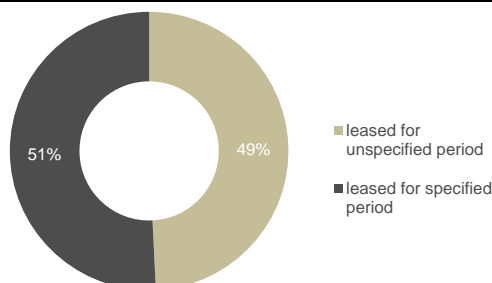
Structure of leased space by type
% of leased space *



* this item does not include 19 properties with unclear legal status

Although new lease agreements are usually signed for limited periods, almost half of GLA is still leased for an unlimited period.

Structure of leased space by term of contract
% GLA *



* this item does not include 19 properties with unclear legal status

6. Financial situation

In Q3 2015 the real estate market was characterized by a high level of competition, big supply of new office space, growing pressure on rent decreases and flexible price policy. Under such circumstances, the Group maintained stable results from core business activities. Lease revenues were 8% higher than in the previous quarter, which was in part due to the purchase of the Andersia Business Centre property in Poznań. At the same time, thanks to maintaining cost discipline, the Group's lease result for Q3 2015 was 7% higher than in the previous quarter.

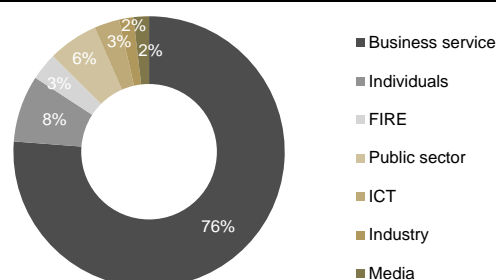
EBITDA (operating profit or loss adjusted for the change in the fair value of investment properties, gain/loss on their disposal, depreciation and amortization, and the effect of changes in the

apartments and residential buildings. Additionally, the Group owns hotels, schools and preschool facilities.

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

As at 30 September 2015, the representatives of the business services sector constituted the largest group of tenants.

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

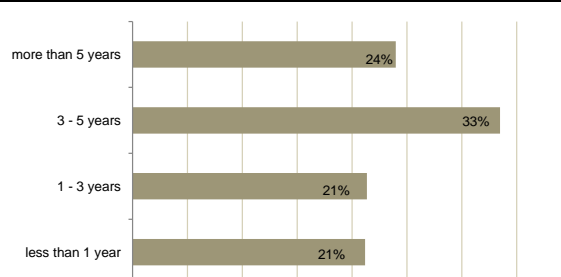


FIRE – financial services, insurance and real estate
ICT – information, communication and technology

* this item does not include 19 properties with unclear legal status

The tenants' structure by lease term is presented on the following two graphs:

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



legal status of properties) amounted to PLN 10.5 million and was PLN 2.6 million higher q/q.

Adjusted EBITDA (EBITDA adjusted for one-off expenses (the costs of the Group's privatization and restructuring), costs of severance pay for employees made redundant, a provision for damages payable to tenants receiving premises with a delay and for guarantee repairs, change in the provision for claims relating to previous years, refunded civil law activities tax and use of properties without a contract) amounted to PLN 9.9 million and was PLN 3.2 million higher than in the previous quarter.

As at 30 September 2015, the Group employed 118 persons.

6.1. Analysis of consolidated statement of financial position

Investment properties constituted the major component of non-current assets. In the nine months ended 30 September 2015, their value increased by PLN 197.4 million as a result of:

- ✓ purchase of investment properties with a value of PLN 196.3 million;
- ✓ incurring expenditure on commercial development projects (PLN 84 million), preparation of commercial development projects and modernization of properties (PLN 17.9 million);
- ✓ reclassification of 2 properties from investment properties to property, plant and equipment due to the commencement of hotel activities on these properties (PLN 26.0 million);
- ✓ reclassification of a part of the property located at Prymasa Tysiąclecia from investment properties to inventories due to the commencement of a residential development project (PLN 46.5 million);
- ✓ reclassification from investment properties to non-current assets classified as held for sale of the following properties: Prądyżńskiego, Wiejska, Konstancińska, Aldony, Świebodzin, Gruzińska, Francuska, a part of the Czerwonak property, a hotel in Pruszków and a hotel in Świebodzin (PLN 46.0 million) due to the fact that buyers were found;
- ✓ reclassification of properties from assets with unclear legal status (PLN 25.1 million);
- ✓ sale of property (PLN 0.4 million);
- ✓ impairment (PLN 7 million).

The value of property, plant and equipment increased by PLN 25.2 million in the 9 months ended 30 September 2015 due to:

- ✓ reclassification of 2 properties from investment properties to property, plant and equipment due to the commencement of hotel activities on these properties (PLN 26.0 million);
- ✓ recognizing depreciation of PLN 1.1 million;
- ✓ purchase of property, plant and equipment of PLN 0.3 million.

Deferred income tax assets increased by PLN 13.6 million in the 9 months ended 30 September 2015, mainly due to an increase in the asset recognized in respect of the difference between the tax value of the properties and their carrying value, as well as due to the fact that assets in respect of accumulated tax losses were acquired in connection with buying a company.

Current assets decreased by PLN 64.7 million in the 9 months ended 30 September 2015, mainly due to:

- ✓ reclassification of a part of the property located at Prymasa Tysiąclecia from investment properties to inventories due to

the commencement of a residential development project (PLN 46.5 million);

- ✓ disposal of flats (PLN 14.4 million);
- ✓ a decrease in trade receivables and other assets (PLN 65.8 million) mainly due to a decrease in the VAT receivable on sales of properties to subsidiaries (PLN 69.9 million), partly offset with an increase in other receivables from the state budget of PLN 5.4 million (including a refund of the tax on civil law transactions of PLN 4.0 million);
- ✓ a decrease in cash and cash equivalents of PLN 32.0 million.

The amount of equity attributable to the equity holders of the parent company in the period ended 30 September 2015 increased by PLN 19.5 million due to:

- ✓ earmarking the amount of PLN 60.7 million for the payment of dividend to the shareholders;
- ✓ change in the ownership structure resulting from issues of shares in exchange for shares acquired in subsidiaries (PLN 14.5 million);
- ✓ generating a net profit (PLN 65.7 million).

The amount of non-current liabilities as at 30 September 2015 increased compared with the end of the year 2014 by PLN 272.4 million, mainly due to an increase in the liabilities in respect of bank loans of PLN 282.3 million, which was partly offset with a decrease in the deferred tax provision of PLN 8.0 million and in other non-current liabilities of PLN 1.4 million.

The amount of current liabilities decreased by PLN 57.5 million primarily due to:

- ✓ a decrease in the liabilities to the state budget in respect of VAT payable on sales of properties to subsidiaries (PLN 64.1 million);
- ✓ a decrease in the amount of advance payments for the purchase of investment properties (PLN 5.5 million);
- ✓ a decrease in trade payables and capital expenditure commitments of PLN 2.5 million;
- ✓ a decrease in the amount of security deposits paid by construction subcontractors of PLN 3.2 million;
- ✓ valuation of financial derivatives in the amount of PLN 0.5 million;
- ✓ an increase in the liabilities in respect of bank loans of PLN 7.3 million;
- ✓ an increase in other current liabilities of PLN 3.3 million;
- ✓ an increase in current provisions of PLN 4.7 million;
- ✓ an increase in the amount of advance payments relating to property development (PLN 1.8 million);
- ✓ an increase in finance lease liabilities of PLN 0.3 million.

6.2. Analysis of consolidated statement of comprehensive income

	3Q 2015	2Q 2015	3Q 2014
EBITDA on continuing operations			
Sales revenue	42.2	35.6	41.7
Operating expenses	(24.9)	(19.7)	(22.8)
Gross profit/(loss) on sales	17.3	15.9	18.9
Administrative and selling expenses	(8.5)	(9.3)	(8.2)
<i>including one - off costs (Group privatization and restructuring)</i>	<i>0.1</i>	<i>0.4</i>	<i>0.9</i>
<i>Administrative and selling expenses, excluding one - off costs (Group privatization and restructuring)</i>	<i>(8.4)</i>	<i>(8.9)</i>	<i>(7.3)</i>
Net profit/loss on sales	8.8	6.6	10.7
Change in the fair value of investment properties and gain/loss on disposal	1.4	(6.5)	(0.2)
Other revenues	7.9	23.8	1.0
Other costs	(1.6)	(2.9)	(2.6)
Operating profit/ (loss)	16.5	21.0	8.9
Change in the fair value of investment properties and gain/loss on disposal	(1.4)	6.5	0.2
Depreciation and amortization	0.5	0.4	0.3
Impairment of inventories (land)	0.0	0.0	(1.3)
Gain/loss on disposal of inventories (land)	0.0	0.0	(2.7)
Change in the legal status of properties	(5.1)	(20.0)	0.0
EBITDA	10.5	7.9	5.4
Provision for guarantee repairs and damages in property development	0.4	(0.3)	0.0
One - off costs (Group privatization and restructuring)	0.1	0.4	0.9
Costs of severance payments	0.0	0.0	0.2
Change in provision for claims relating to previous years	(1.1)	(1.3)	0.8
Adjusted EBITDA	9.9	6.7	7.3

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

	3Q 2015	2Q 2015	3Q 2014
Profit/loss on lease			
Sales revenue	32.5	30.1	29.6
Operating expenses	(17.2)	(15.8)	(16.0)
Gross profit/(loss) on sales	15.3	14.3	13.6
Administrative and selling expenses	(6.7)	(7.3)	(5.7)
<i>including one - off costs (Group privatization and restructuring)</i>	<i>0.1</i>	<i>0.2</i>	<i>0.6</i>
<i>Administrative and selling expenses, excluding one - off costs (Group privatization and restructuring)</i>	<i>(6.6)</i>	<i>(7.1)</i>	<i>(5.1)</i>
Net profit/loss on sales	8.6	7.0	7.9
Change in the fair value of investment properties and gain/loss on disposal	1.4	(6.5)	(0.2)
Other revenues	7.9	23.7	0.9
Other costs	(1.6)	(2.8)	(2.6)
Operating profit/ (loss)	16.3	21.4	6.0
Change in the fair value of investment properties and gain/loss on disposal	(1.4)	6.5	0.2
Depreciation and amortization	0.3	0.4	0.2
Change in the legal status of properties	(5.1)	(20.0)	0.0
EBITDA	10.1	8.3	6.4
One - off costs (Group privatization and restructuring)	0.1	0.2	0.6
Costs of severance payments	0.0	0.0	0.2
Change in provision for claims relating to previous years	(1.1)	(1.3)	0.8
Adjusted EBITDA	9.1	7.2	8.0

Despite increased competition on the market of commercial real estate resulting in a decrease in rents, the Group's revenues in the lease segment in 3Q 2015 were 8% higher than in the previous quarter and 9.8% higher than in 3Q of the previous year. Higher lease revenues resulted mainly from the purchase of Andersia Business Centre in Poznań. Net profit on sales in 3Q 2015 was PLN 1.6 million higher quarter-on-quarter, mainly due to lower administrative and selling expenses. The net profit/(loss) on sales in the lease segment increased by PLN 0.7 million compared with the corresponding period of the previous

year. EBITDA (operating profit or loss adjusted for the change in the fair value of investment properties, gain/loss on their disposal, depreciation and amortization, and the effect of changes in the legal status of properties) was PLN 1.8 million higher q/q and PLN 3.7 million higher y/y. Adjusted EBITDA (EBITDA adjusted for one-off expenses, costs of severance pay for employees made redundant and a change in the provision for claims relating to prior years) amounted to PLN 9.1 million and was PLN 1.9 million higher q/q and PLN 1.1 million higher y/y.

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	3Q 2015	2Q 2015	3Q 2014
Profit/loss on property development			
Sales revenue	7.6	3.9	11.9
Operating expenses	(6.2)	(2.7)	(6.6)
Gross profit/(loss) on sales	1.4	1.2	5.3
Administrative and selling expenses	(0.9)	(0.5)	(0.9)
Net profit/loss on sales	0.5	0.7	4.4
Other revenues	0.0	0.1	0.1
Operating profit/ (loss)	0.5	0.8	4.5
Depreciation and amortization	0.0	0.0	0.1
Impairment of inventories (land)	0.0	0.0	(1.3)
Gain/loss on disposal of inventories (land)	0.0	0.0	(2.7)
EBITDA	0.5	0.8	0.6
Provision for guarantee repairs and damages in property development	0.4	(0.3)	0.0
Adjusted EBITDA	0.9	0.5	0.6

Gross profit from sales in the property development segment in 3Q 2015 amounted to PLN 1.4 million and was PLN 0.2 million higher than in the previous quarter. Higher revenues in the analysed period are mainly due to executing final agreements for pre-sold apartments signed in previous periods. In 3Q 2015, final agreements for sale of 25 units were executed (2Q 2015: 13 units, 3Q 2014: 18 units). Adjusted EBITDA in this segment

was higher than in 2Q 2015 and amounted to PLN 0.9 million. As at 30 September 2015, the Group had 68 units built, including 31 contracted units. The Group had no units under construction as at 30 September 2015. In 3Q 2015, the Group concluded 20 preliminary agreements for sale (2Q 2015: 29, 3Q 2014: 25).

	3Q 2015	2Q 2015	3Q 2014
Profit/loss on other business activities			
Sales revenue	2.1	1.6	0.2
Operating expenses	(1.5)	(1.2)	(0.2)
Gross profit/(loss) on sales	0.6	0.4	0.0
Net profit/loss on sales	0.6	0.4	0.0
Operating profit/ (loss)	0.6	0.4	0.0
Depreciation and amortization	0.2	0.0	0.0
EBITDA	0.8	0.4	0.0
Adjusted EBITDA	0.8	0.4	0.0

Other business activities comprise revenues and costs of hotel business, management services and logistics services (which the Group intends to discontinue). In 3Q 2015, the Group generated net profit on other business activities of PLN 0.6

million due to commencing hotel activities in the properties Zgoda 6 and Hotel Wilanów in 2Q 2015.

	3Q 2015	2Q 2015	3Q 2014
Unallocated items of the consolidated statement of comprehensive income			
Administrative and selling expenses	(0.9)	(1.5)	(1.6)
<i>including one - off costs (Group privatization and restructuring)</i>	<i>0.0</i>	<i>0.2</i>	<i>0.3</i>
<i>Administrative and selling expenses, excluding one - off costs (Group privatization and restructuring)</i>	<i>(0.9)</i>	<i>(1.3)</i>	<i>(1.3)</i>
Net profit/loss on sales	(0.9)	(1.5)	(1.6)
Other costs	0.0	(0.1)	0.0
Operating profit/ (loss)	(0.9)	(1.6)	(1.6)
EBITDA	(0.9)	(1.6)	(1.6)
One - off costs (Group privatization and restructuring)	0.0	0.2	0.3
Adjusted EBITDA	(0.9)	(1.4)	(1.3)

Except for the described results of operating segments, the Group's operating profit/loss for the analysed period was affected by administrative expenses of the parent company,

which acted as a holding company. From the business perspective, such costs are not allocated to operating segments.

6.3. Analysis of the consolidated cash flow statement

In 3Q 2015, the Group generated positive net cash flow from operating activities in the amount of PLN 29.9 million, mainly resulting from:

- ✓ generating positive adjusted EBITDA in the amount of PLN 9.9 million;
- ✓ one-off expenses amounting to PLN 0.1 million relating to restructuring and reorganisation;
- ✓ payment of current income tax in the amount of PLN 0.8 million;
- ✓ receiving a VAT refund of PLN 10.7 million;
- ✓ settlement of advance payments relating to perpetual usufruct of land in the amount of PLN 2.6 million;
- ✓ receiving a refund of tax on civil law transactions in the amount of PLN 4.9 million;
- ✓ generating positive cash flows from property development of PLN 6.8 million, mainly as a result of a decrease in inventories;
- ✓ a decrease in other working capital of PLN 4.1 million.

Negative net cash flows generated in 3Q 2015 from operating activities of PLN 79.1 million resulted from capital expenditure incurred on investment properties of PLN 31.9 million and purchases of subsidiaries of PLN 49.1 million, which were partly offset with proceeds from disposal of investment properties and property, plant and equipment of PLN 1.0 million, dividends received of PLN 0.5 million and interest received on bank deposits of PLN 0.4 million.

In 3Q 2015, the Group generated positive cash flows from financing activities of PLN 5.8 million, resulting from proceeds from bank loans of PLN 81.5 million offset with payment of dividend of PLN 60.7 million, repayment of liabilities in respect of a bank loan of PLN 14.8 million, and repayment of financial liabilities resulting from car fleet lease of PLN 0.2 million.

7. EPRA performance measure

EPRA earnings*

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

activity generated by the properties portfolio held by the Company.

	9 months ended	
	30 September 2015	30 September 2014
Net profit/(loss) of the lease segment*	69.1	50.6
Adjustments	(14.8)	5.0
<i>Change in the fair value of investment properties and gain/loss on disposal</i>	6.8	6.2
<i>Change in the legal status of properties</i>	(25.1)	0.0
<i>Impairment of property, plant and equipment (properties)</i>		0.0
<i>Deferred tax associated with the above adjustments</i>	3.5	(1.2)
Net profit/(loss) of the lease segment according to EPRA*	54.3	55.6
Adjustments	(33.8)	(37.8)
<i>One-off costs (Group privatization and restructuring)</i>	0.4	1.2
<i>Severance payments</i>	0.2	0.9
<i>Change in provisions for claims relating to previous years</i>	(3.5)	1.4
<i>Interest on free cash</i>	(1.0)	(2.4)
<i>Refund of tax on civil law transactions</i>	(8.0)	0.0
<i>Interest on tax on civil law transactions paid</i>	(0.9)	0.0
<i>Default interest on overdue VAT</i>	6.0	0.0
<i>Current and deferred tax associated with the above adjustments</i>	0.7	(0.2)
<i>Fiscal effect of in-kind contribution to a subsidiary</i>	(27.7)	(38.7)
Adjusted net profit/(loss) of the lease segment according to EPRA	20.5	17.8

* Profit/loss on operating activities of the lease segment in 9M 2015: PLN 48.7 mln, 9M 2014: PLN 11.5 mln after taking into account profit/(loss) of the lease segment from financing activities 9M 2015: -6.2 mln PLN, 9M 2014: PLN 1.8

mln, income tax in 9M 2015: PLN 26.1 mln, 9M 2014: PLN 36.7 mln and share in profits of associated and jointly-controlled entities in 9M 2015: PLN 0.5 mln, 9M 2014: PLN 0.6 mln.

EPRA NIY

EPRA NIY (net initial yield) is calculated as the ratio of lease revenues less non-recoverable operating costs of properties as at the balance sheet date (in annual terms) to the market value of property.

EPRA NIY

	2015*	2014
Investment properties as per the statement of financial position	2,121.5	1,924.1
Land and commercial development projects in progress	(405.6)	(514.9)
Investment properties generating lease revenues	1,715.9	1,409.2
Lease earnings as per the statement of comprehensive income	61.2	55.5
Adjustments	(5.7)	3.0
<i>Earnings generated by land and commercial development projects in progress</i>	0.1	0.1
<i>Earnings generated by properties with unclear legal status</i>	0.4	(0.3)
<i>Earnings generated by properties classified as held for sale, properties sold, properties reclassified to inventories and PP&E</i>	1.9	0.5
<i>Rent free periods exclusion</i>	(10.4)	0.0
<i>Fit out exclusion</i>	2.3	2.7
EPRA earnings from lease activities	55.5	58.5
Estimated transaction costs (1%)	17.2	14.1
EPRA NIY	3.2%	4.1%

* Income statement items annualized based on data for Q3 2015 multiplied by 4.

A decrease in EPRA NIY was mainly due to a higher proportion of rent-free periods, which resulted from signing new and renewed lease agreements, and the fact that the Domaniewska

property, which is still in the process of commercialization, was included in properties generating lease revenues.

EPRA NAV and EPRA NNNAV

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

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

EPRA NAV i NNNAV

	30 September 2015	31 December 2014
Net assets attributable to equity holders of the parent company	1,966.6	1,947.1
<i>Long-term deferred income tax provision</i>	47.2	48.7
EPRA NAV	2,013.8	1,995.8
Difference between the book value and the fair value of net assets	6.7	10.7
EPRA NNNAV	2,020.5	2,006.5

*EPRA (European Public Real Estate Association www.epra.com) represents the common position of the majority of European companies quoted on financial markets that specialize in property management, and in particular supports the development of those companies that have commercial properties in their portfolio. EPRA created a committee, consisting of CFOs, main investors and advisors of associated companies, which analyses reporting issues affecting the property market and takes actions to provide uniform reporting standards in cooperation with IASB and FASB. Below, the Group presented selected ratios developed by EPRA.

8. Operating and investing activities

Operating and investing activities

In accordance with the Group's strategy, the core business activity of the PHN S.A. Group is effective management of the Group's real estate portfolio (i.e. asset management, disinvestments, acquisitions of investment properties, development projects). As a result of such actions, the effectiveness of the Group's real estate portfolio increases. At the same time, the conservative financing strategy is maintained. The PHN S.A. Group executes development

projects to obtain high class assets that will provide a stable source of revenues in the long term. In accordance with its strategy, the Group also carries out development projects for sale in the residential sector.

Completed and pending projects:

The Foksal Project, Warsaw - a permit for use of the Foksal City building was obtained in 2014. The building's commercialization was completed in 2Q 2015 and the whole

This document is a translation of the consolidated quarterly report prepared in Polish. In the case of any doubts as regards its interpretation, the Polish version of the report is binding.

building was leased by the Ministry of Foreign Affairs. The building was handed over to the tenant in September 2015.

The Domaniewska Project, Warsaw - in May 2015, shell and core building works were completed in A and B buildings, and in June a decision to grant the use permit was received. In the period from July to September, 14,130 m² GLA in building A was handed over to the key tenant - Poczta Polska S.A. At present, the Group continues the arrangement of space in building B for Poczta Polska S.A. companies and commercialization of the remaining part of building B.

The Retkinia Project (Biedronka), Łódź - construction work on the first stage of the project - the grocery store was completed in the first half of 2015. The store was handed over to the tenant.

The Bierutowska Project, Wrocław - as part of the Wrocław Industrial Park project (JV with SEGRO), a modern warehouse and logistic facility called SEGRO Industrial Park Wrocław is being built on a part of investment land located at Bierutowska street in the north-eastern region of Wrocław. Facilities with a planned usable area of approx. 40,000 m² are being built on a plot of 10.6 ha. To date, the first stage of approx. 19,500 m² was completed. For this stage, lease agreements for approx. 16,100 m² have been signed. Infrastructure is being prepared for the subsequent stages of the investment project.

Parzniew II, Parzniew near Pruszków - A residential complex with 611 flats with the total usable area of 42,000 m² was completed in 2014. 37 flats have not been sold yet.

Projects under preparation:

Parzniew Logistic Hub Project, Parzniew near Pruszków - in February 2014, the Group companies signed a letter of intent for the construction of a warehouse facility Parzniew Logistic Hub on a plot with an area of 22 ha. In December 2014, the Group finalized negotiations concerning the execution of this project with a development company Parzniew Partners B.V., which belongs to the leaders of the international logistic market: Menard Doswell & Co. and Hillwood Europe. In January 2015, a special purpose vehicle - PHN SPV 4 Sp. z o.o. - signed a joint venture (JV) agreement on behalf of the PHN S.A. Group for staged construction of the warehouse complex. A planning permission for the 1st and 2nd stage buildings (total GLA of approx. 56,000 m²) was received in October 2015.

The Molo Rybackie Project, Gdynia - on 30 October 2014, an agreement for executing the first stage of the Molo Rybackie project in Gdynia was signed. As part of the performance of an agreement with mLocum S.A., design work for the project involving construction of 6 residential buildings with total usable area of approx. 10,000 m² is under way (Yacht Park). Additionally, work on the optimum development concept for a

subsequent residential and office stage of that property was commenced.

Yacht Park - preparation of the construction design was completed, and an application for the planning permission will be filed in the nearest future. In October 2015, Apartamenty Molo Rybackie (a special purpose vehicle) purchased land for the Yacht Park project.

Marina Jachtowa - work on designing Marina Jachtowa was commenced. The project takes part in the programme entitled "Development of water tourism offer in the Pełta Żuławska and Gdańsk Bay area".

The Prymasa Tysiąclecia Project, Warsaw - involves the construction of a residential project supplemented by an office building, which will perform the function of a sound barrier from Prymasa Tysiąclecia street. The project assumes creating user-friendly, low-density urban space with access to various service outlets located within the residential complex. In July 2015, an agreement for design work was signed with "ATELIER 7" studio. To date, a concept has been prepared for the residential project consisting of 435 modern flats with the total usable area of 22,500 m² (most of them facing two sides, with balconies or gardens) and service space of 1,500 m². A preliminary concept for an office building with 14,000 m² GLA was also prepared.

The Stawki 2 Project, Warsaw - a two-stage project is planned to be carried out on a developed plot at ul. Stawki. During the first stage, an A class office facility is planned to be built on the existing parking lot in front of the Intraco office building. As part of the second stage, demolition of the existing Intraco building and construction of a new high rise office building is contemplated. In October 2014, an agreement for a two-stage development project was signed with the JEMS Architekci studio. Design work includes preparation of a comprehensive design of the facility, as well as the analyses, expert opinions and arrangements that are necessary to obtain the planning permission, select the general contractor and carry out the project. Design work for the 1st stage, i.e. the Architectural Concept, was completed in October 2015. The concept is pending approval by the PHN Management Board. Guidelines for the 2nd stage, i.e. the Multi-Sector Concept, have been prepared.

The Świętokrzyska Project in Warsaw - City Tower - in place of the present developed property at ul. Świętokrzyska 36, on a land plot of the area of approx. 0.6 ha, the Group plans to build a modern high-rise A class office building. Since a station of the Warsaw Underground is located nearby, a direct connection of the facility with the station can be designed. In August 2015, the Group signed an agreement terminating the previous agreements with Hochtief concerning joint execution of the Świętokrzyska Project. At present, design of the optimum outline of the high rise building is under preparation. An

application for a planning permission has been filed and the final permission for demolition of the existing building has been obtained.

The Wilanowska Project, Warsaw - construction of two commercial buildings with the gross leasable area (GLA) of approx. 28,000 m² is planned on a property with the area of approx. 1.29 ha at Aleja Wilanowska 372. At present, design work has been commenced with the aim of obtaining a planning permission for the potential project.

The Lewandów Project, Warsaw - the PHN Group plans to build residential and commercial facilities with the total area of approx. 60,000 m², including a three-stage residential project (452 flats) with the total usable area of approx. 27,000 m², on a part of the plots with the total area of approx. 25.4 ha. At the same time, the Group is negotiating the sale/lease of the remaining part of the property to retail chains.

Planned projects:

The Retkinia Project, Łódź - Construction work on the first grocery store was completed in the first half of 2015. Work on the optimum arrangement of the whole area is pending. Moreover, the Group is conducting pre-development work (among others, cabling for an overhead HV power line) aimed at increasing the project's efficiency.

The Bartycka Project, Warsaw - The Group plans to build a residential complex with a service function on a property with the area of 7.6 ha. In the first quarter of 2015, the Optimum

Land Development Study was prepared for the property. Work on changing the local zoning plan was commenced. At the same time, talks with potential tenants concerning commercialization of the retail part of the project are under way.

The Wilanów Project, Warsaw - In the heart of Wysoki Wilanów, in a quiet area, there are several buildings built in the 1980s. Although they were originally designed for residential purposes, currently they are leased for office and service purposes. The project involves construction of modern residential buildings on the estate (in place of the present several residential buildings built in the 1980s). The Optimum Land Development Study was prepared to facilitate replacement of the existing development with new buildings. The analyses show that approx. 859 modern flats with the total area of 46,400 m² and a shopping mall with the area of 5,700 m² can be built. Work on changing the local zoning plan and clarifying the legal status of some of the plots was commenced.

The Instalatorów 7C Project, Warsaw - Preliminary conditions for the connection of utilities have been obtained. An agreement for preparing design documentation was signed with the 22 Architekci studio. According to preliminary analyses, approx. 80 flats with the usable area of approx. 4,000 m² can be built.

The Jana Pawła II Project, Warsaw - A contest for a preliminary architectural concept and construction design for a residential building with a service function was carried out. The winning design proposes the construction of 97 flats with the total area of approx. 4,000 m².

Other information

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

PHN plans to obtain external financing in the form of issue of debt securities. As part of the preparations for the offering, a consortium of banks was selected to act as organizers of the debt securities issue programme.

The Group commenced the programme of sale of properties in prestigious locations in Warsaw. The project includes 18 properties with the total value of approx. PLN 100 million. Preliminary sale agreements were signed for three properties located in the most prestigious parts of Warsaw: Aldony 19, Gruzińska 3, Francuska 2.

Advanced talks on the sale of other attractive properties are under way as part of the project entitled "Prestigious locations - properties for sale".

On 14 August 2015, the Group signed a letter of intent concerning the acquisition of an A class office building with an area of more than 25 thousand m² located in the centre of one of the biggest regional cities. The purchase of this property is consistent with the Group's strategy of buying modern office space.

9. Information on related parties

9.1. Material transactions concluded by the Parent Company or its subsidiaries with related entities on a non-arm's length basis

In the first 9 months of 2015 and in 2014, the Group did not conclude any material transactions with related entities on a non-arms' length basis.

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

In the first 9 months of 2015 and in 2014, no advances, loans, guarantees or warranties were granted to members of the Management Boards and Supervisory Boards of Group companies and their relatives and no other agreements were concluded with such persons on the basis of which they would be obliged to render services to Polski Holding Nieruchomości S.A. and its related entities.

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

In the first 9 months of 2015, the Group did not enter into any significant transactions with the Management Board and Supervisory Board members or their relatives.

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

As at 30 September 2015 and as at the date of preparation of this report, there were no pending proceedings against Group companies before a court, a court of arbitration or a public

administration authority, whose individual or cumulative value would be equal to or higher than 10% of the parent company's equity.

11. Other information

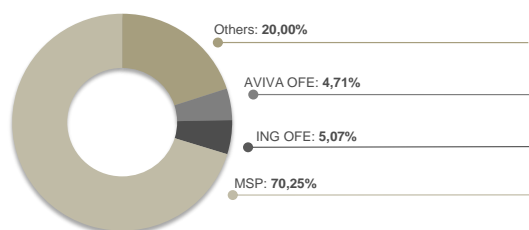
11.1. Dividends

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

resolution, the Annual General Shareholders' Meeting of the Company set the dividend record date on 19 August 2015 and the dividend payment date on 26 August 2015.

11.2. Shareholders holding (directly or indirectly through subsidiaries) at least 5% of the total number of votes at the General Shareholders' Meeting

Shareholding structure
As at this and previous Report's publication date



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

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

According to the confirmations received, Management and Supervisory Board members did not hold any shares of the parent company or the subsidiaries as at 12 November 2015. In the period from 27 August 2015 to 12 November 2015, the

number of shares of Polski Holding Nieruchomości S.A and its subsidiaries held by members of the Management and Supervisory Board did not change.

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

In order to secure the repayment of liabilities resulting from:

- ✓ a loan agreement concluded in connection with the purchase of a part of the property at Al. Jana Pawła II in Warsaw

- ✓ a loan agreement taken over from the acquired company Andersia Business Centre Sp. z o.o. and in order to perform these agreements properly, the Group entities established security for Bank Ochrony Środowiska S.A.

and Bank Zachodni WBK S.A., which is described in note 28 to
the interim condensed consolidated financial statements for the

9 months ended 30 September 2015.

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

The Group did not publish any forecasts of its results.

11.6. Factors affecting financial and operating results of the Group

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

**QUARTERLY FINANCIAL INFORMATION
OF POLSKI HOLDING NIERUCHOMOŚCI S.A.**

**FOR THE 3-MONTH AND 9-MONTH PERIOD ENDED
30 SEPTEMBER 2015**



**POLSKI HOLDING
NIERUCHOMOŚCI S.A.**

C. Quarterly financial information

Separate statement of financial position as at 30 September 2015

	30 September 2015	31 December 2014
ASSETS		
Non-current assets		
Property, plant and equipment	1.2	0.0
Deferred tax assets	0.4	0.6
Investment in subsidiaries	1,676.3	1,645.8
Other long-term financial assets	138.9	260.0
Total non-current assets	1,816.8	1,906.4
Current assets		
Trade receivables and other assets	111.2	128.3
Cash and cash equivalents	3.3	0.2
Total current assets	114.5	128.5
Total assets	1,931.3	2,034.9
Current liabilities		
Trade and other payables	(5.9)	(1.4)
Short-term debt	(0.6)	(119.1)
Total current liabilities	(6.5)	(120.5)
Non-current liabilities		
Long-term debt	(0.2)	0.0
Non-current provisions	(0.9)	0.0
Total non-current liabilities	(0.3)	(0.3)
Non-current liabilities	(1.4)	(0.3)
Total liabilities	(7.9)	(120.8)
Net assets	1,923.4	1,914.1
Equity		
Issued capital	46.7	46.5
Share premium	1,750.7	1,746.3
Other reserve	60.6	0.5
Retained earnings	64.6	120.8
Other capital	0.8	0.0
Total equity	1,923.4	1,914.1

**Separate statement of comprehensive income
 for the 9-month and 3-month period ended 30 September 2015**

	9 months ended		3 months ended	
	30 September 2015	30 September 2014	30 September 2015	30 September 2014
Revenue from core operating activity	19.3	3.8	7.1	1.3
Cost of core operating activity	(17.3)	(2.0)	(7.1)	(0.6)
Change in value of shares in subsidiaries	57.1	31.8	33.0	22.5
Redemption of shares in subsidiaries	1.5	33.7	1.5	33.7
Net operating income	60.6	67.3	34.5	56.9
Lease revenue	0.2	0.0	0.1	0.0
Cost of property maintenance	0.0	0.0	0.0	0.0
Lease result	0.2	0.0	0.1	0.0
Administrative and selling expenses	(3.3)	(3.4)	(0.9)	(0.9)
Other costs	(0.1)	0.0	0.0	0.0
Operating profit/ (loss)	57.4	63.9	33.7	56.0
Finance income	8.5	0.0	2.3	0.0
Finance costs	(0.3)	(2.0)	(0.0)	(1.2)
Net loss on finance activities	8.2	(2.0)	2.3	(1.2)
Profit/ (loss) before tax	65.6	61.9	36.0	54.8
Income tax expense	(1.0)	0.1	(0.1)	-
Net profit/ (loss)	64.6	62.0	35.9	54.8
Other comprehensive income				
Total comprehensive income	64.6	62.0	35.9	54.8
basic and diluted net profit per share	1.39 PLN	1.35 PLN	0.77 PLN	1.19 PLN

**Statement of changes in equity
 for the 9-month period ended 30 September 2015**

	Issued capital	Share premium	Other reserve	Retained earnings	Other capital	Total equity
As at 1 January 2015	46.5	1,746.3	0.5	120.8		1,914.1
Net profit for the period				64.6		64.6
Total comprehensive income for the period				64.6		64.6
Payment of dividend				(60.7)		(60.7)
Share issue	0.2	4.4			0.8	5.4
Transfers between equity			60.1	(60.1)		0.0
As at 30 September 2015	46.7	1,750.7	60.6	64.6	0.8	1,923.4
As at 1 January 2014	44.6	1,696.5	1.3	99.0		1,841.4
Net profit for the period				62.0		62.0
Total comprehensive income for the period				62.0		62.0
Payment of dividend			(0.8)	(99.0)		(99.8)
Share issue	1.8	47.2			1.4	50.4
As at 30 September 2014	46.4	1,743.7	0.5	62.0	1.4	1,854.0

POLSKI HOLDING NIERUCHOMOŚCI S.A.

Quarterly financial information

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

**Interim separate statement of cash flows
for the 9-month and 3-month period ended 30 September 2015**

	9 months ended		3 months ended	
	30 September 2015	30 September 2014	30 September 2015	30 September 2014
Cash flows from operating activities				
Profit before tax	65.6	61.9	36.0	54.8
Adjustments to cash flows from operating activities	(66.0)	(62.8)	(37.1)	(55.0)
Depreciation and amortization	0.2	0.0	0.1	(0.0)
Change in the value of shares in subsidiaries	(57.1)	(31.8)	(33.0)	(22.5)
Redemption of shares in subsidiaries	(1.5)	(33.7)	(1.5)	(33.7)
Foreign exchange gains/(losses)	0.0	0.0	0.2	0.0
Interest income from investing activities	(8.3)	0.0	(2.3)	0.0
Financing costs	0.3	2.0	0.0	1.2
Change in working capital	0.4	0.7	(0.6)	0.0
Net cash from operating activities	(0.4)	(0.9)	(1.1)	(0.2)
Cash flows from investing activities				
Total inflows	260.9	0.0	64.0	0.0
Redemption of shares in subsidiaries	127.4	0.0	(0.0)	0.0
Financial instruments	133.5	0.0	64.0	0.0
Total outflows	(77.1)	0.0	(58.2)	0.0
Purchase of property, plant and equipment and intangible assets	(0.4)	0.0	(0.0)	0.0
Loans and borrowings	(4.0)	0.0	(0.0)	0.0
Purchase of shares in subsidiaries	(72.7)	0.0	(58.2)	0.0
Net cash from investing activities	183.8	0.0	5.8	0.0
Cash flows from financing activities				
Total inflows	0.0	100.6	0.0	0.0
Loans and borrowings	0.0	100.6	0.0	0.0
Total outflows	(180.3)	(99.8)	(60.8)	0.0
Loans and borrowings	(119.4)	0.0	0.0	0.0
Repayment of finance lease liabilities	(0.2)	0.0	(0.1)	0.0
Dividends	(60.7)	(99.8)	(60.7)	0.0
Net cash from financing activities	(180.3)	0.8	(60.8)	0.0
Net change in cash and cash equivalents	3.1	(0.1)	(56.1)	(0.2)
Change in cash and cash equivalents in the balance sheet	3.1	(0.1)	(56.3)	(0.2)
Foreign exchange gains/(losses)	0.0	0.0	(0.2)	0.0
Cash and cash equivalents at the beginning of the period	0.2	0.2	59.6	0.3
Cash and cash equivalents at the end of the period	3.3	0.1	3.3	0.1

This quarterly report was approved by the Management Board of the Parent Company on 16 November 2015.

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

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

Artur Lebedziński
President of the Management Board