

Polski Holding Nieruchomości S.A.

Independent Registered Auditor's Opinion

Financial Statements

Director's Report

Registered Auditor's Report on the audit of the financial statements

For the year from 1 January to 31 December 2015

Content:

Independent Registered Auditor's Opinion

prepared by PricewaterhouseCoopers Sp. z o.o.

Financial Statements

prepared by Polski Holding Nieruchomości S.A.

Directors' Report

prepared by Management Board of Polski Holding Nieruchomości S.A.

Registered Auditor's Report on the audit of the financial statements

prepared by PricewaterhouseCoopers Sp. z o.o.

Polski Holding Nieruchomości S.A.

Registered auditor's report on the audit of the financial statements for the year from 1 January to 31 December 2015



Translation note:

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**Registered auditor's report on the audit of the financial statements
for the year from 1 January to 31 December 2015**

**To the General Shareholders' Meeting and the Supervisory Board of
Polski Holding Nieruchomości S.A.**

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Polski Holding Nieruchomości S.A.
Registered auditor's report on the audit of the financial statements
for the year from 1 January to 31 December 2015

I. General information about the Company

- a. Polski Holding Nieruchomości S.A. ("the Company") has its seat in Warsaw, Al. Jana Pawła II 12.
- b. The Company was formed on the basis of a Notarial Deed drawn up on 25 March 2011 at the Notary Public's Office of Paweł Błaszczak in Warsaw and registered with Rep. A No. 5345/2011. On 13 April 2011, the Company was entered in the Register of Businesses maintained by the District Court in Warsaw, XII Business Department of the National Court Register, with the reference number KRS 0000383595.
- c. The Company was assigned a tax identification number (NIP) 525-25-04-978 for the purpose of making tax settlements and a REGON number 142900541 for statistical purposes.
- d. As at 31 December 2015 the Company's share capital amounted to PLN 46,722,747.00 million and consisted of 46,722,747 shares, with a nominal value of PLN 1.00 each. Total equity as at that date amounted to PLN 1,908 million.
- e. As at 31 December 2015, the Company's shareholders were:

Shareholder's name	Number of shares held	Par value of shares held (PLN '000,000)	Type of shares held	Votes (%)
State Treasury	32,655,617	32.7	ordinary	69.89
Aviva OFE	4,647,000	4.6	ordinary	9.95
Nationale-Nederlanden OFE	2,817,849	2.8	ordinary	6.03
Other shareholders	6,602,281	6.6	ordinary	14.13
	46,722,747	46.7		100.00

As at 31 December 2014, the Company's shareholders were:

Shareholder's name	Number of shares held	Par value of shares held (PLN 000'000)	Type of shares held	Votes (%)
State Treasury	32,655,617	32.7	ordinary	70.25
ING OFE	2,342,475	2.3	ordinary	5.04
Aviva OFE	2,188,915	2.2	ordinary	4.71
Other shareholders	9,295,037	9.3	ordinary	20.00
	46,482,044	46.5		100.00

Until the date of this report there were no significant changes of the shareholders of the Company as compared to 31 December 2015.

- f. In the audited year, the Company was providing management services.

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I. General information about the Company (cont.)

g. During the year the Management Board of the Company comprised:

- Izabela Felczak-Poturnicka Chairman of the Board from 21 December 2015
- Artur Lebedziński Chairman of the Board to 21 December 2015
- Zbigniew Kulewicz Vice-chairman of the Board from 21 December 2015
- Mateusz Matejewski Vice-chairman of the Board from 6 February 2015 to 21 December 2015
- Włodzimierz Stasiak Member of the Board to 21 December 2015

h. After the end of the financial year, the Management Board of the Company comprised:

- Maciej Jankiewicz Chairman of the Board from 7 March 2016
- Izabela Felczak-Poturnicka Chairman of the Board to 7 March 2016
- Zbigniew Kulewicz Vice-chairman of the Board from 21 December 2015
- Piotr Staroń will become Member of the Board on 1 April 2016

i. The Company has the following related entities:

State Treasury - significant investor

and companies belonging to the Company's parent's group, where the Company is the Parent Company.

j. The Company is an issuer of securities admitted for trading on the Warsaw Stock Exchange. In accordance with the choice of selecting accounting policies permitted by the Accounting Act, the Company has decided to prepare its financial statements in accordance with IFRS as adopted by the European Union as of 2012.

The decision to prepare the Company's financial statements in accordance with these standards was made by the General Shareholders' Meeting in their Resolution No. 8 passed on 22 May 2012.

k. As the parent company of the Group, the Company has also prepared consolidated financial statements according to IFRS as adopted by the European Union as at 15 March 2016. To better understand the Company's financial position and its results of operations as the Parent Company, the financial statements should be read in conjunction with the consolidated financial statements.



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Polski Holding Nieruchomości S.A.
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II. Information about the audit

- a. The audit of the financial statements for the year from 1 January to 31 December 2015 was conducted by PricewaterhouseCoopers Sp. z o.o. with its seat in Warsaw, Al. Armii Ludowej 14, registered audit company no. 144. The audit was conducted on behalf of the registered audit company under the supervision of the key registered auditor Mateusz Książkowski (no. 12558).
- b. PricewaterhouseCoopers Sp. z o.o. was appointed registered auditor to the Company by Resolution No. 46/05/2016 of the the Supervisory Board of Polski Holding Nieruchomości S.A. dated 21 May 2015 in accordance with paragraph 28 p. 4 of the Company's Memorandum of Association.
- c. PricewaterhouseCoopers Sp. z o.o. and the key registered auditor conducting the audit are independent of the audited entity within the meaning of art. 56, clauses 2-4 of the Act dated 7 May 2009 on registered auditors and their self-government, registered audit companies and on public supervision (Journal of Laws of 2015, item 1011).
- d. The audit was conducted in accordance with an agreement dated 26 May 2015, in the period from 7 to 11 December 2015 and 22 February to 15 March 2016.



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Polski Holding Nieruchomości S.A.
Registered auditor's report on the audit of the financial statements
for the year from 1 January to 31 December 2015

III. The Company's results, financial position and significant items of financial statements

STATEMENT OF FINANCIAL POSITION as at 31 December 2015 (selected lines)

	31.12.2015		31.12.2014		Change		Structure	
	PLN '000,000	PLN '000,000	PLN '000,000	PLN '000,000	PLN '000,000	(%)	31.12.2015 (%)	31.12.2014 (%)
NET ASSETS								
Non-current assets	1,906	1,906	-	-	-	-	99.9	99.6
Current assets	11	129	(118)	(91.5)	(118)	(91.5)	0.6	6.7
Total liabilities	(9)	(121)	112	(92.6)	112	(92.6)	(0.5)	(6.3)
Total net assets	1,908	1,914	(6)	(0.3)	(6)	(0.3)	100.0	100.0
EQUITY								
Share capital	47	47	-	-	-	-	2.5	2.5
Exceed of stock issue price over nominal value	1,751	1,746	5	0.3	5	0.3	91.7	91.2
Other reserves	61	-	61	-	61	-	3.2	-
Unappropriated profits	49	121	(72)	(59.5)	(72)	(59.5)	2.6	6.3
Total equity	1,908	1,914	(6)	(0.3)	(6)	(0.3)	100.0	100.0

STATEMENT OF COMPREHENSIVE INCOME
for the year from 1 January to 31 December 2015 (selected lines)

	2015		2014		Change		Structure	
	PLN '000,000	PLN '000,000	PLN '000,000	PLN '000,000	PLN '000,000	(%)	2015 (%)	2014 (%)
Revenue from operating activities	27	5	22	>100.0	22	>100.0	100.0	100.0
Cost of operating activities	(24)	(3)	(21)	>100.0	(21)	>100.0	(88.9)	(60.0)
Change in the value of investment in subsidiaries	41	93	(52)	(55.9)	(52)	(55.9)	151.8	>100.0
Profit on redemption of shares in subsidiaries	2	34	(32)	(94.1)	(32)	(94.1)	7.4	>100.0
Administrative expenses and cost of sales	(5)	(4)	(1)	25.0	(1)	25.0	(18.5)	(80.0)
Other costs	(1)	(1)	-	-	-	-	(3.7)	(20.0)
Profit on operating activities	40	124	(84)	(67.7)	(84)	(67.7)	148.1	>100.0
Net profit	49	121	(72)	(59.5)	(72)	(59.5)	181.5	>100.0
Total comprehensive income	49	121	(72)	(59.5)	(72)	(59.5)	181.5	>100.0

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III. The Company's results, financial position and significant items of financial statements (cont.)

Selected ratios characterising the Company's financial position and results

The following ratios characterise the Company's operating activities, financial results during the year and its financial position as at the balance sheet date compared with previous years:

	2015	2014	2013
Profitability ratios			
- net profit margin	70%	92%	92%
- gross margin	59%	95%	92%
- return on capital employed	3%	6%	6%
Liability ratios			
- gearing	0%	6%	1%
	31.12.2015	31.12.2014	31.12.2013
Liquidity ratios			
- current ratio	1.6	1.1	2.0
- quick ratio	1.6	1.1	2.0

The above ratios have been calculated on the basis of the financial statements.

It was not the purpose of the audit to present the Company in the context of the results of operations and ratios achieved. A detailed interpretation of the ratios requires an in-depth analysis of the Company's operations and its circumstances.

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Registered auditor's report on the audit of the financial statements
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III. The Company's results, financial position and significant items of financial statements (cont.)

The financial statements do not take into account the effects of deflation. The consumer price index (on a December to December basis) amounted to -0.5% in the audited year (-1.0% in 2014).

The following comments are based on information obtained during the audit of the financial statements.

- At the end of the financial year, the Company's total net assets amounted to PLN 1,908 million. During the year total net assets decreased by PLN 6 million, i.e. by 0.3%.
- The structure of liabilities has changed. The gearing ratio decreased from 6% at the end of the previous year to 0% at the end of the current year.
- In the current year major activity of the Company was providing management services to the companies within the Polski Holding Nieruchomości S.A. Group. Revenue from operating activities amounted to PLN 27 million and increased by PLN 22 million compared with the previous year.
- Costs of external services were the largest item of operating expenses and amounted to PLN 14 million in the audited year, which constituted 48.1% of operating expenses.
- In 2015 the change in the value of investment in subsidiaries had a positive value and amounted to PLN 41 million.
- Profit on redemption of shares in subsidiaries in 2015 was positive and amounted to PLN 2 million. A decrease in the balance by PLN 32 million, i.e. by 94.1% compared to the previous financial year.
- In 2015 financial income amounted to PLN 10 million and comprised mainly interest income from securities available for sale.
- In 2015 financial costs comprised mainly interest expense on borrowings from related parties.
- Profitability measured with net profit amounted to 70% and was 22 percentage points lower than in the previous year.
- The Company's liquidity has changed. In the audited year, the current and quick ratios amounted to 1.6 (2014: 1.1).

The financial statements have been prepared on the assumption that the Company will continue in operation as a going concern.



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Registered auditor's report on the audit of the financial statements
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IV. The independent registered auditor's statement

- a. The Management Board of the Company provided all the information, explanations, and representations requested in the course of the audit and provided a representation letter confirming the completeness of the data included in the accounting records and the disclosure of all contingent liabilities and post balance-sheet events which occurred up to the date on which that letter was signed.
- b. The scope of the audit was not limited.
- c. The financial statements of the Company for the year from 1 January to 31 December 2014 were approved by Resolution No. passed by the General Shareholders' Meeting of the Company on 30 June 2015 and filed with the National Court Register in Warsaw on 8 July 2015.
- d. We have assessed the operation of the accounting system. Our assessment covered in particular:
 - the accuracy of the documentation relating to business transactions;
 - the fairness, accuracy and verifiability of the books of account, including computerised books of account;
 - the methods used for controlling access to data and the computerised data processing system;
 - the safeguarding of the accounting documentation, books of account, and financial statements.

This assessment, together with our verification of individual items of the financial statements, provides the basis for expressing an overall and comprehensive opinion on these financial statements. The audit was not intended to provide a comprehensive opinion on the operations of the said system.

- e. The notes to the financial statements present all significant information required by IFRS as adopted by the European Union.
- f. The information in the Directors' Report for the year ended 31 December 2015 has been prepared in accordance with the provisions of the Decree of the Minister of Finance dated 19 February 2009 concerning the publication of current and periodic information by issuers of securities and the conditions of acceptance as equal information required by the law of other state, which is not a member state (Journal of Laws of 2014, item 133) and is consistent with that presented in the financial statements.



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Polski Holding Nieruchomości S.A.
Registered auditor's report on the audit of the financial statements
for the year from 1 January to 31 December 2015

V. Final information

This report has been prepared in connection with our audit of the financial statements of Polski Holding Nieruchomości S.A., Al. Jana Pawła II 12, Warsaw. The financial statements were signed by the Company's Management Board and the person entrusted with maintaining the books of account on 15 March 2016.

This report should be read in conjunction with the Independent Registered Auditor's unqualified Opinion to the General Shareholders' Meeting and the Supervisory Board of Polski Holding Nieruchomości S.A. dated 15 March 2015, concerning the said financial statements. The opinion on the financial statements expresses a general conclusion drawn from the audit and involves assessing the materiality of individual audit findings rather than being a sum of all the evaluations of individual financial statement components. This assessment takes account of the impact of the facts noted on the truth and fairness of the financial statements as a whole.

Person conducting the audit on behalf of PricewaterhouseCoopers Sp. z o.o., Registered Audit Company No. 144:

Mateusz Księżopolski

Key Registered Auditor
No. 12558

Warsaw, 15 March 2016



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