



CAPITAL GROUP

POLSKI HOLDING NIERUCHOMOŚCI SPÓŁKA AKCYJNA

Consolidated quarterly report for the third quarter of 2016



**POLSKI HOLDING
NIERUCHOMOŚCI S.A.**

Selected financial data

Selected consolidated financial data	in PLN million		in EUR million	
	Period ended	Period ended	Period ended	Period ended
	30 September 2016	30 September 2015	30 September 2016	30 September 2015
I. Operating revenues	131.6	115.2	30.1	26.4
II. Operating profit/(loss)	62.6	48.4	14.3	11.1
III. Profit/(loss) before tax on continued operations	49.0	42.7	11.2	9.8
IV. Net profit /(loss)	44.5	67.9	10.2	15.5
V. Cash flows from operating activities	32.0	39.4	7.3	9.0
VI. Cash flows cash from investing activities	(270.0)	(149.2)	(61.8)	(34.2)
VII. Cash flows from financing activities	167.3	77.8	38.3	17.8
VIII. Net increase/(decrease) in cash and cash equivalents	(70.7)	(32.0)	(16.2)	(7.3)
	As at	As at	As at	As at
	30 September 2016	31 December 2015	30 September 2016	31 December 2015
IX. Assets	2 651.5	2 514.0	614.9	583.0
X. Non-current liabilities	549.2	344.6	127.4	79.9
XI. Current liabilities	95.1	186.7	22.1	43.3
XII. Equity attributable to equity holders of the parent	1 976.6	1 949.8	458.4	452.2
XIII. Share capital	46.7	46.7	10.8	10.8
XIV. Number of shares (in pcs)	46,722,747	46,722,747	46,722,747	46,722,747
XV. Net profit (loss) per share attributable to shareholders of the parent (PLN / EUR)	0.95	1.41	0.22	0.32
XVI. Book value per share attributable to shareholders of the parent (PLN / EUR)	42.30	41.73	9.81	9.68

Selected separate financial data	in PLN million		in EUR million	
	Period ended	Period ended	Period ended	Period ended
	30 September 2016	30 September 2015	30 September 2016	30 September 2015
I. Operating revenues	21.8	19.3	5.0	4.4
II. Operating profit/(loss)	34.4	57.4	7.9	13.1
III. Profit (loss) before tax	43.5	65.6	10.0	15.0
IV. Net profit /(loss)	42.2	64.6	9.7	14.8
V. Cash flows from operating activities	(0.2)	(0.4)	(0.0)	(0.1)
VI. Cash flows cash from investing activities	18.5	183.8	4.2	42.1
VII. Cash flows from financing activities	(19.8)	(180.3)	(4.5)	(41.3)
VIII. Net increase/(decrease) in cash and cash equivalents	(1.5)	3.1	(0.3)	0.7
	As at	As at	As at	As at
	30 September 2016	31 December 2015	30 September 2016	31 December 2015
IX. Assets	1 940.3	1 916.6	450.0	444.5
X. Non-current liabilities	2.7	1.6	0.6	0.4
XI. Current liabilities	6.8	7.3	1.6	1.7
XII. Equity	1 930.8	1 907.7	447.8	442.4
XIII. Share capital	46.7	46.7	10.8	10.8
XIV. Number of shares (in pcs)	46,722,747	46,722,747	46,722,747	46,722,747
XV. Profit (loss) per ordinary share (PLN/EUR)	0.90	1.39	0.21	0.32
XVI. Book value per share (PLN/EUR)	41.32	40.83	9.58	9.47

The above financial data for the period ended 30 September 2016 and for the period ended 30 September 2015 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 2016:

4.3120 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 2016 to 30 September 2016 – 4.3688 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 PERIODS ENDED 30 SEPTEMBER 2016

**PREPARED IN ACCORDANCE WITH
THE 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 2016

	Note	30 September 2016 unaudited	31 December 2015 audited
Non-current assets			
Investment properties	7	2,346.2	2,015.4
Property, plant and equipment	8	45.1	45.8
Intangible assets		0.1	0.1
Investments in associates and jointly controlled entities	9	26.2	26.2
Deferred tax assets		47.8	47.5
Non-current financial assets	10	2.9	2.8
Other non-current assets	11	17.1	6.0
Total non-current assets		2,485.4	2,143.8
Current assets			
Inventories related to property development	12	60.0	62.2
Trade receivables and other assets	13	32.3	121.4
Income tax receivables		3.1	2.3
Cash and cash equivalents	14	55.8	126.5
Total current assets		151.2	312.4
Assets classified as held for sale	15	14.9	57.8
Total assets		2,651.5	2,514.0
Current liabilities			
Trade and other payables	16	(31.4)	(128.9)
Current debt	17	(12.7)	(8.1)
Prepayments related to property development		(1.7)	(2.2)
Income tax liabilities		(0.3)	(0.2)
Current provisions	18	(49.0)	(47.3)
Total current liabilities		(95.1)	(186.7)
Non-current liabilities			
Non-current debt	17	(500.5)	(304.9)
Deferred tax liabilities		(21.9)	(20.4)
Non-current provisions	18	(16.4)	(16.4)
Other non-current liabilities		(10.4)	(2.9)
Total non-current liabilities		(549.2)	(344.6)
Total liabilities		(644.3)	(531.3)
Net assets		2,007.2	1,982.7
Equity			
Share capital	19	46.7	46.7
Supplementary capital	20	1,841.4	1,812.5
Revaluation reserve	21	2.7	3.0
Retained earnings	22	85.3	87.6
Other reserves	23	0.5	0.0
Equity attributable to the equity holders of the parent company		1,976.6	1,949.8
Non-controlling interests		30.6	32.9
Total equity		2,007.2	1,982.7

Notes to the interim condensed financial statements on pages 10-23 are an integral part of these financial statements

This document is a translation of the consolidated report for the 3rd quarter of 2016 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 3rd quarter of 2016
(All amounts are expressed in PLN million unless stated otherwise)

**Interim condensed consolidated statement of comprehensive income
for the 9-month and 3-month periods ended 30 September 2016**

	Note	9 months ended		3 months ended	
		30 September 2016 unaudited	30 September 2015 unaudited	30 September 2016 unaudited	30 September 2015 unaudited
Operating activities					
Lease revenue	24	113.6	92.9	39.6	32.5
Cost of property maintenance	25	(55.4)	(49.6)	(18.5)	(17.2)
Profit/(loss) on lease activities		58.2	43.3	21.1	15.3
Revenues from property development	24	12.0	18.6	1.3	7.6
Cost of property development	25	(9.8)	(14.4)	(1.4)	(6.2)
Profit/ (loss) on property development		2.2	4.2	(0.1)	1.4
Revenue from other activities	24	6.0	3.7	2.1	2.1
Cost of other activities	25	(4.9)	(2.8)	(1.7)	(1.5)
Profit / (loss) on other activities		1.1	0.9	0.4	0.6
Administrative and selling expenses	26	(23.1)	(25.3)	(7.9)	(8.5)
Change in the fair value of investment properties	7	21.5	(9.1)	(1.9)	1.3
Gain (loss) on disposal of investment properties	7	0.4	0.2	0.1	0.1
Other revenues	24	10.0	41.9	1.7	7.9
Other costs	25	(7.7)	(7.7)	(4.1)	(1.6)
Operating profit/(loss)		62.6	48.4	9.3	16.5
Finance income	27	1.9	2.3	0.9	0.6
Finance costs	27	(16.1)	(8.5)	(7.1)	(4.7)
Net loss on financing activities		(14.2)	(6.2)	(6.2)	(4.1)
Share in profits of associates and jointly controlled entities	9	0.6	0.5	0.2	0.1
Profit before tax from continued operations		49.0	42.7	3.3	12.5
Corporate income tax	28	(4.4)	24.9	1.3	26.2
Net profit from continued operations		44.6	67.6	4.6	38.7
Net profit (loss) from discontinued operations		(0.1)	0.3	0.0	0.0
Net profit		44.5	67.9	4.6	38.7
Other comprehensive income:					
Hedging instruments		(0.3)	0.0	0.2	0.0
Other comprehensive income		(0.3)	0.0	0.2	0.0
Total comprehensive income		44.2	67.9	4.8	38.7
Net profit attributable to					
equity holders of the parent company		44.2	65.7	4.6	37.0
non-controlling interests	29	0.3	2.2	0.0	1.7
Comprehensive income attributable to					
equity holders of the parent company		43.9	65.7	4.8	37.0
non-controlling interests	29	0.3	2.2	0.0	1.7
Basic and diluted net earnings per share attributable to the equity holders of the parent company					
	30	PLN 0.95	PLN 1.41	0.10 PLN	PLN 0.80
Basic and diluted net earnings from continuing operations per share attributable to the equity holders of the parent company					
	30	PLN 0.95	PLN 1.41	PLN 0.10	PLN 0.80

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POLSKI HOLDING NIERUCHOMOŚCI S.A.
 Consolidated quarterly report for the 3rd quarter of 2016
 (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 periods ended 30 September 2016**

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 2016		46.7	1,812.5	3.0	87.6		1,949.8	32.9	1,982.7
Net profit for the period					44.2		44.2	0.3	44.5
Other comprehensive income – hedging instruments				(0.3)			(0.3)		(0.3)
Total comprehensive income for the period				(0.3)	44.2		43.9	0.3	44.3
Payment of dividend					(19.6)		(19.6)		(19.6)
Share issue						0.5	0.5		0.5
Change in the structure of non-controlling interests					2.0		2.0	(2.6)	(0.6)
Transfers between equity items	22		28.9		(28.9)		0.0		0.0
As at 30 September 2016		46.7	1,841.4	2.7	85.3	0.5	1,976.6	30.6	2,007.2
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				0.0	65.7		65.7	2.2	67.9
Payment of dividend					(60.7)		(60.7)		(60.7)
Share issue		0.2	4.4			0.8	5.4		5.4
Change in the structure of non-controlling interests					9.1		9.1	(22.3)	(13.2)
Transfers between equity items			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

Notes to the interim condensed financial statements on pages 10–23 are an integral part of these financial statements

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**Interim condensed consolidated statement of cash flows
for the 9-month and 3-month periods ended 30 September 2016**

	Note	9 months ended		3 months ended	
		30 September 2016 unaudited	30 September 2015 unaudited	30 September 2016 unaudited	30 September 2015 unaudited
Cash flows from operating activities					
Profit before tax		48.9	43.0	3.3	12.5
Adjustments to cash flows from operating activities		(16.9)	(3.6)	69.3	18.1
Amortization and depreciation		0.9	1.1	0.3	0.5
Settlement of space arrangement costs		2.8	2.1	1.0	0.7
Change in the fair value of investment properties and gain / (loss) on disposal		(21.9)	8.9	1.8	(1.4)
Change in the value of other assets and gain / (loss) on disposal	14	(2.8)	(25.2)	0.0	(5.2)
Share of profits (losses) of jointly controlled entities		(0.6)	(0.5)	(0.2)	(0.1)
Net foreign exchange gains/ (losses)		0.0	0.0	0.0	0.2
Interest income from investing activities		(0.6)	(1.0)	(0.2)	(0.4)
Financing costs		8.5	2.3	2.8	2.3
Change in working capital	14	0.6	12.3	67.6	22.3
Income tax paid		(3.8)	(3.6)	(3.8)	(0.8)
Net cash flows from operating activities		32.0	39.4	72.6	30.6
Cash flows from investing activities					
Total inflows		10.3	8.8	(1.0)	1.9
Sale of investment properties		9.2	7.2	(1.1)	0.9
Sale of property, plant and equipment and intangible assets		0.0	0.1	0.0	0.1
Interest from investing activities		0.5	1.0	0.1	0.4
Dividends		0.6	0.5	0.0	0.5
Total outflows		(280.3)	(158.0)	(6.2)	(81.7)
Expenditure and purchase of investment properties		(279.8)	(106.2)	(6.2)	(32.6)
Purchase of property, plant and equipment and intangible assets		(0.5)	0.0	(0.0)	0.0
Acquisition of subsidiaries net of cash acquired		0.0	(49.1)	0.0	(49.1)
Purchase of shares in jointly controlled entities		0.0	(1.0)	0.0	0.0
Loans		0.0	(1.7)	0.0	0.0
Net cash from investing activities		(270.0)	(149.2)	(7.2)	(79.8)
Cash flows from financing activities					
Total inflows		256.4	166.1	2.6	81.5
Bank loans		256.4	166.1	2.6	81.5
Total outflows		(89.1)	(88.3)	(75.9)	(75.7)
Bank loans		(69.3)	(21.7)	(56.3)	(14.8)
Repayment of finance lease liabilities		(0.1)	(0.3)	(0.0)	(0.1)
Finance costs		0.0	(0.1)	0.0	(0.1)
Dividends		(19.6)	(60.7)	(19.6)	(60.7)
Repurchase of shares		(0.1)	(5.5)	0.0	0.0
Net cash flows from financing activities		167.3	77.8	(73.3)	5.8
Total net cash flows		(70.7)	(32.0)	(7.9)	(43.4)
Change in cash and cash equivalents in the balance sheet		(70.7)	(32.0)	(7.9)	(43.6)
Foreign exchange gains / (losses)		0.0	0.0	0.0	(0.2)
Cash and cash equivalents at the beginning of the period		126.5	136.4	63.7	148.0
Cash and cash equivalents at the end of the period		55.8	104.4	55.8	104.4

Notes to the interim condensed financial statements on pages 10–23 are an integral part of these financial statements

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Notes to the interim condensed consolidated financial statements

1. General information

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

PHN S.A. with the other members of its Group are one of the largest entities in Poland in the commercial real estate sector in terms of the portfolio value. The Group's portfolio comprises over 140 properties, separated for business purposes, with a value of approx. PLN 2.4 billion PHN S.A.'s activities are concentrated in Warsaw and the largest regional cities, including in Poznań, Tricity, Łódź, and Wrocław.

The Group has many years of experience in the following sectors: office, retail and logistics, both in property management

and in carrying out investment projects. The Group carries out modern commercial projects on its own and in cooperation with top partners with many years' experience and a well-established market position. PHN S.A.'s projects are characterized by timeless architecture and attention to quality. They meet the most rigorous standards, thanks to which they appeal to the most demanding customers.

Since 13 February 2013 PHN S.A. shares have been listed on the Warsaw Stock Exchange in the continuous quotation system.

As at 30 September 2016, PHN S.A. was the parent company (directly or indirectly) to 50 entities. 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 as amended; Journal of Laws of 2016, item 860) ("the Decree") and present the financial position of the Polski Holding Nieruchomości S.A. Group as at 30 September 2016 and 31 December 2015, the results of its operations and cash flows for the nine-month and three-month periods ended 30 September 2016 and 30 September 2015.

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.

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

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

3. Changes to International Financial Reporting Standards

Changes in the IFRS standards and interpretations presented in note 3 to the consolidated financial statements as at and for the year ended 31 December 2015, which became effective between 1 January 2016 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 2015.

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 2015.

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 logistics 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 management services.

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. The Group does not allocate to segments any assets, liabilities, revenues or costs of the parent company acting as a financial holding.

Segmental analysis for the 9-month period ended 30 September 2016 and as at 30 September 2016 (unaudited)

	Leases	Property development	Discontinued operations	Other activities	Unallocated	Total
Sales	113.6	12.0		6.0		131.6
Operating expenses	(55.4)	(9.8)		(4.9)		(70.1)
Gross profit/(loss) on sales	58.2	2.2		1.1		61.5
Administrative and selling expenses	(17.5)	(2.2)	(0.1)		(3.4)	(23.2)
Change in the fair value of investment properties	21.5					21.5
Gain on disposal of investment properties	0.4					0.4
Other revenues	9.8				0.2	10.0
Other costs	(6.5)	(1.2)				(7.7)
Operating profit/ (loss)	65.9	(1.2)	(0.1)	1.1	(3.2)	62.5
Finance income					1.9	1.9
Finance costs					(16.1)	(16.1)
Share in profits of associates and jointly controlled entities					0.6	0.6
Corporate income tax					(4.4)	(4.4)
Segment profit/(loss)	65.9	(1.2)	(0.1)	1.1	(21.2)	44.5
Segment assets	2545.0	67.9	0.1	31.2	7.3	2,651.5
Segment liabilities	611.2	24.6	0.6	1.5	6.4	644.3
Capital expenditure	15.8					15.8
Amortization and depreciation	0.6			0.3		0.9

Other revenues include mainly: in the lease segment – a reassessment of the legal status of properties in the amount of PLN 2.8 million; a reversal of a part of the provision for using a property without a contract of PLN 3.8 million; reimbursement of the fee for perpetual usufruct of land of PLN 0.9 million; a reversal of receivables write-downs of PLN 0.9 million.

Other costs include mainly: in the lease segment – receivables write-downs of PLN 3.6 million; claims paid in respect of benefits derived from properties of PLN 1.7 million; costs relating to a change in the VAT deducting structure of PLN 0.8 million. In the property development segment a provision for guarantee repairs and claims was recognized of PLN 1.1 million.

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Segmental analysis for the 9-month period ended 30 September 2015 (unaudited) and as at 31 December 2015 (audited)

	Leases	Property development	Discontinued operations	Other activities	Unallocated	Total
Sales	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 and selling 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			42.3
Other costs	(7.6)				(0.1)	(7.7)
Operating profit/ (loss)	48.7	2.2	0.3	0.9	(3.4)	48.7
Finance income					2.3	2.3
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	2394.4	76.2	0.1	30.7	12.6	2,514.0
Segment liabilities	497.6	25.2	0.6	1.3	6.6	531.3
Capital expenditure	104.0					104.0
Amortization and depreciation	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; 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 of revenues, costs, profits, losses and expenditure for the 3-month period ended 30 September 2016 (unaudited)

	Leases	Property development	Discontinued operations	Other activities	Unallocated	Total
Sales	39.6	1.3		2.1		43.0
Operating expenses	(18.5)	(1.4)		(1.7)		(21.6)
Gross profit/(loss) on sales	21.1	(0.1)		0.4		21.4
Administrative and selling expenses	(5.9)	(0.6)			(1.4)	(7.9)
Change in the fair value of investment properties	(1.9)					(1.9)
Gain on disposal of investment properties	0.1					0.1
Other revenues	1.7					1.7
Other costs	(2.9)	(1.2)				(4.1)
Operating profit/ (loss)	12.2	(1.9)		0.4	(1.4)	9.3
Finance income					0.9	0.9
Finance costs					(7.1)	(7.1)
Share in profits of associates and jointly controlled entities					0.2	0.2
Corporate income tax					1.3	1.3
Segment profit /(loss)	12.2	(1.9)		0.4	(6.1)	4.6
Capital expenditure	6.5					6.5
Amortization and depreciation	0.2			0.1		0.3

Other revenues include mainly: in the lease segment – release of part of the provision for using a property without a contract of PLN 1.2 million; a reversal of receivables write-downs of PLN 0.2 million.

Other costs include mainly: in the lease segment – receivables write-downs of PLN 1.1 million, and claims paid in respect of benefits derived from properties of PLN 1.7 million. In the property development segment a provision was recognized for guarantee repairs and claims of PLN 1.1 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	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 and selling expenses	(6.7)	(0.9)		-	(0.9)	(8.5)
Change in the fair value of investment properties	1.3					1.3
Gain/(loss) on disposal of investment properties	0.1					0.1
Other revenues	7.9					7.9
Other costs	(1.6)					(1.6)
Operating profit/ (loss)	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	22.2					22.2
Amortization and depreciation	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; 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.

7. Investment properties

Movements in investment properties	9 months ended	
	30 September 2016 unaudited	30 September 2015 unaudited
As at 1 January	2,015.4	1,924.1
Purchase of investment properties	258.0	196.3
Expenditure on investment properties	15.8	104.0
Settlement of space arrangement costs	(2.8)	(2.1)
Change in the fair value of investment properties	26.4	(7.0)
Value of investment properties sold	(1.3)	(0.4)
Reclassification to property, plant and equipment	0.0	(26.0)
Reclassification to inventories	0.0	(46.5)
Reclassification from assets with unclear legal status	2.8	25.1
Reclassification from/to non-current assets classified as held for sale	31.9	(46.0)
As at the end of the period	2,346.2	2,121.5

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

Investment properties – effect on the financial result	9 months ended	
	30 September 2016 unaudited	30 September 2015 unaudited
Rental income from investment properties	113.6	92.9
Direct operating expenses incurred on rent-generating investment properties	(55.4)	(49.6)
Change in the fair value of investment properties	26.4	(7.0)
Gain/(loss) on disposal of investment properties	0.4	0.2
<i>Revenues from sale of properties classified as investment properties or assets held for sale</i>	12.7	12.6
<i>Cost of properties sold (classified as investment properties or assets held for sale)</i>	(12.3)	(12.4)
Gain/(loss) on investment properties	85.0	36.5

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Purchase of properties

In the nine-month period ended 30 September 2016, the Group acquired a property at Al. Grunwaldzka 409 in Gdańsk (Alchemia II; for details see Note 33).

Changes in the classification of the legal status of properties

In the nine-month period ended 30 September 2016, the Group received a decision of the Mazowiecki Voivode confirming the acquisition of the right to perpetual usufruct of the property at ul. Reja 6 in Warsaw. Consequently, the Group recognized that property in assets. The effect of the reclassification (change in legal status) was recognized in the consolidated statement of comprehensive income under Other revenues (PLN 2.8 million).

Expenditure on investment properties comprise:

- ✓ expenditure relating to the construction of commercial development projects in the nine-month period ended 30 September 2016: Domaniewska 37C in the total amount of PLN 4.6 million; in the nine-month period ended 30 September 2015: Domaniewska 37C, Retkinia in the total amount of PLN 84.0 million;
- ✓ expenditure on the preparation of the commercial development projects amounting to: nine-month period

ended 30 September 2016: PLN 2.5 million; nine-month period ended 30 September 2015: PLN 2.8 million;

- ✓ modernization and arrangement of properties amounting to: nine-month period ended 30 September 2016: PLN 8.7 million; nine-month period ended 30 September 2015: PLN 17.2 million.

In the nine-month period ended 30 September 2016, the Group sold the properties at ul. Filtrowa 47 in Warsaw, Prądzyńskiego 21 in Warsaw, Jana Paska 21 in Warsaw, parts of the properties in Łężyca, Parzniew, at ul. Podchorążych 69 in Warsaw and in Wincentów and Czerwonak.

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".

8. Property, plant and equipment

	9 months ended	
	30 September 2016 unaudited	30 September 2015 unaudited
As at 1 January	45.8	22.5
Purchase	0.2	0.3
Amortization and depreciation	(0.9)	(1.1)
Reclassification from investment properties	0.0	26.0
As at the end of the period	45.1	47.7

The value of properties included in property, plant and equipment as at 30 September 2016 amounted to PLN 44.2 million, and as 31 December 2015 – PLN 44.8 million.

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

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

- ✓ Wrocław Industrial Park Sp. z o.o.

- ✓ Apartamenty Molo Rybackie Sp. z o.o.
- ✓ Parzniew Logistics Center Infrastructure Sp. z o.o.
- ✓ Parzniew Logistics Center 1 Sp. z o.o.

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

	9 months ended	
	30 September 2016 unaudited	30 September 2015 unaudited
As at 1 January	26.2	18.6
Purchase	0.0	1.0
Share in profits	0.6	0.5
Payment of dividend	(0.6)	(0.5)
As at the end of the period	26.2	19.6

Jointly controlled entities are not listed on an active market. Their selected financial data as at and for the nine-month period ended 30 September 2016 and as at 30 September 2015 is as follows:

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	Assets	Equity	Liabilities	Revenues	Profit	The Group's share in
Wrocław Industrial Park	39.5	38.6	0.9	1.6	1.2	0.7
Apartamenty Molo Rybackie	14.6	14.5	0.1	0.5	(0.2)	(0.1)
Parzniew Logistics Center Infrastructure	3.4	(0.3)	3.7	0.0	(0.2)	(0.1)
Parzniew Logistics Center 1	2.1	(0.1)	2.2	0.0	(0.0)	(0.0)
Total	59.6	52.7	6.9	2.1	0.8	0.5

10. Non-current financial assets

Non-current financial assets of the Group as at 30 September 2016 include loans granted to jointly controlled entities in the amount of PLN 2.9 million (31 December 2015: PLN 2.8 million).

11. Other non-current assets

Other non-current assets include mainly deferred income (grace period granted to tenants with regard to payment of rent).

12. Inventories related to property development

Structure of inventories	30 September 2016 unaudited	31 December 2015 audited
Land	49.6	50.1
Work in progress	8.0	0.8
Finished goods	2.4	11.3
Total inventories related to property development	60.0	62.2

Changes in inventories during the financial year	9 months ended	
	30 September 2016 unaudited	30 September 2015 unaudited
As at 1 January	62.2	35.8
Expenditure on construction	7.2	0.2
Disposal of premises	(9.4)	(14.6)
Transfer from investment properties	0.0	46.5
As at the end of the period	60.0	67.9

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

13. Structure of receivables

Structure of receivables	30 September 2016 unaudited			31 December 2015 audited		
	Total	Financial	Non-financial	Total	Financial	Non-financial
Trade receivables and other assets	32.3	16.5	15.8	121.4	12.4	109.0
Trade receivables	16.5	16.5	0.0	9.0	9.0	0.0
Receivables from the State Budget	8.7	0.0	8.7	100.6	0.0	100.6
<i>VAT on purchase of properties within the Group</i>	6.3	0.0	6.3	97.6	0.0	97.6
<i>Other receivables from the State Budget</i>	2.4	0.0	2.4	3.0	0.0	3.0
Prepayments	7.1	0.0	7.1	8.4	0.0	8.4
Other receivables	0.0	0.0	0.0	3.4	3.4	0.0
Income tax receivables	3.1	0.0	3.1	2.3	0.0	2.3
Total receivables and other assets	35.4	16.5	18.9	123.7	12.4	111.3

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

Analysis of cash and cash equivalents	30 September 2016 unaudited	31 December 2015 audited
Cash in hand and at bank	2.8	25.1
Current bank deposits	0.0	0.1
As at the end of the period	2.8	25.2

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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 2016 unaudited	30 September 2015 unaudited	30 September 2016 unaudited	30 September 2015 unaudited
Reclassification from assets with an unclear legal status	2.8	25.1	0.0	5.1
Gain/(loss) on sale of other non-current assets	0.0	0.1	0.0	0.1
Total	2.8	25.2	0.0	5.2

Changes in working capital in the statement of cash flows	9 months ended		3 months ended	
	30 September 2016 unaudited	30 September 2015 unaudited	30 September 2016 unaudited	30 September 2015 unaudited
Change in inventories	2.2	14.4	(5.0)	5.8
Change in receivables	89.1	65.4	66.4	(1.9)
Change in other assets	(11.0)	(2.1)	(2.5)	(2.0)
Change in liabilities	(81.4)	(69.6)	5.6	17.5
Change in provisions	1.7	4.2	3.1	2.9
Total	0.6	12.3	67.6	22.3

Reasons behind the 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 2016 unaudited	30 September 2015 unaudited	30 September 2016 unaudited	30 September 2015 unaudited
Change in receivables in the statement of financial position	89.1	65.8	66.4	(3.3)
Purchase of receivables	0.0	2.0	0.0	2.0
Change in investment receivables	0.0	(2.4)	0.0	(0.6)
Change in receivables in the statement of cash flows	89.1	65.4	66.4	(1.9)

Liabilities	9 months ended		3 months ended	
	30 September 2016 unaudited	30 September 2015 unaudited	30 September 2016 unaudited	30 September 2015 unaudited
Change in liabilities in the statement of financial position	(90.4)	(71.1)	(16.4)	(47.4)
Purchase of liabilities	0.0	(6.3)	0.0	(6.3)
Change in investment liabilities	9.0	7.8	2.4	10.5
Change in liabilities relating to the payment of dividend	0.0	0.0	19.6	60.7
Change in liabilities in the statement of cash flows	(81.4)	(69.6)	5.6	17.5

15. Non-current assets classified as held for sale

	9 months ended	
	30 September 2016 unaudited	30 September 2015 unaudited
As at 1 January	57.8	12.0
Reclassification from/to investment properties	(31.9)	46.0
Disposal	(11.0)	(12.0)
As at the end of the period	14.9	46.0

Transfer of non-current assets classified as held for sale to investment properties was performed in the 9 months ended 30 September 2016 due to the withdrawal from preliminary property

sale agreements and the decision to maintain selected properties in the Group's portfolio.

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16. Structure of liabilities

Structure of liabilities	30 September 2016 unaudited			31 December 2015 audited		
	Total	Financial	Non-financial	Total	Financial	Non-financial
Current liabilities						
Debt	12.7	12.7	0.0	8.1	8.1	0.0
Bank loans	12.6	12.6	0.0	7.6	7.6	0.0
Car fleet leases	0.1	0.1	0.0	0.5	0.5	0.0
Trade and other payables	31.4	28.2	3.2	128.9	37.4	91.5
Trade payables	10.6	10.6	0.0	10.8	10.8	0.0
Capital expenditure commitments	0.4	0.4	0.0	6.5	6.5	0.0
Tenants' deposits	10.6	10.6	0.0	9.8	9.8	0.0
Payables to the State Budget	3.2	0.0	3.2	88.7	0.0	88.7
<i>VAT on disposal of properties within the Group</i>	0.0	0.0	0.0	84.8	0.0	84.8
<i>Other payables to the State Budget</i>	3.2	0.0	3.2	3.9	0.0	3.9
Prepayments for purchase of properties	0.0	0.0	0.0	2.8	0.0	2.8
Deposits of construction work subcontractors	3.1	3.1	0.0	3.1	3.1	0.0
Valuation of derivative financial instruments	0.4	0.4	0.0	0.6	0.6	0.0
Other current liabilities	3.1	3.1	0.0	6.6	6.6	0.0
Income tax liabilities	0.3	0.0	0.3	0.2	0.0	0.2
Prepayments related to property development	1.7	0.0	1.7	2.2	0.0	2.2
Total current liabilities	46.1	40.9	5.2	139.4	45.5	93.9
Non-current liabilities						
Debt	500.5	500.5	0.0	304.9	304.9	0.0
Bank loans	500.4	500.4	0.0	304.8	304.8	0.0
Car fleet leases	0.1	0.1	0.0	0.1	0.1	0.0
Other	10.4	10.4	0.0	2.9	2.9	0.0
Tenants' deposits	3.6	3.6	0.0	0.8	0.8	0.0
Deposits of construction work subcontractors	0.5	0.5	0.0	0.1	0.1	0.0
Valuation of derivative financial instruments	6.3	6.3	0.0	2.0	2.0	0.0
Total non-current liabilities	510.9	510.9	0.0	307.8	307.8	0.0
Total liabilities	557.0	551.8	5.2	447.2	353.3	93.9

17. Debt by currency

Debt by currency	30 September 2016 unaudited	31 December 2015 audited
Bank loans	513.0	312.4
EUR	425.1	230.3
PLN	87.9	82.1
Car fleet leases	0.2	0.6
PLN	0.2	0.6
Total debt	513.2	313.0

The Group's loans bear interest at variable rates. These are WIBOR and EURIBOR rates plus a margin, depending on the currency of financing.

In order to mitigate the risk of changes in interest rates, the Group enters into interest rate swap (IRS) contracts with banks which effectively replace variable interest rates with fixed interest rates.

18. Provisions

Provision	30 September 2016 unaudited			31 December 2015 audited		
	Total	Non-current	Current	Total	Non-current	Current
Claims in respect of benefits derived from leased properties and non-contractual use of properties	31.7	15.5	16.2	31.1	15.5	15.6
Guarantee repairs and compensations in property development	20.6	0.0	20.6	21.3	0.0	21.3
Severance payments	0.5	0.0	0.5	0.5	0.0	0.5
Employee benefits	0.9	0.9	0.0	0.9	0.9	0.0
Other	11.7	0.0	11.7	9.9	0.0	9.9
Total	65.4	16.4	49.0	63.7	16.4	47.3

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19. Share capital

	30 September 2016 unaudited	31 December 2015 audited
Number of shares as at 1 January	46,722,747	46,482,044
Share issue	0	240,703
Number of shares at the end of the period (fully paid)	46,722,747	46,722,747

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.

20. Supplementary capital

The supplementary capital consists of:

- ✓ Share premium of PLN 1,751.9 million;

- ✓ Appropriation of profit of PLN 89.5 million.

21. Revaluation reserve

The revaluation reserve consists of:

- ✓ The excess of the net book value over the fair value of investment properties as at the date of their reclassification from property, plant and equipment to investment properties of PLN 3.2 million;

- ✓ A decrease in the amount of capital resulting from hedge accounting of PLN 0.5 million.

22. Retained earnings

Retained earnings of PLN 87.6 million as at 31 December 2015 decreased to PLN 85.3 million as at 30 September 2016 due to:

- ✓ earmarking PLN 19.6 million for the payment of dividend to shareholders and PLN 28.9 million for transfer to supplementary capital;

- ✓ the net profit generated by the Group in the 9 months ended 30 September 2016 of PLN 44.2 million;
- ✓ recognition of the excess of the book value of non-controlling interests of PLN 2.1 million;
- ✓ repurchase of a part of shares in subsidiaries in the amount of PLN 0.1 million from non-controlling shareholders.

23. Other reserves

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 0.5 million.

24. Revenues from operating activities

Revenues from operating activities	9 months ended		3 months ended	
	30 September 2016 unaudited	30 September 2015 unaudited	30 September 2016 unaudited	30 September 2015 unaudited
Lease revenue	113.6	92.9	39.6	32.5
Revenues from property development	12.0	18.6	1.3	7.6
Revenues from other activities	6.0	3.7	2.1	2.1
<i>Hotel business</i>	5.9	3.6	2.0	2.0
<i>Management services</i>	0.1	0.1	0.1	0.1
Total revenues from operating activities	131.6	115.2	43.0	42.2

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Other revenues	9 months ended		3 months ended	
	30 September 2016 unaudited	30 September 2015 unaudited	30 September 2016 unaudited	30 September 2015 unaudited
Proceeds from sale of non-financial non-current assets	0.0	0.1	0.0	0.1
Reclassification from assets with unclear legal status	2.8	25.1	0.0	5.1
Compensations	0.1	0.1	0.0	0.1
Revaluation of receivables	0.9	4.2	0.2	1.5
Reversal of provision for using properties without a contract	3.8	3.5	1.2	1.1
Reversal of other provisions	0.4	0.4	0.0	0.0
Refund of tax on civil law transactions	0.0	8.0	0.0	0.0
Refund of the fee for perpetual usufruct of	0.9	0.0	0.0	0.0
Other	1.1	0.5	0.3	0.0
Total other revenues	10.0	41.9	1.7	7.9

25. Operating expenses

Operating expenses	9 months ended		3 months ended	
	30 September 2016 unaudited	30 September 2015 unaudited	30 September 2016 unaudited	30 September 2015 unaudited
Cost of property maintenance	55.4	49.6	18.5	17.2
Cost of property development	9.8	14.4	1.4	6.2
Costs of other activities	4.9	2.8	1.7	1.5
<i>Hotel business</i>	4.9	2.8	1.7	1.5
Total operating expenses	70.1	66.8	21.6	24.9

Other costs	9 months ended		3 months ended	
	30 September 2016 unaudited	30 September 2015 unaudited	30 September 2016 unaudited	30 September 2015 unaudited
Revaluation of receivables	3.6	6.7	1.1	1.3
Guarantee repairs and claims in property development activities	1.1	0.0	1.1	0.0
Change in the structure of VAT deductions	0.8	0.3	0.0	0.0
Claims in respect of benefits from properties	1.7	0.0	1.7	0.0
Compensations and penalties	0.0	0.2	0.0	0.1
Severance payments	0.0	0.2	0.0	0.0
Other	0.5	0.3	0.2	0.2
Total other costs	7.7	7.7	4.1	1.6

26. Costs by type

The Group, excluding property development	9 months ended		3 months ended	
	30 September 2016 unaudited	30 September 2015 unaudited	30 September 2016 unaudited	30 September 2015 unaudited
Amortization and depreciation	0.9	1.1	0.3	0.5
Materials and energy used	10.3	9.7	2.9	2.4
External services	37.0	33.5	13.5	13.0
Taxes and fees	19.5	17.4	6.4	6.0
Wages and salaries, and other employee benefits	13.0	13.4	4.1	4.2
Other costs by type	0.5	0.4	0.3	0.2
Total operating expenses	81.2	75.5	27.5	26.3
Administrative expenses	(16.4)	(17.1)	(6.2)	(5.1)
Selling costs	(0.9)	(1.8)	(0.2)	(0.4)
Cost of preparation and execution of commercial development projects	(2.9)	(3.6)	(0.9)	(2.0)
One - off costs (Group restructuring)	(0.7)	(0.6)	0.0	(0.1)
Cost of sales	60.3	52.4	20.2	18.7

Notes to the interim condensed financial statements on pages 10–23 are an integral part of these financial statements

This document is a translation of the consolidated report for the 3rd quarter of 2016 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 3rd quarter of 2016
(All amounts are expressed in PLN million unless stated otherwise)

Property development	9 months ended		3 months ended	
	30 September 2016 unaudited	30 September 2015 unaudited	30 September 2016 unaudited	30 September 2015 unaudited
Materials and energy used	0.0	0.1	0.0	0.0
External services	1.9	1.3	0.7	0.7
Taxes and fees	0.1	0.1	0.0	0.0
Wages and salaries, and other employee benefits	0.6	0.5	0.3	0.2
Cost of goods for resale and materials sold	0.5	0.5	0.1	0.2
Change in inventory of finished goods	8.9	14.1	0.9	6.0
Total operating expenses	12.0	16.6	2.0	7.1
Administrative expenses	(1.7)	(0.8)	(0.5)	(0.4)
Selling costs	(0.3)	(0.5)	(0.1)	(0.2)
Cost of maintaining inventories and property development infrastructure	(0.2)	(0.9)	0.0	(0.3)
Cost of sales	9.8	14.4	1.4	6.2

27. Finance income and costs

Finance income	9 months ended		3 months ended	
	30 September 2016 unaudited	30 September 2015 unaudited	30 September 2016 unaudited	30 September 2015 unaudited
Interest income	0.8	2.0	0.2	0.5
<i>Current bank deposits</i>	<i>0.5</i>	<i>1.0</i>	<i>0.1</i>	<i>0.4</i>
<i>Other interest</i>	<i>0.3</i>	<i>1.0</i>	<i>0.1</i>	<i>0.1</i>
Valuation of financial instruments	1.1	0.0	0.9	0.0
Foreign exchange gains / (losses)	0.0	0.3	(0.2)	0.1
Other finance income	0.0	0.0	0.0	0.0
Total finance income	1.9	2.3	0.9	0.6

Finance costs	9 months ended		3 months ended	
	30 September 2016 unaudited	30 September 2015 unaudited	30 September 2016 unaudited	30 September 2015 unaudited
Financing costs	8.5	2.3	2.8	2.3
<i>Loans and advances</i>	<i>8.5</i>	<i>2.2</i>	<i>2.8</i>	<i>2.2</i>
<i>Finance leases</i>	<i>0.0</i>	<i>0.1</i>	<i>0.0</i>	<i>0.1</i>
Interest on overdue liabilities	0.7	6.0	0.7	2.2
Valuation of financial instruments	5.3	0.0	3.2	0.0
Foreign exchange gains / (losses)	0.7	0.0	0.1	0.0
Other finance costs	0.9	0.2	0.3	0.2
Total finance costs	16.1	8.5	7.1	4.7
Net finance income/expense	(14.2)	(6.2)	(6.2)	(4.1)

28. Reconciliation of effective tax rate

	9 months ended		3 months ended	
	30 September 2016 unaudited	30 September 2015 unaudited	30 September 2016 unaudited	30 September 2015 unaudited
Current tax	(3.1)	(2.5)	1.2	(0.1)
Deferred tax	(1.3)	27.4	0.1	26.3
Corporate income tax	(4.4)	(24.9)	1.3	26.2

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

	9 months ended		3 months ended	
	30 September 2016 unaudited	30 September 2015 unaudited	30 September 2016 unaudited	30 September 2015 unaudited
Profit before tax	49.0	42.7	3.3	0.0
Tax calculated at the rate applicable in Poland (19%)	(9.3)	(8.1)	(0.6)	(2.4)
Share of profits of jointly controlled entities	0.1	0.1	0.0	0.0
Non-taxable income	0.0	1.1	0.0	0.1
Non-deductible costs (permanent differences)	(0.5)	(0.1)	(0.4)	0.0
Utilization of previously unrecognized tax losses	0.3	0.0	0.1	0.0
Net profit /(loss) of partnerships	0.0	4.1	0.0	0.8
Impairment of deferred tax assets	(4.8)	0.0	(4.8)	0.0
Tax losses resulting from contribution of bonds within the Group	10.6	0.0	7.8	0.0
Excess of nominal value of shares subscribed over the tax value of contributions made	(0.8)	0.0	(0.8)	0.0
Contribution in kind and sale of a property to a subsidiary	0.0	27.7	0.0	27.7
Other	0.0	0.1	0.0	0.0
Corporate income tax	(4.4)	24.9	1.3	26.2

29. Net profit attributable to non-controlling interests

In the nine months ended 30 September 2016, shares were repurchased from holders of non-controlling interests in Warszawski Holding Nieruchomości S.A. and Dalmor 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 nine-month period ended 30 September 2016 and 30 September 2015.

30. Earnings per share

Basic and diluted net earnings per share attributable to the equity holders of the parent company	9 months ended		3 months ended	
	30 September 2016 unaudited	30 September 2015 unaudited	30 September 2016 unaudited	30 September 2015 unaudited
Profit attributable to equity holders of the Company (in PLN million)	44.2	65.7	4.6	37.0
Weighted average number of ordinary shares (in millions)	46.7	46.6	46.7	46.6
Basic and diluted earnings (loss) per share (in PLN)	PLN 0.95	PLN 1.41	PLN 0.10	PLN 0.80

Basic and diluted net earnings from continued operations per share attributable to the equity holders of the parent company	9 months ended		3 months ended	
	30 September 2016 unaudited	30 September 2015 unaudited	30 September 2016 unaudited	30 September 2015 unaudited
Profit from continued operations attributable to equity holders of the Company (in PLN million)	44.3	65.4	4.6	37.0
Weighted average number of ordinary shares (in millions)	46.7	46.6	46.7	46.6
Basic and diluted earnings (loss) per share (in PLN)	PLN 0.95	PLN 1.41	PLN 0.10	PLN 0.80

31. Contingent assets and contingent liabilities

Note 8 to the consolidated financial statements for the year 2015 includes a disclosure of properties with an unclear legal status held by the Group. 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 use of these buildings were not notified to the relevant authorities nor were all the required administrative decisions obtained. Consequently, penalties may be imposed on the Group companies. As at the

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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 contracts.

32. 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 individually significant 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.

Under 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 applicable to non-related entities.

Revenue from sales of goods for resale and services	9 months ended		3 months ended	
	30 September 2016 unaudited	30 September 2015 unaudited	30 September 2016 unaudited	30 September 2015 unaudited
Revenue from the State Treasury	8.8	7.1	2.9	1.5

Remuneration of key management members

	9 months ended		3 months ended	
	30 September 2016 unaudited	30 September 2015 unaudited	30 September 2016 unaudited	30 September 2015 unaudited
Remuneration of members of the Management Board of the Parent Company	2.6	1.7	0.6	0.5
Remuneration of members of the Management Boards of the subsidiaries	0.3	0.9	0.0	0.3
Remuneration of members of the Supervisory Board of the Parent Company	0.2	0.2	0.0	0.1
Remuneration of members of the Supervisory Boards of the subsidiaries	0.2	0.3	0.1	0.1
Total	3.3	3.1	0.7	1.0

Transactions with associates and jointly controlled entities (joint ventures)

There were no significant transactions with associates and jointly controlled entities in the nine-month periods ended 30 September 2016 and 30 September 2015.

33. Other information

On 25 March 2016, PHN SPV 33 Sp. z o.o. ING Bank Śląski S.A. concluded a loan agreement for the purchase of properties. The agreement is for an investment loan of EUR 43.7 million and a loan in PLN for financing VAT on the purchase price in the amount equivalent to EUR 12.0 million.

The loan bears interest based on EURIBOR for three-month deposits (in the part relating to the purchase and denominated in

EUR) and based on WIBOR for one-month deposits (in the part relating to the VAT tranche), plus a margin.

In order to secure repayment of amounts due under the loan agreement for the purchase of real property and in order to execute the said agreement properly, the subsidiaries of PHN S.A. ("the Company") established in particular the following security for the bank:

-
- | | |
|--|---|
| <p>(i) mortgages on the perpetual usufruct right to the purchased property;</p> <p>(ii) a financial and registered pledge on all shares of PHN SPV 33 Sp. z o.o. established by the shareholder – the Company;</p> <p>(iii) a financial and registered pledge on the receivables - the bank accounts of PHN SPV 33 Sp. z o.o.;</p> <p>(iv) a transfer of amounts due under the agreements concluded by PHN SPV 33 Sp. z o.o. and insurance</p> | <p>contracts (in particular, concerning the purchased property);</p> <p>(v) an agreement on subordination of receivables (in particular, loans and intra-Group bonds issued by PHN SPV 33 Sp. z o.o.);</p> <p>(vi) the statements of PHN SPV 33 Sp. z o.o. (as the borrower) and the Company (as the pledger) on voluntary submission to enforcement.</p> |
|--|---|

34. Post balance sheet date events

On 14 October 2016 a Group company concluded an agreement with mLocum S.A. with its registered office in Łódź. The agreement was for the purchase of shares in Apartamenty Molo Rybackie Sp. z o.o. with its registered office in Gdynia, a company engaged in the project Molo Rybackie (Yacht Park) at ul. Arkadiusza Rybickiego in Gdynia. The subject matter of the agreement is the sale, by mLocum S.A., and the purchase, by a Group company, of 2,000 shares in the share capital of Apartamenty Molo Rybackie Sp. z o.o. for a total net price of PLN 1.0 million. After concluding the transaction, the Group company holds 100% interest in the share capital of Apartamenty Molo Rybackie Sp. z o.o.

On 16 October 2016, the Group concluded an agreement for a short-term working capital facility of up to PLN 50.0 million to

finance the ongoing operations of the group companies. The loan agreement was concluded until 30 September 2017. On 19 October 2016, the Group concluded an agreement for a short-term working capital facility of up to PLN 110.0 million for the temporary financing of VAT liabilities of one of the companies in connection with transactions related to changing the Group's structure. The loan agreement was concluded until 30 June 2017. By the date of these financial statements, the said credit facilities had not been launched.

No other material events which should have been disclosed in these interim condensed consolidated financial statements occurred between the balance sheet date and the date of approval of these interim condensed consolidated financial statements.

These interim condensed consolidated financial statements were approved by the Management Board of the Parent Company on 14 November 2016.

Piotr Staroń

Member of the Management Board
in charge of Finance

Zbigniew Kulewicz

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

Maciej Jankiewicz

President of the Management
Board

Grzegorz Grotek

Person responsible for preparing the
consolidated financial statements

**OTHER INFORMATION TO THE CONSOLIDATED
QUARTERLY REPORT OF
POLSKI HOLDING NIERUCHOMOŚCI S.A.
FOR THE PERIOD OF 9 MONTHS ENDED 30 SEPTEMBER 2016**



**POLSKI HOLDING
NIERUCHOMOŚCI S.A.**

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

1. General information about the Group

Polski Holding Nieruchomości S.A. ("PHN S.A.", "the Group") is one of the largest entities in Poland in the commercial real estate sector in terms of portfolio value. The Group's portfolio comprises more than 140 properties, separated for business purposes, with a value of approx. PLN 2.5 billion. PHN S.A.'s activities are concentrated in Warsaw and the largest regional cities, including Poznań, Tricity, Łódź, and Wrocław. The Company has many years' experience in the following sectors: office, retail and logistics, both in property management and in carrying out investment projects.

Since 13 February 2013, PHN S.A. has been listed on the Warsaw Stock Exchange. The Company carries out modern commercial projects on its own and in cooperation with top partners with many years' experience and a well-established market position. The projects of PHN S.A. are characterized by timeless architecture and attention to quality. They meet the

most rigorous standards, thanks to which they appeal to the most demanding customers. Polski Holding Nieruchomości S.A. was established in 2011 as a result of the consolidation of companies owned by the State Treasury, operating in the real estate sector in Poland or holding significant properties in their portfolios. The companies which form part of the Group have made a substantial contribution to the history of post-war architecture in Warsaw. The properties which belong to PHN S.A. are associated with the history of the capital, e.g. the historic neo-Renaissance Kossakowski Palace at ul. Nowy Świat 19 or Intraco, the very first tower block in Warsaw, erected in 1975 at ul. Stawki 2.

Taking into account the recognition of new opportunities and potential market risks caused by changes taking place on the real estate market, the activities of Polski Holding Nieruchomości S.A. are as follows:

About the Polski Holding Nieruchomości S.A. Group

POLSKI HOLDING NIERUCHOMOŚCI S.A.

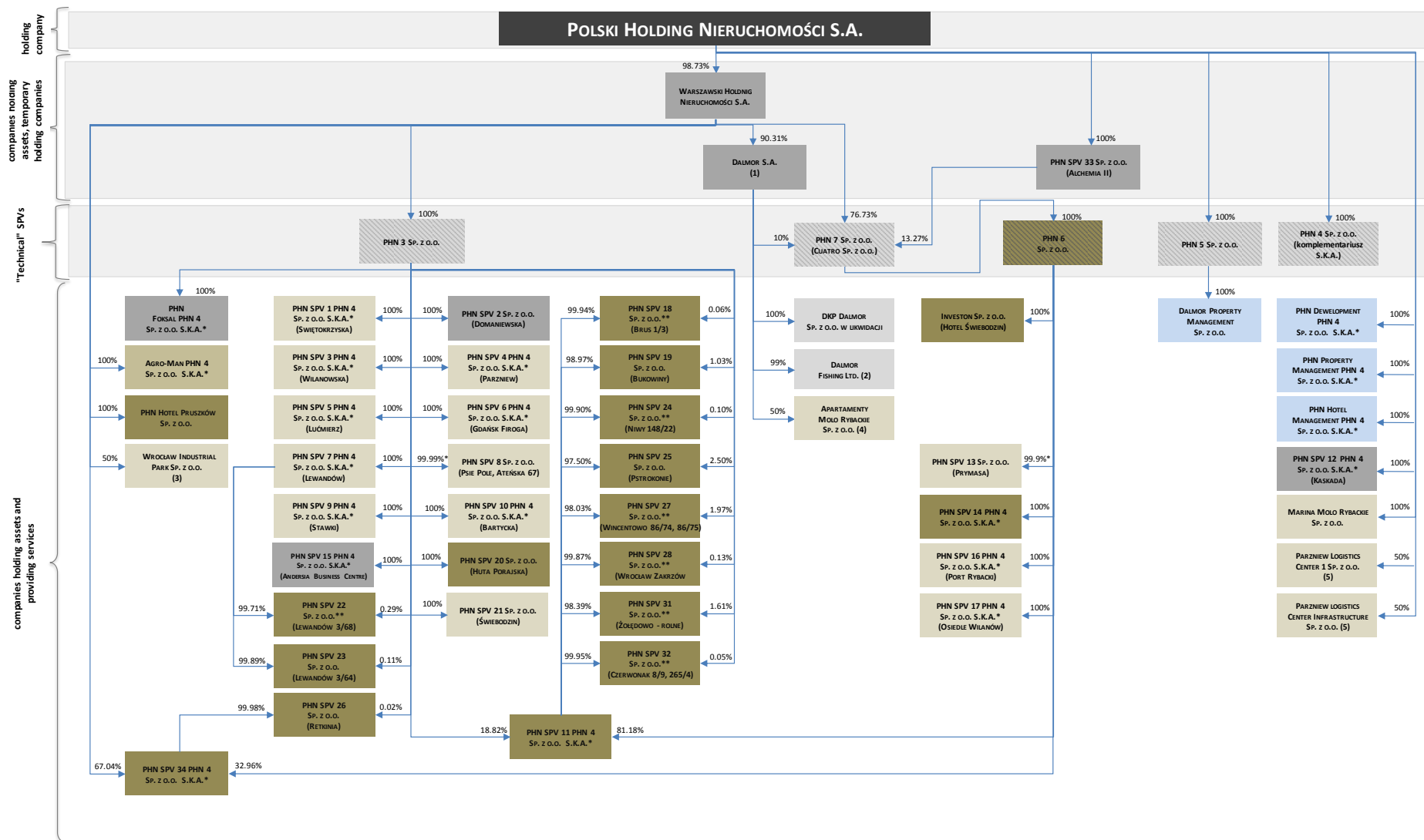
What?	Where?
<ul style="list-style-type: none"> • Offices – major part of the real estate portfolio • Logistics – only with international portfolios • Retail – "made to measure" for selected tenants • Apartments – Group locations and risk diversification 	<ul style="list-style-type: none"> • Warsaw • Tricity • Wrocław <ul style="list-style-type: none"> • Upper Silesian urban area • Łódź • Poznań
How?	How do we compete?
<ul style="list-style-type: none"> • Attractive locations • Effective asset management • "Lift the whale and cut off its tail" • Quality of customer relationships • Investment portfolio optimization • Asset turnover • New development projects 	<ul style="list-style-type: none"> • Property development • Opportunistic M&A transactions (sector-related) • Property management for external partners • Special projects

We build PHN S.A.'s value through:

- Optimal use of real estate potential for our customers' needs
- Changing the structure of the investment portfolio to ensure a high return on our shareholders' capital
- Dedication and professionalism of our employees
- Respecting our environment

POLSKI HOLDING NIERUCHOMOŚCI S.A.
 Other information to the consolidated quarterly report
 (All amounts are expressed in PLN million unless otherwise stated)

2. Group structure



*PHN 4 Sp. z o.o. - 1 share (in a limited liability company) or the general partner (in a partnership limited by shares) ** PHN 3 - 100 shares

- Companies undertaking development projects (investments)
- Residential development business
- SPVs holding properties for sale
- "Service" companies
- Other (excl. properties)
- Asset management (lease)
- Technical SPVs

- (1) share of PHN S.A. 2.95% (as at 30.09.2016)
- (2) 1% Alliance Trust Company LTD
- (3) JV with Segro B.V. (50%)
- (4) JV with mLocum S.A. (50%)
- (5) JV with Parzniew Partners B.V. (50%)

During the nine months of 2016, the Group acquired the company Cuatro Sp. z o.o., which subsequently changed its name to PHN 7 Sp. z o.o.

All subsidiaries belonging to the Group are consolidated using the acquisition accounting method, and shares in jointly controlled entities are disclosed in the consolidated financial statements under the equity method.

3. The Group's property portfolio

Fair value. As at 30 September 2016, the Group's property portfolio comprised 141 properties separated for business purposes with a value of approximately PLN 2.5 billion, which were disclosed in the financial statements as assets. The portfolio comprised 14 properties with a fair value of PLN 158.2 million with an unclear legal status (but with a positive outlook) and two properties which were used for joint ventures with a third party.

The Group also had 18 properties with an unclear legal status with insufficient potential for a positive outcome for these properties to be disclosed in the financial statements as assets. Had they been free from legal defects, the fair value of those properties would have amounted to PLN 112.3 million.

Structure of the property portfolio from the perspective of planned activities

Properties remaining in the portfolio	Thirty-five properties with a fair value of PLN 1,282.2 million – recognized in the financial statements under investment properties at a fair value of PLN 1,263.5 million; under fixed assets (for the Group's own use) at a fair value of PLN 29.2 million
Properties earmarked for optimization	Thirty properties with a fair value of PLN 271.0 million – recognized in the financial statements under investment properties at a fair value of PLN 258.0 million; under fixed assets (for the Group's own use) of PLN 4.0 million; and in inventories of PLN 3.0 million
Commercial projects	Twenty properties with a fair value of PLN 641.9 million, on which the Group is planning to carry out or is carrying out commercial projects (including JVs), recognized in the financial statements under investment properties with a fair value of PLN 624.0 million; under assets held for sale at a fair value of PLN 0.4 million; and indirectly as a component of interest in a joint venture
Residential projects	Thirty-two properties with a fair value of PLN 191.3 million, which are used or are planned to be used for the purposes of residential construction projects (including JVs), including: <ul style="list-style-type: none"> • four properties with completed projects with a fair value of PLN 2.8 million, including two with single unsold apartments, all disclosed in the financial statements under inventories in the amount of PLN 2.3 million • twenty-seven properties designated for potential projects with a fair value of PLN 187.1 million, disclosed in the financial statements under investment properties with a fair value of PLN 123.3 million; under fixed assets with a fair value of PLN 11.1 million; indirectly as a component of interest in a joint venture; and under inventories with a fair value of PLN 54.6 million; this group consists of six independent projects, one of them comprising twenty-two buildings (treated for business properties as separate properties)

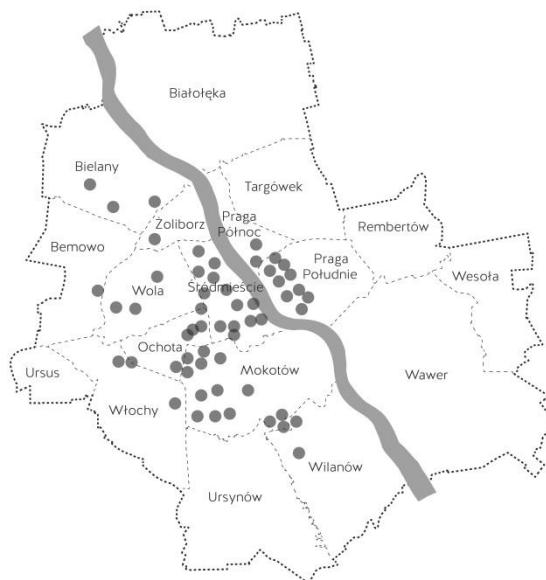
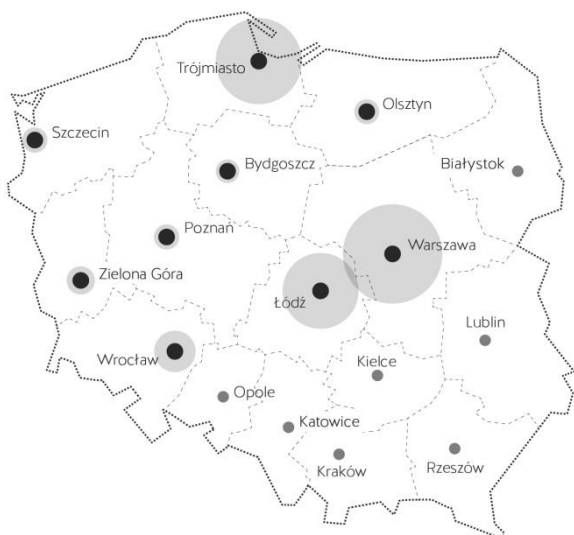
POLSKI HOLDING NIERUCHOMOŚCI S.A.

Other information to the consolidated quarterly report

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

	<ul style="list-style-type: none"> one property comprising road plots with a fair value of PLN 1.4 million, disclosed in the financial statements under inventories in the amount of PLN 0.1 million
Properties held for sale	twenty-four properties with a fair value of PLN 103.2 million, recognized in the financial statements as investment properties with a fair value of PLN 88.7 million, as assets classified as held for sale with a fair value of PLN 14.4 million

Location of the Group's properties in Poland and in Warsaw



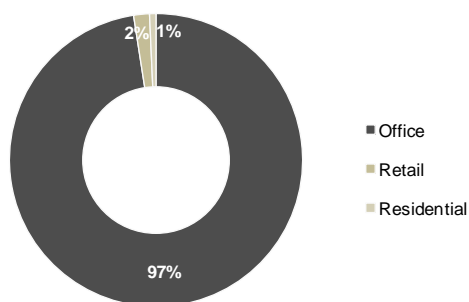
Gross leasable area (GLA) and vacancy ratio

As at 30 September 2016, the Group's property portfolio comprised GLA of 326.2 thousand m².

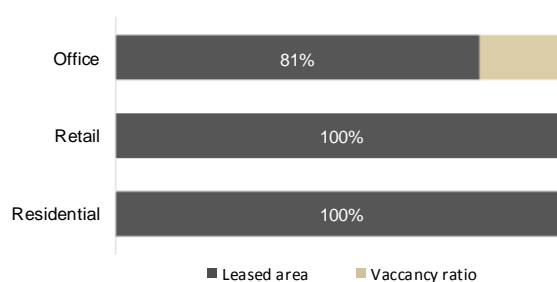
The vacancy ratio amounted to 25.3% (calculated as the share of unleased space in GLA less space designated for the Group's own use and permanently non-leasable space, i.e. the space that is not leased by the Group for technical or legal reasons).

The gross leasable area of the properties remaining in the portfolio amounted to 165.0 thousand m², and the vacancy ratio amounted to 18.9%.

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



Lease ratio of properties remaining in the portfolio
% of space



* excluding 18 real properties without regulated legal status

Lease result (NOI)

In the period from 1 January to 30 September 2016, the Group generated NOI of PLN 58.8 million, including: the portfolio properties segment: PLN 48.8 million; properties earmarked for optimization: PLN 4.4 million; the commercial projects segment:

PLN 3.7 million; the segment of properties held for sale: PLN 1.4 million; the residential projects segment: PLN 0.5 million. The Group classifies ninety-three properties with a fair value of PLN 1,951.5 million as properties generating lease revenues.

Acquisitions and disinvestments

On 30 March 2016, the Group purchased a property located in Gdańsk at ul. Grunwaldzka. Moreover, the Group obtained the right to perpetual usufruct of the property located at ul. Reja 6 in Warsaw.

During the nine months of 2016, the Group sold the properties located in Warsaw at ul. Filtrowa, Prądyńskiego, Jana Paska

21 and parts of five properties (a parking place in the underground parking lot in Warsaw at ul. Podchorążych and plots in Łężyca, Czerwonak, Parzniew (road plots) and Wincentów). As at 30 September 2016, the Group signed two preliminary sale agreements, including one relating to a part of a property.

4. The Group's activities

The Group is one of the largest (with regard to the market value of its property portfolio) entities owning and managing commercial and residential real properties in Poland. In order to maximize the profit, the Group is continuing the restructuring of its property portfolio, including:

- ✓ optimization of the usage of the properties intended to remain in the target portfolio;
- ✓ modernization and modification of some of the existing properties and development of some undeveloped plots of land;

- ✓ gradual sale of assets not related to the Group's target business profile, such as residential and less profitable commercial properties, as well as some land properties.

For management purposes, the Group divides its business activities into the following operating segments for reporting purposes based on products manufactured and services provided:

- ✓ lease of office and retail space, warehouse and logistic space, residential and other space – of properties;
- ✓ development business – construction and sale of residential premises;
- ✓ hotel business – providing hotel and catering services.

4.1. Commercial space lease market

Lease services offered by the Group comprise:

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

Office space. Office buildings of A, B and C class, residential properties, villas used for office purposes and diplomatic outposts represent the office space portfolio. Customers of the office space segment include various enterprises, both Polish and with foreign capital.

Retail space. The retail areas offered by the Group comprise mainly small areas in commercial complexes and in the

Shopping Centre at ul. Bartycka 26 in Warsaw. The Group's offer is addressed mainly to small- and medium-size entrepreneurs.

Logistics space. The biggest logistics area offered by the Group is located in Port Rybacki, Gdynia. The offer is mainly addressed to marine carriers. Other locations comprise medium-sized areas which are usually used by office and retail tenants as additional space necessary for their business activities.

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

4.2. Residential development market

The Group's operations also include the construction and sale of residential properties. The Group is currently selling apartments at a housing estate located on the outskirts of Warsaw and preparing residential projects on the properties mainly at

4.3. Hotel market

The Group conducts hotel activities in three properties: Hotel Zgoda, Hotel Wilanów and Lipowy Przylądek Hotel. The hotel

ul. Prymasa Tysiąclecia, Lewandów, Instalatorów in Warsaw and Yacht Park in Gdynia. At the same time, it analyses potential residential construction projects in other locations.

and catering services are provided to both legal and natural persons.

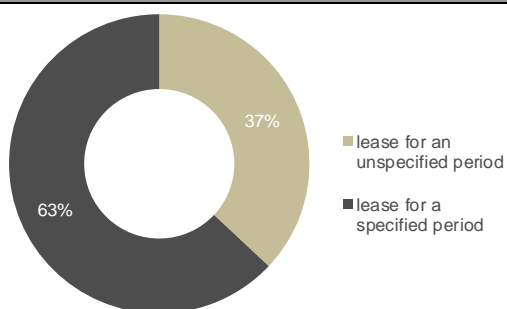
5. Markets and structure of customers and suppliers

Markets

Poland is the main market on which the Group operates. The Group has the strongest market position in Warsaw. The Group also operates in Poznań, Tricity, Wrocław, and Łódź. The Group provides services to a wide range of institutional customers, companies, state institutions and individuals in the segment of lease and rental of properties.

Although new lease agreements are usually signed for limited periods, about 40% of GLA is still leased for an unlimited period.

Structure of the leased space according to the period of the agreement
% of GLA *

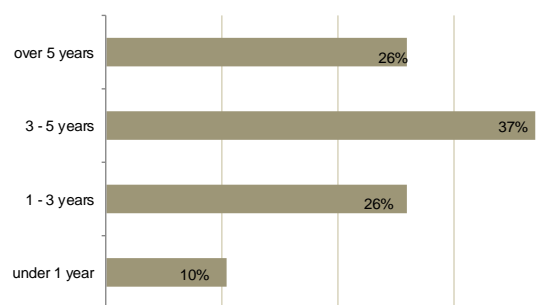


* excluding 18 properties without regulated legal status

The structure of the Group's tenants is highly diversified; therefore, the Group is not exposed to any significant risk associated with a single tenant or a group of tenants. As at 30 September 2016, the representatives of the business services sector constituted the largest group of tenants.

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

Structure of the leased space according to the lease period
% of the space leased for a specific period



* excluding 18 properties without regulated legal status

Structure of customers and suppliers

During the nine months of 2016, the Group mainly cooperated with the suppliers of the following services:

- ✓ construction (in relation to investment and development projects);
- ✓ repairs;
- ✓ provision of utilities;

- ✓ advisory – legal, business, technical;
- ✓ property administration;
- ✓ cleaning;
- ✓ security.

Due to the large base of suppliers, the Group is not dependent on a single supplier.

6. Financial situation

During the nine months ended 30 September 2016, the real estate market was characterized by a high level of competition, growing pressure on rent decreases and a flexible price policy. In this period, the increase in the supply of new office space on the Warsaw office space market exceeded the increase in the supply over the whole of 2015.

EBITDA (operating profit or loss adjusted for the change in the fair value of properties, gain/loss on their disposal, depreciation and amortization, and the effect of changes in the legal status of properties) amounted to PLN 11.4 million in the third quarter of 2016 and was PLN 5.3 million (31.7%) lower than in the preceding quarter.

Adjusted EBITDA (EBITDA adjusted for one-off expenses (the costs of the Group's restructuring), the provision for guarantee repairs and damages payable in connection with property development, and the change in the provision for claims relating

to previous years) amounted to PLN 13.4 million and was PLN 2.6 million (16.3%) lower than in the second quarter of 2016.

As at 30 September 2016, the Group employed 132 people.

6.1. Main factors affecting the profit earned

The following major factors affected the financial and operating results of the Group in the nine-month period ended 30 September 2016 and will affect the results in the next quarter:

1. External (macroeconomic, legal, market etc.) factors affecting the Group's development and barriers to its development, including:
 - ✓ the situation on the local real estate markets (competitiveness of other properties, supply of space on the market, flexible price policies, bonuses and contributions for tenants) which affects the level of vacancies in the Group's properties;
 - ✓ the costs of external financing, which depends on the level of interest rates;

- ✓ fluctuations of the euro against the zloty.
- 2. Internal factors, depending on the Group's action plans, execution of its goals etc., including:
 - ✓ the sale of properties (during the nine months ended 30 September 2016, the Group generated a profit from sales of PLN 0.4 million);
 - ✓ the purchase of a profit-generating property (Alchemia II in Gdańsk);
 - ✓ modernization and alteration of some properties;
 - ✓ the level of costs of property maintenance;
 - ✓ the level of administrative expenses;
 - ✓ restructuring of the Group;
 - ✓ execution of new projects;
 - ✓ corporate income tax.

6.2. Analysis of the consolidated statement of financial position

Investment properties constituted the main component of non-current assets. In the nine-month period ended 30 September 2016, their value increased by PLN 330.8 million due to:

- ✓ the purchase of a property at Al. Grunwaldzka 409 in Gdańsk (Alchemia II) with a value of PLN 258.0 million;
- ✓ incurring expenditure on commercial development projects (PLN 4.6 million), preparation of commercial development projects (PLN 2.5 million) and modernization of properties (PLN 8.7 million);
- ✓ settlement of space arrangement costs (PLN 2.8 million);
- ✓ reclassification of properties from non-current assets classified as held for sale to investment properties (PLN 31.9 million);
- ✓ recognizing the Reja 6 property with a value of PLN 2.8 million in assets due to a change of its legal status;
- ✓ selling properties of PLN 1.3 million;
- ✓ increase in the value of properties (PLN 26.4 million).

In the nine-month period ended 30 September 2016, the value of property, plant and equipment decreased by PLN 0.7 million due to depreciation charges of PLN 0.9 million and acquisition of property, plant and equipment of PLN 0.2 million.

Other assets increased in the nine-month period ended 30 September 2016 by 9.1 million, mainly due to the recognition of deferred income (lease holiday of the tenants).

Current assets decreased by PLN 161.2 million in the nine-month period ended 30 September 2016 mainly as a result of:

- ✓ a decrease in cash and cash equivalents of PLN 70.7 million;
- ✓ a decrease in amounts due to the state budget of PLN 91.9 million;
- ✓ a decrease in inventories relating to property development of PLN 2.2 million due to disposal of units (PLN 9.4 million), which was partly offset with expenditure incurred on property development projects of PLN 7.2 million, mainly the Prymasa Tysiąclecia project;
- ✓ an increase in the balance of trade receivables (PLN 7.5 million).

The amount of equity attributable to the equity holders of the parent company in the nine-month period ended 30 September 2016 increased by PLN 26.8 million due to:

- ✓ generating a net profit (PLN 44.2 million);
- ✓ earmarking the amount of PLN 19.6 million for the payment of dividend to the shareholders;
- ✓ a change in the ownership structure (PLN 2.6 million);
- ✓ a decrease in the revaluation reserve (PLN 0.3 million);
- ✓ repurchase of shares from non-controlling shareholders (PLN 0.1 million).

The amount of non-current liabilities increased by PLN 204.6 million in the nine-month period ended 30 September 2016 due to:

- ✓ an increase in debt resulting from bank loans (PLN 195.6 million);

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- ✓ an increase in deferred tax liabilities (PLN 1.5 million);
- ✓ an increase in the amount of other non-current liabilities (PLN 7.5 million).

The level of current liabilities decreased by PLN 91.6 million primarily due to:

- ✓ a decrease in the liabilities to the state budget in respect of VAT payable on the purchase of properties within the Group (PLN 84.8 million);
- ✓ a decrease in the balance of other liabilities to the state budget (PLN 0.7 million);

- ✓ a decrease in capital expenditure commitments (PLN 6.1 million);
- ✓ a decrease in the amount of advance payments relating to property development (PLN 0.5 million);
- ✓ a decrease in other current liabilities (PLN 3.5 million);
- ✓ an increase in current provisions (PLN 1.7 million);
- ✓ an increase in debt resulting from bank loans (PLN 5.0 million);
- ✓ an increase in deposits of tenants (PLN 0.8 million).

6.3. Analysis of the consolidated statement of comprehensive income

In the third quarter of 2016, the Group generated a net profit of PLN 4.6 million, which represented a decrease of PLN 27.0 million compared with the second quarter of 2016 mainly due to the net effect of:

- ✓ a decrease in the lease result of PLN 0.6 million mainly as a result of recording one-off income in the 2nd quarter of 2016;
- ✓ a decrease in the result on property development of PLN 1.2 million as a result of the units being nearly sold out and of recognizing an increase in provisions for guarantee repairs and damages of PLN 0.4 million as cost.
- ✓ a higher level of administrative and selling expenses adjusted for one-off expenses as a result of intensified marketing and advertising actions.

- ✓ a decrease in the fair value of properties (its effect on the financial result in the third quarter of 2016 was PLN 22.8 million lower than in the second quarter of 2016);
- ✓ a decrease in net other income/(expenses) of PLN 6.2 million, mainly as a result of recording one-off events: claims for benefits from properties of PLN 1.7 million, provisions for guarantee repairs and damages in property development of PLN 1.1 million recorded in other expenses in the third quarter of 2016; and PLN 2.8 million recorded in other income due to a change in the legal status of the Reja 6 property;
- ✓ a decrease in gain/(loss) on financing activities of PLN 1.5 million, mainly resulting from the valuation of financial instruments;

EBITDA on continued operations	3Q 2016	2Q 2016	3Q 2015
Sales	43.0	48.0	42.2
Operating expenses	(21.6)	(24.6)	(24.9)
Gross profit/(loss) on sales	21.4	23.4	17.3
Administrative and selling expenses	(7.9)	(8.0)	(8.5)
<i>including one-off costs (Group restructuring)</i>	<i>0.0</i>	<i>0.6</i>	<i>0.1</i>
<i>Administrative and selling expenses, excluding one-off costs (Group restructuring)</i>	<i>(7.9)</i>	<i>(7.4)</i>	<i>(8.4)</i>
Net profit/loss on sales	13.5	15.4	8.8
Change in the fair value of investment properties and gain/loss on disposal	(1.8)	20.9	1.4
Other revenues	1.7	5.6	7.9
Other costs	(4.1)	(1.8)	(1.6)
Operating profit/(loss)	9.3	40.1	16.5
Change in the fair value of investment properties and gain/loss on disposal	1.8	(20.9)	(1.4)
Amortization and depreciation	0.3	0.3	0.5
Change in the legal status of properties	0.0	(2.8)	(5.1)
EBITDA	11.4	16.7	10.5
Provision for guarantee repairs and damages in property development	1.5	0.0	0.4
One-off costs (Group restructuring)	0.0	0.6	0.1
Change in the provision for claims relating to previous years	0.5	(1.3)	(1.1)
Adjusted EBITDA	13.4	16.0	9.9

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

	3Q 2016	2Q 2016	3Q 2015
Profit/loss on lease			
Sales	39.6	40.4	32.5
Operating expenses	(18.5)	(18.7)	(17.2)
Gross profit /(loss) on sales	21.1	21.7	15.3
Administrative and selling expenses	(5.9)	(6.4)	(6.7)
<i>including one-off costs (Group restructuring)</i>	0.0	0.6	0.1
<i>Administrative and selling expenses, excluding one-off costs (Group restructuring)</i>	(5.9)	(5.8)	(6.6)
Net profit/loss on sales	15.2	15.3	8.6
Change in the fair value of investment properties and gain/loss on disposal	(1.8)	20.9	1.4
Other revenues	1.7	5.4	7.9
Other costs	(2.9)	(1.8)	(1.6)
Operating profit/ (loss)	12.2	39.8	16.3
Change in the fair value of investment properties and gain/loss on disposal	1.8	(20.9)	(1.4)
Amortization and depreciation	0.2	0.2	0.3
Change in the legal status of properties	0.0	(2.8)	(5.1)
EBITDA	14.2	16.3	10.1
One - off costs (Group restructuring)	0.0	0.6	0.1
Change in the provision for claims relating to previous years	0.5	(1.3)	(1.1)
Adjusted EBITDA	14.7	15.6	9.1

In the third quarter of 2016, the Group's revenue in the lease segment dropped by PLN 0.8 million (2.0%) compared with the same period, whereas the costs of property maintenance dropped by PLN 0.2 million (1.1%). In the same period, administrative and selling expenses dropped by PLN 0.5 million as a result of one-off expenses incurred in the previous quarter (PLN 0.6 million). As a result, net sales in the lease segment dropped by PLN 0.1 million q/q and PLN 6.6 million y/y. EBITDA

in the lease segment amounted to PLN 14.2 million and was PLN 2.1 million lower q/q and PLN 4.1 million lower y/y. Adjusted EBITDA amounted to PLN 14.7 million and was PLN 0.9 million higher q/q and PLN 5.6 million higher y/y. The increases compared with the third quarter of 2015 resulted mainly from acquiring Alchemia II a property generating lease income at the end of the first quarter 2016.

	3Q 2016	2Q 2016	3Q 2015
Profit/loss on property development			
Sales	1.3	5.3	7.6
Operating expenses	(1.4)	(4.2)	(6.2)
Gross profit /(loss) on sales	(0.1)	1.1	1.4
Administrative and selling expenses	(0.6)	(0.7)	(0.9)
Net profit/loss on sales	(0.7)	0.4	0.5
Other costs	(1.2)	0.0	0.0
Operating profit/ (loss)	(1.9)	0.4	0.5
EBITDA	(1.9)	0.4	0.5
Provision for guarantee repairs and damages in property development	1.5	0.0	0.4
Adjusted EBITDA	(0.4)	0.4	0.9

The gross profit from sales in the property development segment in the third quarter of 2016 amounted to PLN -0.1 and was PLN 1.2 million lower q/q and PLN 1.5 million lower y/y. Lower revenues are a result of lower sales of units due to the sales offer being nearly exhausted. In the third quarter of 2016, the Group's operating expenses comprised an increase in the provision for guarantee repairs and damages of PLN 0.4 million. EBITDA in the third quarter of 2016 amounted to PLN -1.9

million. It was PLN 2.3 million lower q/q and PLN 2.4 million lower y/y, mainly as a result of lower gross profit on sales and recoding an increase in the provision for guarantee repairs and damages of PLN 1.1 million in other costs.

In the third quarter of 2016, final sales contracts were concluded for 4 units (Q2 2016: 16 units, Q3 2015: 25 units).

As at 30 September 2016, the Group had seven completed units in its offer. Contracts had been signed for all these units.

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	3Q 2016	2Q 2016	3Q 2015
Profit/loss on other business activities			
Sales	2.1	2.3	2.1
Operating expenses	(1.7)	(1.7)	(1.5)
Gross profit /(loss) on sales	0.4	0.6	0.6
Net profit/loss on sales	0.4	0.6	0.6
Operating profit/ (loss)	0.4	0.6	0.6
Amortization and depreciation	0.1	0.1	0.2
EBITDA	0.5	0.7	0.8
Adjusted EBITDA	0.5	0.7	0.8

Other business activities comprise revenues and costs from hotel business and management services provided to jointly controlled entities.

	3Q 2016	2Q 2016	3Q 2015
Unallocated items of the consolidated statement of comprehensive income			
Administrative and selling expenses	(1.4)	(0.9)	(0.9)
Net profit/loss on sales	(1.4)	(0.9)	(0.9)
Other revenue	0.0	0.2	0.0
Operating profit/ (loss)	(1.4)	(0.7)	(0.9)
EBITDA	(1.4)	(0.7)	(0.9)
Adjusted EBITDA	(1.4)	(0.7)	(0.9)

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.

6.4. Analysis of the consolidated statement of cash flows

In the second quarter of 2016, the Group generated positive net cash flows from operating activities in the amount of PLN 72.6 million, resulting from the following events:

- ✓ generating positive adjusted EBITDA of PLN 13.4 million;
- ✓ receiving reimbursement of VAT on purchasing Alchemia II property and a property sale transaction between subsidiaries of PLN 64.1 million;
- ✓ settlement of advance payments relating to perpetual usufruct of land in the amount of PLN 2.7 million;
- ✓ payment of current income tax in the amount of PLN 3.8 million;
- ✓ payment of claims for benefits from leased properties in the amount of PLN 1.6 million;
- ✓ generating negative cash flows from property development of PLN 3.9 million, mainly as a result of an increase in inventories and receivables;
- ✓ a decrease in other working capital of PLN 1.7 million.

Negative net cash flows from investing activities recognized in the third quarter of 2016 of PLN 7.2 million comprised:

- ✓ expenditure incurred on investment properties and property, plant and equipment of PLN 6.2 million;
- ✓ reimbursement of advance payments received for the purchase of properties in connection with withdrawal from preliminary property sale contracts, partly offset by inflows from property sale of PLN 1.1 million;
- ✓ proceeds from interest on bank deposits in the amount of PLN 0.1 million.

In the third quarter of 2016, the Group generated negative cash flows from financing activities of PLN 73.3 million, resulting from

- ✓ repayment of liabilities in respect of a bank loan of PLN 56.3 million;
- ✓ payment of dividends to shareholders of PLN 19.6 million;
- ✓ proceeds from bank loans of PLN 2.6 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.

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	9 months ended	
	30 September 2016	30 September 2015
Net profit (loss) of the lease segment*	54.9	69.1
Adjustments	(20.0)	(14.8)
<i>Change in the fair value of investment properties and gain/loss on disposal</i>	(21.9)	6.8
<i>Change in the legal status of properties</i>	(2.8)	(25.1)
<i>Deferred tax associated with the above adjustments</i>	4.7	3.5
Net profit/(loss) of the lease segment according to EPRA	34.9	54.3
Adjustments	(8.2)	(33.8)
<i>One-off costs (Group restructuring)</i>	(0.7)	0.4
<i>Severance payments</i>	0.0	0.2
<i>Change in provisions for claims relating to previous years</i>	(2.1)	(3.5)
<i>Interest on free cash</i>	(0.5)	(1.0)
<i>Valuation of financial instruments</i>	5.3	0.0
<i>Refund of tax on civil law transactions</i>	0.0	(8.0)
<i>Interest on tax on civil law transactions paid</i>	0.0	(0.9)
<i>Default interest on overdue VAT</i>	0.0	6.0
<i>Current and deferred tax associated with the above adjustments</i>	(0.4)	0.7
<i>Fiscal effect of in-kind contribution to a subsidiary</i>	0.0	(27.7)
<i>Tax losses resulting from contribution of bonds within the Group</i>	(10.6)	0.0
<i>Excess of nominal value of shares subscribed over the tax value of contributions made</i>	0.8	0.0
Adjusted net profit/(loss) of the lease segment according to EPRA	26.7	20.5

* Profit/loss on operating activities of the lease segment in 9M 2016: PLN 65.9 mln, 9M 2015: PLN 48.7 PLN after taking into account profit/(loss) of the lease segment from financing activities 9M 2016: PLN -13.6 mln, 9M

2015: PLN -6.2 mln, income tax in 9M 2016: PLN 2.0 mln, 9M 2015: PLN 26,1 mln and share in profits of associated and jointly-controlled entities in 9M 2016: PLN 0.6 mln, 9M 2015: PLN 0.5 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

	2016*	2015
Investment properties as per the statement of financial position*	2 346.2	2 015.4
Land and commercial development projects in progress	(424.9)	(395.9)
Investment properties generating lease revenues	1 921.3	1 619.5
Lease earnings as per the statement of comprehensive income	79.3	60.1
Adjustments	(8.8)	(5.9)
<i>Earnings generated by land and commercial development projects in progress</i>	0.4	(0.2)
<i>Earnings generated by properties with unclear legal status</i>	0.4	(0.1)
<i>Earnings generated by properties classified as held for sale, properties sold, properties reclassified to inventories and PP&E</i>	(0.8)	(2.9)
<i>Rent free periods exclusion</i>	(12.6)	(5.5)
<i>Fit-out exclusion</i>	3.8	2.8
EPRA earnings from lease activities	70.5	54.2
Estimated transaction costs (1%)	19.2	16.2
EPRA NIY	3.6%	3.4%

* Income statement items annualized: profit for 9 months of 2016 and 3rd quarter of 2016

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 2016	31 December 2015
Net assets attributable to equity holders of the parent company	1 976.6	1 949.8
<i>Long-term deferred income tax provision</i>	21.9	20.4
EPRA NAV	1 998.5	1 970.2
Difference between the book value and the fair value of net assets	6.4	6.9
EPRA NNNAV	2 004.9	1 977.1

* 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

The Group conducts commercial development projects in order to obtain high class assets which will provide a stable source of

revenues in the long-term perspective. The Group also carries out development projects for sale in the residential sector.

Key development projects executed by the Group

1. Completed projects	2. Pending projects
Domaniewska Office HUB (Warsaw)	Wrocław Industrial Park (Wrocław)
As at the end of the third quarter of 2016, approx. 73% of the Domaniewska Office Hub building was leased. The building's commercialization is currently coming to completion and negotiations with potential tenants have reached an advanced stage.	As part of the Wrocław Industrial Park project (JV with SEGRO), a modern warehouse and logistics facility is being built on a part of the investment land located at Bierutowska street. Facilities with a planned usable area of approx. 40,000 m ² are under construction on a plot of 10.6 ha. To date, the first stage of approx. 19,500 m ² has been completed. For this stage, lease agreements for approx. 16,700 m ² have been signed. Infrastructure is being prepared for subsequent stages of the investment project.
3. Pending projects	4. Pending projects
Parzniew Logistics Center (Parzniew near Pruszków)	Yacht Park (I stage) Molo Rybackie (Gdynia)
The Group is carrying out a warehouse development project in cooperation with a JV partner – the American company Hillwood, which is a leader of the international market of logistics properties. The target GLA of the logistics park in Parzniew near Pruszków is approx. 95,000 m ² (to be built in a few stages). The construction permit covers GLA of approx. 56,000 m ² . Steps have been taken to continue obtaining permits for the construction of the next stages of the project. Moreover, talks with potential tenants are under way.	The Group is in the course of executing the first residential stage – Yacht Park in the Molo Rybackie area in Gdynia. The project consisting of erecting six residential buildings with approx. 9,500 m ² of residential usable area. Preparatory works have been carried out comprising knocking down the existing structures. In the first half of 2016, the Group applied for a permit to develop the first stage of Molo Rybackie. Work has been continued on the optimum development concept for the subsequent residential and office stage of the project and for the yacht marina adjacent to the Yacht Park project. The competition for the architectural and planning concept for the office complex and surrounding green areas is pending. The competition has been organized with the participation of the Association of Polish Architects.
5. Pending projects	6. Projects under preparation
Prymasa Tysiąclecia* (Warsaw)	Stawki 2 (Intraco City) (Warsaw)
As part of the project, it is planned to arrange friendly space with low density of development and access to a range of services. A well-arranged office space is also planned. In July 2015, a contract for design work was signed with the "ATELIER 7" studio. In accordance with the residential project concept, the Group plans to build 466 modern apartments with a usable area of 25,244 m ² , mostly facing two sides of the building, with balconies and gardens, and 1,962 m ² of service space. An application was filed for a construction permit for the first stage of the residential part of the project. Demolition work on the site has been completed. The process of selection of the General Contractor for the first stage of the residential part of the project is in progress. Sales of apartments are planned to be commenced in the first quarter of 2017. The project also assumes construction of an office building according to the preliminary concept for GLA of 14,900 m ² .	An A class office facility with GLA of approx. 10,000 m ² is planned to be built in place of the existing parking lot in front of the Intraco office building. At present, works aimed at updating the architectural concept and commencing the next stage are in progress. The project is planned to be commenced in the second quarter of 2018, and the lease is planned to commence in the second quarter of 2020.
7. Projects under preparation	8. Projects under preparation
Świętokrzyska 36 (PHN Tower) (Warsaw)	Hotel project al. Wilanowska (Warsaw)
In place of the present developed property at ul. Świętokrzyska 36, on land of an area of approx. 0.6 ha, the Group plans to build a modern high-rise A class office building with total GLA of approx. 40,000 m ² . Since a station of the Warsaw Underground is located nearby, a direct connection between the facility and the station can be designed. An application for the construction permit was filed in the third quarter of 2015 and final permission for demolition of the existing building was obtained. The Group plans to obtain a construction permit in the first quarter of 2017.	On a plot of approx. 1.29 ha at Al. Wilanowska 372 the Group plans to build two commercial facilities with combined GLA of approx. 23,000 m ² . The Group signed a franchising agreement with Global Hospitality Licensing ("Marriott International"). The hotel part of the project will combine two brands of the international Marriott International hotel brand – the designer concept MOXY and the apartment brand (RESIDENCE INN). At present, the architectural design of the facilities is under preparation and infrastructure is being built. Capex for the first stage of the project – the hotel part (13,000 m ²) amounts to approx. PLN 106.7 million. The project is planned to be commenced in the first quarter of 2018, and the hotel opening is expected in the first quarter of 2020.

<p>9. Projects under preparation</p> <p>Lewandów Retail Hub (Warsaw)</p> <p>The Group plans to build office and retail facilities with total GLA of approx. 25,000 m² on a part of the plots with a total area of approx. 25.4 ha. At the same time, the Group is negotiating the possible use of the remaining part of the property with retail chains.</p>	<p>10. Projects under preparation</p> <p>Lewandów (housing estate) (Warsaw)</p> <p>On the property "residential Lewandów" in the Białoleka district of Warsaw (with an area of approx. 39,600 m²) the Group plans to build a housing estate consisting of apartment buildings with a total usable area of approx. 29,550 m² (approx. 511 apartments) in three stages. Documentation has been prepared to the application for the first stage construction permit, comprising construction of 174 apartments with a total usable area of 9,716 m². Preparations for infrastructural projects that must be completed to enable the execution of construction projects on the property are pending. Commencement of sales is planned for the third quarter of 2017.</p>
<p>11. Projects under preparation</p> <p>Instalatorów 7C (Warsaw)</p> <p>The initial utility connection conditions were obtained. A contract for preparing design documentation was signed with the 22 Architekci studio. Planning permission was obtained for apartment buildings with a usable area of approx. 4,000 m².</p>	<p>12. Projects under preparation</p> <p>Warehouse project</p> <p>Works on the preparation of seven properties with warehouse potential and a total area of approx. 250 ha held in the Group's portfolio are under way.</p>
<p>13. Planned projects</p> <p>Retkinia Commercial Project (Łódź)</p> <p>In accordance with the Optimum Land Development Study, which was prepared for the whole plot, residential facilities with a total GLA of approx. 280,000 m² and commercial facilities with a total area of approx. 45,000 m² will be built. In the meantime, pre-development work is being carried out (including the installation of cabling for the overhead high voltage power line) in order to increase the project's efficiency through optimum utilization of the property area.</p>	<p>14. Planned projects</p> <p>Bartycka Commercial Project (Warsaw)</p> <p>On the property with an area of 7.6 ha, the Group plans to build a residential and commercial complex with an estimated area of approx. 60,000 m². The Optimum Land Development Study has been prepared for the property. At the same time, talks with potential tenants concerning the commercialization of the retail part of the Bartycka project are under way.</p>

9. Information on related entities

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

In the 9 months of 2016 and in 2015, the Group did not conclude any material transactions with related entities on a non-arm's length basis.

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

In the nine months of 2016 and in 2015, 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 2016 and 31 December 2015, no loans were granted by Group companies to the Management Board and Supervisory Board members or their relatives.

In the nine months of 2016, 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, courts of arbitration or administrative authorities

As at 30 September 2016 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. Significant risk factors affecting current and future financial results

In the course of its business activities, the Polski Holding Nieruchomości Group conducts ongoing risk monitoring and assessment and takes actions aimed at mitigating the effect of risk on the Group's financial position. The main risks to which the Polski Holding Nieruchomości Group is exposed as part of its business activities include:

- ✓ market risk: foreign exchange risk and interest rate risk;

- ✓ liquidity risk and credit risk.

These and other risks, including in particular industry-related risks to which the Group is exposed are discussed in detail in the Consolidated financial statements for 2015 (Note 5) and in the Directors' Report of the Group for 2015 (Note 9).

12. Other information

12.1. Dividends

By resolution no. 7 of 22 June 2016, the Annual General Shareholders' Meeting of Polski Holding Nieruchomości S.A. earmarked the amount of PLN 19,623,553.74 million for payment of dividend to the shareholders (i.e. PLN 0.42 per share). 46,722,747 shares of the Company participated in the

dividend. In the said resolution, the Annual General Shareholders' Meeting of the Company set the dividend record date on 17 August 2016 and the dividend payment date on 31 August 2016.

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

Shareholding structure of PHN S.A. as at 14 November 2016 and 31 August 2016

14 November 2016				
	Number of shares	% share in capital	Number of votes	% share at GSM
State Treasury	32,655,617 ¹⁾	69.89%	32,655,617 ¹⁾	69.89%
AVIVA OFE AVIVA BZ WBK	4,647,000 ¹⁾	9.95%	4,647,000 ¹⁾	9.95%
Nationale-Nederlanden OFE	2,800,000 ¹⁾	5.99%	2,800,000 ¹⁾	5.99%
Other	6,620,130	14.17%	6,620,130	14.17%
TOTAL	46,722,747	100.00%	46,722,747	100.00%

¹⁾ According to the data from the Annual General Meeting convened for 22 June 2016

31 August 2016				
	Number of shares	% share in capital	Number of votes	% share at GSM
State Treasury	32,655,617 ¹⁾	69.89%	32,655,617 ¹⁾	69.89%
AVIVA OFE AVIVA BZ WBK	4,647,000 ¹⁾	9.95%	4,647,000 ¹⁾	9.95%
Nationale-Nederlanden OFE	2,800,000 ¹⁾	5.99%	2,800,000 ¹⁾	5.99%
Other	6,620,130	14.17%	6,620,130	14.17%
TOTAL	46,722,747	100.00%	46,722,747	100.00%

¹⁾ According to the data from the Annual General Meeting convened for 22 June 2016

In the presented period, the structure of the shareholders holding directly or indirectly through subsidiaries 5% of the

general number of votes at the General Meeting of Polski Holding Nieruchomości S.A. did not change.

12.3. 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 8 November 2016. In the period from 23 August 2016 to 8 November 2016, 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.

12.4. Information on credit and other guarantees granted by the Company or its 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 repayment of the liabilities resulting from the loan agreement signed in connection with the purchase of the property at Al. Grunwaldzka 409 in Gdańsk (Alchemia II) and in order to ensure proper performance of the said agreement, the

Group entities established security for the bank ING Bank Śląski S.A., which is described in note 33 to the interim condensed consolidated financial statements for the nine months ended 30 September 2016.

12.5. 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.

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

FOR THE 9-MONTH AND 3-MONTH PERIOD ENDED 30 SEPTEMBER 2016



**POLSKI HOLDING
NIERUCHOMOŚCI S.A.**

C. Quarterly financial information

Interim condensed separate statement of financial position as at 30 September 2016

	30 September 2016	31 December 2015
ASSETS		
Non-current assets		
Property, plant and equipment	0.8	1.0
Intangible assets	0.1	0.1
Deferred tax assets	0.4	0.6
Shares in subsidiaries	1,702.9	1,661.2
Other non-current financial assets	228.3	242.3
Total non-current assets	1,932.5	1,905.2
Current assets		
Trade receivables and other assets	5.7	7.8
Cash and cash equivalents	2.1	3.6
Total current assets	7.8	11.4
Total assets	1,940.3	1,916.6
Current liabilities		
Trade and other payables	(6.2)	(6.3)
Current debt	(0.1)	(0.5)
Current provisions	(0.5)	(0.5)
Total current liabilities	(6.8)	(7.3)
Non-current liabilities		
Non-current debt	(0.1)	(0.1)
Deferred tax liabilities	(2.3)	(1.2)
Non-current provisions	(0.3)	(0.3)
Total non-current liabilities	(2.7)	(1.6)
Total liabilities	(9.5)	(8.9)
Net assets	1,930.8	1,907.7
Equity		
Share capital	46.7	46.7
Share premium	1,751.9	1,751.9
Other supplementary capital	89.5	60.6
Retained earnings	42.2	48.5
Other reserves	0.5	0.0
Total equity	1,930.8	1,907.7

**Interim condensed separate statement of comprehensive income
for the 9-month and 3-month periods ended 30 September 2016**

	9 months ended		3 months ended	
	30 September 2016	30 September 2015	30 September 2016	30 September 2015
Income from core operating activities	21.8	19.3	7.3	7.1
Cost of core operating activities	(20.9)	(17.3)	(7.4)	(7.1)
Change in the value of shares in subsidiaries	36.7	57.1	5.2	33.0
Redemption of shares in subsidiaries	0.0	1.5	0.0	1.5
Net profit / (loss) from core operating activities	37.6	60.6	5.1	34.5
Lease revenue	0.0	0.2	0.0	0.1
Cost of property maintenance	0.0	0.0	0.0	0.0
Lease result	0.0	0.2	0.0	0.1
Administrative and selling expenses	(3.4)	(3.3)	(1.4)	(0.9)
Other revenues	0.2	0.0	(0.0)	0.0
Other costs	(0.0)	(0.1)	(0.0)	0.0
Operating profit/ (loss)	34.4	57.4	3.7	33.7
Finance income	9.1	8.5	3.1	2.3
Finance costs	(0.0)	(0.3)	(0.0)	0.0
Net profit on financing activities	9.1	8.2	3.1	2.3
Profit before tax	43.5	65.6	6.8	36.0
Corporate income tax	(1.3)	(1.0)	(0.3)	(0.1)
Net profit	42.2	64.6	6.5	35.9
Other comprehensive income				
Total comprehensive income	42.2	64.6	6.5	35.9
basic and diluted net earnings (loss) per share	PLN 0.90	PLN 1.39	PLN 0.14	PLN 0.77

**Interim condensed statement of changes in separate equity
for the 9-month period ended 30 September 2016**

	Share capital	Share premium	Other supplementary capital	Retained earnings	Other reserves	Total
As at 1 January 2016	46.7	1,751.9	60.6	48.5		1,907.7
Net profit for the period				42.2		42.2
Total comprehensive income for the period				42.2		42.2
Payment of dividend				(19.6)		(19.6)
Share issue					0.5	0.5
Transfers between equity items			28.9	(28.9)		0.0
As at 30 September 2016	46.7	1,751.9	89.5	42.2	0.5	1,930.8
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 items			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

**Interim condensed separate statement of cash flows
for the 9-month and 3-month periods ended 30 September 2016**

	9 months ended		3 months ended	
	30 September 2016	30 September 2015	30 September 2016	30 September 2015
Cash flows from operating activities				
Profit before tax	43.5	65.6	6.8	36.0
Adjustments to cash flows from operating activities	(43.7)	(66.0)	(5.0)	(37.1)
Amortization and depreciation	0.2	0.2	0.0	0.1
Change in the value of shares in subsidiaries	(36.7)	(57.1)	(5.2)	(33.0)
Redemption of shares in subsidiaries	0.0	(1.5)	0.0	(1.5)
Net foreign exchange gains/ (losses)	0.0	0.0	0.0	0.2
Interest income from investing activities	(9.1)	(8.3)	(3.1)	(2.3)
Financing costs	0.0	0.3	0.0	0.0
Change in working capital	1.9	0.4	3.3	(0.6)
Net cash flows from operating activities	(0.2)	(0.4)	1.8	(1.1)
Cash flows from investing activities				
Total inflows	58.2	260.9	19.6	64.0
Sale of property, plant and equipment and intangible assets	0.1	0.0	0.0	0.0
Redemption of shares in subsidiaries	0.2	127.4	0.0	0.0
Financial instruments	57.9	133.5	19.6	64.0
Total outflows	(39.7)	(77.1)	(0.5)	(58.2)
Purchase of property, plant and equipment and intangible assets	(0.4)	(0.4)	0.0	0.0
Financial instruments	(29.6)	0.0	0.0	0.0
Loans	(5.2)	(4.0)	(0.5)	0.0
Purchase of shares in subsidiaries	(4.5)	(72.7)	(0.0)	(58.2)
Net cash from investing activities	18.5	183.8	19.1	5.8
Cash flows from financing activities				
Total inflows	0.0	0.0	0.0	0.0
Total outflows	(19.8)	(180.3)	(19.6)	(60.8)
Loans	0.0	(119.4)	0.0	0.0
Repayment of finance lease liabilities	(0.2)	(0.2)	0.0	(0.1)
Dividends	(19.6)	(60.7)	(19.6)	(60.7)
Net cash flows from financing activities	(19.8)	(180.3)	(19.6)	(60.8)
Total net cash flows	(1.5)	3.1	1.3	(56.1)
Change in cash and cash equivalents in the balance sheet including:	(1.5)	3.1	1.3	(56.3)
Foreign exchange gains / (losses)	0.0	0.0	0.0	(0.2)
Cash and cash equivalents at the beginning of the period	3.6	0.2	0.8	59.6
Cash and cash equivalents at the end of the period	2.1	3.3	2.1	3.3

D. 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 represents that, to the best of its knowledge, these interim condensed consolidated financial statement and comparative data have been prepared in accordance with the accounting policies applicable to the Group and the Company and that they give a true, fair and clear view of the Group's financial position and results of operations.

This quarterly report was approved by the Management Board of the Parent Company on 14 November 2016.

Piotr Staroń
Member of the Management Board in
charge of Finance

Zbigniew Kulewicz
Vice-President of the Management Board in
charge of Property Asset Management

Maciej Jankiewicz
President of the Management
Board

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