

Prestiżowe adresy na komercyjnej mapie Warszawy



Consolidated financial results for 2014



**POLSKI HOLDING
NIERUCHOMOŚCI S.A.**

Presentation
Warsaw, March 17, 2015

1) PHN GROUP IN 2014

1. PHN GROUP IN NUMBERS AS AT DECEMBER 31, 2014
2. KEY FINANCIAL ACHIEVEMENTS IN 2014
3. KEY EVENTS
4. OPTIMUM CAPITAL ALLOCATION – CAPITAL RECYCLING

2) PHN GROUP FINANCIAL RESULTS

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Presentation of consolidated financial results for Q4 2014:

1) PHN GROUP IN 2014



POLSKI HOLDING
NIERUCHOMOŚCI S.A.

PHN GROUP IN NUMBERS AS AT DECEMBER 31, 2014

► RENTAL REVENUE [PLN million]:

120.8

▼ - 7.9 %

31.12.2013: **131.2**

In 2014, the Group reported rental revenue of PLN 120.8 million compared to PLN 131.2 million in 2013.

► GROUP ASSETS [PLN million]:

2,283.4

▼ - 7.1 %

31.12.2013: **2,457.8**

As at December 31, 2014, the Group's assets amounted to PLN 2,283.4 million. Investment property is the main item (amounting to 84%) under assets.

► NET RESULT FOR THE GROUP [PLN million]:

107.8

▲ + 0.75 %

31.12.2013: **107.0**

In 2014, the Group earned a net profit of PLN 107.8 million compared to PLN 107.0 million in 2013.

► GROSS LEASABLE AREA [sq.m.]:

300,967

▼ - 5.4 %

31.12.2013: **317,599**

The Group has a total of 300 thousand sq.m. of gross leasable area (office space, retail, logistics, and housing areas, as well as other areas).

► PROPERTY PORTFOLIO [quantity]:

140

▼ - 4.8%

31.12.2013: **148**

As at December 31, 2014, the Group's property portfolio included a total of 140 properties.

► EMPLOYMENT:

122

▼ - 35.4%

31.12.2013: **189**

As a result of restructuring, the Group reduced its headcount to 122 employees as at December 31, 2014.

KEY FINANCIAL ACHIEVEMENTS IN 2014

► FINANCIAL RESULTS – KEY EVENTS

- In 2014, the Group focused on **improving the structure of its property portfolio and boosting its profitability**, at the same time laying emphasis on **new, high quality development projects**.
- In 2014, **the Group posted a positive financial result** of PLN 107.8 million over PLN 107.0 million in 2013. **The standalone financial result also improved** and amounted to PLN 120.8 million over PLN 99.0 million attained in 2013.
- **EBITDA improved considerably, rising by PLN 29.9 million** to PLN 43.0 million YoY.
- Between December 31, 2011 and December 31, 2014, employment was optimized, **bringing headcount down by 622 to 122 employees** as a result of a redundancy program and outsourcing of accounting, HR and payroll, and technical maintenance and administration of properties.
- **Efficiency improvement was possible thanks to optimizing employment levels and operational restructuring of the Group**, including centralization of management and outsourcing.

► FINANCIAL RESULTS – SUMMARY [PLN million]

GROSS PROFIT FROM SALES

81.7	▼	66.4
2013		2014

NET PROFIT ON SALES

35.5	▼	27.9
2013		2014

EBITDA

13.1	▲	43.1
2013		2014

EBITDA AFTER ADJUSTMENT

35.0	▼	25.5
2013		2014

NET RESULT FOR THE GROUP

107.0	▲	107.8
2013		2014

NET RESULT FOR PHN S.A.

99.0	▲	120.8
2013		2014

KEY EVENTS

► KEY EVENTS IN 2014

- Due to the continued Group restructuring process, Warszawski Holding Nieruchomości S.A. and Budexpo Sp. z o.o. transferred selected properties as in-kind contribution to a limited joint-stock partnership. The partnership sold some of the properties to a special purpose vehicle, which led to increasing their tax value, and as a result, **the conditions to release provisions for deferred income tax (PLN 97.2 million) were fulfilled.**
- The General Meeting of Shareholders appropriated a total of PLN 99.85 million for a dividend for Shareholders for 2013, i.e. **PLN 2.16 per share.** The dividend record date was set to May 7, 2014, and the dividend was paid on May 21, 2014.
- In September 2014, a revised PHN strategy was adopted, whereby **an increase in net assets value by nearly 75% is expected by 2023, with more than a half being potentially payable as dividend.** The Group restructuring process is expected to be completed by the end of 2015. **Investment portfolio restructuring will be completed by 2023.**
- In July 2014, 1,882,097 C-series shares were admitted to public trading in relation to employee shares exchange. As a result, **46,482,044 shares entered the stock exchange.** From the total pool of 4,353,000, there are still 1,254,959 shares to be introduced to the stock exchange.

► KEY EVENTS AFTER THE BALANCE SHEET DATE

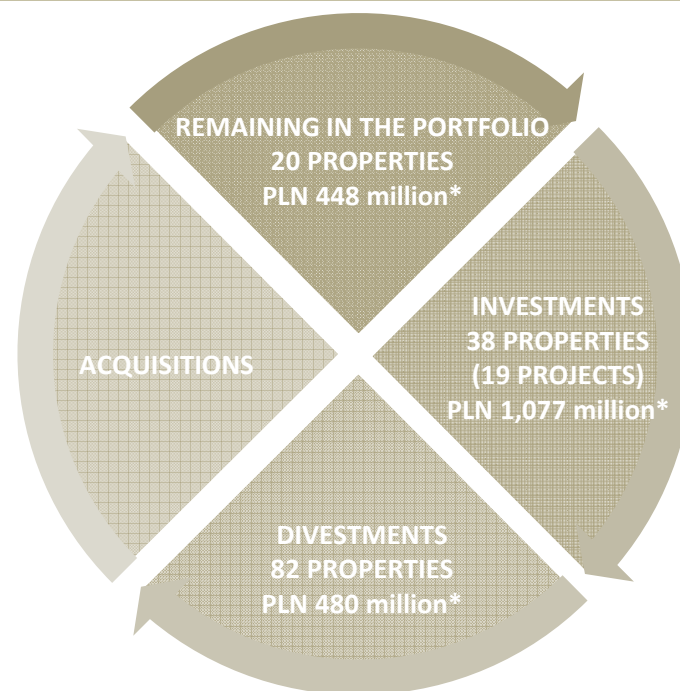
- In January 2015, the Company **signed a letter of intent on the purchase of a state-of-the-art A-class office building** with an area of approx. 15,000 sq.m., in prime location in one of the major regional cities in Poland.
- In January 2015, **a JV agreement was concluded with Parzniew Partners B.V.** (a company owned by leaders in the international commercial logistics property market: Menard Doswell & Co. and Hillwood Europe), which **sets forth detailed terms and conditions of cooperation, and the partners' roles in implementing the joint venture, consisting in constructing Parzniew Logistic Hub – a state-of-the-art warehouse park.**
- In Q1 2015, **two agreements were concluded for the final sale of properties** – one located in Gdańsk at ul. Stągiewna and one located in Katowice. Moreover, in Q1 2015, **a preliminary contract was concluded for the sale of the property** located in Warsaw at ul. Łowicka 44.
- In February 2015, **the Supervisory Board appointed Mr. Mateusz Majewski for the position of Vice-President of the Management Board – Member of the Management Board for Managing Property Assets**, who had served as Member of the Management Board since April 29, 2011, and on October 20, 2014 was delegated by the Supervisory Board for temporarily acting as Vice-President of the Management Board – Member of the Management Board for Managing Property Assets.

OPTIMUM CAPITAL ALLOCATION – CAPITAL RECYCLING

ALL THE GROUP'S PROPERTIES ARE PART OF THE OPTIMAL CAPITAL ALLOCATION PLAN AND HAVE BEEN CLASSIFIED IN LINE WITH THE INTENDED PURPOSE

► ACQUISITION ACTIVITIES

- The Group **started the process of acquiring modern office spaces generating rental revenue.**
- **Commercial properties situated in Warsaw** and major regional cities are being analyzed.



► INVESTMENT ACTIVITIES

- PHN investment program **assumes development of land and replacement of the present structures with new investment projects.**
- Investment activities are divided into:
 - **Commercial projects** (12 projects of the Group at various stages of development)
 - **Residential projects** (the Group increases its presence in the residential property market)
 - **Redevelopment projects** (started works on selected projects in the Warsaw city center)

► DIVESTMENT ACTIVITIES

- The divestment program **covers 82 properties with the total value of ca. PLN 480 million** which have poor profitability or are unrelated to the Group's ultimate business profile.
- 2014 saw a total of **seven final contracts** with fair value of PLN 50.6 million and **three preliminary contracts** with fair value of PLN 12 million.
 - **Final contracts:** Warsaw, ul. Iwicka 1/3; Warsaw, ul. Okrzei 18; Warsaw, ul. Rakowiecka 19; Warsaw, ul. Willowa 5; Zakopane, ul. Broniewskiego 11; Łagów; Parzniew III
 - **Preliminary contracts:** Gdańsk, ul. Stągiewna; Otwock, ul. Żurawia 13; Katowice (one plot)

1

COMPLETED PROJECTS:

► RAKOWIECKA CITY

- GLA: 1,700 sq.m.
- Started: Q1 2012
- Completed: Q1 2014
- Capex: PLN 12 million

► FOKSAL CITY

- GLA: 3,340 sq.m.
- Started: Q3 2012
- Completed: Q2 2014
- Capex: PLN 30 million

PROJECTS IN PROGRESS:

► WROCŁAW INDUSTRIAL PARK

- GLA: 40,000 sq.m. under construction
- Started: Q3 12 (I) / Q1 14 (II)
- Completed: Q4 2013 / Q4 2015
- Capex: JV partner bears the costs

► DOMANIEWSKA OFFICE HUB:

- GLA: 27,100 sq.m.
- Started: Q1 2014
- Completed: Q3 2015
- Capex: PLN 177 million

► RETKINIA

- GLA: 1,181 sq.m.
- Started: Q4 2014
- Completed: Q2 2015
- Capex: PLN 3.7 million

2

PROJECTS UNDER PREPARATION:

► PHN TOWER (CITY TOWER)

- GLA: 44,000 sq.m.
- Started: 2017
- Completed: 2019
- Capex: PLN 550 million

► PORT RYBACKI

- GLA: 71,000 sq.m./usable area: 122,000 sq.m.
- Started: 2015 (phase I)
- Completed: 2017 (phase I)
- Total Capex: PLN 1,250 million

► PARZNIEW LOGISTIC HUB

- GLA: 80,000 sq.m. (5 phases)
- Started: Q2 2015 (phase I)
- Completed: Q2 2016 (phase I)
- Total Capex: PLN 120 million

► LEWANDÓW RETAIL HUB

- Total GLA: 60,000 sq.m.
- Started: Q4 2014 (phase I)
- Completed: Q4 2015 (phase I)
- Total Capex: PLN 268 million

3

PLANNED PROJECTS:

► INTRACO CITY

- Total GLA: 38,000 sq.m.
- Started: Q4 14 (I) / Q2 16 (II)
- Completed: Q4 2016 / Q1 2019
- Total Capex: PLN 270 million

► WILANOWSKA OFFICE HUB

- GLA: 28,000 sq.m. / 30,000 sq.m.
- Started: 2015 / 2016
- Completed: 2017 / 2019
- Capex: ca. PLN 200 million

► BARTYCKA RETAIL HUB

- Total GLA: 69,000 sq.m.
- Started: 2015 (I) / 2016 (II)
- Completed: 2017 / 2018
- Total Capex: PLN 543 million

► WILANÓW

- Usable area: ca. 30,000 sq.m.
- Started: 2015
- Completed: 2019
- Capex: no data

► PRYMASA TYSIĄCLECIA

- Usable area: 25,100 sq.m. / GLA: 10,700 sq.m.
- Started: 2015
- Completed: 2020
- Capex: PLN 181 million

COMPLETED AND IN-DELIVERY COMMERCIAL PROJECTS

- In 2014, redevelopment and retrofitting was completed for the building located at ul. Rakowiecka 19 – **RAKOWIECKA CITY**. In Q3 2014, the Group signed **the property sale contract with the Embassy of the Republic of Turkey**.
- In March 2014, use permit was obtained for the **FOKSAL CITY** building. The contract with the tenant is scheduled for Q2 2015, and in consequence **the building will receive the BREEAM certificate with a “Very Good” rating**.
- The Group **continues construction of the office building located at ul. Domaniewska 37C – DOMANIEWSKA OFFICE HUB**. The work on the facade and finishing is in progress, and the interior layout for the key tenant has begun. The project is funded with a bank loan. It is scheduled to be completed in Q3 2015, and the commercialization of the building has entered the final phase.
- In the **Wrocław Industrial Park (JV z SEGRO) project, phase II covering the area of 19,000 sq.m. is in progress**. Negotiations with new potential tenants are being held.
- In September 2014, a subsidiary signed a **BTS (built-to-suit) contract with the owner of one of Poland’s largest retail networks for the construction and lease of a retail building located in the Retkinia district of Łódź**. The contract term is 10 years starting from the building commissioning date, with the option to renew it. Construction began in late 2014, and is expected to be completed in Q2 2015.



RETKINIA
RETAIL
HUB

COMMERCIAL PROJECTS UNDER PREPARATION

- In 2014, the Group continued its preparations to deliver a construction project in Warsaw, at the **Świętokrzyska 36 property**. The objective is to develop a state-of-the-art, Class A office and service building under a joint venture contract with Hochtief Development Poland Sp. z o.o.
- In Q3 2014, **Dalmor S.A. completed negotiations with mLocum S.A.** (formerly BRE.locum S.A.). As a result, a JV agreement was signed in October 2014 to **specify the terms and conditions of cooperation and the roles of each partner in the delivery of residential housing investment for the Molo Rybackie project**. The design works are now in progress.
- In January 2015, the Group **signed the JV contract for construction of a modern warehouse complex in Parzniew** with Parzniew Partners B.V. owned by **leaders in the international logistics property market: Menard Doswell & Co. and Hillwood Europe**.
- The **LEWANDÓW RETAIL HUB** project will comprise construction on some parts of land with the total area of ca. 25 ha of **commercial and service buildings with the total area of ca. 60,000 sq.m.** It will be divided into several projects.



LEWANDÓW
RETAIL
HUB

PLANNED COMMERCIAL PROJECTS

- In October 2014, a contract was signed with an architectural firm, JEMS ARCHITEKCI, for **Intraco City**. The design works include the development of a comprehensive, multi-discipline conceptual design, construction design, tender design, and working plans and specifications.
- On the property situated in Warsaw, al. Wilanowska 372, **two 6-storey A-class office buildings, WILANOWSKA OFFICE HUB**, with the total of ca. 27,000 sq.m. of gross leasable area, are scheduled to be built. **An alternative solution**, which requires changing the local area development plan, **consists in constructing a commercial and retail building** with GLA of ca. 30,000 sq.m.
- In 2014, a **land carrying capacity analysis was conducted for the property at ul. Bartycka 26 in Warsaw**. The analysis helped determine the optimum investment capabilities at the BARTYCKA RETAIL HUB investment site and the possibilities to use the land for various structures featuring a wide range of functions.
- Moreover, in 2015, **the Group wants to begin new residential projects:**
 - **Prymasa Tysiąclecia** assumes the implementation of an attractive residential project together with an office building.
 - **Wilanów** may be implemented in two alternative variants: replacing the existing buildings with new ones or supplementing them with new ones, with the possibility of demolishing the existing buildings.





Presentation of consolidated financial results for Q4 2014:

2) PHN GROUP FINANCIAL RESULTS

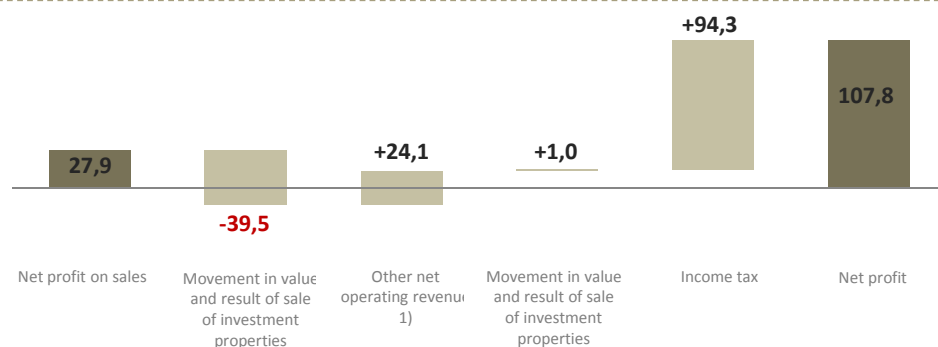


POLSKI HOLDING
NIERUCHOMOŚCI S.A.

CONSOLIDATED FINANCIAL STATEMENTS FOR 2014

► STATEMENT OF COMPREHENSIVE INCOME

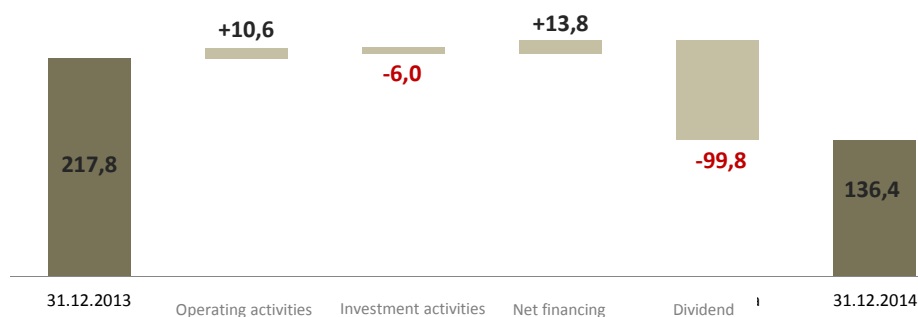
[PLN million]



1) chiefly change in provisions for claims: PLN 24.6 million, change in legal status of properties: PLN 5.9 million, write-offs for receivables: PLN -6.5 million

► CASH FLOW STATEMENT

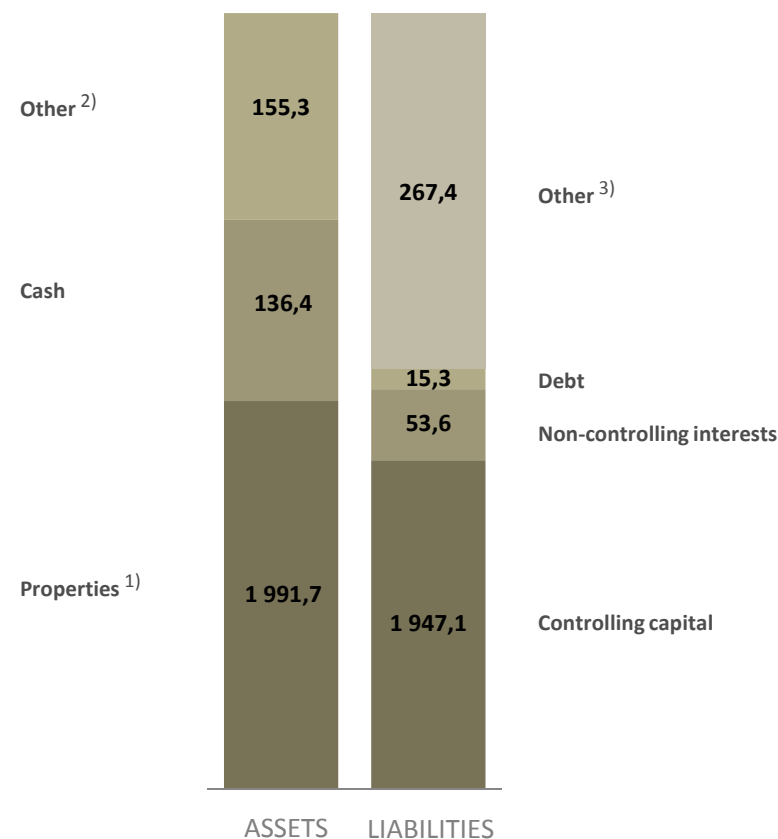
[PLN million]



1) of which sale of investment properties: PLN 42.8 million, expenses on investment properties: PLN -52.8 million

► STATEMENT OF FINANCIAL POSITION

[PLN million]



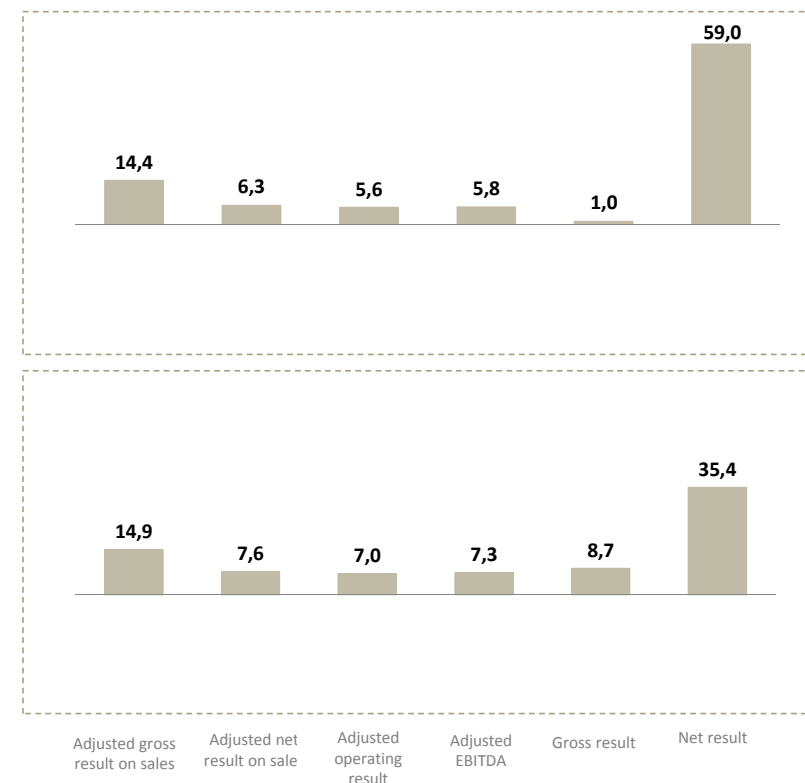
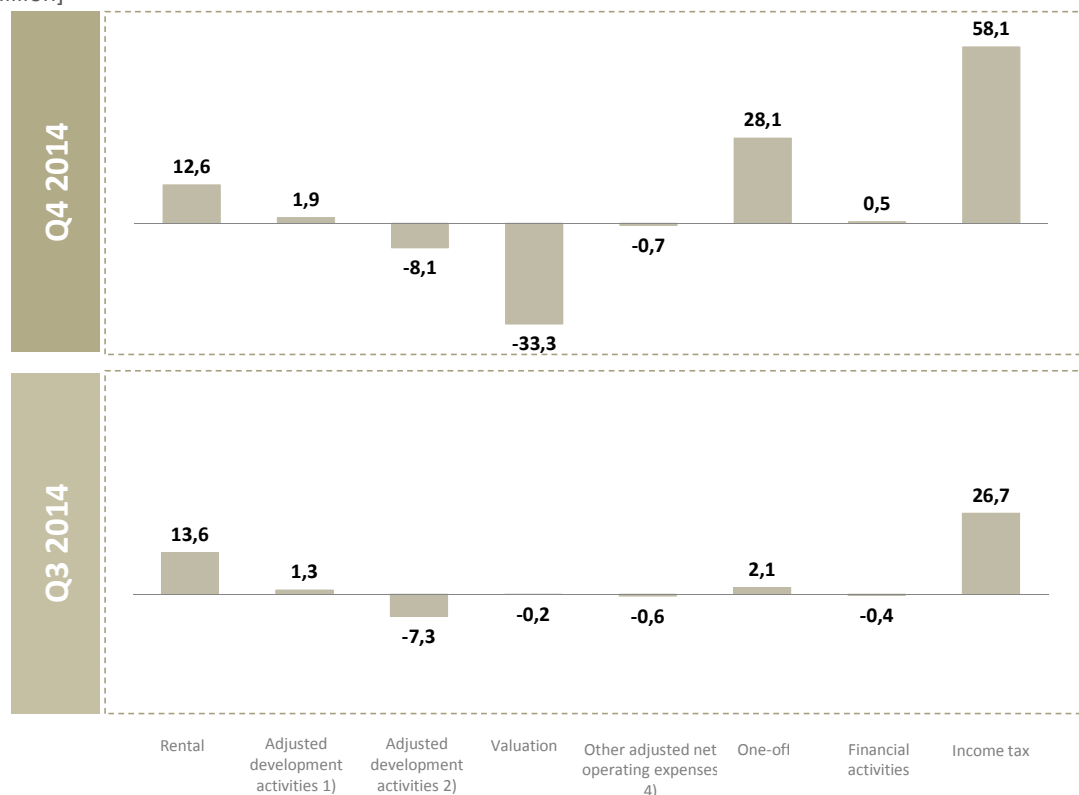
1) investment properties: PLN 1,924.1 million, development (inventories): PLN 35.8 million, in tangible fixed assets: PLN 19.8 million, for sale: PLN 12.0 million

2) of which trade receivables and other assets: PLN 119.1 million, mainly VAT on property sale in the Group: PLN 99.0 million, joint venture (JV) investments: PLN 18.6 million, deferred income tax: PLN 12.5 million

3) provisions: PLN 71.8 million, liabilities: PLN 140.4 million, mainly VAT on property sale in the Group: PLN 86.8 million, deferred income tax: PLN 55.2 million

SELECTED ITEMS OF THE PROFIT AND LOSS STATEMENT IN Q4 2014

[PLN million]



- Lower result on rental is mainly due to higher property maintenance costs related to winter season, partly offset by higher rental revenue despite increased competition in the property market.
- Higher result on development operations is due to a greater number of final contracts signed (Q4: 29 vs. Q3: 18). Lower current sales of apartments (Q4: 18 vs. Q3: 25).
- Higher administration and sales expenses mainly due to the costs of adapting office space for own needs and increased costs of maintaining unsold apartments in inventories.
- Payroll costs relatively unchanged (Q4: PLN 4.4 million vs. Q3: PLN 4.2 million) mainly as a result of consistent optimization of headcount levels (Dec. 31: 122 people vs. Sept. 30: 130 people); additionally, the summer holiday period positively affected salary levels in Q3 (vacation provisions were released).

1) adjusted by the revaluation of land in inventory (Q4: PLN 0 million vs. Q3: PLN -1.3 million) and result on sale (Q4: PLN -0.3 million vs. Q3: PLN -2.7 million)

2) adjusted by group privatization and restructuring costs (Q4: PLN 4.1 million vs. Q3: PLN 0.9 million)

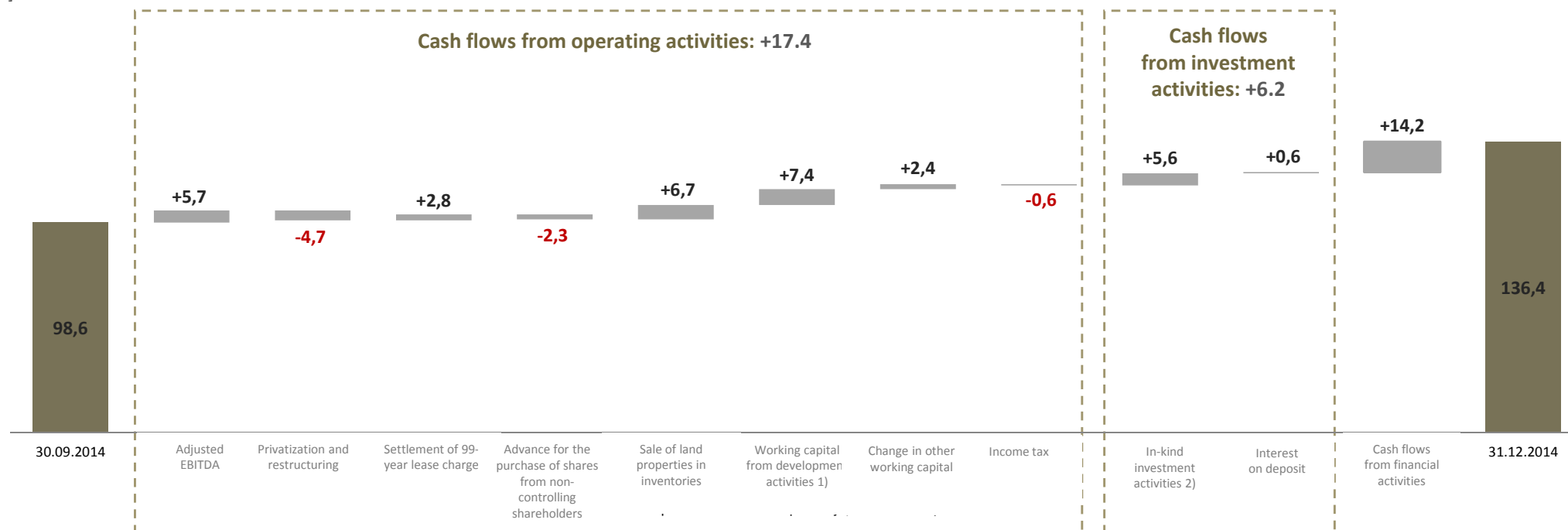
3) movement in fair value of investment properties (Q4: PLN -33.3 million vs. Q3: PLN -0.5 million) and result on sale (Q4: PLN 0 million vs. Q3: PLN 0.3 million)

4) adjusted by change in legal status of properties (Q4: PLN -5.9 million vs. Q3: PLN 0 million), severance payment costs related to redundancies (Q4: PLN 0 million vs. Q3: PLN 0.2 million) and change in the provision for claims from previous years (Q4: PLN -26.0 million vs. Q3: PLN 0.8 million)

5) adjustments mentioned in items 1-4

CASH FLOWS IN Q4 2014

PLN million]



1) increase/decrease in payables, receivables, and inventory on development operations

2) net expenses, sale of investment properties and tangible fixed assets and intangible assets

Increase in cash by PLN 37.8 million (38%).

Favorable effect of

- ▶ operating results measured by EBITDA after adjustment (PLN 5.7 million), including on abandoned activities (PLN -0.1 million),
- ▶ fourth quarter settlement of 99-year lease of land payments made in advance (PLN 2.8 million),
- ▶ sale of undeveloped land properties classified as inventory (PLN 6.7 million),
- ▶ decrease in working capital on development operations (PLN 7.4 million),
- ▶ sale of investment properties (PLN 22.8 million) and tangible fixed assets (PLN 0.4

million), partly offset by expenses on investment properties (PLN -17.6 million),

- ▶ net loans taken (PLN 14.3 million), partly offset by expenses related to car fleet leasing (PLN -0.1 million).

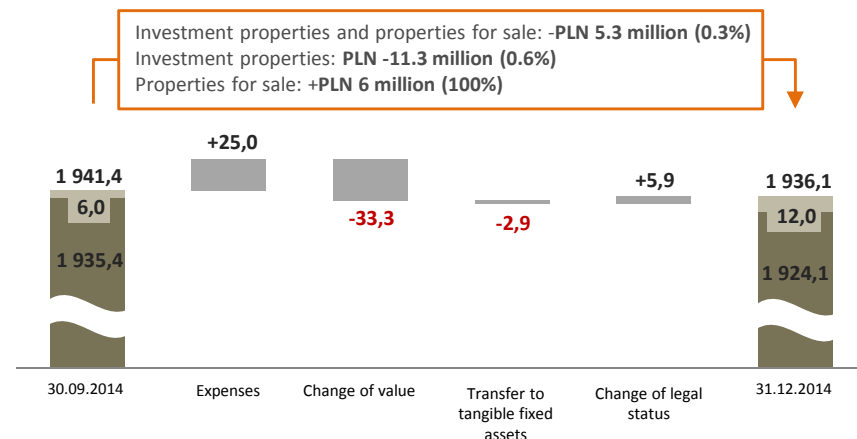
Negative effect

- ▶ payment of the group restructuring costs, mainly tax on civil law transactions (PLN -4.1 million), disbursement of severance payments for redundant employees (PLN -0.6 million),
- ▶ payment of advances for the purchase of shares from non-controlling shareholders (PLN -2.3 million).

INVESTMENT PROPERTY, PROPERTY HELD FOR SALE, AND INVENTORY

► INVESTMENT PROPERTY AND PROPERTY HELD FOR SALE (IFRS 5)

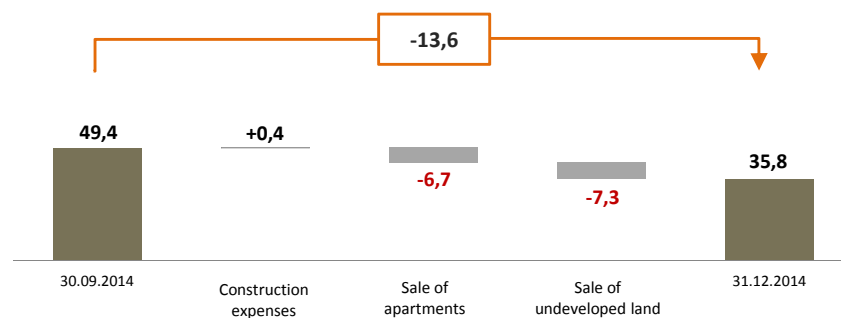
[PLN million]



- PLN 22.6 million in expenses related to commercial development projects (Domaniewska, Foksal, Rakowiecka), and PLN 2.4 million in expenses related to the preparation of commercial development projects and retrofitting of property.
- Transfer to fixed assets due to the use of space for own needs (PLN -2.9 million).
- Reclassification due to the change in legal status (PLN 5.9 million) - net effect.
- Transfer to assets classified as held for sale due to acquiring property buyers (PLN 6.0 million).

► DEVELOPMENT INVENTORIES

[PLN million]

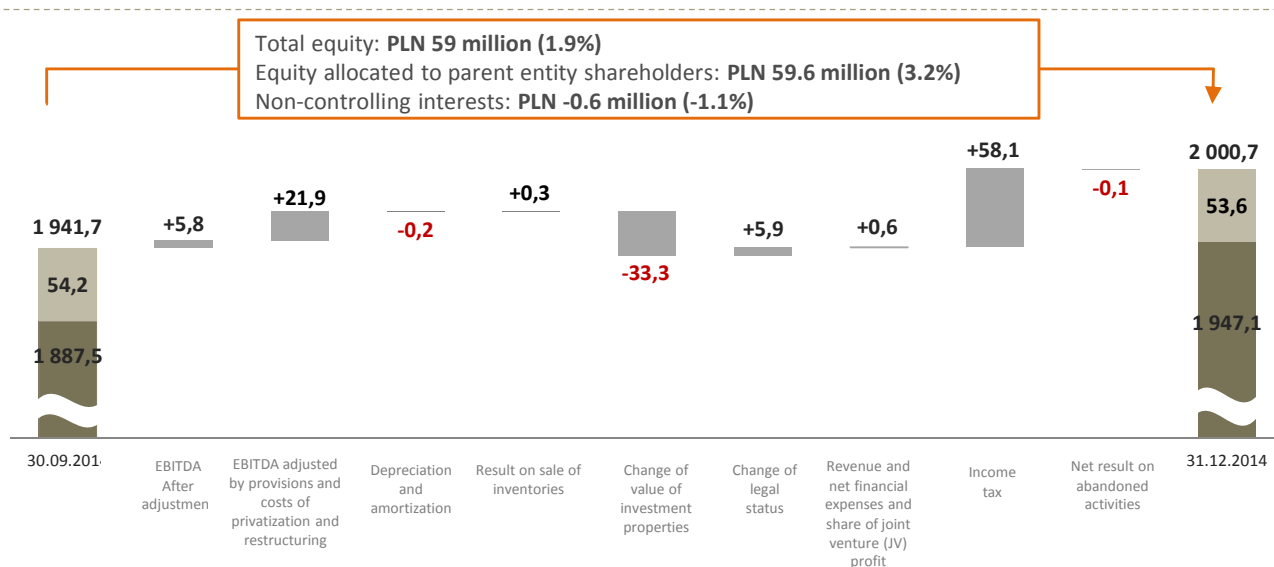


- PLN 0.4 million in expenses related to the finishing of the final stage of Parzniew II project (construction of 100 apartments).
- Sale of apartments, recognized due to the conclusion of final contracts for apartment title transfer (Q4 2014: 29 apartments vs. Q3 2014: 28).
- Sale of undeveloped land properties.
- As at December 31, 2014, there were 129 apartments built in inventory; 23 of these had developer sales contracts in place.

EQUITY

► EQUITY

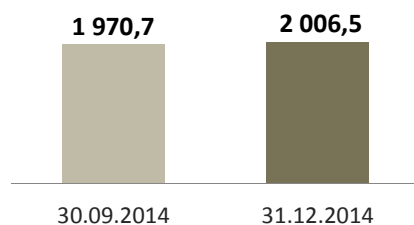
[PLN million]



- Increase in equity allocated to parent entity shareholders as a result of net profit earned (PLN 57.5 million) and issue of PHN shares to cover interest and shares taken up in subsidiaries (PLN 2.1 million).
- Decrease in non-controlling interest as a result of sale of subsidiary interests and shares to PHN (PLN -2.1 million), offset by net profit earned allocated to non-controlling shareholders (PLN 1.5 million).

► EPRA NNAV

[PLN million]

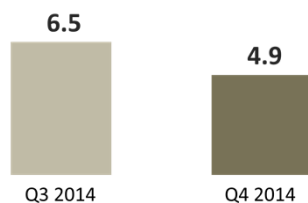


	31.12.2014	30.09.2014
Net assets allocated to parent entity shareholders	1 947,1	1 887,5
Long-term provision for deferred income tax, allocated to controlling shareholders of the parent entity	48,7	70,2
EPRA NAV	1 995,8	1 957,7
Difference between book value and fair value of net assets	10,7	13,0
EPRA NNAV	2 006,5	1 970,7

EPRA PERFORMANCE MEASURES

► Adjusted net result of the lease segment according to EPRA

[m PLN]

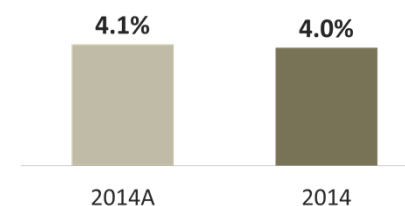


	Q4 2014	Q3 2014
Net result of the lease segment*	59.4	33.9
Adjustments	22.2	0.2
Change in the fair value of investment property and result on disposal	33.3	0.2
Change in the legal status of properties	-5.9	-
Deferred tax associated with the above adjustments	-5.2	-
Net result of the lease segment according to EPRA	81.6	34.1
Adjustments	-76.7	-27.6
One-off costs (Group privatization and restructuring)	4.1	0.6
Severance payments	-	0.2
Change in provisions for claims relating to previous years	-26.0	0.8
Interest on free cash	-0.6	-0.4
Current and deferred tax associated with the above adjustments	-4.3	-0.2
Fiscal effect of in-kind contribution to a subsidiary	-58.5	-28.6
Adjusted net result of the lease segment according to EPRA	4.9	6.5

* Profit/loss on operating activities of the lease segment: Q4: 0.5 m PLN, Q3: 6.0 m PLN, after earnings of the lease segment from financing activities: Q4: 1.6 m PLN, Q3: 0.7 m PLN, income tax: Q4: 57.2 m PLN, Q3: 27.0 m PLN and share in profits of associated and jointly controlled entities 4Q: 0.1 m PLN, 3Q: 0.2 m PLN

► EPRA NIY **

[m PLN]



	2014	2014 (Q3)**
Investment properties as per the statement of financial position	1 924.1	1 935.4
Land and commercial development projects in progress	-514.9	-542.7
Investment properties generating lease revenues	1 409.2	1 392.7
Lease earnings as per the statement of comprehensive income	55.5	57.2
Adjustments	3.0	2.2
Earnings generated by land and commercial development projects in progress	0.1	0.1
Earnings generated by properties with unclear legal status	-0.3	-0.9
Earnings generated by properties classified as held for sale and sold properties	0.5	0.3
Fit out	2.7	2.7
EPRA earnings from lease activities	58.5	59.4
Estimated transaction costs (3%)	42.3	41.8
EPRA NIY	4.0%	4.1%

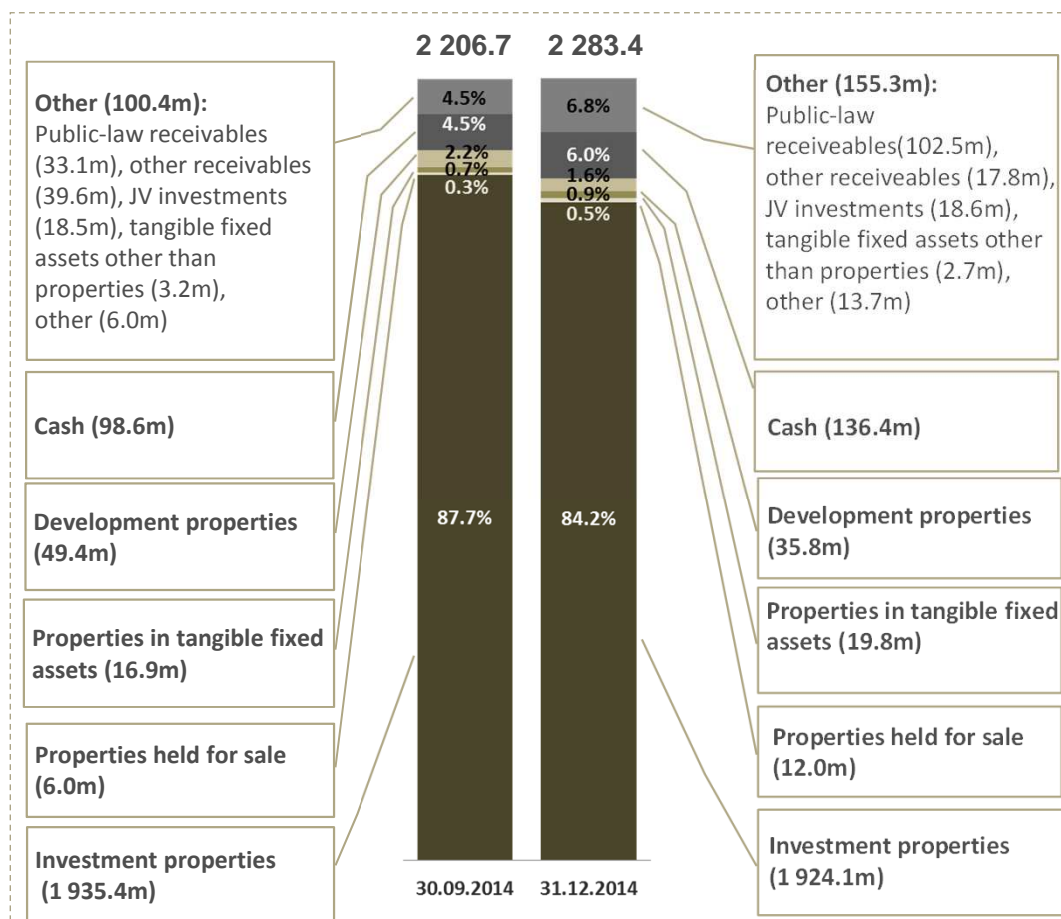
**EPRA Net Initial Yield – calculated as the ratio of lease revenues less non-recoverable operating costs of properties as at the balance sheet date (in annual terms) to the market value of property

*** annualised 2014 (4Q: average of 3 quarters).

ASSETS AND LIABILITIES

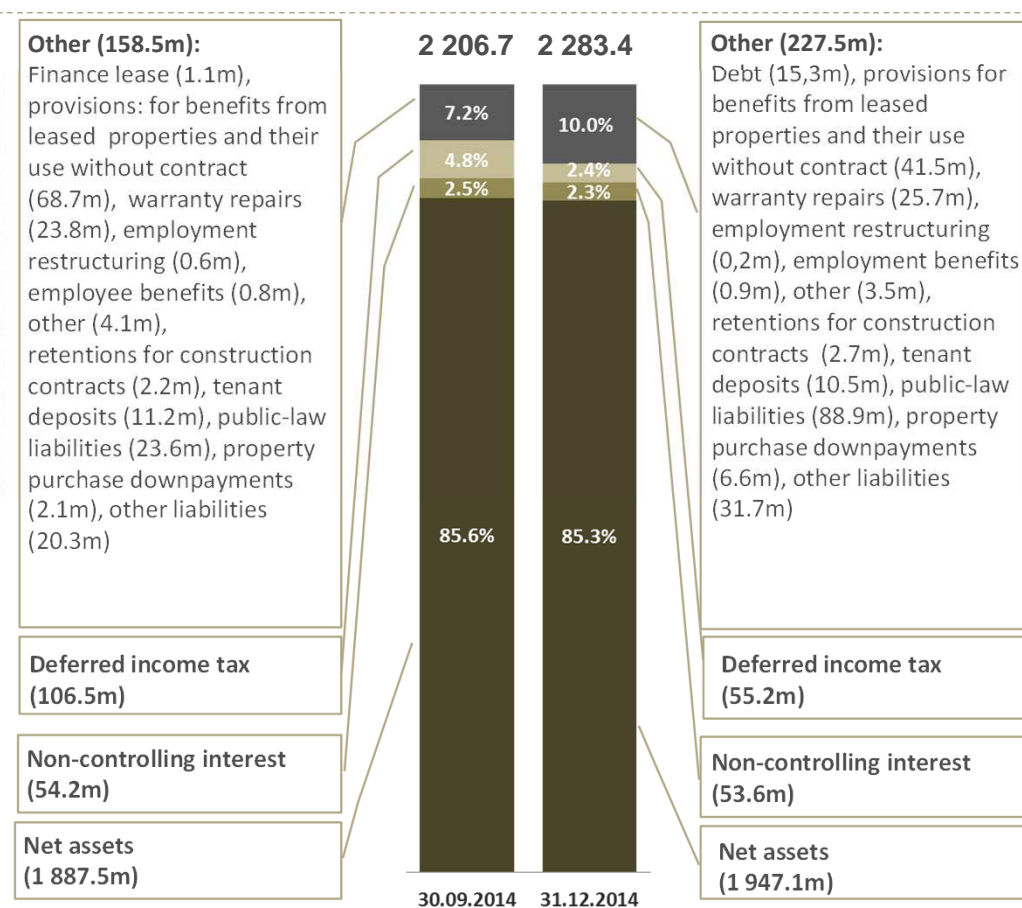
[m PLN]

▶ ASSETS



- Balance sheet total increase by 76.7 m (3.5%), primarily as a result of receivables and VAT liabilities on intra-Group property sale
- Decrease of the fair value of properties by 16 m (0.8%)

▶ LIABILITIES



- Net assets increase by 59.6 m (3.2%) and non-controlling interests decrease by 0.6 m (1.1%) as a result of net profit and ownership changes
- Deferred income tax decrease by 51.3 m (48.1%) primarily as result of increased tax value of properties (58.5 m)



Presentation of consolidated financial results for Q4 2014:

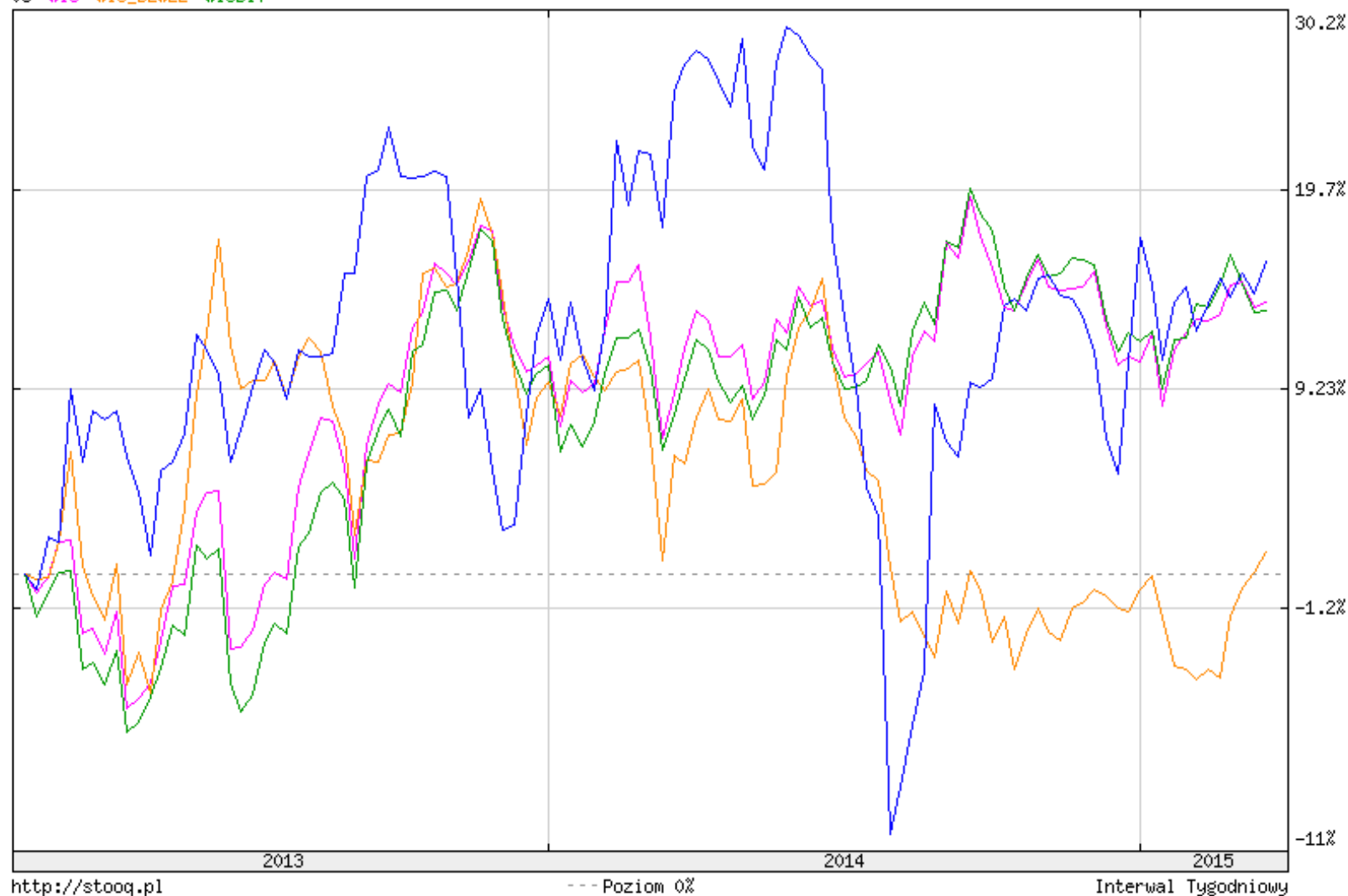
3) ADDITIONAL INFORMATION

PHN S.A. QUOTATIONS CHART

PHN - Lata 2013-2015
vs WIG WIG_DEWEL WIGDIV

17 Mar 2015 9:15 CET

(C)Stooq



- Polski Holding Nieruchomości S.A.
- WIG index
- WIG-DEVELOPERZY index
- WIG DIV index



**POLSKI HOLDING
NIERUCHOMOŚCI S.A.**

Thank you!

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Presentation of consolidated financial results for Q4 2014:

4) SUPPLEMENTARY INFORMATION



POLSKI HOLDING
NIERUCHOMOŚCI S.A.



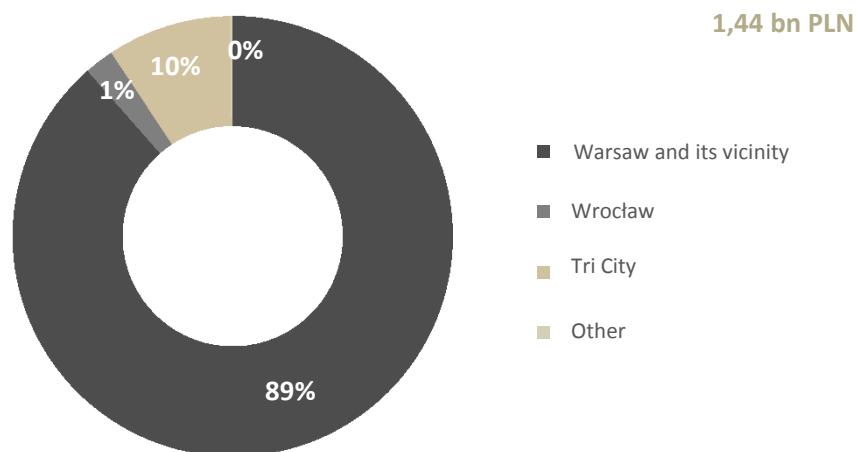
POLSKI HOLDING
NIERUCHOMOŚCI S.A.



PROPERTY PORTFOLIO STRUCTURE AS OF DECEMBER 31, 2014

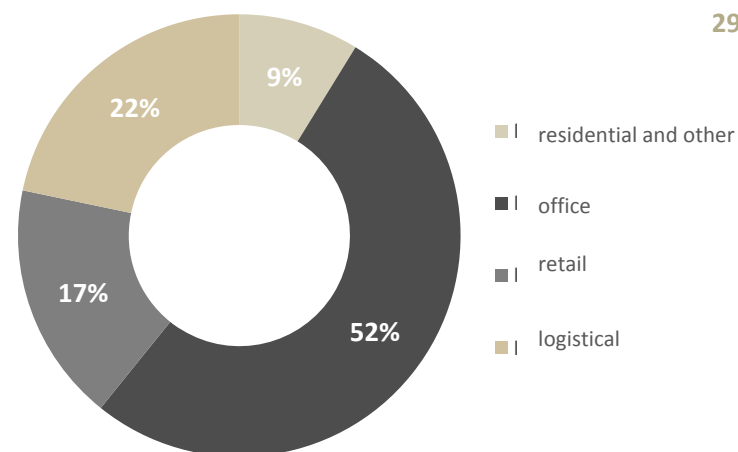
► GEOGRAPHICAL STRUCTURE OF PROPERTY PORTFOLIO ¹

[% of market value ²]



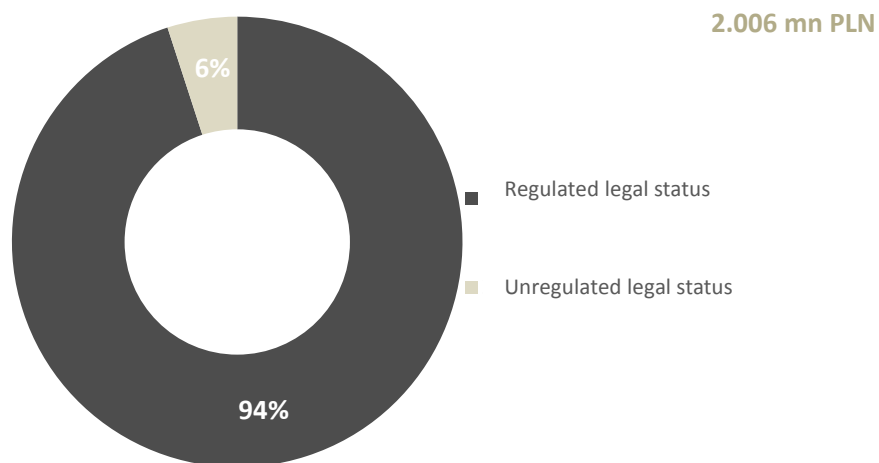
► PROPERTY PORTFOLIO STRUCTURE BY GLA ¹

[% of whole ²]

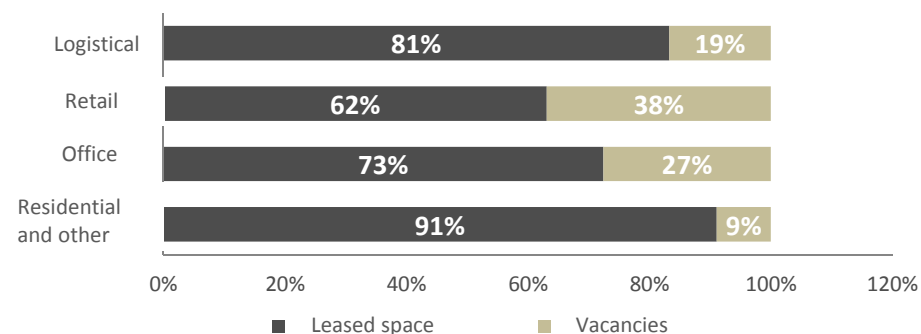


► PROPERTY PORTFOLIO STRUCTURE BY MARKET VALUE

[% of whole ²]



► VACANCIES ^{1, 2}

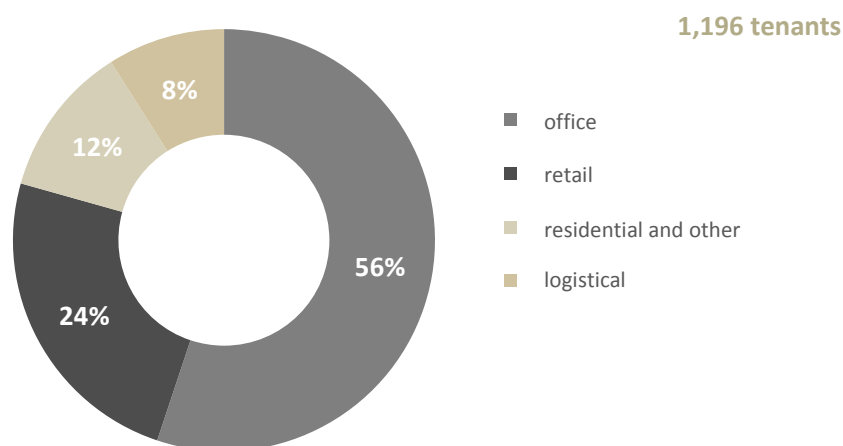


Gross leasable area of the properties that the Group plans to retain in its portfolio exceeded 70 thousand m², and the vacancy ratio amounted to 25.3%. If the commercialization of the property at Krywulka 2 (formerly Foksal 10a) is completed, the vacancy ratio will amount to 20.3%.

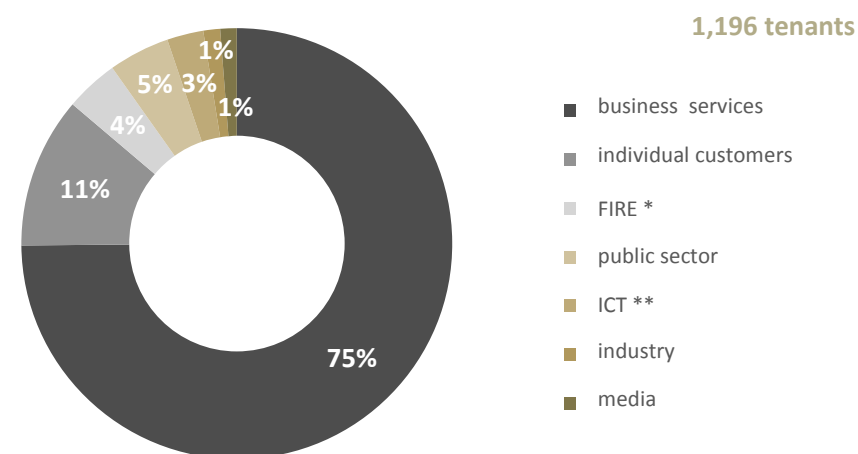
¹ Rent generating properties ² Does not include 22 properties with unregulated legal status

PHN GROUP'S TENANTS STRUCTURE AS AT DECEMBER 31, 2014

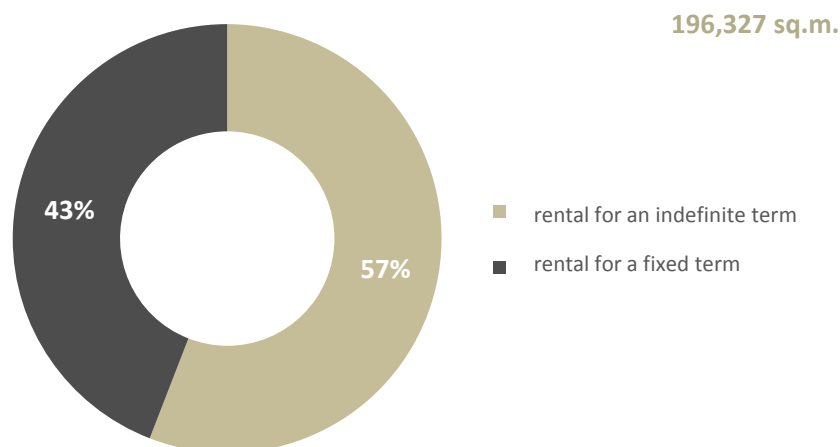
► TENANTS STRUCTURE BY TYPE OF LEASED AREA¹ [% of total tenants]



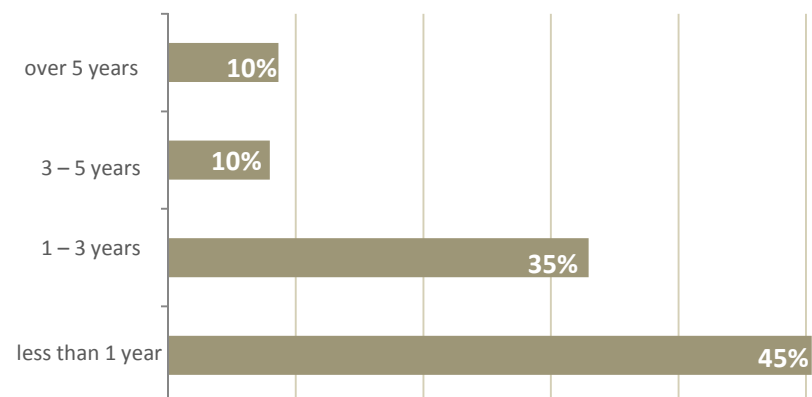
► TENANTS STRUCTURE BY INDUSTRY¹ [% of total tenants]



► TENANTS STRUCTURE BY CONTRACT TERM¹ [% of GLA]



► TENANTS STRUCTURE BY LEASE TERM¹ [% of fixed term contracts]



¹ The item does not include 22 properties of uncertain legal status

* FIRE: financial services, insurance, properties

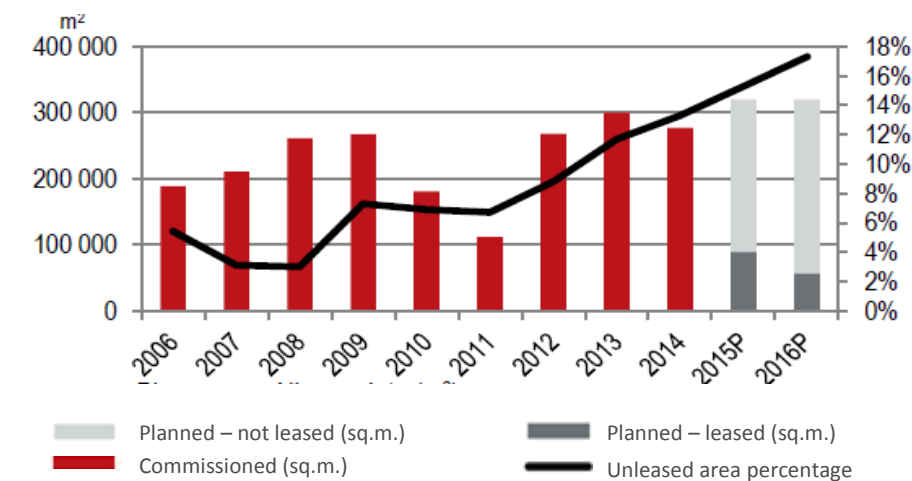
** ICT: information technology and communications

MARKET TRENDS FOR PRIMARY SEGMENTS OF OPERATION

► OFFICE SPACE

- In 2014, Warsaw's office resources grew by 277,000 sq.m. to nearly 4.4 million sq.m.
- The public sector generated 13% of the total demand for offices in Warsaw in 2014. This means that it becomes one of significant players in the modern office space rental market.
- The building activity of construction companies remains at a record level. Currently, ca. 760,000 sq.m. of modern office space is under construction, with only 19% secured by pre-let agreements.

Office space already commissioned / planned; unleased area percentage

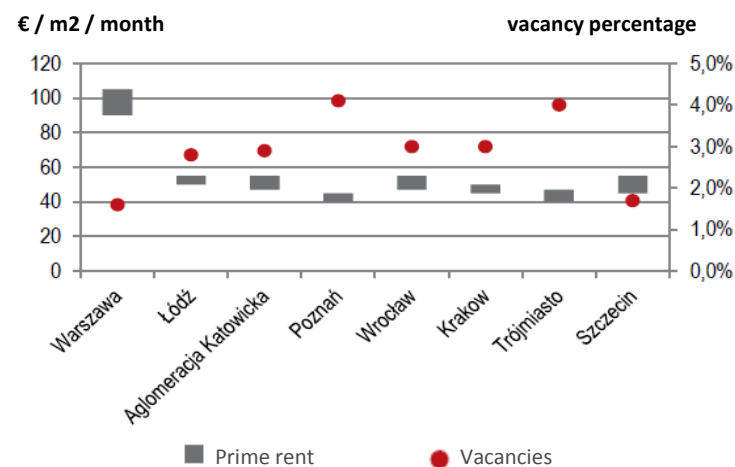


Source: JLL, WRF, Q4 2014

► RETAIL SPACE

- Currently, the total supply of modern retail space in Poland amounts to 12.4 million sq.m., with shopping malls as the dominating format – with total leasable area of 8.82 million sq.m. (71% of total supply).
- 2014 was closed with ca. 332,000 sq.m. of new space at shopping malls, which means a decline compared to 2013, when ca. 466,000 sq.m. were commissioned.
- In 2014, the total value of investment transactions in the retail commercial property sector amounted to EUR 570 million.

Prime rents vs. vacancy percentage in Q4 2014



Source: JLL, Q4 2014

MARKET TRENDS FOR PRIMARY SEGMENTS OF OPERATION

► LOGISTICS SPACE

- Over 2 million sq.m. of leased space, despite a lack of spectacular new investments, **made 2014 a year of record-breaking demand.**
- In 2014, **the activity of construction companies**, which commissioned over 1.02 million sq.m., remained at a high level, bringing the third best result in the history of the Polish market.
- The commissioned space was well accepted by the market** thanks to record demand. As at the end of 2014, 834,000 sq.m. of logistics space remained unleased, which translated into a **vacancy rate of 9.8%** and a decrease by 1.6 p.p. YoY.

Vacancy percentage in 2005–2014

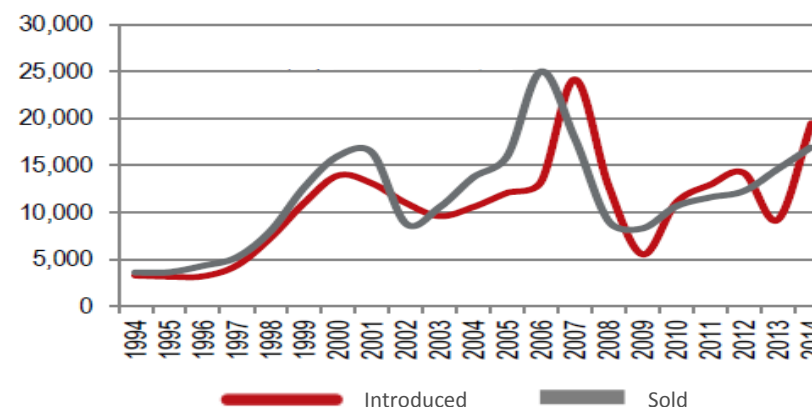


Source: JLL, magazyny.pl, 4Q 2014

► RESIDENTIAL SPACE

- Q4 2014 **was again a period of very high number of apartments sold on the primary residential market in Warsaw** (in Q4 2014, construction companies sold ca. 4.7 thousand apartments in Warsaw, i.e. 18% more than in the previous year).
- High sales level of apartments in Q4 2014 was connected with several simultaneous factors:
 - more favorable price limit** under the MDM program
 - buyers and banks mobilization**
 - continuing **activity of “cash” buyers**
 - purchases made for investment purposes**

Apartments sold vs. apartments introduced to market in 1994–2014*



Source: JLL/REAS, 4Q 2014

* – Forecast for 2014

CONTINUING OPERATIONS

[m PLN]	Q4 2014	Q3 2014
Sales	46.3	41.7
Operating costs	(31.6)	(22.8)
Gross profit/(loss) on sales	14.7	18.9
<i>Impairment of inventories (land) and gain/(loss) on disposal of inventories</i>	<i>(0.3)</i>	<i>(4.0)</i>
Adjusted gross result from sales	14.4	14.9
Administrative expenses and costs of sales	(12.2)	(8.2)
<i>One-off costs (Group privatization and restructuring)</i>	<i>4.1</i>	<i>0.9</i>
Adjusted administrative expenses and costs of sales	(8.1)	(7.3)
Net profit/(loss) on sales	2.5	10.7
Adjusted net profit/(loss) on sales	6.3	7.6
Change in the fair value of investment property and gain/(loss) on disposal	(33.3)	(0.2)
Other revenues	40.9	1.0
Other costs	(9.7)	(2.6)
Operating profit/(loss)	0.4	8.9
<i>Change in the fair value of investment property and gain/(loss) on disposal</i>	<i>33.3</i>	<i>0.2</i>
<i>Costs of severance payments</i>	<i>0.0</i>	<i>0.2</i>
<i>Change in the legal status of properties</i>	<i>(5.9)</i>	<i>0.0</i>
<i>Change in provision for claims relating to previous years</i>	<i>(26.0)</i>	<i>0.8</i>
Adjusted operating profit/(loss)	5.6	7.0
<i>Change in the fair value of investment property and gain/(loss) on disposal</i>	<i>33.3</i>	<i>0.2</i>
<i>Impairment of inventories (land) and gain/(loss) on disposal of inventories</i>	<i>(0.3)</i>	<i>(4.0)</i>
<i>Change in the legal status of properties</i>	<i>(5.9)</i>	<i>0.0</i>
Depreciation and amortization	0.2	0.3
EBITDA	27.7	5.4
<i>One-off costs (Group privatization and restructuring)</i>	<i>4.1</i>	<i>0.9</i>
<i>Costs of severance payments</i>	<i>0.0</i>	<i>0.2</i>
<i>Change in provision for claims relating to previous years</i>	<i>(26.0)</i>	<i>0.8</i>
Adjusted EBITDA	5.8	7.3

- adjustments

RESULT ON LEASE

[m PLN]	Q4 2014	Q3 2014
Sales	30.1	29.6
Operating costs	(17.5)	(16.0)
Gross profit/(loss) on sales	12.6	13.6
Administrative expenses and costs of sales	(10.0)	(5.7)
<i>One-off costs (group privatization and restructuring)</i>	4.1	0.6
Adjusted administrative expenses and costs of sales	(5.9)	(5.1)
Net profit/(loss) on sales	2.6	7.9
Adjusted net profit/(loss) on sales	6.7	8.5
Change in the fair value of investment property and gain/loss on disposal	(33.3)	(0.2)
Other revenues	40.9	0.9
Other costs	(9.7)	(2.6)
Operating profit/(loss)	0.5	6.0
<i>Change in the fair value of investment property and gain/loss on disposal</i>	33.3	0.2
<i>Costs of severance payments</i>	-	0.2
<i>Change in the legal status of properties</i>	(5.9)	0.8
<i>Change in provision for claims relating to previous years</i>	(26.0)	-
Adjusted operating profit/(loss)	6.0	7.8
<i>Change in the fair value of investment property and gain/loss on disposal</i>	33.3	0.2
<i>Change in the legal status of properties</i>	(5.9)	-
Depreciation and amortization	0.1	0.2
EBITDA	28.0	6.4
<i>One-off costs (Group privatization and restructuring)</i>	4.1	0.6
<i>Costs of severance payments</i>	-	0.2
<i>Change in provision for claims relating to previous years</i>	(26.0)	0.8
Adjusted EBITDA	6.1	8.0

- adjustments

RESULT ON DEVELOPER BUSINESS

[m PLN]	Q4 2014	Q3 2014
Sales	16.2	11.9
Operating costs	(14.0)	(6.6)
Gross profit/(loss) on sales	2.2	5.3
<i>Impairment of inventories (land) and gain/(loss) on disposal of inventories</i>	<i>(0.3)</i>	<i>(4.0)</i>
Adjusted gross profit/(loss) on sales	1.9	1.3
Administrative expenses and costs of sales	(0.8)	(0.9)
Net profit/(loss) on sales	1.4	4.4
Adjusted net profit/(loss)	1.1	0.4
Other revenues	-	0.1
Other costs	-	-
Operating profit/(loss)	1.4	4.5
Adjusted operating profit/(loss)	1.1	0.5
<i>Impairment of inventories (land) and gain/(loss) on disposal of inventories</i>	<i>(0.3)</i>	<i>(4.0)</i>
EBITDA	1.1	0.6
Adjusted EBITDA	1.1	0.6

- adjustments

OTHER BUSINESS ACTIVITIES AND UNALLOCATED ITEMS– Q4 2014

► RESULT ON OTHER BUSINESS ACTIVITIES

[m PLN]	Q4 2014	Q3 2014
Sales	0.0	0.2
Operating costs	(0.1)	(0.2)
Gross profit/(loss) on sales	(0.1)	0.0
Net profit/(loss) on sales	(0.1)	0.0
Operating profit/(loss)	(0.1)	0.0
EBITDA	(0.1)	0.0
Adjusted EBITDA	(0.1)	0.0

► UNALLOCATED ITEMS OF THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

[m PLN]	Q4 2014	Q3 2014
Administrative expenses and costs of sales	(1.4)	(1.6)
<i>One-off costs (Group privatization and restructuring)</i>	-	0.3
Adjusted administrative expenses and costs of sales	(1.4)	(1.3)
Net profit/(loss) on sales	(1.4)	(1.6)
Adjusted profit/(loss) on sales	(1.4)	(1.3)
Operating profit/(loss)	(1.4)	(1.6)
Adjusted operating profit/(loss)	(1.4)	(1.3)
Depreciation and amortization	0.1	-
EBITDA	(1.3)	(1.6)
<i>One-off costs (Group privatization and restructuring)</i>	-	0.3
Adjusted EBITDA	(1.3)	(1.3)

- adjustments