

Prestigious locations on the commercial map of Warsaw



Consolidated financial results for the first quarter of 2013



**POLSKI HOLDING
NIERUCHOMOŚCI S.A.**

**Presentation
16 May 2013**

The participants of today's meeting:



Wojciech Papierak

CEO

President of the Management
Board



Włodzimierz Stasiak

CFO

Member of the Management
Board on Financial Affairs



- **Main achievements in the first quarter of 2013**

- **Market overview**

- **Financial results**

- **Additional information**



PHN Group – statistical data as at 31 March 2013

16

PHN S.A. constitutes a holding company with 16 entities

150

The real estate portfolio in the Group's assets embraces 150 properties

76 %

A significant number of properties of the Group accounting for about 76% of the estimated market value of its portfolio is located in Warsaw and its immediate vicinity

305.605 m²

The Group has at its disposal a total area of 305.605 m² of the gross leasable area (GLA) (office, retail, logistics, residential and others)

1.186 ha

The Group takes pride in 1.186 ha land bank

297

Following the restructuring the level of employment in the Group was reduced to 297 workers from 744 at the end of 2011

34,4 m PLN

In the first quarter of 2013 the Group generated steady revenues derived from lease amounting to 34,4 m PLN as compared to 34,7 m PLN in the first quarter of 2012. In the first quarter of 2013, consolidated revenues of the Group amounted to the total of 50,7 m PLN

2.288,9 m PLN

As at 31 March 2013 the Group's assets amounted to 2 288,9 m PLN. The main item among the Group's assets constitutes investment property (84,4 % assets)



PHN Group achievements in the first quarter of 2013

- Polski Holding Nieruchomości S.A. was successfully listed on the Warsaw Stock Exchange. There was a marked interest in the offer among investors.
- The Group continued to implement restructuring in accordance with the objectives of the strategy. Operational effectiveness was ameliorated within the basic sector of operations – lease, as well as other areas. Administrative costs were reduced by 0,6 m PLN in spite of an increase in expenditure on restructuring and IPO.
- The measure of the aggregate improvement of the effectiveness of operations of PHN Group is an increase in the result of net sales in the first quarter of 2013 by 12,2 m PLN and, as a result, an improvement in EBITDA by 10,6 m PLN and adjusted EBITDA by 5,2 m PLN.
- The effectiveness of the main sector of business operations was improved substantially - lease, the result of which on sales marked a rise by 5,3 m PLN as compared with the first quarter of 2012.
- The value of the main item of fixed assets, that is investment property, rose by 19,6 m PLN.
- Within restructuring of the portfolio a preliminary agreement was concluded on the transfer of real estate, the terms of concluding another agreement were stipulated and negotiations were conducted with prospective purchasers of several other real estate facilities.
- The Group continued to implement Foksal and Rakowiecka projects (total outlays of about 3 m PLN). In the project conducted on the basis of the business partnership in JV formula with Segro the first lease agreement with DPD entered into force embracing an area of around 7 thousand m².
- Preparation works were conducted for 9 new projects. Domaniewska: a multi-disciplinary project was prepared. Dalmor, Parzniew, Lućmierz and PHN Tower: measures were continued, aimed at acquiring partners. Works are in the pipeline targeted at developing land in Warsaw-based Lewandów to enable further talks with prospective customers.



PHN S.A. listed on the Warsaw Stock Exchange

- Polski Holding Nieruchomości S.A. was listed on the stock market 13 February 2013.
- In the Initial Public Offering the State Treasury sold 10.846.000 shares (25%)
- The opening price amounted to 22,75 PLN for one share.
- The reduction rate as regards the subscription among individual investors in the case of subscribing to a maximum number of sold shares, that is 1.500 shares, accounted for 69,27%.
- This was the first in 2013 flotation on the WSE of the company owned by the State Treasury.
- PHN S.A. constituted the second debut this year on the main trading floor of the WSE and was the 439. company quoted on it.
- The firm was included in the sector WIG Developers Index as the 24th company.
- Following the WSE decision as of 24 June 2013 PHN S.A. stocks shall be quoted in the sWIG80 index.



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Market overview and growth prospects

- The Polish economy, in spite of the deterioration of the economic growth within the several last quarters, **continues to show a considerably better performance than the majority of the European countries.**
- The economic slowdown influences the decrease of private investment, following this numerous tenants focus on cost control and consolidation.
- **The market of office property investments, Warsaw in particular, still remains thriving,** and a number of key transactions were successfully completed in the previous quarter.
- The GDP growth, according to the Central Statistical Office is envisaged at 1,5% in 2013, which constitutes a significantly slower growth rate than in previous years. In May EBRD (European Bank for Reconstruction and Development) lowered the growth forecast for the Polish GDP in 2013 to 1,2 % from 1,5 % envisaged in January. **In the mid term prospects seem promising;** however, as regards the office property market this trend will be visible only in 2014. Nevertheless, it is anticipated that in the foreseeable future tenants will remain cautious and will rather tend to renegotiate their lease contracts than search for new locations.
- **Warsaw still remains of top priority for investors.**
- **The demand among tenants was steady** in the first quarter of 2013, but the process of negotiations and concluding agreements is increasingly long-lasting.
- Tenants look for savings and aim at reducing operational costs – **still, however, modern, conveniently located investments attract customers.**
- Speculative growth was curtailed in 2012 – with regard to tight financing and deep anxiety about economic prospects – still taking into account the current level of demand among tenants for A class standard real estate, numerous speculative projects are nowadays in the pipeline.

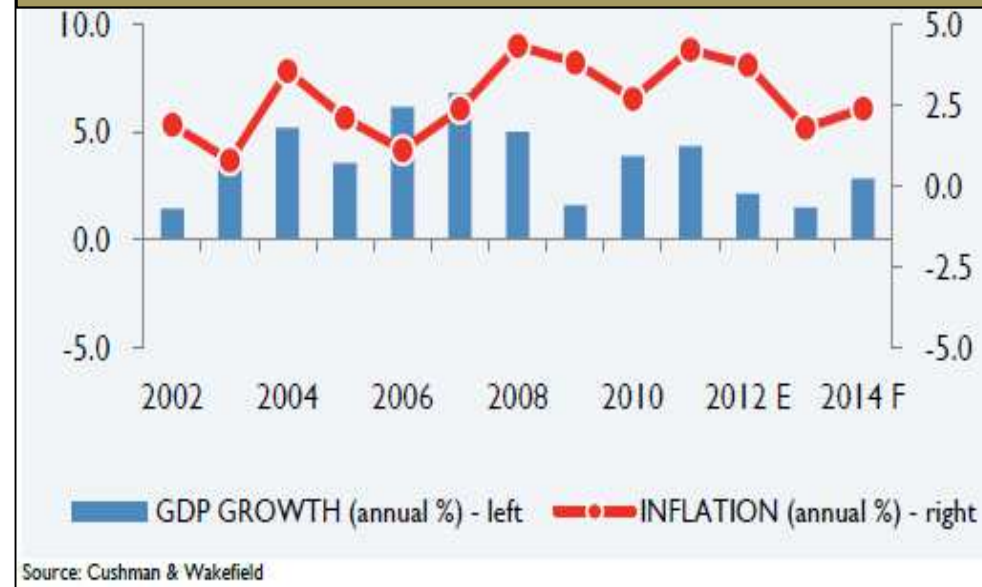


Macroeconomic situation in Poland

Economic Forecasts

ECONOMIC INDICATORS*	2010	2011	2012 ^E	2013 ^F	2014 ^F
GDP growth	3.9	4.4	2.2	1.5	2.8
Consumer spending	3.1	2.6	0.5	0.7	2.4
Industrial production	10.4	6.9	1.8	0.4	3.9
Investment	-0.4	9.0	0.6	-1.1	3.9
Unemployment rate (%)	12.1	12.4	12.8	13.5	13.5
Inflation	2.7	4.2	3.7	1.8	2.4
PLZ/€ (average)	3.99	4.12	4.19	4.14	4.03
PLZ/US\$ (average)	3.02	2.96	3.26	3.24	3.33
Interest rates: 3-month (%)	3.7	4.3	4.7	3.3	3.4
Interest rates 10-year (%)	5.8	6.0	5.0	4.0	4.2

Envisaged Economic Growth



According to the new update of the Convergence Programme the government lowered the GDP growth forecast for 2013 to 1,5 % against 2,2 % stipulated in this year's budget act.



Office property market - Poland

Commercial office property

- The ratio of vacancies for all office property markets rose in the first quarter of 2013 to 10,2 %. This resulted from **the growth of supply** as well as **the sharp drop in tenants' activity**. *(Colliers International)*
- In the first quarter of 2013 the demand on the part of tenants amounted to 100 000 m² (**7% growth** as compared to the fourth quarter of 2012), with the biggest activity noted in Kraków, Wrocław and Katowice. The net demand in that period amounted to 79 300 m², which constitutes the figure comparable to the fourth quarter of 2012. (**3% growth**). *(Jones Lang LaSalle)*
- Majority of activities focus predominantly on Warsaw where investors limit their actions to the Central Business District and several locations outside the city centre such as Mokotów.

Investment office property

- Office property market is undeniably favoured by investors. Transactions settled on the market constituted almost **70% of all the transactions concluded in the first quarter of 2013** in the commercial property sector.
- The value of turnover of **merely 9 transactions concluded in that period on the office property market amounted to over 433 m EUR**.
- This was tantamount to almost doubling the number of transactions registered in the same period in 2012.



Commercial property market – Warsaw

- The first quarter of 2013 marked a **continuation of the downward trend** noted all previous year. At the end of March the ratio of vacancies for Warsaw accounted for 9,8%. The level of unoccupied space in central areas **increased to 9,6%**, whereas as regards areas outside the centre, it accounted for approximately 10%. *(Colliers International)*
- Base rental rates for office property in the city centre remained steady. *(Colliers International)*
- Activity on the part of developers keeps decreasing insignificantly year by year, however it still reaches a comparatively high level – 576 000 m² under construction at the end of the first quarter of 2013. *(Jones Lang LaSalle)*
- The quarters to come will be abundant in high developer activity. According to the forecasts, the new supply which will enter the market by the end of this year will amount to around 450 000 m². *(Colliers International)*
- It is envisaged that in 2013, provided the absorption of new space remains at the unchanged level, the average ratio of vacancies in Warsaw will exceed 10%, but still it will be lower than the European average which currently accounts for 12%. *(Cushman & Wakefield)*

The supply of office property and the ratio of vacancies (Warsaw)



Podsumowanie	I kw. 2013	Zmiana Kw-d-Kw	Zmiana R-d-R	Prognoza 12 m-c
Gross demand (m ²)	155 500	+2 300	+30 500	→
Net demand (m ²)	98 700	-19 000	+13 800	→
Ratio of unoccupied space	9,9	+1,1 pp	+2,6 pp	↑
New supply (m ²)	76 200	-44 000	+28 400	↑
Under construction (m ²)	576 000	0	-6 000	↔
Highest rents (EUR/month)	22-24,5	-2%	-2%	↔
Best capitalization rates	6,25	0 bp	0 bp	→

Source: Jones Lang LaSalle



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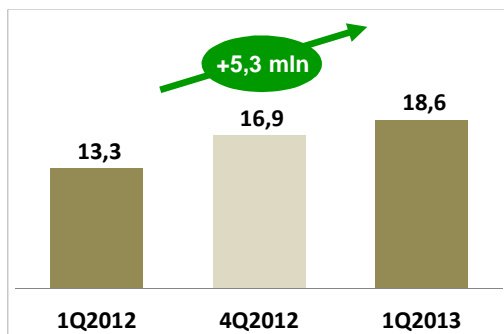
- **Additional information**



Further growth of results from sales

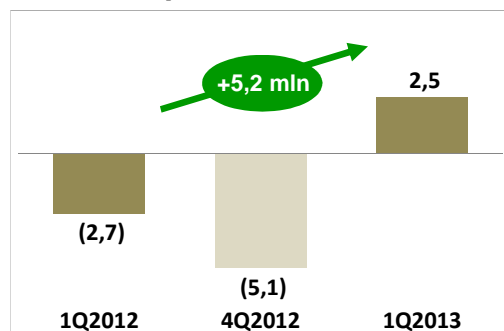
[mln PLN]

Result on lease



With the insignificantly lower level of revenues the annualized result on lease was higher by 5,3 m PLN (40%), mainly as a result of the reduction in the cost of remuneration and lower costs of renovation.

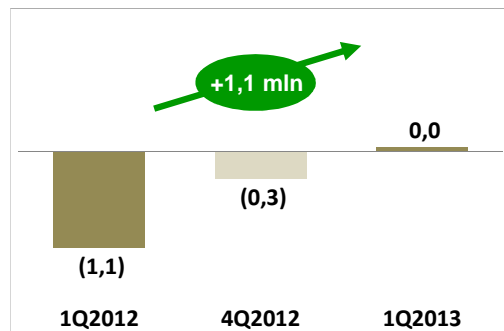
Result on developer activities



The growth in the result on annualized developer activities 5,2 m PLN in the net effect:

- including 7,0 m PLN of additional provisions for warranty repairs and compensations in the first quarter of 2012
- 1,5 m PLN of deduction of the value of land in inventories in the first quarter of 2013
- decrease in margin to about 25% in the first quarter of 2013 from around 35% in the first quarter of 2012
- increase in annualized revenues by 4 m PLN (33%) – mainly final agreements connected with the presale from the previous periods

Result on other activity



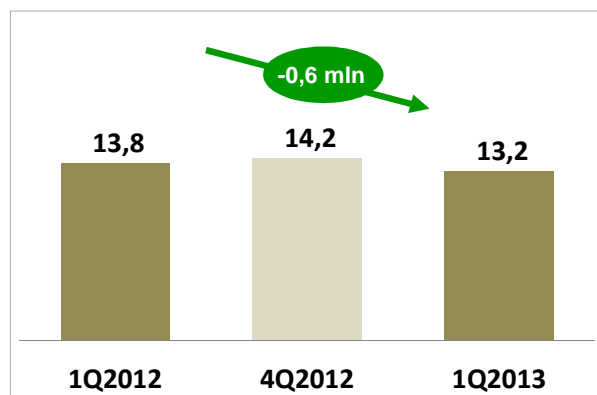
The reduction of loss from other activity as a result of consistent implementation of the strategy of focusing on the core business and discontinuing unprofitable additional business activities inherited from the companies within PHN Capital Group.



Reduction in administrative costs

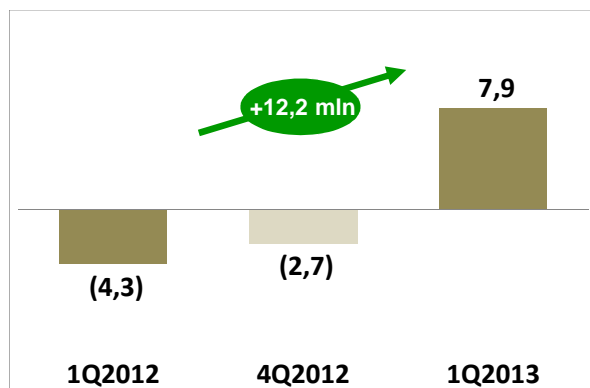
[mIn PLN]

Administrative costs



The reduction of administrative costs in the year by 0,6 m PLN (following the adjustment with the creating and restructuring of the group and IPO reduction in the year by 1,7 m PLN) occurred as a result of operational restructuring, including centralization of management and the support function.

Net result on sales



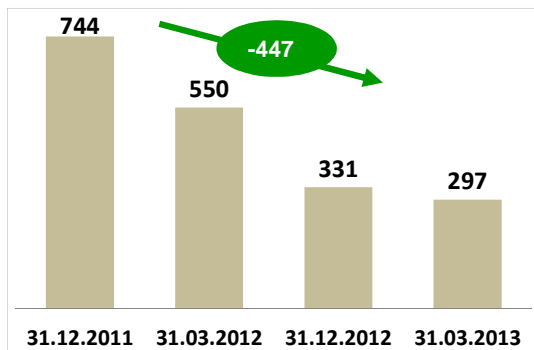
The growth of the annualized net result on sales by 12,2 m PLN (122%) as a result of the growth of the annualized gross results on sales by 11,6 m PLN and reducing annualized administrative costs by 0,6 m PLN.



Steady reduction in the remuneration costs

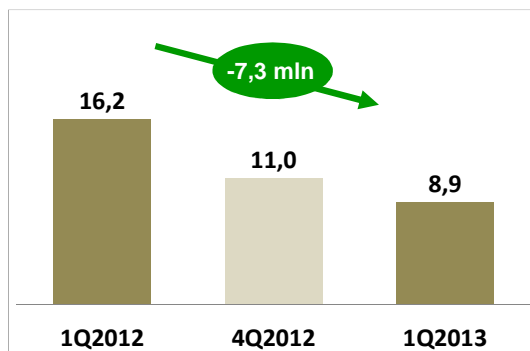
[mln PLN]

Employment



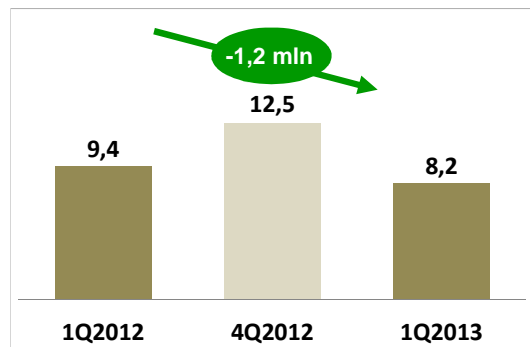
The reduction of employment by 447 workers (60%) within the period of five quarters to 297 workers as at 31 March 2013.

Remuneration and benefits



The annualized reduction in the costs of remuneration and benefits for employees by 7,3 m PLN (45%) as a result of a consistently applied optimization of employment.

External services (without developer services)



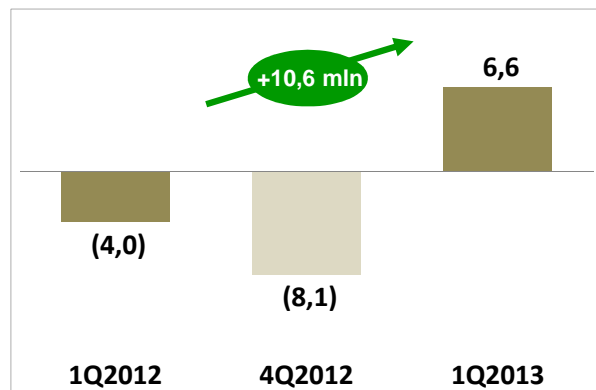
Maintained control of the costs of external services despite sustained additional costs of restructuring and IPO as well as outsourcing costs connected with operational restructuring. Positive influence of the lower level of renovation works.



EBITDA growth

[mln PLN]

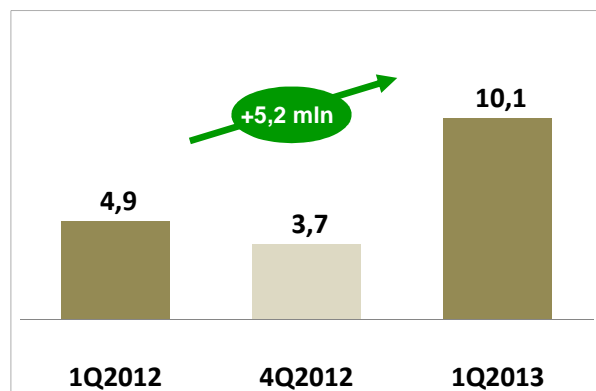
EBITDA



Annualized EBITDA growth by 10,6 m PLN, weaker dynamics as compared to the change in the net profit on sales by 1,6 m PLN is the net effect of:

- correction by 1,5 m PLN of the deduction of the value of land in inventories,
- 1,1 m PLN in severance pay for dismissed employees in 1Q2013,
- 0,7 m PLN in agricultural subsidies in 1Q2012,
- Lower annualized depreciation & amortization by 0,2 m PLN,
- Higher reserves for claims as regards benefits from leased real estate in the year by 0,5 m PLN,
- Higher deductions updating liabilities in the year by 0,5 mln PLN.

Adjusted EBITDA



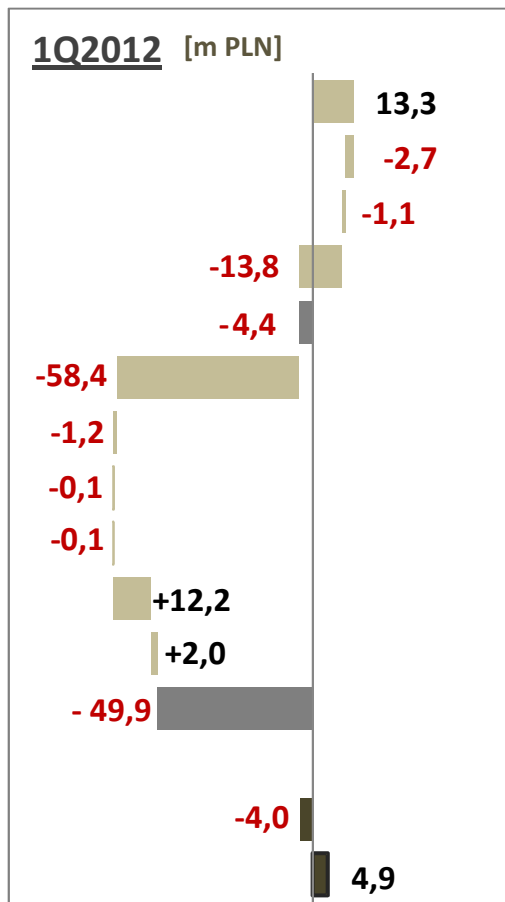
The growth of annualized adjusted EBITDA by 5,2 m PLN.

The adjustment of EBITDA by

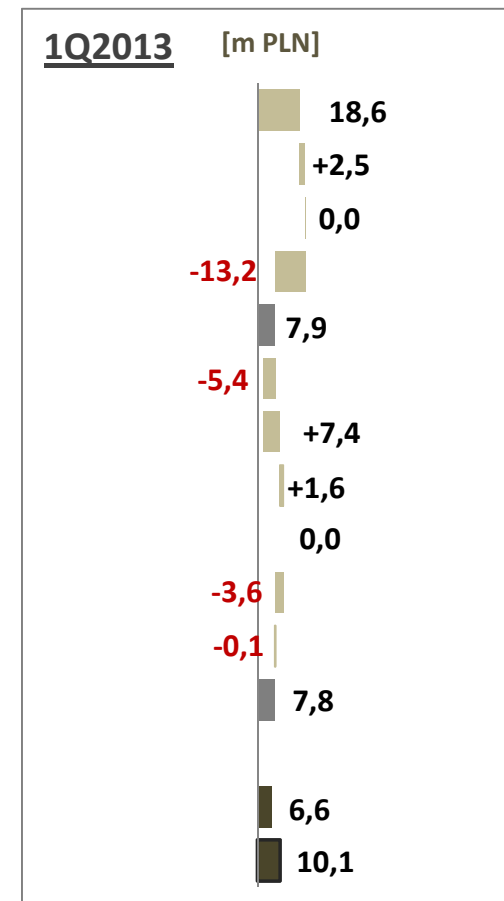
- The costs of creating and restructuring the group as well as IPO (1Q2013: 2,4 m PLN, 1Q2012: 1,9 m PLN),
- Severance pay for the dismissed employees (1Q2013: 1,1 m PLN, 1Q2012: 0 m PLN),
- Additional provisions for warranty repairs and compensations within the developer activity sector (1Q13: 0 m PLN, 1Q12: 7 m PLN).



Improvement the whole structure of the profit and loss account and the positive net result



Result on lease	✓
Result on developer activities	✓
Result on other activities	✓
Administrative costs	✓
Net result on sales	✓
Change in the value of investment property	
Remaining revenues and net costs	
Revenues and net financial costs	
Participation in JV	
Income tax	
Result on discontinued operations	
Net result	✓
EBITDA	✓
Adjusted EBITDA	✓



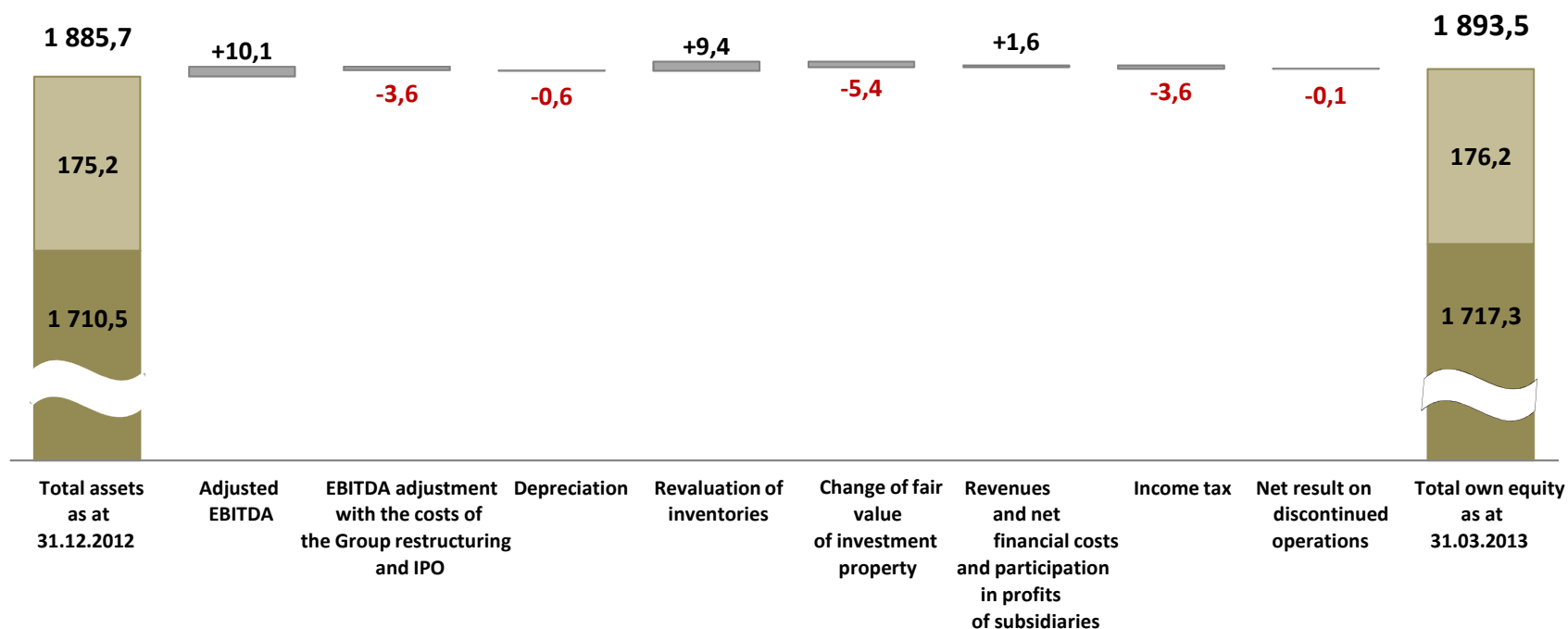
EBITDA and adjusted EBITDA without discontinued operations

- The gross result on sales: +11,6 m PLN (122%)
- Administrative costs: -0,6 m PLN (4%)
- The net result on sales: +12,2 m PLN
- Net result: +57,7 m PLN
- EBITDA: +10,6 m PLN
- Adjusted EBITDA: +5,2 m PLN (106%)



The growth of own equity

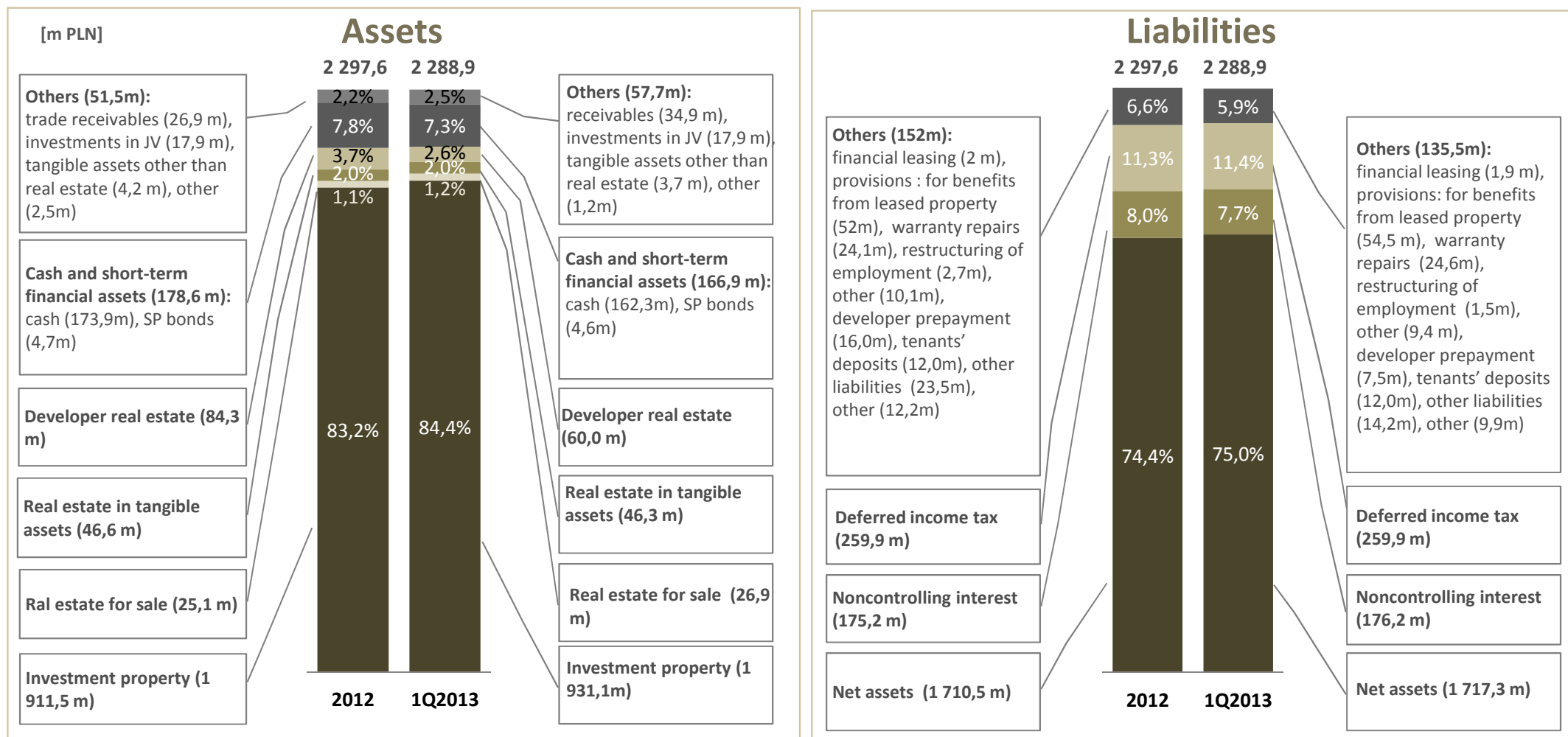
[m PLN]



- The growth of own equity by 7,8 m PLN (0,41%), including the capital of shareholders of the parent company by 6,8 m PLN (0,40%) and noncontrolling interest by 1,0 m PLN (0,57%)
- 9,4 m PLN from revaluation of inventories is the net result of impairment losses on land property in inventories (-1,5 m PLN) and the estimate of fair value valuation of inventories transferred to investment property (10,9 mln PLN).



The structure of assets and liabilities



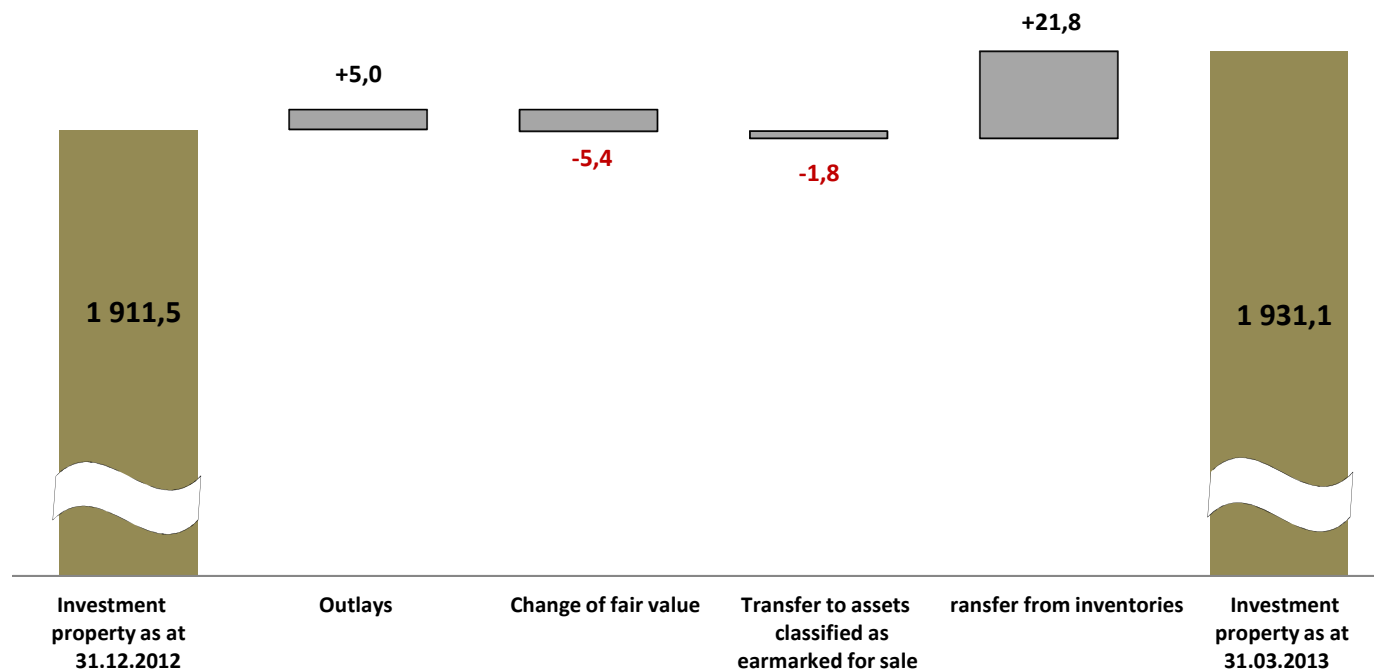
- Reducing the balance sheet total by 8,7 m PLN (0,4%).
- The total participation of property at the unchanged level of 90% of the total value of assets.
- The growth of value of investment property by 19,6 m PLN (1%) and reducing the value of property included in inventories by 24,3 m PLN (29%).

- Increasing net assets by 6,8 m PLN (0,4%) and noncontrolling interest by 1,0 m PLN (0,6%) as a result of earning net profit.
- Reducing receivables mainly as a result of paying Value Added Tax on transactions of selling property among subsidiaries (6,4 m PLN) and decreasing prepayments connected with developer activity (8,5 m PLN)



The growth of the status of investment property

[mln PLN]

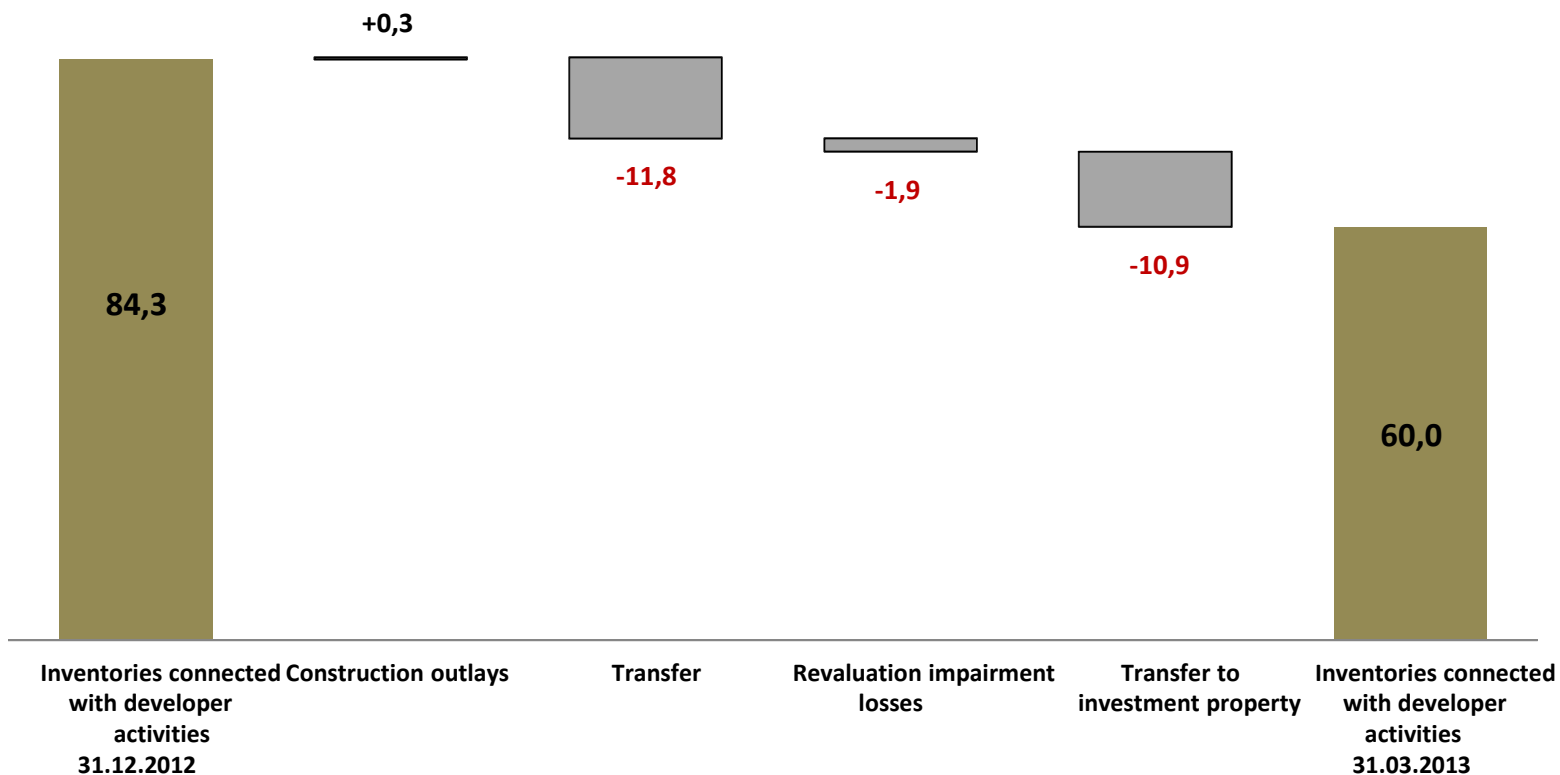


- The value of investment property higher by 19,6 m PLN (1,0%).
- 3,8 m PLN of outlays connected with implementing developer commercial projects (Domaniewska, Foksal, Rakowiecka) as well as 1,2 m PLN of outlays for property modernisation.
- Transferring property to assets classified as earmarked for sale in connection with acquiring a purchaser.
- Transferring land property from inventories in connection with discontinuing residential developer activity.



Reducing developer inventories

[mIn PLN]



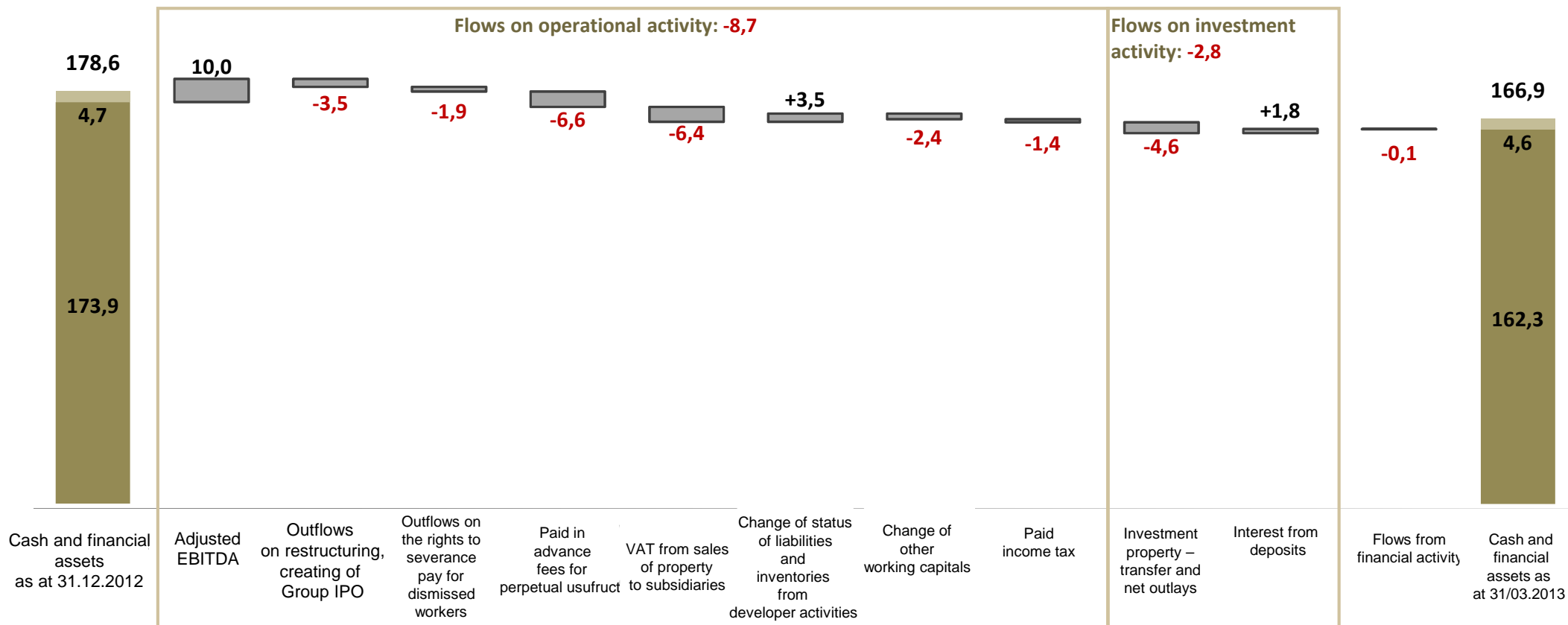
- The value of inventories connected with developer activities lower by 24,3 m PLN (29%).
- Transfer included following concluding final agreements of transferring the property title to apartments, mainly flats presold in previous periods.

- Revaluation impairment losses of the value of land property (1,5 m PLN) as well as constructed premises (0,4 m PLN)
- Transfer of land property to investment property connected with discontinuing the residential developer activities.



Negative flows as a result of one-off events

[mln PLN]



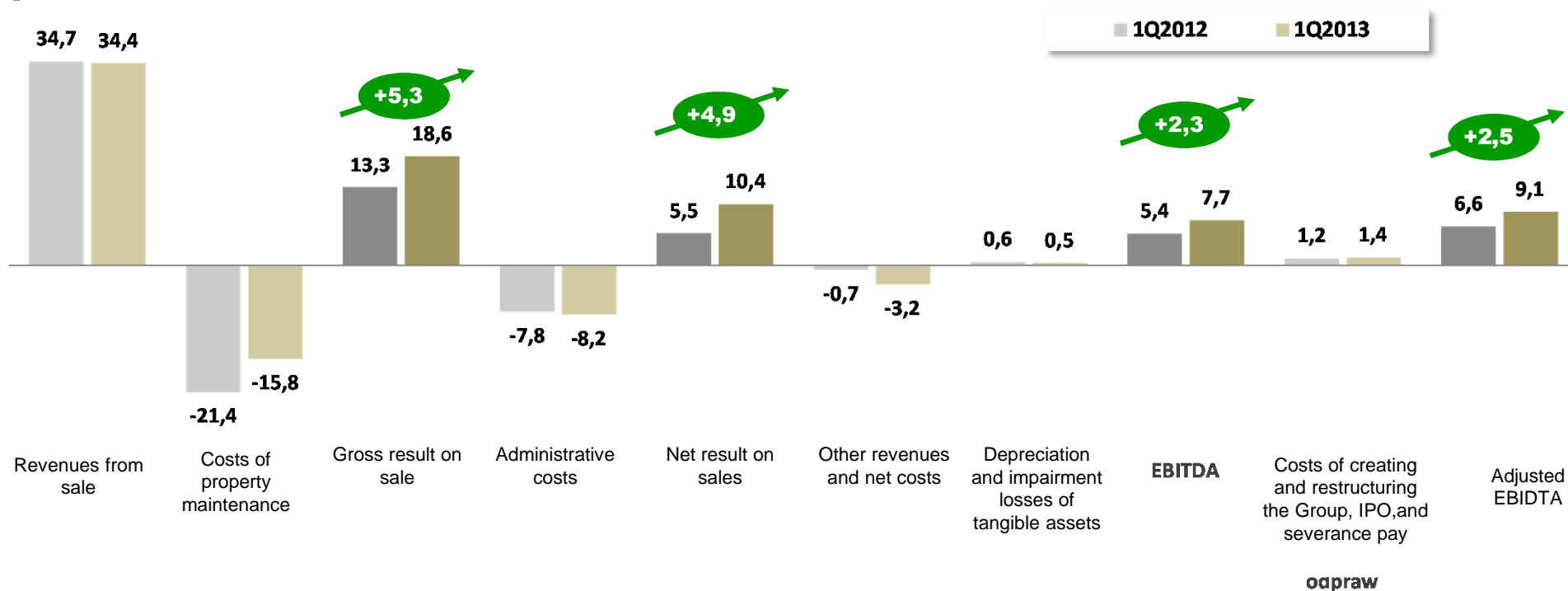
- The drop of the total value of cash and its equivalents as well as short-term financial assets by 11,7 m PLN (6%).
- Positive influence of operational results measured by adjusted EBITDA (10,0 m PLN with discontinued operations) and a drop in working capital in developer activity (3,5 m PLN).
- Negative flows as a result of one-off and untypical events: Incurred group registration and IPO costs (-3,5 m PLN)
- Severance pay for dismissed workers (-1,9 m PLN)
- Payment in advance of a fee for land perpetual usufruct for II-IV quarter 2013 (-6,6 m PLN)
- Payment of VAT on transactions of sale of property among subsidiaries, returnable in the next periods (-6,4 m PLN)

Additional financial information



Lease – segment results

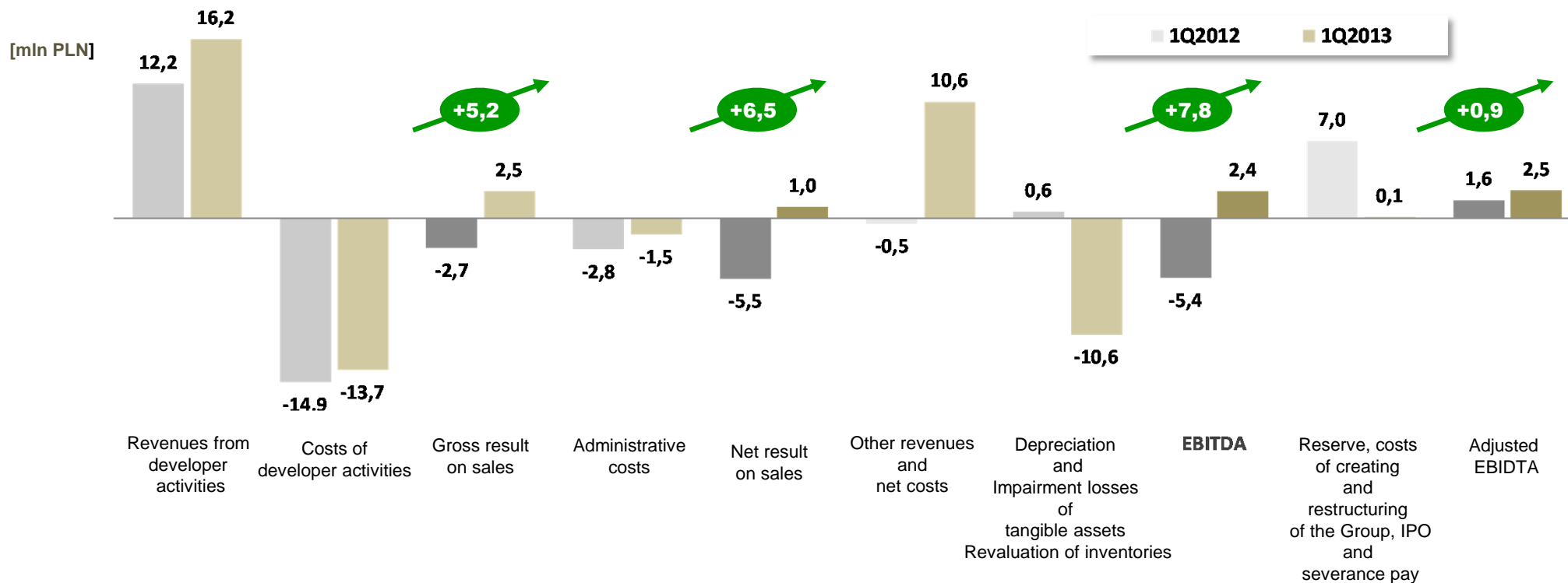
[mln PLN]



EBITDA calculated as net result on sales reduced by other revenues and net costs and adjusted with depreciation and revaluation writeoffs in tangible assets.
Adjusted EBITDA is EBITDA after correction with costs of creating and restructuring the Group and IPO as well as redundancy pays.

- Steady level of revenues from lease.
- Lower by 5,6 m PLN costs of property maintenance following optimizing of employment and outsourcing as well as lower renovation costs.
- Increased by 0,4 m PLN administrative costs as a result of absorption of higher allocation after discontinuing other activities.
- The remaining revenues and net operational costs are mainly the costs of provisions under claims on benefits from property lease (1Q2013: 2,4 m PLN; 1Q2012: 1,9 m PLN), costs of severance pay for dismissed workers (1Q2013: 1,0 m PLN; 1Q12: 0,0 m PLN), revaluation impairment losses of net receivables (1Q2013: -0,2 m PLN; 1Q2012: 0,3 m PLN), additional contributions to farming lands (1Q2013: 0,0 m PLN; 1Q2012: 0,7 m PLN).
- EBITDA adjustment with the costs of the group creating and restructuring and IPO (1Q2013: 0,4 m PLN; 1Q2012: 1,2 m PLN), costs of severance pay for dismissed workers (1Q2013: 1,0 m PLN; 1Q2012: 0,0 m PLN).

Developer activities – sector outcome



Change in m PLN

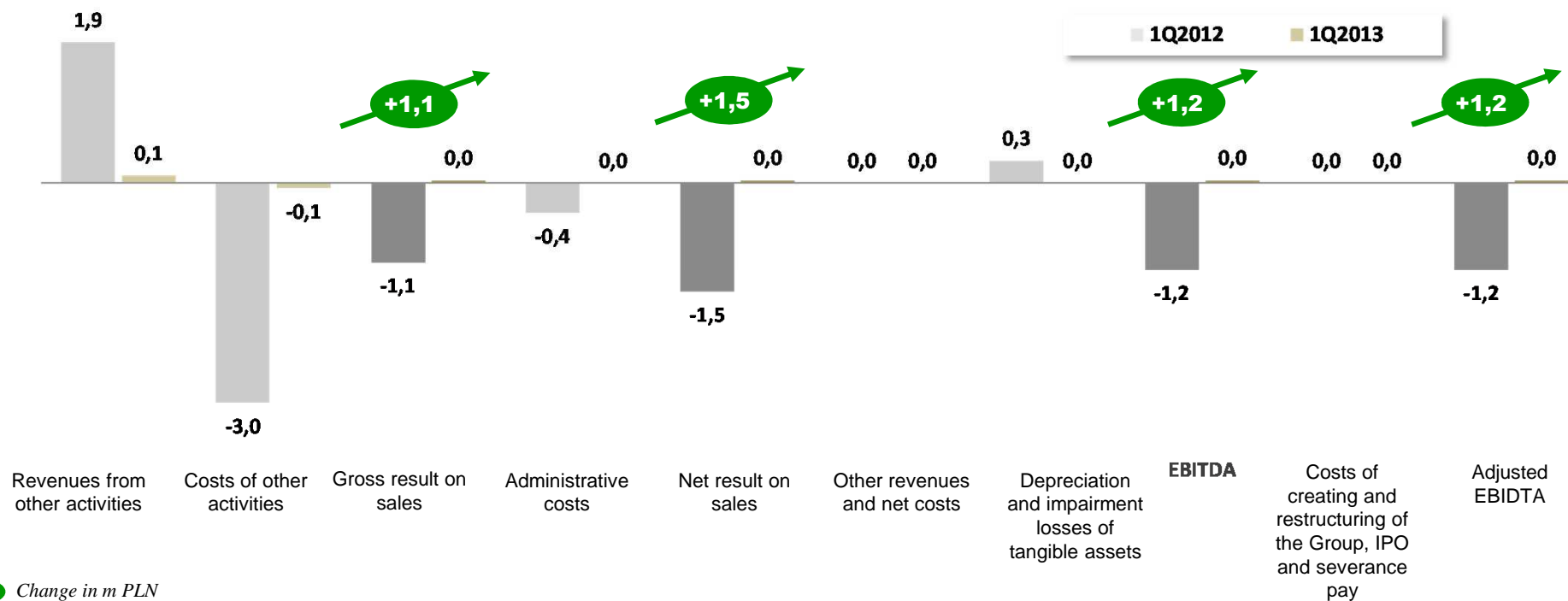
- The annualized growth of revenues by 4 m PLN (33%) as a result of concluding final agreements of transferring the property title to flats, mainly presold in the previous periods.
- The drop in administrative costs by 1,3 m PLN (54%) mainly following restructuring connected with reducing the scale of operations.
- The remaining revenues and net costs are mainly the estimate at the fair value of land property reclassified into

investment property (1Q2013: 10,9 m PLN; 1Q2012: 0,0 m PLN), revaluation impairment losses of tangible assets (1Q2013: 0,3 m PLN; 1Q2012: 0,5 m PLN).

- EBITDA adjustment with the costs of severance pay for dismissed workers (1Q2013: 0,1 m PLN; 1Q2012: 0,0 m PLN) as well as additional provisions for warranty repairs and compensations (1Q2013: 0,0 m PLN; 1Q2012: 7,0 m PLN).

Other activities – result

[m PLN]

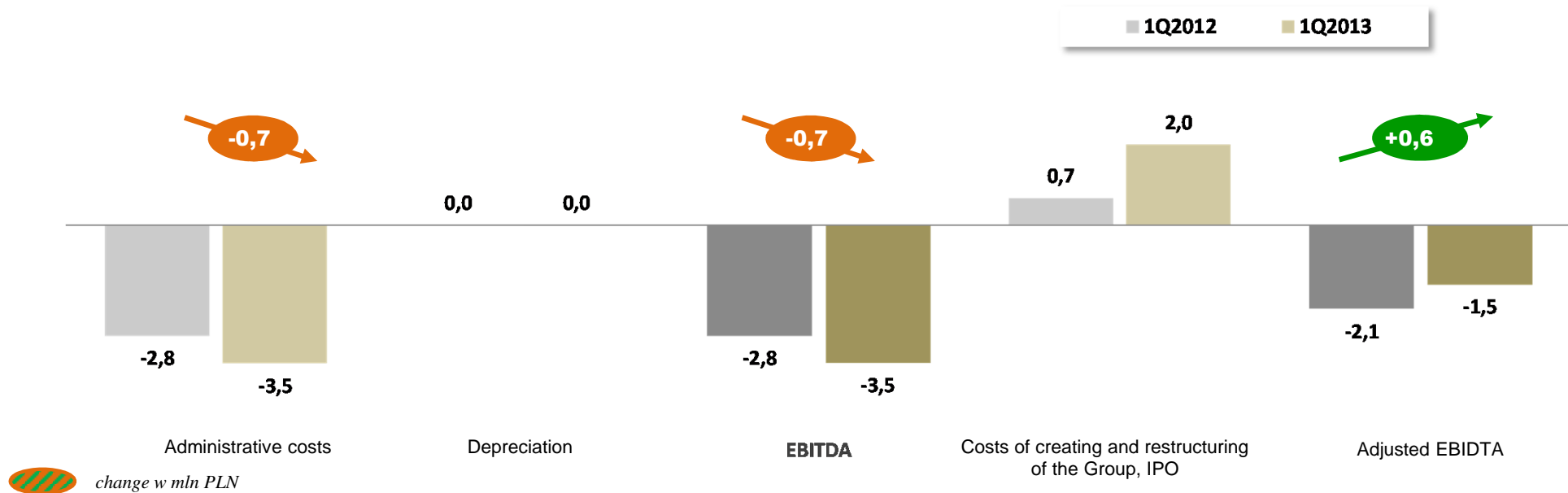


- Other activities are additional activities inherited from the companies within PHN Capital Group , predominantly hotel services, logistics, managing residential property, selling books.
- Reduction of loss from the remaining activities as a result of consistent implementation of the strategy of focusing on the core business and discontinuation of additional activities.



Nonallocated items in the consolidated statement on total income

[m PLN]



- Nonallocated administrative costs are the costs of the parent company (holding company).

- The increase in administrative costs in 2012 following the heightened group restructuring costs as well as IPO (1Q2013: 2,0 m PLN; 1Q2012: 0,7 m PLN).



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Quotation analysis

PHN basic information

NUMBER OF ISSUED SHARES	43 384 003
Market value (mln PLN)	1 097,62
Book value (mln PLN)	1 885,7
Ratio price / book value	0,58
Free float	25,00%

source: gpwinfostrafa.pl

Within the period of three months of PHN S.A. share quotations on the WSE regulated market, that is between 13 February 2013 to 15 May 2013 the PHN S.A. rate amounted to between 23,40 – 26,20 PLN (closing rate). The divergence between the highest and lowest quotation amounted to 2,80 PLN, which accounted for 11,97% of the lowest price. Within the analyzed period the PHN S.A. share price marked an improvement as compared to the market WIG and WIG Deweloperzy indices:

- **PHN** change from 13.02.2013 to 15.05.2013: + **6,77%**
- **WIG-DEWEL** change from 13.02.2013 to 15.05.2013: - **2,23%**
- **WIG** change from 13.02.2013 to 15.05.2013: - **0,65%**

source: gpwinfostrafa.pl

Shareholders' structure

	number of shares	% votes naAGM
State Treasury	32.538.003	75,0%
Aviva OFE	2.188.915	5,05%
Others	8.657.085	19,95%
Total	43.384.003	100,0%



Following the session on 21 June 2013 , in accordance with the quarterly revision of the list of participants in indices, PHN S.A. shares, by the decision of WSE will be listed in sWIG 80 index.

Market quotations:





**POLSKI HOLDING
NIERUCHOMOŚCI S.A.**

Thank you for your attention

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