POLNORD SA
CAPITAL GROUP

CONSOLIDATED REPORT FOR THE THIRD QUARTER OF 2013

CONTAINING:

CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD FROM 01.01.2013 TO 30.09.2013
PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

GDYNIA, 14 NOVEMBER 2013

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I. GENERAL INFORMATION

Unless the context indicates otherwise, the terms "Company", "Polnord SA", "Polnord", "Parent Company" or other terms with similar meanings and their grammatical forms shall mean Polnord SA, while the terms: "Group", "Capital Group", "POLNORD Capital Group" or other terms with similar meanings and their grammatical forms shall mean the Capital Group composed of Polnord SA and entities subject to consolidation. The term "Report" shall refer to this Consolidated Report for the third quarter of 2013.

1. COMPANY INFORMATION

Polnord SA is one of the most experienced companies on the construction and developer market in Poland. It was established in 1977 as a construction export general contractor. In 1988, it was named Polnord. In 1999, the Company's shares were introduced to trading on the Warsaw Stock Exchange main market. The Company is currently listed in sWIG 80 and WIG-Deweloperzy indices.

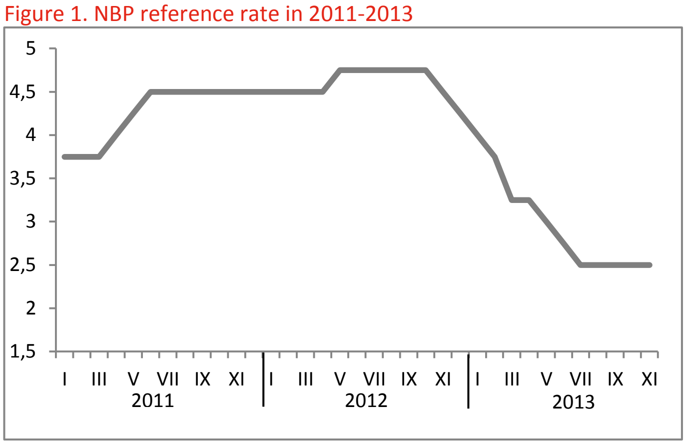
Since 2007, the core business of Polnord Group consists of development and sale of residential and commercial properties. Polnord implements development projects through special purpose vehicles, which are established without or with partners. Polnord Group operates mainly on the Polish market (especially in Warsaw, Tricity, Szczecin, Łódź and Wrocław), and to a smaller and decreasing extent on the Russian market.

Polnord Group has large land reserves, allowing it to carry out projects with usable area of nearly 1 million sq. m.

2. MARKET ENVIRONMENT

The situation on the Polish real estate development market has been steadily improving since the beginning of 2013. The factors stimulating demand on the housing market include historically low interest rates and relatively low real estate prices. Low interest rates translate into a higher creditworthiness connected with lower costs of debt servicing. Furthermore, since the beginning of 2013, a strong outflow of capital from low-interest deposits to, among others, the real estate market, has been observed. At the beginning of 2013, the downward trend in housing prices slowed down. In the third quarter of 2013 prices stabilised at the level recorded as of the end of 2011. In some locations a slight increase in prices is observed.

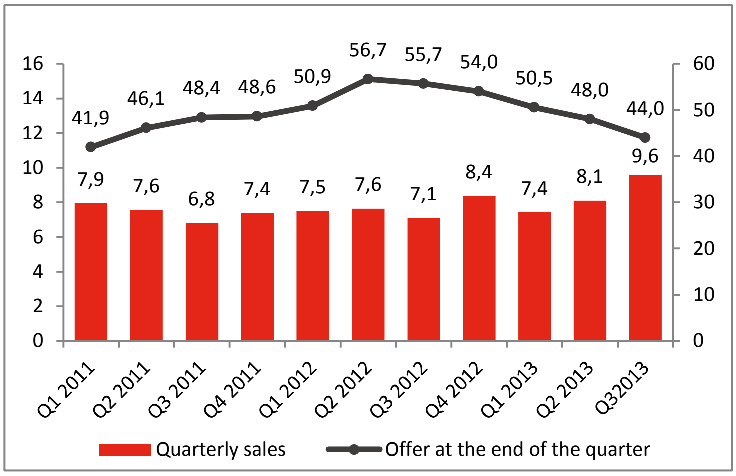
Figure 1. NBP reference rate in 2011-2013



Source: National Bank of Poland

The third quarter of 2013 was characterised by a significant increase in the number of transactions concluded on the primary market in 6 largest cities in Poland (Warsaw, Kraków, Wrocław, Tricity, Poznań and Łódź). The number of flats sold during this period increased by 18% compared to the second quarter of 2013. It is the highest level in terms of the number of transactions since 2007. A significant percentage of buyers is represented by customers buying flats for cash who perceive real estate investments as an attractive alternative to low-interest bank deposits. Additionally, buyers who want to purchase a flat before the entry into force of the recommendation S3 became active. As of 1 January 2014, the said recommendation will prevent taking out a loan for 100% of the property value.

Figure 2. Number of flats sold on the primary market in 6 largest Polish cities from the first quarter of 2011 to the third quarter of 2013 (in thousands)



Source: REAS

The third quarter of 2013 is a consecutive period in which the number of flats sold per quarter exceeds the number of units introduced for sale, contributing to a further decline of the offer. Currently, the offer of developers on 6 largest markets includes 44 thousand flats, i.e. 22% less than at the end of the second quarter of 2012, when the offer was the largest. In the last five quarters a marked decline in the number of units introduced for sale has been observed, which is one of the consequences of the Act on the Protection of the Buyer of a Residential Unit or a Single-Family House ("Property Development Act"). In the first half of the last year there was a dramatic increase in the offer following the announcement by developers of the commencement of a large number of investments before the entry of the Property Development Act into force.

Requirements of the Property Development Act are a significant obstacle for small development companies which have a limited capital. Banks are reluctant to open escrow accounts for new investments and they are unwilling to finance small businesses. As a result, consolidation on the development market slowly progresses. Large, financially stable entities that will take advantage of the upcoming periods to increase the market share are in the best situation.

In 2014, the housing market, especially in the segment of popular flats, will be affected by the government support programme, "A Flat for the Young". Next year, the government will earmark PLN 600 million for subsidies to own contribution, which will to some extent mitigate the consequences of the recommendation S3 entering into force at the same time and will increase in real terms the creditworthiness of buyers participating in this programme..

The "Fund of flats for rent" will be the second programme of significant importance to the real estate market. The programme, prepared by the government in cooperation with Bank Gospodarstwa Krajowego, provides for an investment of PLN 5 billion for the purchase of real estate properties for rent. The fund's portfolio will eventually include 20 thousand flats, including entire buildings that the funds plans to purchase from developers. Works are underway on the final shape of the programme but according to the announcements the purchase of the first properties is expected as early as in the first quarter of 2014.

3. COMPANY STRATEGY

Polnord's objective is to maximise the value of the Company, in the interests of its Shareholders, by building a leadership position on the housing market and optimising operating activities. The Company's strategy adopted at the end of 2012 is based on four pillars.

Significant increase in the volume of units sold

The Group's strategic objective is to achieve annual sales in excess of 1,500 units over the next 2 years. To achieve this goal a dynamic extension of the offer is necessary. The Group plans to launch the implementation of 11 new development projects by the end of 2014, which will increase the Group's offer by close to 2,000 flats. At the same time, Polnord is constantly looking for new investment opportunities that will enable an increase in sales. The Company is preparing to buy land in prime locations, e.g. in Warsaw and Tricity, and is starting new, high-margin investments in cooperation with its business partners.

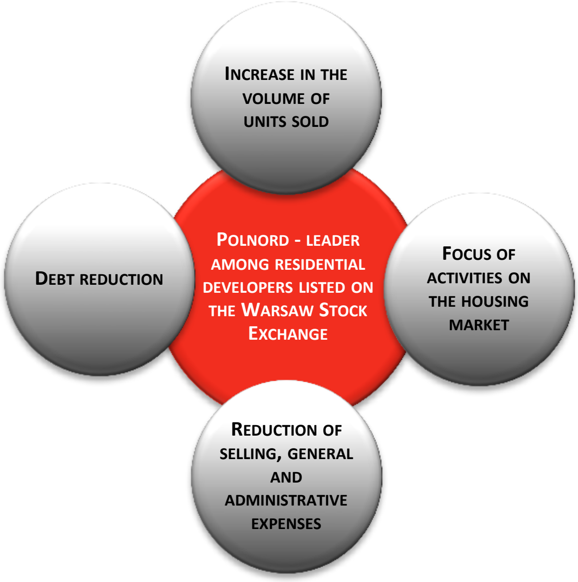
Focus of activities on the housing market

Polnord focuses its activities on housing projects on the Polish market, particularly in Warsaw and Tricity and their suburbs. They are very absorbent and fast-growing markets which enable profitable development investments. The Company's extensive experience and knowledge of local markets is a competitive advantage of Polnord.

Reduction of selling, general and administrative expenses

In 2013, the Company continues to reduce operating costs, in particular selling, general and administrative expenses. The Group's objective is to reduce in 2013 selling, general and administrative expenses by approximately 17-20% compared to 2012, and in subsequent years to stabilise them at approximately PLN 28 million per year (excluding expenses of Fadesa Polnord Poland and its subsidiaries).

Diagram 1. Polnord SA Capital Group Strategy



Debt reduction

The strategic objective of Polnord's Management Board is to considerably reduce the level of the Group's debt. Funds for debt reduction will come primarily from the sale of non-operating assets that are not used in the principal operations of the Company and from compensations received. Polnord plans to reduce net consolidated debt by 1/3 as compared to net consolidated debt as of 31.12.2012, i.e. to the amount of approximately PLN 425 million by the end of 2014.

4. SUMMARY OF THE THIRD QUARTER OF 2013

Focus of activities on the housing market and increase in the volume of units sold

- As at the end of the third quarter of 2013, Polnord Capital Group was implementing 8 multi-stage residential projects comprising 1,800 units with the total usable area of 96.5 thousand sq. m of unit usable area (UUA). By the end of 2013, the Group plans to deliver 435 units with the total area of nearly 22.5 thousand sq. m developed as part of 3 investments in Warsaw, Gdańsk and Olsztyn.
- In the third quarter of this year the Company introduced for sale two new projects – Dwa Tarasy in Gdańsk and Neptun in Ząbki – and subsequent stages of the Śródmieście Wilanów investment in Warsaw as well as Osiedle Tęczowy Las near Olsztyn. By the end of the year, the Group plans to launch, alone or with partners, other residential projects in Gdynia, Reda, Wrocław and Warsaw.
- Under IFRS, sales revenues are recognized in profit or loss at the time of the handover of the premises, which does not fully reflect the Group's activity in the reporting period. In order to present the results of the Group's activity in the first three quarters of 2013 and the third quarter of 2013, table 1 below was prepared, showing the impact of the sales agreements signed in 2013 – separately for the third quarter – on the result and operating cash flows that will be recognized in the financial statements at the time of handover of the units.

Reduction of selling, general and administrative expenses

Irrespective of the intensification of sales activities, the Group continues activities aimed at the reduction of its selling, general and administrative expenses which in the third quarter amounted to PLN 8,140 thousand, a decrease of 21.5% compared to the last year with PLN 10,369 thousand in the third half of 2012. It is the lowest level of selling, general and administrative expenses since 2007.

Table 1. Expected operating income and planned direct margin on sales from units sold in 2013

Investment	Q1-3 2013 numer[1] of premises sold	Q1-3 2013 revenues [2]	Q1-3 2013 direct margin on sales[2] *	Q1-3 2013 direct cost allocated to land[2] **	Q1-3 2013 net operating income[2] ***	Q1-3 2013 numer[1] of premises sold	Q1-3 2013 revenues [2]	Q1-3 2013 direct margin on sales[2] *	Q1-3 2013 direct cost allocated to land[2] **	Q1-3 2013 net operating income[2] ***
	[units]	[PLN '000]	[PLN '000]	[PLN '000]	[PLN '000]	[units]	[PLN '000]	[PLN '000]	[PLN '000]	[PLN '000]
Królewskie Przedmieście	1	708	83	125	208			Investment sold out		
Dobry Dom	3	2,088	222	470	692			Investment sold out		
Śródmieście Wilanów (building A)	52	22,647	6,567	4,565	11,132	22	9,361	2,714	1,887	4,601
Śródmieście Wilanów (building C)	61	29,628	7,407	4,756	12,163	16	9,457	2,364	1,518	3,882
Śródmieście Wilanów (building D)	32	10,402	2,600	2,026	4,626	32	10,402	2,600	2,026	4,626
Neptun	5	1,460	343	164	507	5	1,460	343	164	507
Ostoja Myśliwska	37	10,992	3,165	529	3,694	12	3,842	1,184	184	1,368
2 Potoki I	15	2,803	560	284	844	3	591	118	59	177
Sopocka Rezydencja	35	18,513	-3,703	15,251	11,548	10	5,731	-1,147	4,721	3,574
Osiedle Guderskiego I (building 1-3)	17	2,835	141	294	435	4	687	34	71	105
2 Potoki II	35	5,600	840	630	1,470	24	3,755	563	422	985
Osiedle Tęczowy Las (building 4)	8	1,761	510	103	613	3	746	216	43	259
Osiedle Tęczowy Las (building 5)	25	5,603	784	283	1,067	12	2,677	374	135	509
Ku Słońcu I	14	4,218	590	994	1,584	10	3,260	456	768	1,224
Ku Słońcu II (building 2)	79	17,814	2,672	2,986	5,658	31	7,074	1,061	1,185	2,246
City Park	29	7,838	0	2,106	2,106	6	1,877	0	768	768
Ostoja Wilanów	162	35,835	5,016	7,167	12,183	64	14,895	2,383	2,979	5,362
Innova	83	11,035	3,310	2,096	5,406	29	4,197	1,301	797	2,098
Total	**693**	**191,780**	**31,107**	**44,829**	**75,936**	**283**	**80,012**	**14,564**	**17,727**	**32,291**

[1]Data not weighted with Polnord's share *[2] Data weighted with Polnord's share*

** direct margin on sales calculated as revenue from sales reduced by costs of land, design and workmanship (excluding financial costs)*
*** as at the balance sheet date, the land is owned by the Group. The investment implementation will allow return on investment*
**** net income calculated as revenue from sales contracts, reduced by direct costs and increased by the value of the land*

The above figures represent estimates to the Management Board's best knowledge at the date of this Report.

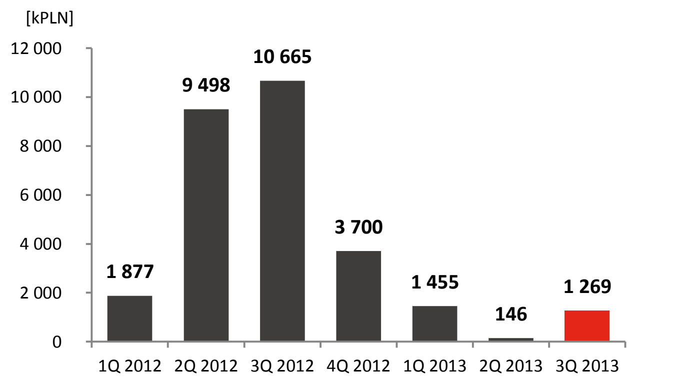
Debt reduction

As at 30.09.2013, gross interest debt decreased by PLN 10,448 thousand, while net interest debt decreased by PLN 16,225 thousand as compared to the balance as at 30.06.2013.

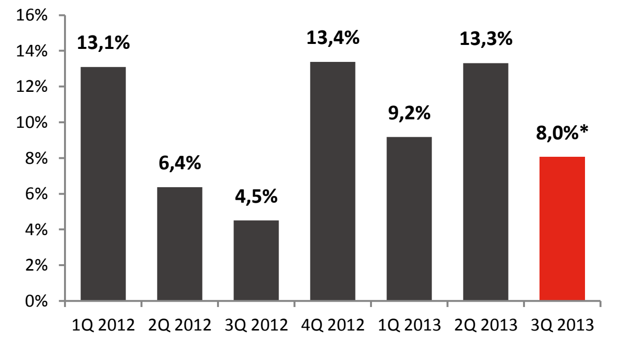
The charts below show the dynamics of the selected financial and operational data.

Figure 3. Selected financial and operational data

Net profit

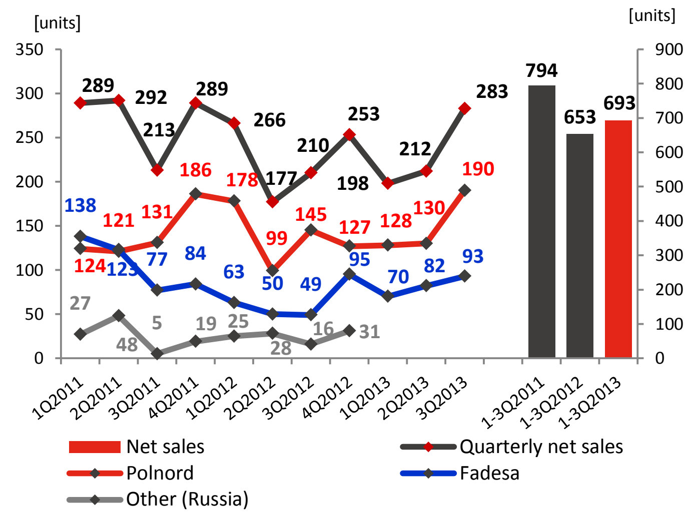


Gross sales profitability

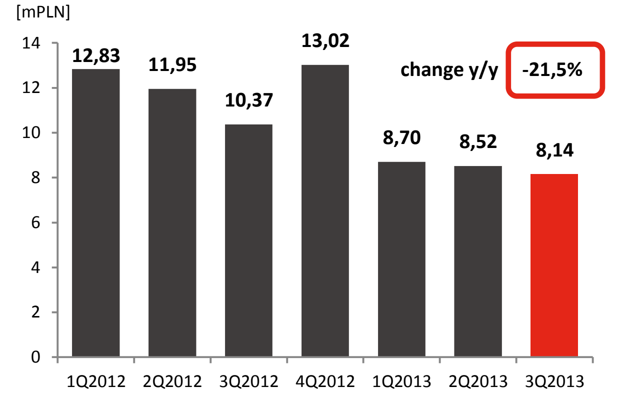


* corrected by a write -down for inventories, that does not affect development projects

Net sales of units



Selling, general and administrative expenses



5. Dividend policy

As far as the dividend policy is concerned, the Management Board applies the principle of making payments in proportion to the amount of generated profit and the financial position of the Company. The Company intends to pay regular dividends in the future. When making proposals concerning the possibility of dividend payout, the Management Board takes into account the need to ensure to the Company the liquidity and capital necessary for business development. As at the date of the Report, the Issuer's Management Board does not plan to recommend the payment of dividend for the years 2013-2015. This situation may change, if the Group obtains significant inflows in the form of compensation from the Capital City of Warsaw and MPWiK described in Table 14, in Chapter IV, Section 2.

In the last two financial years, the Company did not pay dividends due to the decision to keep in the Company funds for investments and business development and to secure liquidity due to the slowdown on the real estate market.

6. Selected financial data

Table 2. Selected consolidated financial data

	PLN '000		EUR '000	
INCOME STATEMENT	01.01.2013 - 30.09.2013	01.01.2012 - 30.09.2012	01.01.2013 - 30.09.2013	01.01.2012 - 30.09.2012
Sales revenue	113,928	199,705	26,977	47,608
Gross sales profit (loss)	10,477	17,435	2,481	4,156
Gross operating profit (loss)	29,878	129,634	7,075	30,903
Gross profit (loss)	4,677	39,019	1,107	9,302
Net profit (loss) on continued operations	2,868	22,457	679	5,354
Net profit (loss) for the financial year	2,870	22,040	680	5,254
BALANCE SHEET	30.09.2013	31.12.2012	30.09.2013	31.12.2012
Equity	1,329,835	1,327,558	315,403	324,729
Long-term liabilities	542,425	532,034	128,650	130,139
Short-term liabilities	433,776	397,924	102,881	97,335
Fixed assets	1,373,544	1,243,044	325,770	304,057
Current assets	932,492	1,014,472	221,164	248,146
Total assets	2,306,036	2,257,516	546,934	552,203

Table 3. Selected individual financial data

	PLN '000		EUR '000	
INCOME STATEMENT	01.01.2013 - 30.09.2013	01.01.2012 - 30.09.2012	01.01.2013 - 30.09.2013	01.01.2012 - 30.09.2012
Sales revenue	28,310	64,388	6,704	15,349
Gross sales profit (loss)	15,263	20,717	3,614	4,939
Gross operating profit (loss)	14,881	140,276	3,524	33,440
Gross profit (loss)	15,219	71,942	3,604	17,150
Net profit (loss) on continued operations	15,927	48,535	3,771	11,570
Net profit (loss) for the financial year	15,929	48,118	3,772	11,471
BALANCE SHEET	30.09.2013	31.12.2012	30.09.2013	31.12.2012
Equity	1,324,385	1,352,147	314,111	330,744
Long-term liabilities	341,985	291,253	81,110	71,242
Short-term liabilities	209,969	247,183	49,799	60,463
Fixed assets	1,296,024	1,080,524	307,384	264,303
Current assets	580,315	810,059	137,636	198,146
Total assets	1,876,339	1,890,583	445,020	462,449

7. Polnord SA Capital Group

Polnord SA is the parent company of the Group.

Table 4. Basic Company data

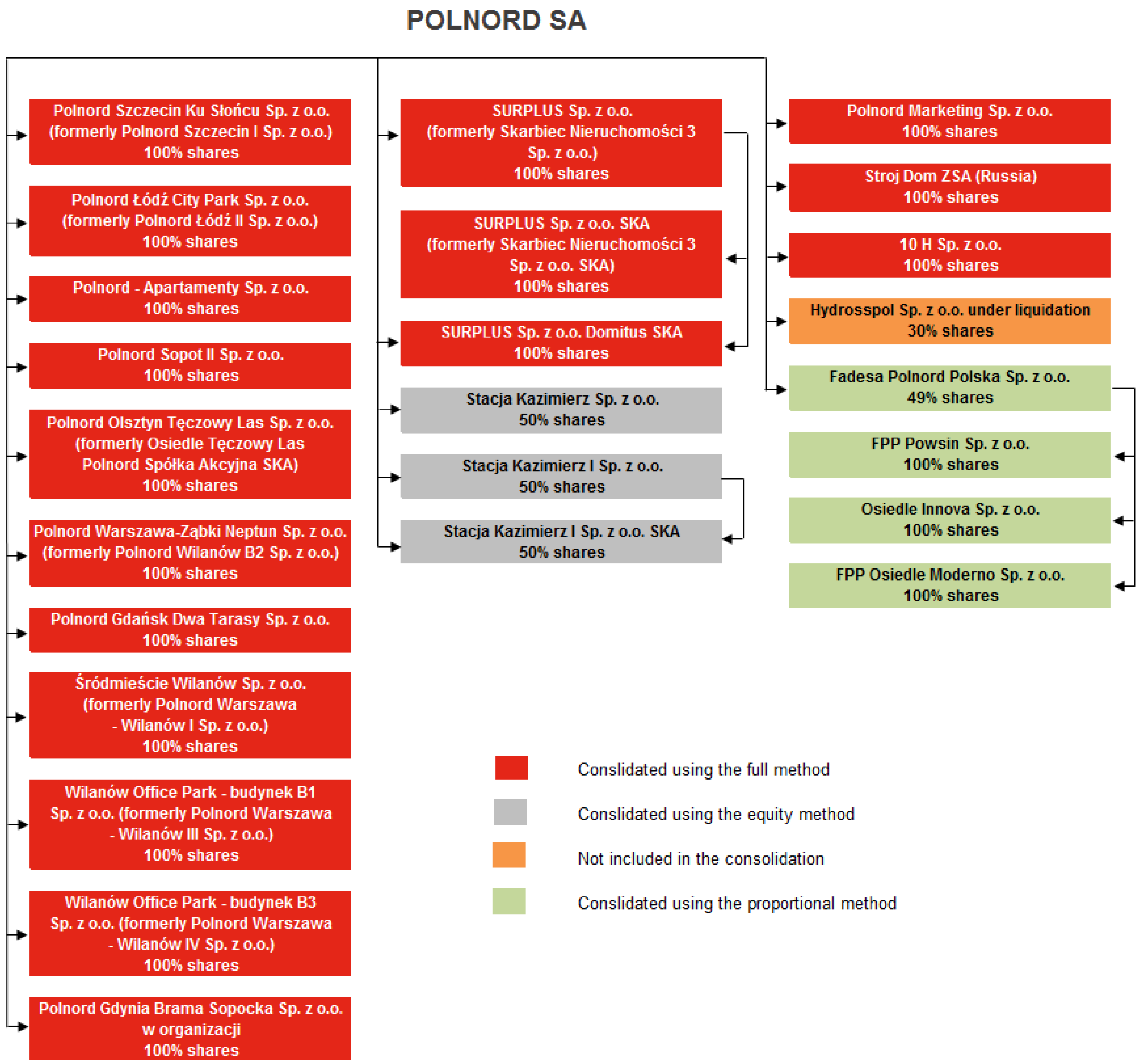
Full name (company name)	**POLNORD Spółka Akcyjna**
Registered office	**81-310 Gdynia, ul. Śląska 35/37**
Number in the National Court Register (KRS)	**0000041271**
Tax Identification Number (NIP)	**583-000-67-67**
Statistical Identification Number (REGON)	**000742457**
Registered share capital	**PLN 51,266,054 (paid in full)**
PKD (Polish Classification of Business Activities)	**6810 Z – buying and selling of own real estate**
Website	**www.polnord.pl**

7.1. Composition of the Polnord Capital Group

The Group consists of the parent company, i.e. the Company, and entities directly or indirectly controlled and jointly controlled by the Company. The principal business of the Group is construction and sale of residential and commercial property. The Company implements development projects both independently and through special purpose vehicles.

As at 30.09.2013, the Group comprised the Company and the following subsidiaries, jointly controlled companies and associates:

Diagram 2. Structure of Polnord SA Capital Group



Hydrosspol Sp. z o.o., a company under liquidation, was not included in the consolidated financial statements. The financial data of this company are insignificant from the perspective of the Consolidated financial statements.

Moreover, Polnord has 175,804,794 shares in the share capital of Korporacja Budowlana "Dom" SA (Construction Corporation "Dom" SA), corresponding to 175,804,794 votes, representing 17.71% of the share capital of Construction Corporation "Dom" SA and 17.71% of voting rights at the general meeting of Development Corporation "Home" SA shareholders.

Identification of the effects of changes in the structure of the Group, including those resulting from mergers of businesses, acquisitions or disposals of the capital group's entities, long-term investments, division, restructuring and discontinuation of activity

In the third quarter of 2013 there the following changes in equity relations took place:

- On 08.07.2013, Polnord SA acquired 100% of shares of Pompey Sp. z o.o. Domitus SKA with its registered office in Warsaw, with the total nominal value of PLN 50 thousand. On 22.07.2013, a change of the name Pompey Sp. z o.o. Domitus SKA into Surplus Sp. z o.o. Domitus SKA and a change of the registered office of Warsaw into Gdynia were registered.

After the balance sheet date i.e. after 30.09.2013, the following changes in the organizational structure of the Group occurred:

- On 03.10.2013, the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register entered Stacja Kazimierz sp. z o.o. SKA into the register of entrepreneurs of the National Court Register under number KRS 0000479488.
- On 07.10.2013, Polnord SA acquired from Semeko Grupa Inwestycyjna Sp. z o.o. with its registered office in Gdynia 50% of shares in the SPV Semeko Aquasfera Sp. z o.o. with its registered office in Gdynia with the total nominal value of PLN 10 million.

8. GOVERNING BODIES OF THE COMPANY

MANAGEMENT BOARD

Piotr Wesołowski
President

Tomasz Sznajder
Vice-President

The current composition of the Supervisory Board which was elected by the Annual General Meeting on 28.06.2013 for a 3-year term is as follows:

Ryszard Krauze
Chairman of the Supervisory Board

Tomasz Buzuk Member of the Supervisory Board	Maciej Grelowski Member of the Supervisory Board	Andre Spark Member of the Supervisory Board
Piotr Chudzik Member of the Supervisory Board	Andrzej Podgórski Member of the Supervisory Board	Wiesław Walendziak Member of the Supervisory Board
Marcin Dukaczewski Member of the Supervisory Board	Przemysław Sęczkowski Member of the Supervisory Board	Piotr Wawrzynowicz Member of the Supervisory Board

In the third quarter of 2013 and in the period until the date of publication of this Report no changes in the composition of the Company's Management Board and Supervisory Board occurred.

Information on shares or rights to shares (options) of Polnord SA held by Members of the Management and Supervisory Boards of Polnord SA

Table 5. Company shares held by members of the Management Board and Supervisory Board as at 14.11.2013

Name	Function	Number of shares
Piotr Wesołowski	President of the Management Board	25,182
Tomasz Sznajder	Vice-President of the Management Board	16,112
Marcin Dukaczewski	Member of the Supervisory Board	7,115

In the third quarter of 2013 and in the period until the date of publication of this Report no changes in the holdings of Company's shares of the above mentioned members of the Management Board and Supervisory Board occurred.

9. SHAREHOLDERS HOLDING AT LEAST 5% OF THE TOTAL NUMBER OF VOTES AT THE GENERAL MEETING OF THE COMPANY

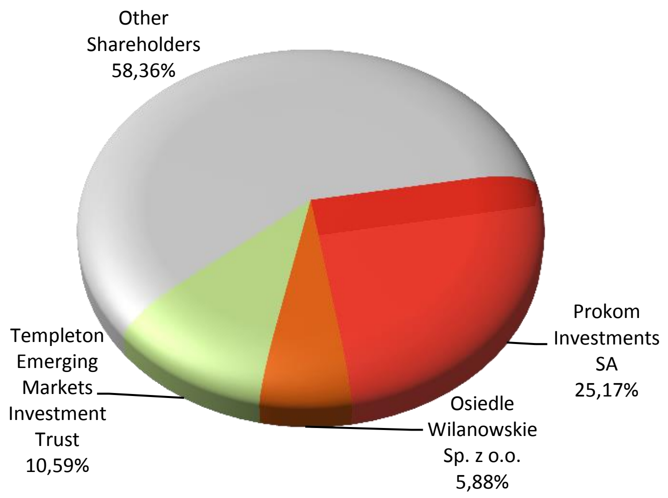
According to the Company's knowledge, as at 30.09.2013 and 14.11.2013, the following shareholders held shares vested with at least 5% of votes at the General Meeting:

Table 6. Shareholding structure of Polnord SA

Shareholder	Number of shares/votes	Par value of shares (PLN)	% of share capital/votes
Prokom Investments SA in Gdynia	6,451,416	12,902,832	25.17%
Osiedle Wilanowskie Sp. z o.o. in Gdynia (subsidiary of Prokom Investments SA)	1,508,492	3,016,984	5.88%
Templeton Emerging Markets Investment Trust in Great Britain	2,715,806	5,431,612	10.59%
Other shareholders in total	14,957,313	29,914,626	58.36%
TOTAL	**25,633,027**	**51,266,054**	**100.00%**

In the third quarter of 2013 and in the period until the date of publication of this Report no changes in the shareholdings of existing shareholders occurred.

Diagram 3. Shareholding structure as at 14.11.2013



II. Activities of the Capital Group

1. Operational activities of the Group

1.1. Information on the number of units sold

The table below presents information on the number of premises sold by the Polnord Group within particular projects as well as the Group's offer as at 30.09.2013. In three quarters of 2013, Polnord Group companies sold 693 units including cancellations, of which 283 units were sold in the third quarter of this year.

Table 7. Sales and offer as at 30.09.2013

Project	General information				Premises sold (net – including cancellations)			Offer as at 30.09.2013
	Usable area (sq. m)	Number of premises	Commission to use date	Company implementing the project	by 31.12.2012	in H1 2013	in Q3 2013	
Warsaw								
Commissioned projects								
Ostoja Wilanów II-VI	98,250	1,146	2009-2011	Fadesa Polnord	1,082	43	11	10
Królewskie Przedmieście	34,017	443	IVQ 2011	Surplus	442	1	0	0
Dobry Dom	10,659	155	IIIQ 2011	Śródmieście Wilanów	152	3	0	0
Projects under development								
Ostoja Wilanów VII	19,430	324	IIQ 2014*	Fadesa Polnord	92	55	53	124
Śródmieście Wilanów (building A)	9,532	170	IVQ 2013*	Śródmieście Wilanów	103	30	22	15
Śródmieście Wilanów (building C)	10,565	162	IIIQ 2014*	Śródmieście Wilanów	60	45	16	41
Projects started in Q3 2013								
Śródmieście Wilanów (building D)	9,533	189	IIQ2015*	Śródmieście Wilanów	0	0	32	157
Neptun IA	6,204	109	II/IIIQ2015*	Polnord Ząbki Neptun	0	0	5	104
Tricity								
Commissioned projects								
Ostoja Myśliwska I-II	13,706	242	2011-2012	Polnord Apartamenty	178	25	12	27
2 Potoki I	7,475	162	IVQ 2012	Polnord Apartamenty	126	12	3	21
Sopocka Rezydencja	9,672	162	IQ 2012	Polnord Sopot II	103	25	10	24
Osiedle Guderskiego I (building 1-3)	4,468	96	IVQ2012	Polnord Apartamenty	0	13	4	79
Osiedle Guderskiego II (building 4-5)	2,771	60	IIQ 2013	Polnord Apartamenty	0	0	0	60
Projects under development								
2 Potoki II	7,142	162	IVQ 2013*	Polnord Apartamenty	13	11	24	114
Projects started in Q3 2013								
Dwa Tarasy I	7,336	162	IVQ 2014*	Polnord Dwa Tarasy	0	0	0	162
Olsztyn								
Commissioned projects								
Osiedle Tęczowy Las (building 4)	4,590	91	IIIQ 2012	OTL Polnord	80	5	3	3
Projects under development								
Osiedle Tęczowy Las (building 5)	5,838	103	IVQ 2013*	OTL Polnord	26	13	12	52
Projects started in Q3 2013								
Osiedle Tęczowy Las (building 6)	6,743	149	IIQ 2015 *	OTL Polnord	0	0	0	149

Project	General information				Premises sold (net – including cancellations)			Offer as at 30.09.2013
	Usable area (sq. m)	Number of premises	Commission to use date	Company implementing the project	by 31.12.2012	in H1 2013	in Q3 2013	
Szczecin								
Commissioned projects								
Ku Słońcu I	12,203	222	IVQ 2011	Polnord Szczecin Ku Słońcu	170	4	10	38
Ku Słońcu II (building 2)	7,657	157	IVQ 2012	Polnord Szczecin Ku Słońcu	50	48	31	28
Projects under development								
Ku Słońcu II (building 1)	7,701	158	IVQ 2014*	Polnord Szczecin Ku Słońcu	0	0	0	158
Łódź								
Commissioned projects								
City Park I-III	14,833	235	2009-2012	Polnord Łódź City Park	198	23	6	8
Wrocław								
Commissioned projects								
Osiedla Innova I-V	21,150	421	2012-2013	Osiedle Innova	321	49	20	31
Projects under development								
Osiedle Innova VI	3,194	56	IIIQ2014*	Osiedle Innova	0	5	9	42
Osiedle Innova VII	3,260	56	IIIQ2014*	Osiedle Innova	0	0	0	56
Total – commissioned projects	**241,451**	**3,592**			**2,902**	**251**	**110**	**329**
Total – projects under development, including:	**96,478**	**1,800**			**294**	**159**	**173**	**1,174**
Projects started in Q3 2013	29,816	609			-	-	37	572
TOTAL	**337,929**	**5,392**			**3,196**	**410**	**283**	**1,503**

** Planned date of commissioning for use* *Data not weighted with Polnord's share in the project*

1.2. Commenced projects

In the third quarter of 2013 the Group introduced two new projects to sale - Dwa Tarasy in Gdańsk and Neptun in Ząbki as well as subsequent stages of two investments – the third stage of Śródmieście Wilanów investment in Warsaw – building D and the third stage of Osiedle Tęczowy Las near Olsztyn (marked in green in table 7 above). Thus, the Company extended its offer by 609 units with the total usable area of 29,816 sq. m.

In addition, on 07.10.2013 r. Polnord finalised the provisions of the agreement with Semeko Grupa Inwestycyjna Sp. z o.o. ("Semeko") on the implementation of the joint venture Aquasfera, located in Reda. As part of the project nearly 30,000 sq. m of usable area for residential and commercial units will be constructed. The project will ultimately consist of four buildings, one of which was completed in 2010. The commissioning of the first stage of the Pacific building, comprising 93 units, is scheduled for Q4 2013. Together with Semeko, Polnord will continue to implement the next phases. In the fourth quarter of this year the implementation of the second phase of the Pacific building started as part of which approximately 120 flats will be built. The estimated date of commissioning the building for use is the third quarter of 2015. Detailed information on the cooperation with Semeko is discussed in Chapter IV Section 1.1 of this Report.

1.3. Projects to be launched

In the upcoming periods the Company plans to launch eleven housing investments of which five constitute subsequent phases of projects already being implemented in Warsaw, Tricity and Wrocław. The other six are the investments being initiated, by Polnord itself or with partners, in new attractive locations in Warsaw, Gdynia, Reda and Wrocław. Projects to be launched create a potential to expand the offer by about 99.2 thousand sq. m of usable area (UUA).

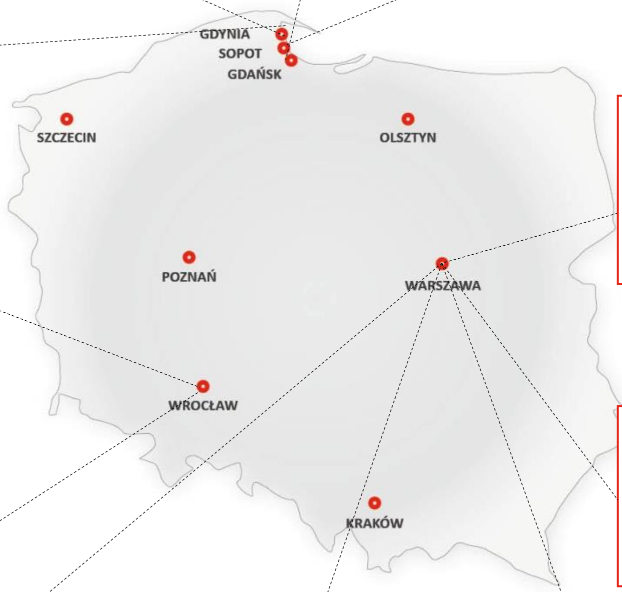
Diagram 4. Projects planned to be launched between Q4 2013 and Q4 2014

Brama Sopocka (Phase I/II)
- 7,500 sq. m UUA
- 120 units
- Expected commencement 4Q2013/1Q2014
- Expected completion 4Q2015

Dwa Tarasy (Phase II)
- 8,386 sq. m UUA
- 172 units
- Expected commencement 2/3Q2014
- Expected completion 3Q2015

ul. Haffnera, Sopot (Phase I)
- ca. 3,000 sq. m UUA
- ca. 50 units
- Expected commencement 2/3Q2014
- Expected completion 2/3Q2016

Aquasfera build. Pacific (Reda near Gdynia)
- 11,103 sq. m UUA
- 213 units
- Expected commencement 4Q2013
- Expected completion 3Q2015



Neptun Phase IB (Ząbki near Warsaw)
- 5,438 sq. m UUA
- 105 units
- Expected commencement 2/3Q2014
- Expected completion 4Q2015

Osiedle Moderno
- 7,234 sq. m UUA
- 158 units
- Expected commencement 4Q2013
- Expected completion 3Q2015

Osiedle Innova II
- 10,270 sq. m UUA
- 209 units
- Expected commencement 1Q2014
- Expected completion 1Q2016

Śródmieście Wilanów (building E)
- 7,989 sq. m UUA
- 119 units
- Expected commencement 1/2Q2014
- Expected completion 3/4Q2015

Ostoja Wilanów (build.C2/Phase VIII/build.B4)
- 25,955 sq. m UUA
- 386 units
- Expected commencement 1/2/4Q2014
- Expected completion 1/2/4Q2016

Miniapartaments in Wilanów (Phase I)
- 4,000 sq. m UUA
- 200 units
- Expected commencement 1/2Q2014
- Expected completion 1/2Q2015

Stacja Kazimierz (Phase I)
- 8,286 sq. m UUA
- 180 units
- Expected commencement 4Q2013/1Q2014
- Expected completion 4Q2015/1Q2016

Investments planned to be launched independently (by the wholly owned subsidiaries of Polnord)

Investments planned to be launched, implemented by companies jointly controlled by Polnord

Multi-stage development projects, which are scheduled to be launched by the end of 2014, are described below:

- In Q4 of this year, the Group plans to launch phase 1 of the Brama Sopocka project, located in Gdynia, at ul. Sopocka. The entire, two-stage project comprises the construction of multi-family residential buildings with the total usable area of 7.5 thousand sq. m, consisting of 120 units.
- In the first half of 2014, the project of Miniapartments in Warsaw, Wilanów district, is planned to be launched. As part of the entire investment, around 800 units with the area of approximately 20 sq. m each with the total usable area of approximately 16 thousand sq. m will be constructed. These will be commercial premises with residential functions to be used primarily for lease. Q1 2014 is the expected period of obtaining a building permit for the first stage.

- Polnord is also preparing a project in Sopot at ul. Haffnera for the launch. The investment is located in a very attractive location near the coastal belt. The project will consist of approximately 200 apartments with the total usable area of approximately 12 thousand sq. m, as well as a hotel and an office building. The implementation of the first phase is expected to start in Q2/Q3 of 2014.
- The Company plans to launch the first phase of the Stacja Kazimierz investment in the first quarter of 2014, jointly with MS Waryński. The entire investment will comprise approximately 650 units in total, with the usable area of flats of 35.3 thousand sq. m. The investment is described in more detail in the Consolidated Interim Report of Polnord Capital Group for the period from 01.01.2013 to 30.06.2013 (published on 30.08.2013).
- In the fourth quarter of this year the implementation of the second part of Pacific building started as part of the Aquasfera project. Further details of the project are described in this chapter in Section 1.2.

1.4. Land purchase

In Q3 2013 the Group did not purchase any land.

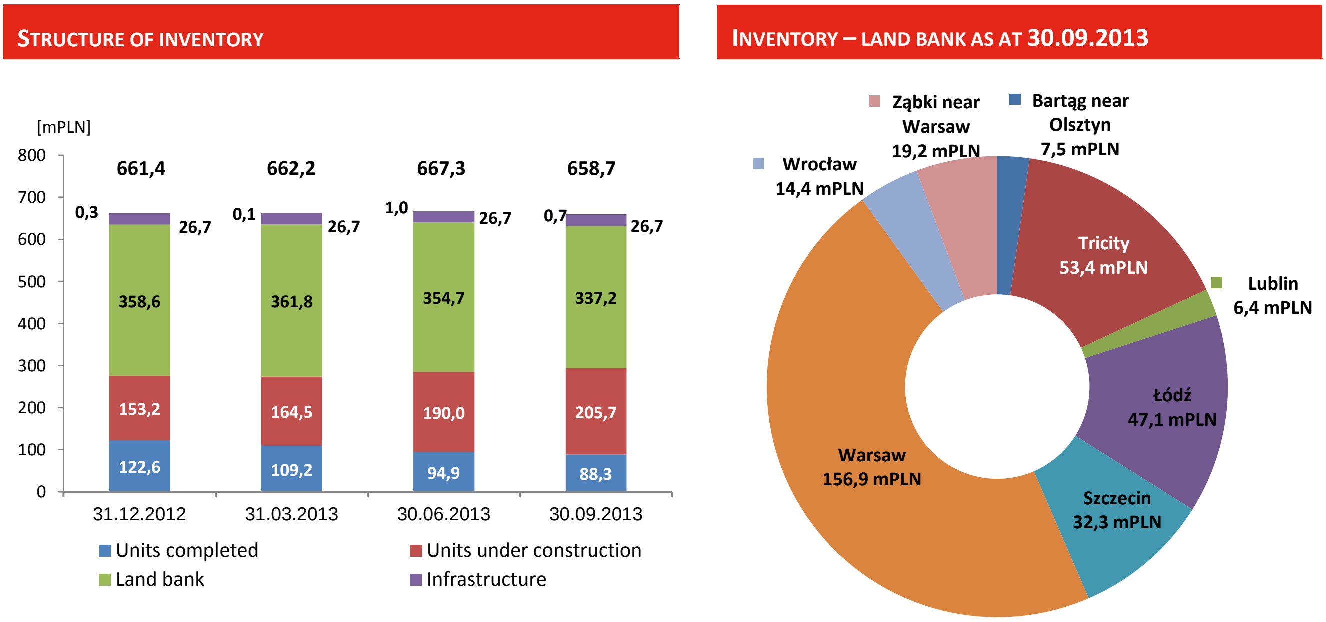
1.5. Statement of inventories and investment properties

The graphs below present the current statement of inventories and investment properties along with the breakdown of land bank classified as both inventories and investment properties.

Inventories

Compared to 30.06.2013, neither the size nor the structure of inventories changed significantly as of 30.09.2013 and their value amounted to PLN 658.7 million. Within the land bank included in the inventory, land held by the Group in Warsaw is the largest item – it constitutes 46% of the total value of the land included in the inventory.

Figure 4. Structure of inventory



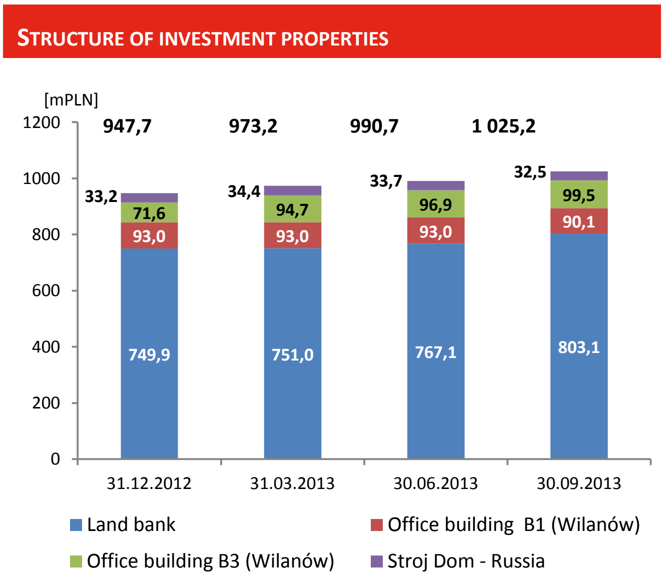
The most significant item of the land bank of PLN 71.6 million is land in Wilanów held for Śródmieście Wilanów investment, both for phases being implemented and planned to be implemented. The available land in Wilanów will enable the construction of 15,000 sq. m of usable area, excluding building D to be implemented within Śródmieście Wilanów investment.

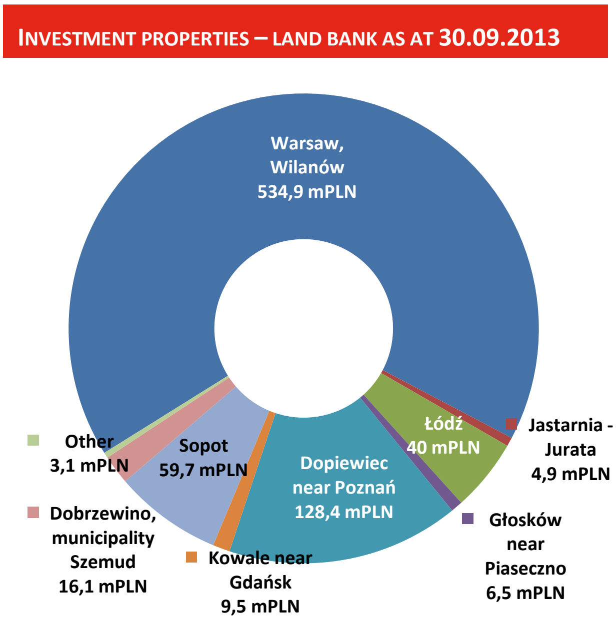
A portion of Group's inventories constitutes collateral for the repayment of loans received by Group Companies to finance development projects and for bonds. As at 30.09.2013 the carrying amount of inventories encumbered with the mortgage collateral was PLN 381,697 thousand and as at 31.12.2012 it amounted to PLN 330,899 thousand.

Investment properties

As at 30.09.2013, the value of investment properties amounted to PLN 1,025.2 million. Revaluation of investment properties has been described in more detail in the commentary to the consolidated income statement, in Section 3 of this chapter.

Figure 5. Structure of investment properties





Detailed information on the plots with the highest value along with their intended use is presented below.

Table 8. List of plots of the highest value in Warsaw

Location	Plot No.	Area [sq. m]	Reported value [PLN '000]	Investment plans
Warsaw Wilanów*	2/70	93,581	147,671	The area adjacent to the planned S2 Warsaw Southern bypass. The plot available for service and residential purposes. Possibility to build up the plot by 95,6 thousand sq. m. The Company does not expect to implement an investment on this plot in the next 3 years.
Warsaw Wilanów*	2/48	72,421	88,933	The plot designated for residential buildings and facilities for public services as well as sports and recreational facilities. The Company does not expect to implement any investment on this plot in the next 3 years. The Company considers applying for a change in the land development plan.
Warsaw Wilanów*	2/101	29,023	52,996	The whole area intended for "Miniapartamenty" investment whose implementation will begin in 2014. The investment described in detail in Chapter II, Section 1.3.
Warsaw Wilanów*	2/96 2/228	30,899	53,263	The plots constitute a single area in the vicinity of the planned S2 Warsaw Southern bypass. In 2014, a housing estate with the total usable area of approximately 30 thousand sq. m is planned to be designed.
Warsaw Wilanów*	9	21,627	38,410	Plot No. 9 is located adjacent to plots 2/96 and 2/228. A housing estate with the total usable area of approximately 20 thousand sq. m is planned to be designed in this area.
Warsaw Wilanów*	2/115 2/97	23,211	42,165	The Company signed a preliminary agreement on a sale of the land concerned.
Dopiewiec near Poznań	188/1 184/6 184/7 184/8	497,447	128,395	The land is covered by the local master plan. According to its provisions, the development yield is approximately 346 thousand sq. m, but the Company plans approx. 173 thousand sq. m of the residential and 34 thousand sq. m of retail space, so as to preserve the natural landscape of the plots.

Location	Plot No.	Area [sq. m]	Reported value [PLN '000]	Investment plans
Sopot	38	28,047	59,666	The estimated development yield assumes a possibility of implementing multi-family houses with approximately 7 thousand sq. m of living space, aparthotel-type buildings with the area of approximately 5.7 thousand sq. m, an office building with the area of approximately 7.9 thousand sq. m and a hotel building with 140-150 rooms.
Łódź	568/30 568/32 568/33	19,474	40,042	Possibility of implementing multi-family residential development with approximately 44 thousand sq. m of living space, with services on the ground floors of approximately 2.5 thousand sq. m of retail space.
Dobrzewino	224/6	134,500	16,140	The land is covered by the local master plan. According to its provisions, the land may be divided into approximately 139 plots of approximately 1,000 sq. m each on which four-family houses may be built.
Kowale near Gdańsk	109/54	40,672	9,477	The land is designated for residential development with approximately 8,5 thousand sq. m of living space and for service facilities with the area of approximately 3.3 thousand sq. m. The Company does not expect to implement any investment on this plot in the next 3 years.
Głosków near Piaseczno	18/2-18/14	42,468	6,511	30 single-family houses may be built on the plot. Outline planning permissions were obtained for 11 planned houses. A procedure aimed at obtaining outline planning permissions for other houses was started.
TOTAL		**1,033,370**	**683,669**	

** The listed plots in Wilanów represent 79% of the value of investment land located in Warsaw, classified as investment properties,. Most of this land is located in the southern part of Miasteczko Wilanów south of ul. Płaskowicka Bis and Aleja Rzeczypospolitej. These areas are well connected to the city centre, have full technical support and infrastructure. In the neighbourhood there are social, education and medical facilities. There are plans to build a large shopping centre in surrounding areas.*

Some of these investment properties of the Group constitute collateral for the repayment of loans and bonds. As at 30.09.2013 the carrying amount of investment properties encumbered with the mortgage collateral was PLN 989,624 thousand and as at 31.12.2012 it amounted to PLN 901,012 thousand.

2. Development projects included in the income statement

Table 9 presents development projects that are included in the financial result of the Group for Q3 2013.

In the period between 01.01.2013 and 30.09.2013, the Group delivered 375 units to Customers, of which 129 deliveries took place in Q3 2013.

Table 9. Financial result per project for the period of 01.01.2013-30.09.2013

Project	Premises delivered to customers		Premises sold to be delivered	Revenue		Gross profit	Gross margin
	Units	Area of premises [sq. m]	Units	PLN '000	Share %	PLN '000	Share %
Warsaw							
Ostoja Wilanów III	5	606	1	3,548	9%	438	12%
Ostoja Wilanów V	11	1323	3	6,967	17%	134	2%
Ostoja Wilanów VI	2	273	1	1,953	5%	384	20%
Tricity							
Ostoja Myśliwska II	15	836	3	4,140	10%	1,058	26%
2 Potoki I	9	426	1	1,661	4%	166	10%
Sopocka Rezydencja	7	440	13	3,735	9%	-1,008	-27%
Osiedle Guderskiego I (build. 1-3)	6	294	5	1,118	3%	182	16%
Olsztyn							
Osiedle Tęczowy Las (build. 4)	4	155	3	621	1%	182	29%

Project	Premises delivered to customers		Premises sold to be delivered	Revenue		Gross profit	Gross margin
	Units	Area of premises [sq. m]	Units	PLN '000	Share %	PLN '000	Share %
Szczecin							
Ku Słońcu I	6	410	8	1,795	4%	-9	-1%
Ku Słońcu II (build. 2)	26	1 272	24	5,866	14%	53	1%
Łódź							
City Park II	2	161	4	598	1%	-12	-2%
City Park III	3	162	5	653	2%	0	0%
Wrocław							
Osiedle Innova III	3	139	0	750	2%	350	47%
Osiedle Innova IV	17	852	59	4,718	11%	1,551	33%
Osiedle Innova V	13	632	64	3,520	8%	1,294	37%
Total	**129**	**7,981**	**194**	**41,643**	**100%**	**4,763**	**11%**

Data not weighted with Polnord's share in the project

3. Commentary to the Consolidated Income Statement

Table 10. Selected items of the consolidated Income Statement

Description [PLN '000]	For the period from 01.01.2013 to 30.09.2013	For the period from 01.07.2013 to 30.09.2013	For the period from 01.01.2012 to 30.09.2012	For the period from 01.07.2012 to 30.09.2012
Revenues from sales	**113,928**	**37,025**	**199,705**	**48,989**
Prime cost of sales	**(102,411)**	**(34,046)**	**(175,407)**	**(41,360)**
Impairment write-down for inventories	**(1,040)**	**(1,040)**	**(6,863)**	**(5,423)**
Gross profit (loss) on sales	**1, 477**	**1,939**	**17,435**	**2,206**
Revaluation of investment property	58,292	23,925	78,351	78,124
Selling, general and administrative expenses	(25,359)	(8,140)	(35,152)	(10,369)
Other operating income	11,574	10,423	87,238	1,751
Other operating expenses	(25,106)	(17,228)	(18,238)	(10,011)
Gross operating profit (loss)	**29,878**	**10,919**	**129,634**	**61,701**
Financial income	5,928	(596)	9,382	3,359
Financial expenses	(31,125)	(9,662)	(84,085)	(31,761)
Result on the sale of subsidiary			(15,684)	(15,684)
Share in profit of associate	(4)	(4)	(228)	(106)
Gross profit (loss)	**4,677**	**657**	**39,019**	**17,509**
Income tax	(1,809)	753	(16,562)	(6,668)
Net profit (loss) on continued operations	**2,868**	**1,410**	**22,457**	**10,841**
Net profit (loss) on discontinued operations	2	(141)	(417)	(176)
Net profit/(loss) for the financial year	**2,870**	**1,269**	**22,040**	**10,665**

Revenues from sales in the period from 01.01.2013 to 30.09.2013 amounted to PLN 113,928 thousand and were lower by PLN 85,777 thousand than revenues in the same period of the previous year. Revenue recognised in the income statement relates to investments which were completed in previous years. The decline in revenues is caused by the cyclical nature of the development process. The following 2 investments were delivered to customers in the previous year in the first three quarters: Sopocka Rezydencja and Osiedle Tęczowy Las building 4, which was reflected in revenues from sales. In 2013, intensified deliveries of flats as part of newly completed projects are planned for the fourth quarter. The expected result of sales activities in the first three quarters of 2013 is presented in table 1 in Chapter I, Section 4 of this Report.

Prime cost of sales concerned mainly the value of units delivered. The gross margin generated in the first three quarters of 2013 was 9.2% and it was 0.5 percentage point higher than in the same period of the previous year. A write-off for the amount of PLN 1,040 thousand concerned a plot held for sale. The gross margin not inclusive of the said write-off was 10.1% and was 1.4 percentage point higher than in the three quarters of 2012. This is due to the fact that projects with a lower profitability were delivered to customers and the share of projects with a high profitability increases in the result from quarter to quarter.

Revaluation of properties in the period from 01.01.2013 to 30.09.2013 amounted to PLN 58,292 thousand and it resulted mainly from the valuation of the office building B3 erected as part of Wilanów Office Park, which was commercialised in over 90% (PLN 23,142 thousand). Furthermore, due to the commencement of the process of modification of the local zoning plan, the plot in Sopot was valuated (PLN 12,370 thousand).

As a result of restructuring activities started in 2012 in the Polnord Group, selling, general and administrative expenses for the three quarters of 2013 decreased to PLN 25,359 thousand, i.e. by PLN 9,793 thousand compared to the same period of the previous year.

The decrease in other operating income by 87% compared to the previous year is due to the recognition of non-recurring items concerning revenues from compensations in 2012. In 2013, new proceedings were instituted for compensations from the Capital City of Warsaw and Municipal Water Supply and Sewage Company (MPWiK) (details in table 14 in Chapter IV Section 2), however they were not included in the result and were only disclosed as contingent assets.

Other operating costs in the amount of PLN 25,106 thousand refer mainly to a cost to Asseco Poland SA resulting from the termination of a lease agreement which took place in the beginning of the third quarter of 2013. Signing the conditional lease agreement was connected to the sale of a plot located in Wilanów by Polnord to Asseco Poland SA in 2010. This one-off cost fully covers the liability of the Company to Asseco Poland SA. As at 30.09.2013 amount to be paid totals EUR 750 thousand. The amount of PLN 3,079 thousand is related to non-recurring costs associated with the legal process of obtaining compensations.

The financial income of PLN 5,928 thousand consisted mainly of interest income from term deposits in the amount of PLN 3,727 thousand and income from interest on loans of PLN 2,201 thousand. Financial expenses amounted to PLN 31,125 thousand and they included in particular interest of PLN 26,795 thousand. Other expenses mainly related to foreign exchange losses amounting to PLN 1,780 thousand and bank commissions amounting to PLN 650 thousand. Interest paid in the first three quarters of 2013 amounted to PLN 38,315 thousand. Decrease in financing costs as compared to the previous period is due to one-off events that took place in 2012 and was described in Management Report of the Polnord SA Capital Group for 2012, page 14.

The implementation of new projects and the continuation of existing activities aimed at optimising Group's operating costs will positively influence the results of operations in future periods.

4. Notes on seasonal and cyclical nature of Capital Group's operations

Due to the settlement of development projects with percentage of completion method in accordance with IAS 18, the Company recognises revenue from the sale of units only after handing over units to customers, which always follows a project delivery, i.e. after completion of construction. Delivery dates of individual residential projects result from the construction cycle, which usually ends in the second half of the year.

5. Information on issue, redemption and repayment of non-equity and equity securities

Issues of shares

In the third quarter of 2013 the Company issued no shares.

According to the resolution of the Extraordinary General Meeting of Shareholders dated 23.08.2013, on the share capital increase, an issuance of series R shares with pre-emptive rights is scheduled by Polnord.

More details are presented in current report No. 47/2013 of 23.08.2013.

Issues and redemption of bonds

In the third quarter of 2013 Polnord issued no bonds. However, on 26-27.09.2013 the Company partially repurchased bonds before the maturity date, with the total nominal value of PLN 2,484 thousand with the purpose of their redemption. The Company partially repurchased bonds with the total nominal value of PLN 1,984 thousand, maturing as of 31.03.2014, and bonds with the total nominal value of PLN 500 thousand, maturing as of 28.09.2015.

6. INDEBTEDNESS OF THE CAPITAL GROUP

Current liabilities of the Group as at 30.09.2013 are presented in tables 11 and 12.

Table 11. Debt of Polnord SA arising from bonds issued [in million PLN]

Issue date	Offering party	Type	Debt as at 30.06.2013	Buy out/issue in Q3 2013	Debt as at 30.09.2013	Bond redemption schedule (par value)							Maturity
				par value		4Q13	1Q2014	2Q2014	3Q2014	4Q2014	2015	2016	
03.12.2010	Bre Bank	Bearer bonds	20,4		20,4	20,4							03.12.2013
26.01.2011	Bre Bank	Bearer bonds	10,0		10,0	10,0							03.12.2013
29.03.2012	DM IDM	Bearer bonds	18,5	-2,0	16,5		16,5						31.03.2014
28.06.2012	Bre Bank	Bearer bonds	30,0		30,0						30,0		26.06.2015
12.07.2012	Bre Bank	Bearer bonds	10,0		10,0						10,0		26.06.2015
20.08.2012	SGB Bank	Bearer bonds	60,0		60,0							60,0	20.08.2016
05.09.2012	Bre Bank	Bearer bonds	10,0		10,0						10,0		26.06.2015
21.09.2012	SGB Bank	Bearer bonds	8,5		8,5							8,5	21.09.2016
26.09.2012	Bre Bank	Bearer bonds	40,0	-0,5	39,5						39,5		28.09.2015
24.10.2012	DM Banku BPS	Bearer bonds	24,0		24,0						24,0		24.10.2015
16.01.2013	DM Banku BPS	Bearer bonds	19,0		19,0							19,0	16.01.2016
18.01.2013	DM Banku BPS	Bearer bonds	20,0		20,0							20,0	18.01.2016
22.01.2013	DM Banku BPS	Bearer bonds	26,5		26,5							26,5	22.01.2016
30.04.2013	Bre Bank	Bearer bonds	5,0		5,0	5,0							20.11.2013
13.05.2013	SGB Bank	Bearer bonds	46,0		46,0							46,0	13.05.2016
			347,9	**-2,5**	**345,4**	35,4	16,5	0,0	0,0	0,0	113,5	180,0	

Table 12. Summary of loans of Polnord SA Capital Group [in million PLN]

Borrower	Bank	Type	Current limit	Debt as at 30.09.2013 exclud. Interest	Polnord's share	Schedule of capital repayment (current debt)					Maturity
						4Q13	1Q14	2Q14	3Q14	po 3Q2014	
Polnord SA	BRE Bank SA	overdraft	25,0	24,0	100%			24,0			27.06.2014
Polnord SA	DZ Bank Polska SA	overdraft	23,0	20,9	100%			20,9			31.05.2014
			34,0	34,0	100%			34,0			
Śródmieście Wilanów Sp. z o.o. (formerly: Polnord Warszawa Wilanów I Sp. z o.o.)	Bank Zachodni WBK SA	investment (land)	8,1	8,1	100%					8,1	31.01.2015
Wilanów Office Park - budynek B1 Sp. z o.o. (formerly: Polnord Warszawa Wilanów III Sp. z o.o.)	PKO BP SA	refinance	62,8	62,8	100%					62,8	31.12.2030
Wilanów Office Park - budynek B3 Sp. z o.o. (formerly: Polnord Warszawa Wilanów IV Sp. z o.o.)	PKO BP SA	development (building B3)	36,1	36,1	100%			0,3	0,5	35,3	30.04.2025
Polnord Apartamenty Sp. z o.o.	Alior Bank SA	development	9,4	9,4	100%	2,5	2,3	2,3	2,3		30.09.2014
	PKO BP SA	development	13,2	13,2	100%	0,1	0,1	0,1	6,3	6,6	30.09.2015
Polnord Sopot II Sp. z o.o.	PKO BP SA	investment (land)	15,0	15,0	100%	0,6		0,4	1,5	12,5	31.12.2016
Polnord Szczecin Ku Słońcu Sp. z o.o. (formerly: Polnord Szczecin I Sp. z o.o.)	PKO BP SA	development	30,4	30,4	100%		10,3	8,1	7,4	4,6	30.11.2014
Polnord Warszawa-Ząbki Neptun Sp. z o.o. (formerly: Polnord Wilanów B2 Sp. z o.o.)	Bank BPS SA	investment (land)	16,2	16,2	100%					16,2	31.12.2019
Fadesa Polnord Polska Sp. z o.o.	PEKAO SA	development	156,8	38,6	49%					38,6	30.06.2015
		investment (land)	11,0	11,0	49%		11,0				31.01.2014
		VAT	35,0	0,0	49%						30.06.2015
Osiedle Innova Sp. z o.o.	PEKAO SA	development	22,6	0,0	49%						31.12.2015
		VAT	5,0	0,0	49%						30.06.2015
			Loans not weighted with Polnord's share	**319,7**		**3,2**	**23,7**	**90,1**	**18,0**	**184,7**	
						26,9		**108,1**		**184,7**	
			Loans weighted with Polnord's share	**294,4**		**3,2**	**18,1**	**90,1**	**18,0**	**165,0**	
						21,3		**108,1**		**165,0**	

Gross debt of the Group as at 30.09.2013 under loans taken out (excluding interest accrued) weighted by the share of Polnord amounted to PLN 294.4 million, while total debt including the debt arising from bonds issued (excluding interest accrued) amounted to PLN 639.8 million. Net debt (including funds in accounts in the amount of PLN 57.8 million) reached the level of PLN 582 million.

Gross debt of the Group as at 30.06.2013 under loans taken out (excluding interest accrued) weighted by the share of Polnord amounted to PLN 300.5 million, while total debt including the debt arising from bonds issued (excluding interest accrued) amounted to PLN 648.4 million. Net debt (including funds in accounts in the amount of PLN 52 million) reached the level of PLN 596,4 million.

The above debt amounts include the debt under loans and bonds, however they do not take into account the debt under loans obtained by Fadesa Polnord Polska Sp. z o.o. from the Spanish shareholder.

As at 30.09.2013, the above mentioned gross debt decreased by PLN 8.6 million, while net debt decreased by PLN 14.4 million as compared to the balance as at 30.06.2013.

III. FINANCIAL INFORMATION

1. PRELIMINARY INFORMATION FOR THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements of the Group were prepared as at 30.09.2013 and cover the period from 01.01.2013 to 30.09.2013, including the period from 01.07.2013 to 30.09.2013, and they contain relevant comparative data as at 31.12.2012 for the period from 01.01.2012 to 30.09.2012, including from 01.07.2012 to 30.09.2012.

The duration of the Parent Company and companies comprising the Group as at 30.09.2013 is indefinite.

1.1. Basis for the preparation of the consolidated financial statements

These consolidated financial statements were prepared in accordance with the historical cost principle, except for investment properties which are reported at fair value. Apart from the items referred to above, there were no items in the financial statements that would be valued with the use of another method in accordance with the principles adopted by the Group.

The consolidated financial statements are presented in PLN thousands, unless stated otherwise.

Certain information and disclosures, which in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union ("EU") are usually presented along with the annual consolidated financial statements, were either condensed or excluded in accordance with the IAS 34 "Interim financial reporting" (IAS 34).

These interim condensed consolidated financial statements do not include all information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the consolidated financial statements of the Group prepared in accordance with the International Financial Reporting Standards as adopted by the EU for the year ended 31.12.2012.

The consolidated financial statements were prepared under the assumption that the Group companies will continue as a going concern in the foreseeable future. Therefore, as of the date of the approval of these Financial statements for publication no circumstances are identified that would indicate a threat to the ability of Group's companies to continue as a going concern.

1.2. Statement of compliance

These consolidated financial statements were prepared in accordance with relevant IFRS. The IFRS include the standards and interpretations approved by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC).

The financial statements of the majority of subsidiaries were prepared in accordance with the accounting principles (policy) resulting from the International Financial Reporting Standards and related interpretations published in the form of European Commission regulations and to the extent not regulated in those Standards - in accordance with the provisions of the Accounting Act and implementing regulations issued on the basis thereof. The remaining financial statements of the subsidiaries were prepared in compliance with the regulations resulting from the Accounting Act, while relevant adjustments and restatements in accordance with IAS/IFRS principles were included in the consolidated financial statements for the purposes of consolidation of the Capital Group.

The Group applied in these consolidated financial statements all International Financial Reporting Standards effective in relation to periods beginning on or after 01.01.2013 and standards which had become effective before 30.09.2013.

The Group analysed the new standards and interpretations as well as amendments to the already existing standards and interpretations.

The amendments in standards and interpretations, except for the necessary new disclosures, do not affect the financial results presented in these consolidated financial statements.

1.3. Important estimates and assumptions

Estimates and judgements are verified continuously. They result from historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In relation to 31.12.2012 the Capital Group did not change significantly its judgements and estimates.

In accordance with the accounting policy investment properties are valued at fair value. In order to estimate this value the Group uses the services of experts registered in the Central Register of Property Valuers.

Deferred tax is another estimated item. Group companies create deferred tax asset only if a subsequent use of the asset created is likely.

1.4. Measurement currency and presentation currency

Items disclosed in the financial statements of the individual Group companies are presented in the currency of the main economic environment in which the given company operates (functional currency).

The functional currency and the presentation currency of the parent company is Polish zloty (PLN).

The presentation currency of the Group's financial statements is Polish zloty (PLN).

The functional currency of some Group companies is a currency other than Polish zloty (PLN). Financial statements of such companies, prepared in their functional currencies, are included in these consolidated financial statements following their translation into PLN in accordance with IAS 21.

Financial statements of foreign entities are translated into the Polish currency as follows:

- relevant balance sheet items at the average exchange rate, determined by the National Bank of Poland as at the balance sheet date;
- relevant items of the income statement at the exchange rate being the arithmetic mean of the average exchange rates determined by the National Bank of Poland as at each day ending a financial month. Foreign exchange differences arising from such translation are recognised directly in equity as a separate component. Upon a disposal of a foreign entity the aggregate deferred foreign exchange differences recognised in equity, concerning a particular foreign entity, are recognised in the income statement.

Table 13. Foreign exchange rates

	Exchange rates used for the balance sheet valuation purposes		Exchange rates used for the purposes of valuation of income statement items	
Currency	**30.09.2013**	**31.12.2012**	**01.01.2013 - 30.09.2013**	**01.01.2012 - 30.09.2012**
USD	3.1227	3.0996	3.2040	3.2596
EUR	4.2163	4.0882	4.2231	4.1948
RUB	0.0961	0.1017	0.1009	0.1050

1.5. Significant accounting policies

The Group's financial year is a calendar year, i.e. the period from 1 January till 31 December.

Books of account of the Parent Company are kept in the registered office of Polnord SA in Gdynia, at ul. Śląska 35/37.

The Group continues the accounting policies described in detail in the 2012 Consolidated Financial Statements, section "Notes and explanations". There were no changes in the accounting principles in the reporting period.

1.6. Differences between financial results and a recently published forecast

The Capital Group did not publish a forecast of its 2013 results.

1.7. Balance of provisions

As compared to the amount as at 31.12.2012, the amount of provisions disclosed in the consolidated financial statements as at 30.09.2013 increased by PLN 9,761 thousand, including the deferred tax liability which increased by PLN 8,692 thousand.

As compared to the amount as at 31.12.2012 (combined data), the amount of provisions disclosed in the individual financial statements as at 30.09.2013 increased by PLN 6,301 thousand, including the deferred tax liability which increased by PLN 5,049 thousand.

2. Factors and events, in particular untypical ones, that had a material impact on financial results achieved

In the third quarter of 2013, there were no factors or events in the Polnord Capital Group, in particular untypical ones, that would have had a material impact on the reported financial results.

3. Consolidated Income Statement

Description [PLN '000]	For the period from 01.01.2013 to 30.09.2013	For the period from 01.07.2013 to 30.09.2013	For the period from 01.01.2012 to 30.09.2012	For the period from 01.07.2012 to 30.09.2012
Revenues from sales	**113 928**	**37 025**	**199 705**	**48 989**
Revenue from sales of products, goods and materials	103 774	33 727	187 381	45 404
from related parties				
Sales of services revenue	1 358	114	3 871	627
from related parties	*80*	*77*	*219*	*41*
Lease revenue	8 796	3 184	8 453	2 958
from related parties	*1*		*15*	*8*
Prime cost of sales	**(102 411)**	**(34 046)**	**(175 407)**	**(41 360)**
Impairment write-down for inventories	**(1 040)**	**(1 040)**	**(6 863)**	**(5 423)**
Gross profit (loss) on sales	**10 477**	**1 939**	**17 435**	**2 206**
Revaluation of investment property	58 292	23 925	78 351	78 124
Cost of sales	(5 825)	(1 798)	(7 252)	(1 970)
General and administrative expenses	(19 534)	(6 342)	(27 900)	(8 399)
Other operating income	11 574	10 423	87 238	1 751
Other operating expenses	(25 106)	(17 228)	(18 238)	(10 011)
Gross operating profit (loss)	**29 878**	**10 919**	**129 634**	**61 701**
Financial income	5 928	(596)	9 382	3 359
Financial expenses	(31 125)	(9 662)	(84 085)	(31 761)
Result on the sale of subsidiary			(15 684)	(15 684)
Share in profit of associate	(4)	(4)	(228)	(106)
Gross profit (loss)	**4 677**	**657**	**39 019**	**17 509**
Income tax	(1 809)	753	(16 562)	(6 668)
Net profit (loss) on continued operations	**2 868**	**1 410**	**22 457**	**10 841**
Net profit (loss) on discontinued operations	2	(141)	(417)	(176)
Net profit/(loss) for the financial year	**2 870**	**1 269**	**22 040**	**10 665**
Attributable to:				
Shareholders of the parent company	2 870	1 269	22 040	10 665
Minority shareholders				

Earnings per share – basic [PLN '000]	For the period from 01.01.2013 to 30.09.2013	For the period from 01.01.2012 to 30.09.2012
Net profit (loss) for the period	2 870	22 040
Net profit (loss) on discontinued operations for the period	2	(417)
Net profit (loss) on continuing operations for the period	2 868	22 457
Weighted average number of ordinary shares for the period	25 633 027	23 802 839
Net profit (loss) per ordinary share (PLN)	0,11	0,93
Net profit (loss) on discontinued operations per ordinary share (PLN)	0,00	(0,01)
Net profit (loss) on continuing operations per ordinary share (PLN)	0,11	0,94

Earnings per share – diluted [PLN '000]	For the period from 01.01.2013 to 30.09.2013	For the period from 01.01.2012 to 30.09.2012
Net profit (loss) for the period	2 870	22 040
Net profit (loss) on discontinued operations for the period	2	(417)
Net profit (loss) on continuing operations for the period	2 868	22 457
Interest on bonds convertible into shares		8 151
Net profit (loss) for the period applied to calculate diluted earnings per share	2 870	30 191
Net profit (loss) on discontinued operations for the period applied to calculate diluted earnings per share	2	(417)
Net profit (loss) on continuing operations for the period applied to calculate diluted earnings per share	2 868	30 608
Dilution effect:		
Convertible bonds		3 087 210
Weighted average diluted number of ordinary shares for the period	25 633 027	26 890 049
Net diluted profit (loss) per ordinary share (PLN)	0,11	1,12
Net diluted profit (loss) on discontinued operations per ordinary share (PLN)	0,00	(0,02)
Net diluted profit (loss) on continuing operations per ordinary share (PLN)	0,11	1,14

Annualised earnings per share – basic [PLN '000]	For the period from 01.10.2012 to 30.09.2013	For the period from 01.10.2011 to 30.09.2012
Net profit (loss) for the period	6 570	32 832
Net profit (loss) on discontinued operations for the period	(2 343)	(517)
Net profit (loss) on continuing operations for the period	8 913	33 349
Weighted average number of ordinary shares for the period	25 399 375	23 802 839
Annualised net profit (loss) per ordinary share (PLN)	0,26	1,38
Net profit (loss) on discontinued operations per ordinary share (PLN)	(0,09)	(0,02)
Annualised net profit (loss) on continuing operations per ordinary share (PLN)	0,35	1,40

Annualised earnings per share – diluted [PLN '000]	For the period from 01.10.2012 to 30.09.2013	For the period from 01.10.2011 to 30.09.2012
Net profit (loss) for the period	6 570	32 832
Net profit (loss) on discontinued operations for the period	(2 343)	(517)
Net profit (loss) on continuing operations for the period	8 913	33 349
Interest on bonds convertible into shares	1 937	11 420
Net profit (loss) for the period applied to calculate diluted earnings per share	8 507	44 252
Net profit (loss) on discontinued operations for the period applied to calculate diluted earnings per share	(2 343)	(517)
Net profit (loss) on continuing operations for the period applied to calculate diluted earnings per share	10 850	44 769
Dilution effect:		
Convertible bonds	153 615	3 087 210
Weighted average diluted number of ordinary shares for the period	25 552 990	26 890 049
Diluted annualised net profit (loss) per ordinary share (PLN)	0,33	1,65
Diluted annualised net profit (loss) on discontinued operations per ordinary share (PLN)	(0,09)	(0,01)
Diluted annualised net profit (loss) on continuing operations per ordinary share (PLN)	0,42	1,66

4. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Description [PLN '000]	For the period from 01.01.2013 to 30.09.2013	For the period from 01.07.2013 to 30.09.2013	For the period from 01.01.2012 to 30.09.2012	For the period from 01.07.2012 to 30.09.2012
Net profit/(loss) for the financial year	**2 870**	**1 269**	**22 040**	**10 665**
Other comprehensive income:	**(593)**	**(876)**	**(949)**	**(417)**
Foreign exchange differences on translation of a foreign operation	(593)	(876)	(949)	(417)
Other				
Income tax on components of other comprehensive income				
Comprehensive income for the period	**2 277**	**393**	**21 091**	**10 248**
Attributable to:				
Shareholders of the parent company	2 277	393	21 091	10 248
Minority shareholders				

5. CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

Description [PLN '000]	As at 30.09.2013	As at 31.12.2012
ASSETS		
Fixed assets	**1 373 544**	**1 243 044**
Tangible fixed assets	13 256	14 223
Investment property	1 025 219	947 668
Intangible assets	734	898
Investments in associates measured with equity method	27	
Financial assets	31 499	19 425
Deferred tax assets	53 741	45 353
Long-term receivables	126 586	92 995
Goodwill	122 482	122 482
Current assets	**932 492**	**1 014 472**
Inventories	658 649	661 356
Trade and other receivables	145 019	185 832
Other short-term financial assets	53 346	77 290
Receivables due to VAT, other taxes, customs duties, insurance and other	6 383	12 887
Income tax receivables	11	1 255
Prepayments and accrued income	11 316	5 855
Cash and cash equivalents	57 768	69 997
TOTAL ASSETS	**2 306 036**	**2 257 516**
LIABILITIES		
Equity (attributable to stockholders of the parent company)	**1 329 835**	**1 327 558**
Share capital	51 266	51 266
Share premium	1 028 116	1 028 116
Foreign exchange differences on translation of a foreign operation	(888)	(295)
Other reserve capitals	280 849	228 799
Retained profits/Uncovered losses	(29 508)	19 672
Total equity	**1 329 835**	**1 327 558**
Long-term liabilities	**542 425**	**532 034**
Interest-bearing bank loans and borrowings	467 005	464 846
Provisions	200	196
Other liabilities	4 571	3 748
Deferred income tax provision	70 649	61 957
Prepayments and accrued income		1 287
Short-term liabilities	**433 776**	**397 924**
Trade and other liabilities	28 486	34 178
Current long-term portion of bank loans and borrowings	105 444	45 419
Short-term revolving loans		788
Other short-term loans and borrowings	109 487	194 854
Liabilities due to VAT, other taxes, customs duties, insurance and other	2 531	1 624
Income tax liabilities	783	1
Prepayments and accrued income	6 593	3 502
Advance payments received	115 226	53 397
Provisions	65 226	64 161
Total liabilities	**976 201**	**929 958**
TOTAL EQUITY AND LIABILITIES	**2 306 036**	**2 257 516**

6. OFF-BALANCE SHEET ITEMS

Description [PLN '000]	As at 30.09.2013	As at 31.12.2012
Contingent liabilities		
Liabilities related to compensations	26 250	26 250
Other contingent liabilities	2 523	2 523
Total contingent liabilities	**28 773**	**28 773**
Contingent assets		
Claims related to the infrastructure	142 327	
Tort claims from the Capital City of Warsaw	123 036	
Total contingent assets	**265 363**	

7. Consolidated Cash Flow Statement

Description [PLN '000]	For the period from 01.01.2013 to 30.09.2013	For the period from 01.01.2012 to 30.09.2012
Cash flows from operating activities		
Gross profit/(loss)	**4 679**	**38 602**
Adjustments:	**25 393**	**17 804**
Share in the result of associates valued under the equity method	4	228
Depreciation and amortisation	833	1 212
Net interest and dividends	19 604	52 955
Profit/(loss) on investing activities	(55 360)	(44 349)
(Increase)/decrease in receivables	630	(56 964)
(Increase)/decrease in inventories	540	67 022
Increase/(decrease) in short-term liabilities excluding loans and borrowings	56 495	(7 267)
Change in prepayments and accruals	1 396	618
Change in provisions	861	5 501
Income tax paid	498	(1 607)
Other	(108)	455
Net cash generated by operating activities	**30 072**	**56 406**
Cash flows from investing activities		
Inflows	**26 382**	**75 570**
Sale of tangible fixed assets and intangible assets	523	15
Sale of investment properties		252
Sale of financial assets		58 983
Interest received	1 380	1 678
Repayment of loans granted	24 479	14 488
Other		154
Outflows	**(9 458)**	**(59 962)**
Purchase of tangible fixed assets and intangible assets	(154)	(1 345)
Purchase of investment properties	(5 142)	(20 878)
Purchase of financial assets	(4 028)	(33 486)
Acquisition of shares in subsidiary, less acquired cash	(12)	(3 990)
Loans granted	(50)	(263)
Other	(72)	
Net cash used in investing activities	**16 924**	**15 608**
Cash flows from financing activities		
Inflows	**176 510**	**330 431**
Inflows from issuance of shares		
Inflows from loans/borrowings taken out	60 010	130 982
Inflows from issuance of bonds	116 500	199 449
Outflows	**(235 735)**	**(323 869)**
Repayment of finance lease liabilities	(111)	(166)
Repayment of loans/borrowings	(89 325)	(102 019)
Interest paid	(38 315)	(51 084)
Redemption of bonds	(107 984)	(170 600)
Net cash generated by financing activities	**(59 225)**	**6 562**
Net increase/decrease in cash and cash equivalents	**(12 229)**	**78 576**
Net foreign exchange gains/losses		(38)
Cash and cash equivalents at the beginning of the period	69 997	52 795
Cash and cash equivalents at the end of the period, of which	**57 768**	**131 333**
Restricted cash	83	107

8. STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

Description [PLN '000]	Attributable to shareholders of the parent company						Non-controlling shares	Total equity
	Share capital	Share premium	Foreign exchange differences on translation of a foreign operation	Other reserve capitals	Retained profits/uncovered (losses)	Total		
As at 01.01.2012	**47 606**	**1 011 356**	**880**	**133 690**	**89 041**	**1 282 573**		**1 282 573**
Result carried forward				95 109	(95 109)			
Total comprehensive income			(949)		22 040	**21 091**		**21 091**
As at 30.09.2012	**47 606**	**1 011 356**	**(69)**	**228 799**	**15 972**	**1 303 664**		**1 303 664**
Share issue	3 660	20 590				**24 250**		**24 250**
Share issue costs		(3 830)				**(3 830)**		**(3 830)**
Total comprehensive income			(226)		3 700	**3 474**		**3 474**
As at 31.12.2012	**51 266**	**1 028 116**	**(295)**	**228 799**	**19 672**	**1 327 558**		**1 327 558**
As at 01.01.2013	**51 266**	**1 028 116**	**(295)**	**228 799**	**19 672**	**1 327 558**		**1 327 558**
Result carried forward				52 050	(52 050)			
Total comprehensive income			(593)		2 870	**2 277**		**2 277**
As at 30.09.2013	**51 266**	**1 028 116**	**(888)**	**280 849**	**(29 508)**	**1 329 835**		**1 329 835**

9. Segment reporting

The basic breakdown of Group's reporting is based on the industry segments, while the supplementary model – on geographical segments.

The Group accounts for transactions between segments as if they concerned unrelated parties – using current market prices.

The following table presents data on revenues and profits and certain assets and liabilities of the individual business segments of the Group. The operating segment is part of the Group involved in the economic activity in connection with which it may achieve revenues and incur costs, including revenues and costs related to transactions with other parts of the Group. Operating results of each operating segment are regularly reviewed by the main body responsible for making operational decisions in the Group which decides on the allocation of resources to the segment and assesses its performance. Separate financial information on each segment is available.

Operating results of each segment which are reported to the body responsible for making operational decisions in the Group include both items that can be directly attributed to a particular segment and those that may be attributed indirectly, based on reasonable grounds. Unallocated items relate mainly to joint (corporate) assets (concerning mainly the entity's management board), costs associated with the entity's registered office, income tax assets and liabilities.

As a result of the analysis of the information by the Management Board that was different than previous analyses, a change was made in the presentation of reporting segments. The corresponding information for earlier periods was not restated due to the fact that the cost of obtaining it would be disproportionate to its informative value.

The Group operates mainly in the territory of Poland. There were no revenues from continuing operations achieved abroad in the third quarter of 2013.

As far as discontinued operations are concerned, no revenues were achieved abroad in the third quarter of 2013.

Revenues and results incurred in segments of activity in the period from 01.01.2013 to 30.09.2013 [PLN '000]

For the period from 01.01.2013 to 30.09.2013 or as at 30.09.2013	Continuing operations								Discontinued operations	Total operations
	Development (residential) activities	Commercial projects	General contracting	FADESA Group	Other	Eliminations	Unallocated items	Total	Other	
Revenue										
External sales	77 825	8 753		23 509			3 760	113 847		**113 847**
Intersegment sales	62				4 555	(28 937)	24 401	81		**81**
Total segment revenues	77 887	8 753		23 509	4 555	(28 937)	28 161	113 928		**113 928**
Result										
Gross profit (loss) on segment sales	2 426	6 343		3 387			(1 679)	10 477		**10 477**
Revaluation of investment properties		21 120					37 172	58 292		**58 292**
Selling, general and administrative expenses	(16 122)	(369)		(4 619)	(1 135)		(3 114)	(25 359)	(99)	**(25 458)**
Other operating income and expenses	145	(17 603)		(327)			4 253	(13 532)		**(13 532)**
Profit (loss) on continued operations before tax and financial expenses	(13 551)	9 491		(1 559)	(1 135)		36 632	29 878	(99)	**29 779**
Financial income from interest	148	89		443	1		3 046	3 727		**3 727**
Other financial income							2 201	2 201	101	**2 302**
Financial expenses	(9 755)	(6 668)		(2 639)			(12 063)	(31 125)		**(31 125)**
Share in profits of associate							(4)	(4)		**(4)**
Profit (loss) before taxes and minority interests	(23 158)	2 912		(3 755)	(1 134)		29 812	4 677	2	**4 679**
Income tax	2 406	(846)		455	(485)		(3 339)	(1 809)		**(1 809)**
Net profit (loss) for the financial year	**(20 752)**	**2 066**		**(3 300)**	**(1 619)**		**26 473**	**2 868**	**2**	**2 870**
Assets and liabilities										
Segment assets	499 370	201 019		312 820	296 681			1 309 890	2 596	**1 312 486**
including cash	9 006	2 583		20 662	163		25 354	57 768		**57 768**
Investment in associate							27	27		**27**
Unallocated assets							993 523	993 523		**993 523**
Total assets	**499 370**	**201 019**		**312 820**	**296 681**		**993 550**	**2 303 440**	**2 596**	**2 306 036**
Liabilities and provisions of the segment	196 590	117 763		112 192	2 414			428 959		**428 959**
including loan liabilities	92 220	98 942		62 118			428 656	681 936		**681 936**
Unallocated liabilities							544 001	544 001	3 241	**547 242**
Equity							1 329 835	1 329 835		**1 329 835**
Total equity and liabilities	**196 590**	**117 763**		**112 192**	**2 414**		**1 873 836**	**2 302 795**	**3 241**	**2 306 036**

For the period from 01.01.2013 to 30.09.2013 or as at 30.09.2013	Continuing operations								Discontinued operations	Total operations
	Development (residential) activities	Commercial projects	General contracting	FADESA Group	Other	Eliminations	Unallocated items	Total	Other	
Information on the segments										
Capital expenditures:	60						4	64		**64**
On tangible fixed assets	47						4	51		**51**
On intangible assets	13							13		**13**
Depreciation of tangible fixed assets	35			112	1		525	673		**673**
Amortisation of intangible assets				4			131	135		**135**
Impairment write-downs										
Impairment write-downs for investment properties										
Other non-cash expenditures:	430			1 456	7		1 804	3 697		**3 697**
Provision for retirement severance pay							5	5		**5**
Provision for warranty repairs										
Provision for holiday equivalents				453				453		**453**
Provision for alteration works										
Provision for construction works										
Provision for contractual penalties										
Provision for interest	430			200			163	793		**793**
Provisions for liabilities				803	7		1 636	2 446		**2 446**
Provision for litigations										

IV. NOTES AND EXPLANATIONS

1. OTHER SIGNIFICANT EVENTS IN THE THIRD QUARTER OF 2013

1.1. Agreement with Semeko Grupa Inwestycyjna Sp. z o.o. with its registered office in Gdynia (“Semeko”)

Pursuant to the agreement with Semeko dated 01.07.2013 which concerns a joint venture under the name of Aquasfera located in Reda near Gdynia, on 07.10.2013, Polnord acquired from Semeko 50% of shares in the SPV – Semeko Aquasfera Sp. z o.o. with its registered office in Gdynia (“Aquasfera SPV”) for the price of PLN 10 million. Semeko holds the remaining 50% of shares in Aquasfera SPV. Aquasfera SPV is a new SPV established for the joint implementation by Polnord and Semeko of the residential project called Aquasfera (“Aquasfera Project”). Semeko brought to Aquasfera SPV an organised part of the company related to the Aquasfera Project as a contribution in kind. The main assets brought as a contribution in kind by Semeko is a plot with the area of approximately 2 hectares, construction expenditures incurred and sale agreements related to the first building. No credit obligations nor other significant trade payables have been brought as a part of contribution in kind. As part of Aquasfera Project approximately 560 apartments of the total usable area of 27.5 thousand square metres and approximately 2 thousand square meters of commercial and service space will be constructed on the plot brought to the Aquasfera SPV. Aquasfera Project will consist of three buildings, of which the first one, containing 93 apartments, will be commissioned yet in 2013. Moreover, Aquasfera SPV has launched the execution of the next phase of the building with the total usable area of approximately 6.5 thousand square metres where around 120 apartments will be created. This phase is to be completed in Q3 2015.

More details are presented in current report No. 43/2013 of 03.07.2013 and current report No. 55/2013 of 08.10.2013.

1.2. Conclusion of the agreement on arranging Company’s bond issue

On 12.09.2013, Polnord signed an agreement with Noble Securities SA with its registered office in Kraków ("Noble") on arranging an issue of three-year ordinary bonds of the Company with the total nominal value of PLN 50 million ("Bonds"). The Bonds will be secured on the Company’s real estate properties. The bonds will be placed privately. On 07.11.2013, the parties concluded an annex to the above agreement under which the issue date was postponed to the first quarter of 2014.

More details are presented in current report No. 49/2013 of 12.09.2013 and current report No. 59/2013 of 07.11.2013.

1.3. Extraordinary General Meeting of Shareholders

On 23.08.2013, the Company’s Extraordinary General Meeting was held and it adopted the following resolutions:

- Resolution No. 3/2013 on an increase in the Company's share capital with the pre-emptive right by issue of series [R] shares;
- Resolution No. 4/2013 on the amendment of the Company's Articles of Association.

More details are presented in current report No. 47/2013 of 23.08.2013.

2. Litigations pending before court, relevant arbitration authorities, or public administration authorities

Table 14. Claims sold

Road compensatory receivables from the Capital City of Warsaw	Date of the agreement	Area in question	Amount received	Potential receipts
Receivable I (sold to Bank PBP SA)	29.06.2011	15,9 ha	PLN 101.5 million	-
Receivable II (sold to Bank PBP SA)	17.07.2012	6,74 ha	PLN 43.4 million	-
Supplementary agreement under contracts (participation in cash surplus over PLN 144.9 million)	27.12.2012	-	PLN 20 million	PLN 5 million

Table 15. Claims under litigation

	Date of submission	Claim amount	Case status	Receivables in consolidated financial statements
Road compensatory receivables from the Capital City of Warsaw				
Tort damages from the Capital City of Warsaw	16.09.2013	PLN 123.0 million	Case pending (value of the claim increases over time)	-
Compensation for 10 hectares of areas dedicated for public roads*	28.06.2013	PLN 182.2 million	Motion to initiate negotiations was filed	PLN 39.9 million
Compensation for water and sewage infrastructure from MPWiK				
Claim for compensation for non-contractual use of the water and sewage infrastructure in Miasteczko Wilanów	25.04.2012	PLN 11.8 million	Case pending (value of the claim increases over time)	PLN 72 million
Claim for take-over, for remuneration, of the water and sewage network in Miasteczko Wilanów	05.03.2013	PLN 57.3 million	Case pending	
Claim for take-over, for remuneration, of the sanitary sewerage in Miasteczko Wilanów	-	approx. PLN 55 million	In preparation	

** Claim pursued by Polnord through the SPV, Surplus Sp. z o.o. SKA with its registered office in Gdynia*

The above described proceedings relate to the largest receivables of the group and were conducted between 01.01.2013 and 30.09.2013 by Polnord SA or its subsidiaries. The proceedings are described in more detail in the consolidated Semi-Annual report of the Polnord Capital Group for the period from 01.01.2013 to 30.06.2013.

In the period from 01.01.2013 to 30.09.2013 there were proceedings related to receivables of Polnord SA whose total value constituted at least 10% of the Company's equity.

With regard to other proceedings described in the Consolidated Financial Statements of Polnord Capital Group for the period from 01.01.2012 to 31.12.2012 (published on 21.03.2013), during the reporting period, i.e. from 01.01. 2013 to 30.09.2013, there were no significant changes.

3. Information on the conclusion by Polnord SA or its subsidiary of one or more transactions with related parties, if they are material, individually or jointly, and if they are not arm's-length transactions

In the reporting period there were no significant transactions other than arm's-length transactions.

4. Information on loan or borrowing guarantees or sureties granted by Polnord SA and its subsidiaries to one entity if the total value of the existing guarantees or sureties reaches at least 10% of the equity of Polnord SA

In the third quarter of 2013, neither Polnord nor any of its Group companies granted a surety in the amount exceeding 10% of the Company's equity.

Table 16. Summary of active sureties as at 30.09.2013

	Total value of guarantees and sureties granted to: [PLN '000]		Total [PLN '000]
	Group companies	non-Group companies	
Polnord SA	265 675	2 523	268 198
Fadesa Polnord Polska Sp. z o.o.	120 996	0	120 996
Total	**386 671**	**2 523**	**389 194**

5. Other information significant for the assessment of the personnel, economic and financial standing, financial result and any changes in these aspects of business, necessary to assess the Group's capacity to meet its obligations

Important information for the assessment of the personnel, material and financial situation as well as the financial result and changes thereto is provided for in Chapter II - Activity of the Capital Group - and in Section 6 below.

6. Factors which will influence Group's financial performance for at least the upcoming quarter

The key factors which may affect the Group's financial standing include:

- success of the strategy adopted by the Group in 2012;
- the economic condition of the residential market, including prices of residential units;
- availability of external sources of financing for development companies;
- banks' policies on granting mortgage loans to natural persons and the level of interest rates;
- the Act on the protection of the rights of buyers of residential units or single-family houses – "Property Development Act";
- timely, on schedule completion of development projects and timely delivery;

- amendments to legal provisions which may affect the demand on the market of products offered by the Company;
- obtaining required administrative decisions within statutory time limits;
- objectives and price limits of the government programme “Flat for the Young”;
- Fund of flats for rent programme;
- macro-economic factors (another potential worldwide economic crisis or economic boom).

7. Events occurring after the balance sheet date not included in these financial statements that may affect future financial results

7.1. Acquisition of shares in the SPV Semeko Aquasfera Sp. z o.o.

On 07.10.2013, Polnord SA acquired from Semeko Grupa Inwestycyjna Sp. z o.o. with its registered office in Gdynia 50% of shares in the SPV Semeko Aquasfera Sp. z o.o. with its registered office in Gdynia for the price of PLN 10 million which was fully paid. More details are contained in Chapter IV Section 1.1.

7.2. The conclusion of the preliminary property sale contract

On 22.10.2013, Polnord signed with a third party a preliminary contract on a sale of two plots No. 2/97 and 2/115 with the total area of 23.211 sq. m located in the Wilanów district of Warsaw for the net amount of PLN 27 million, i.e. gross amount of PLN 33.2 million. The agreement transferring the ownership will be signed and the price will be paid after the conditions provided for in the preliminary agreement are satisfied, which should take place in the second quarter of 2014. Funds received from the sale of the above mentioned plots will be fully used for an early partial redemption of Company’s bonds with the value of PLN 28 million issued on 26.09.2012, maturing on 28.09.2015.

More details are presented in the current report No. 56/2013 of 23.10.2013.

7.3. Company’s Extraordinary General Meeting on 25.10.2013

On 25.10.2013, the Company’s Extraordinary General Meeting was held and it passed resolutions regarding:

- a conditional increase of the Company's share capital excluding the pre-emptive right for existing shareholders;
- an issue of subscription warrants excluding the pre-emptive right for existing shareholders.

More details are presented in the current report No. 57/2013 of 25.10.2013.

7.4. Withdrawal from the lease agreement by “POL-AQUA” S.A.

On 31.10.2013, Wilanów Office Park Budynek B1 Sp. z o.o. received from Przedsiębiorstwo Robót Inżynieryjnych “POL-AQUA” S.A. a letter including a declaration on the withdrawal from the lease agreement of 27.12.2010. Due to the content of the lease agreement the Company considered the withdrawal from the agreement by Przedsiębiorstwo Robót Inżynieryjnych “POL-AQUA” S.A. to be ineffective and started negotiations with the tenant in order to clarify the situation.

8. Information on distributed (or declared) dividends

In the presented period Polnord SA neither declared nor distributed any dividends. The Company's Ordinary General Meeting, by way of resolution No. 5/2013 of 28.06.2013, decided to fully allocate Polnord’s 2012 net profit to supplementary capital.

V. Condensed individual interim financial statements of the parent company – Polnord SA

In connection with the merger of Polnord SA with PD Development Sp. z o.o., Polnord Łódź I Sp. z o.o., Polnord Łódź III Sp. z o.o. and Polnord Nieruchomości Inwestycyjne Sp. z o.o. by means of a transfer of all assets of the companies being acquired to the acquiring company Polnord SA (merger by acquisition), condensed individual interim financial statements contain comparative data, the so-called "combined data" determined as if the merger took place at the beginning of the previous financial year. The merger of the companies was effected on 02.04.2013 pursuant to the pooling of interests method. The share of Polnord SA in the capital of all absorbed companies amounted to 100%.

1. Individual income statment

Description [PLN '000]	For the period from 01.01.2013 to 30.09.2013	For the period from 01.07.2013 to 30.09.2013	For the period from 01.01.2012 to 30.09.2012 *(combined data)*	For the period from 01.07.2012 to 30.09.2012 *(combined data)*	For the period from 01.01.2012 to 30.09.2012 *(published data)*	For the period from 01.07.2012 to 30.09.2012 *(published data)*
Revenues from sales	**28 310**	**17 017**	**29 954**	**7 759**	**64 388**	**7 836**
Revenues from sales of goods for resale and materials	10 570	10 570	8 361		42 581	
from related parties	*7 928*	*7 928*			*34 220*	
Sales of services revenue	17 447	6 337	21 286	7 686	21 485	7 730
from related parties	*16 407*	*6 294*	*19 029*	*7 317*	*19 301*	*7 402*
Lease revenue	293	110	307	73	322	106
from related parties	*67*	*31*	*69*	*26*	*91*	*35*
Prime cost of sales	(12 007)	(12 007)	(9 451)	(1)	(43 671)	
Impairment write-down for inventories	(1 040)	(1 040)				
Gross profit (loss) on sales	**15 263**	**3 970**	**20 503**	**7 758**	**20 717**	**7 836**
Revaluation of investment property	37 172	25 947	77 971	77 971	88 573	88 573
Cost of sales	(7 449)	(2 884)	(2 443)	(414)	(2 443)	(422)
General and administrative expenses	(16 755)	(5 639)	(27 442)	(8 820)	(26 249)	(8 461)
Other operating income	7 813	7 672	84 508	331	83 443	9 596
Other operating expenses	(21 163)	(13 924)	(20 687)	(13 668)	(23 765)	(20 124)
Gross operating profit (loss)	**14 881**	**15 142**	**132 410**	**63 158**	**140 276**	**76 998**
Financial income	28 687	4 875	19 935	7 152	25 705	9 065
Financial expenses	(28 349)	(9 642)	(95 865)	(46 367)	(95 934)	(46 374)
Profit on a sale of subsidiary			1 895	1 895	1 895	1 895
Gross profit (loss)	**15 219**	**10 375**	**58 375**	**25 838**	**71 942**	**41 584**
Income tax	708	(178)	(21 629)	(11 492)	(23 407)	(14 129)
Net profit (loss) on continued operations	**15 927**	**10 197**	**36 746**	**14 346**	**48 535**	**27 455**
Discontinued operations						
Gross profit (loss) for the financial year on discontinued operations	2	(141)	(417)	(176)	(417)	(176)
Income tax from profit on discontinued operations						
Net profit/(loss) for the financial year	**15 929**	**10 056**	**36 329**	**14 170**	**48 118**	**27 279**

2. INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME

Description [PLN '000]	For the period from 01.01.2013 to 30.09.2013	For the period from 01.07.2013 to 30.09.2013	For the period from 01.01.2012 to 30.09.2012 *(combined data)*	For the period from 01.07.2012 to 30.09.2012 *(combined data)*	For the period from 01.01.2012 to 30.09.2012 *(published data)*	For the period from 01.07.2012 to 30.09.2012 *(published data)*
Net profit/(loss) for the financial year	15 929	10 056	36 329	14 170	48 118	27 279
Other comprehensive income						
Comprehensive income for the period	**15 929**	**10 056**	**36 329**	**14 170**	**48 118**	**27 279**

3. INDIVIDUAL STATEMENT OF FINANCIAL POSITION

Description [PLN '000]	As at 30.09.2013	As at 31.12.2012 *(combined data)*	As at 31.12.2012 *(published data)*
ASSETS			
Fixed assets	**1 296 024**	**1 142 761**	**1 080 524**
Tangible fixed assets	12 100	13 025	12 054
Investment property	800 047	746 921	419 812
Intangible assets	641	814	814
Investments in subsidiaries, jointly controlled entities and associates	229 628	190 495	449 805
Financial assets	81 065	58 401	56 022
Deferred tax assets	23 042	17 195	12 317
Long-term receivables	149 501	115 910	129 700
Current assets	**580 315**	**706 376**	**810 059**
Inventories	82 318	104 416	95 904
Trade and other receivables	113 432	174 339	177 950
Other short-term financial assets	351 550	401 313	510 550
Receivables due to VAT, other taxes, customs duties, insurance and other	878	3 846	3 570
Prepayments and accrued income	6 782	4 620	4 434
Cash and cash equivalents	25 355	17 842	17 651
TOTAL ASSETS	**1 876 339**	**1 849 137**	**1 890 583**
LIABILITIES			
Equity	**1 324 385**	**1 308 456**	**1 352 147**
Share capital	51 266	51 266	51 266
Share premium	1 026 169	1 026 169	1 026 169
Other reserve capitals	253 687	203 106	224 131
Retained profits/Uncovered losses	(6 737)	27 915	50 581
Long-term liabilities	**341 985**	**296 459**	**291 253**
Interest-bearing bank loans and borrowings	293 517	253 080	253 080
Provisions	200	196	196
Other liabilities	87	51	51
Deferred income tax provision	48 181	43 132	37 926
Short-term liabilities	**209 969**	**244 222**	**247 183**
Trade and other liabilities	18 118	14 244	26 115
Current long-term portion of bank loans and borrowings	54 936		394
Other short-term loans and borrowings	80 204	164 795	164 795
Liabilities due to VAT, other taxes, customs duties, insurance and other	1 400	734	702
Other financial liabilities		8 353	
Prepayments and accrued income	113	2 107	2 084
Advance payments received	291	330	330
Provisions	54 907	53 659	52 763
Total liabilities	**551 954**	**540 681**	**538 436**
TOTAL EQUITY AND LIABILITIES	**1 876 339**	**1 849 137**	**1 890 583**

4. OFF-BALANCE SHEET ITEMS

Description [PLN '000]	As at 30.09.2013	As at 31.12.2012 *(combined data)*	As at 31.12.2012 *(published data)*
Contingent liabilities			
Loan repayment surety	265 675	340 027	415 027
Liabilities related to compensations	26 250	26 250	26 250
Other contingent liabilities	2 523	2 523	2 523
Total contingent liabilities	**294 448**	**368 800**	**443 800**
Contingent assets			
Tort claims from the Capital City of Warsaw	123 036		
Total contingent assets	**123 036**		

5. Individual cash flow statement

Description [PLN '000]	For the period from 01.01.2013 to 30.09.2013	For the period from 01.01.2012 to 30.09.2012 *(combined data)*	For the period from 01.01.2012 to 30.09.2012 *(published data)*
Cash flows from operating activities			
Gross profit/(loss) on continuing operations	**15 219**	**58 375**	**71 942**
Gross profit/(loss) on discontinued operations	**2**	**(417)**	**(417)**
Adjustments:	**(1 246)**	**(28 356)**	**(44 758)**
Depreciation and amortisation	656	1 024	998
Net interest and dividends	2 913	58 073	52 417
Profit/(loss) on investing activities	(39 844)	(61 977)	(72 578)
(Increase)/decrease in receivables	20 009	(55 519)	(39 488)
(Increase)/decrease in inventories	10 997	20 672	51 575
Increase/(decrease) in short-term liabilities excluding loans and borrowings	4 537	(3 196)	(45 968)
Change in prepayments and accruals	(1 695)	3 940	(43)
Change in provisions	1 253	5 617	5 341
Income tax paid	(72)	3 010	2 988
Other			
Net cash generated by operating activities	**13 975**	**29 602**	**26 767**
Cash flows from investing activities			
Inflows	**76 750**	**116 679**	**124 107**
Sale of tangible fixed assets and intangible assets	523		
Sale of financial assets	1 647	62 137	59 137
Dividends received		3	
Interest received	800	745	710
Borrowings repaid	73 780	47 495	55 270
Other		6 299	8 990
Outflows	**(68 209)**	**(113 884)**	**(115 246)**
Purchase of tangible fixed assets and intangible assets	(90)	(869)	(869)
Purchase of investment properties	(2 250)	(72)	
Purchase of financial assets	(4 097)	(33 486)	(33 452)
Acquisition of subsidiary		(50)	(50)
Loans granted	(61 772)	(79 407)	(80 875)
Net cash used in investing activities	**8 541**	**2 795**	**8 861**
Cash flows from financing activities			
Inflows	**127 957**	**260 183**	**259 603**
Inflows from issuance of shares			
Inflows from loans/borrowings taken out	11 457	60 734	60 154
Inflows from issuance of bonds	116 500	199 449	199 449
Outflows	**(142 960)**	**(228 240)**	**(228 240)**
Repayment of finance lease liabilities	(88)	(167)	(167)
Repayment of loans/borrowings	(8 000)	(22 388)	(22 388)
Interest paid	(26 888)	(35 085)	(35 085)
Redemption of bonds	(107 984)	(170 600)	(170 600)
Net cash generated by financing activities	**(15 003)**	**31 943**	**31 363**
Net increase in cash and cash equivalents	**7 513**	**64 340**	**66 991**
Net foreign exchange gains/losses			
Cash and cash equivalents at the beginning of the period	17 842	7 015	4 006
Cash and cash equivalents at the end of the period, of which	**25 355**	**71 355**	**70 997**
Restricted cash	41	107	107

6. Statement of changes in equity

Description [PLN '000]	Share capital	Share premium	Other reserve capitals	Retained profits/uncovered (losses)	Total
As at 01.01.2012 before merger	**47 606**	**1 009 409**	**134 032**	**90 099**	**1 281 146**
Merger by acquisition	228 452		14 923	(11 446)	**231 929**
Adjustments to capitals due to the merger	(228 452)		(36 902)	(15 109)	**(280 463)**
As at 01.01.2012 after the merger	**47 606**	**1 009 409**	**112 053**	**63 544**	**1 232 612**
Result carried forward from the previous period			91 053	(91 053)	
Total comprehensive income				36 329	**36 329**
As at 30.09.2012	**47 606**	**1 009 409**	**203 106**	**8 820**	**1 268 941**
Share issue	3 660	20 590			**24 250**
Share issue costs		(3 830)			**(3 830)**
Total comprehensive income				19 095	**19 095**
As at 31.12.2012	**51 266**	**1 026 169**	**203 106**	**27 915**	**1 308 456**
As at 01.01.2013 before merger	**51 266**	**1 026 169**	**224 131**	**50 581**	**1 352 147**
Merger by acquisition	228 452		15 877	(23 402)	**220 927**
Adjustments to capitals due to the merger	(228 452)		(36 902)	736	**(264 618)**
As at 01.01.2013 after the merger	**51 266**	**1 026 169**	**203 106**	**27 915**	**1 308 456**
Result carried forward from the previous period			50 581	(50 581)	
Total comprehensive income				15 929	**15 929**
As at 30.09.2013	**51 266**	**1 026 169**	**253 687**	**(6 737)**	**1 324 385**

Gdynia, dated 14.11.2013

Piotr Wesołowski | **Tomasz Sznajder** | **Katarzyna Brzózka**

President of the Management Board | **Vice-President of the Management Board** | **Chief Accountant**