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In the first quarter of 2017, PHN Group's revenue from property leases grew to PLN 38.5 million compared to PLN 33.6 million in the same period last year, an increase of 14.6 percent. Adjusted EBITDA also increased significantly in Q1 2017 to PLN 13.6 million, a year-on-year improvement of 43.2 percent. In the immediate future, PHN Group will step up the implementation of commercial projects which will expand the Company's real estate portfolio over the next few years.

The first quarter of this year saw a strong focus on property development projects. This includes an agreement signed by PHN Group for the construction and lease of a commercial facility in Warsaw's Lewandów district. The facility will be used for retail purposes. The collaboration between PHN Group and a commercial entity assumes that the project will be delivered on a built-to-suit basis, using a "tailor-made" design developed according to the future tenant's specifications. As part of the project, PHN Group will design, build and then rent out the retail facility with accompanying technical infrastructure in accordance with the tenant's requirements and standards. The agreement was made conditional on obtaining a building permit by the end of 2017, and covers a 10-year lease period from the commissioning date of the retail facility, with the possibility of extending the lease for an additional period of 5 years.

The first stage of the Hillwood & PHN Pruszków project is also underway in collaboration with Hillwood Group. Within just two months of the signing of the agreement for the construction of the warehouse being part of stage 1, nearly 90 percent of the earthwork and close to 90 percent of soil stabilization work to support the future warehouse floor were completed. The first stage of the Hillwood

& PHN Pruszków project will consist of two independent buildings with a total area of approx. 26,700 sq. m. As part of the project, nearly 25,000 sq. m of warehouse space and approx. 1,700 sq. m of office space will be delivered. With work progressing at a rapid pace, more than 85 percent of the prefabricated reinforced concrete columns have been erected and the main roof structure has been placed on the columns (approximately half of the warehouse building has been covered to date). In addition, construction of the first office unit has commenced.

PHN Group has also started the demolition of the 10-story building at ul. Świętokrzyska 36. The old building will be replaced by Polski Holding Nieruchomości S.A.'s flagship project: a modern A-class high-rise building which will enhance Warsaw's skyline and deliver approx. 40,000 sq. m of leasable area to future tenants. The state-of-the-art skyscraper will be built on the site of a 1960s building currently being demolished, in one of the most prestigious locations in the capital – in the very center of the city right next to the ONZ Roundabout. With high-quality finishing materials, modern and stylish interiors and rich surrounding infrastructure, the building will be a unique place and a comfortable working environment. The design and architecture concept were prepared by the Polish-Belgian Office of Architecture.

PHN Group has also adopted a new Strategy for 2017–2023 which assumes increasing the fair market value of its real estate portfolio to PLN 6 billion in 2023 (from PLN 2.5 billion at the end of 2016). The Group will endeavor to become the leading investor and a major property developer on the Polish real estate market. In the commercial property marketplace, PHN Group intends to deliver approx. 75,000 sq. m of office GLA in Warsaw and close to 60,000 sq. m of GLA on regional markets (including Wrocław and Gdynia) by 2023. This will be achieved using the Group's own resources and in collaboration with other businesses. In addition, PHN Group will pursue other commercial projects, including logistics and industrial facilities (in collaboration with partners or on a BTS-basis for selected tenants) and commercial facilities (on a BTS-basis for selected tenants).

In the residential marketplace, PHN Group intends to introduce 70,000 sq. m of usable residential area to the market every year until 2023. Housing developments will be delivered in attractive locations across various regions of Poland and successively put on the market at increments of up to 1,000 apartments per year. The housing projects will be managed under a dedicated residential property construction and sales brand: PHN Development.

In order to increase the value of its brand and improve brand recognition and reputation in the commercial and residential property markets, PHN Group

introduced a new logo in 2017. The new logo is simpler, more modern and, most of all, clearer. By updating its corporate identity, i.e. introducing the new logo, PHN Group intends to promote its brand image in the commercial and residential property markets and to distinguish itself from its many competitors.

The Company's Management Board also adopted a resolution under which it made a proposal to the Annual General Meeting to distribute the Company's 2016 net earnings of PLN 16,480,063.61. The Management Board will recommend allocating PLN 12,164,367.80 of the earnings as a dividend to shareholders (at PLN 0.26 per share) and transferring the remaining PLN 4,315,695.81 to supplementary capital. The above recommendation is consistent with PHN Group's strategy for 2017-2023, according to which the Company will endeavor to increase the value of the Group's net assets by more than 50% by 2023, approximately 40% of which to be disbursed as a dividend. When making the decision on the allocation of earnings for 2016, the Company's Management Board also took account of the Group's present financial position and planned cash flow, including without limitation the expected investment plans and the possibility of obtaining financing for their implementation.

Polski Holding Nieruchomości Group

The Polski Holding Nieruchomości Group is the leading managing investor in the commercial property market in Poland. It is one of the largest companies in the sector in terms of the market value of its portfolio, which includes ca. 140 properties and nearly 700 ha of land across the country (e.g. in Warsaw, Poznań, Wrocław and the Tri-City). PHN has long experience both in real estate management and construction project implementation. The Company has been listed on the Warsaw Stock Exchange since February 2013.

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