



GRUPA KAPITAŁOWA  
**IMMOBILE**

**IMMOBILE Capital Group**

**THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD OF 3 MONTHS ENDING ON 31 MARCH 2016**

**Part A**

*May 13, 2016*

## Table of contents

### Part A

Selected Consolidated Financial Data .....	3
Interim Condensed Consolidated Profit and Loss Account.....	4
Interim Condensed Consolidated Statement of Comprehensive Income .....	4
Interim Condensed Consolidated Statement of Financial Position .....	5
Interim Condensed Consolidated Statement of Financial Position .....	6
Interim Condensed Consolidated Statement of Cash Flows.....	7
Interim Condensed Consolidated Statement of Changes in Equity.....	8
Additional Explanatory Notes .....	9
1. General Information .....	9
2. Changes in Group Structure .....	9
3. Basis of Preparation of Interim Condensed Consolidated Financial Statements .....	10
4. Business Segment Information.....	10
5. Revenue and Cost.....	13

### Part B

The remaining explanatory notes

## Selected Consolidated Financial Data

	Form 01.01 to 31.03.2016 (unaudited)	Form 01.01 to 31.03.2015 (unaudited)	Form 01.01 to 31.12.2015	Form 01.01 to 31.03.2016 (unaudited)	Form 01.01 to 31.03.2015 (unaudited)	Form 01.01 to 31.12.2016
	In thousands PLN			In thousands EUR		
<b>Profit and loss Account</b>						
Revenue from sales	21 119	20 181	98 311	4 848	4 864	23 492
Operating profit/loss	(795)	2 424	11 862	(183)	584	2 835
Profit/loss before tax	(2 048)	1 195	7 651	(470)	288	1 828
Net profit/loss	(2 903)	326	2 295	(666)	79	548
Profit/loss attributable to shareholders of the parent company	(2 903)	326	2 295	(666)	79	548
Earnings per share (PLN)	(0,04)	0,005	0,03	(0,01)	0,001	0,01
Diluted earnings per share (PLN)	(0,04)	0,005	0,03	(0,01)	0,001	0,01
Average exchange rate PLN / EUR for the period	X	X	X	4,3559	4,1489	4,1848
<b>Cash Flow</b>						
Net cash flows from operating activities	4 390	6 728	6 300	1 008	1 622	1 505
Net cash used in investing activities	(4 115)	(1 976)	(14 297)	(945)	(476)	(3 416)
Net cash from financing activities	5	(6 426)	16 762	1	(1 549)	4 005
Net change in cash and cash equivalents	280	(1 674)	8 765	64	(403)	2 094
Average exchange rate PLN / EUR for the period	X	X	X	4,3559	4,1489	4,1848
<b>Balance Sheet</b>						
Assets	273 643	259 800	279 939	64 109	63 536	65 690
Long-term liabilities	87 124	64 526	92 502	20 411	15 780	21 706
Short-term liabilities	38 550	51 386	39 401	9 031	12 567	9 246
Equity	147 969	143 888	148 036	34 666	35 189	34 738
Equity attributable to shareholders of the parent company	147 969	143 888	148 036	34 666	35 189	34 738
Average exchange rate PLN / EUR for the period	X	X	X	4,2684	4,0890	4,2615

Specific items of the Profit and Loss Account and the Cash Flow Statement were calculated at the exchange rates calculated as the arithmetic mean of average exchange rates published by NBP, as valid on the last day of each month. With respect to the period encompassed by the Interim Condensed Consolidated Financial Statements, the said exchange rates were as follows:

01/01- 31/03/ 2016: 1 EUR = 4.3559  
01/01- 31/03/ 2015: 1 EUR = 4.1489  
01/01- 31/12/ 2015: 1 EUR = 4.1848

Specific items of the Balance Sheet were calculated at the exchange rates published by NBP, as valid on the Balance Sheet Date. With respect to the period encompassed by the Interim Condensed Consolidated Financial Statements, the said exchange rates were as follows:

31/03/ 2016: 1 EUR = 4,2684  
31/03/2015: 1 EUR = 4,089  
31/12/2015: 1 EUR = 4,2615

The additional explanatory notes to the Interim Condensed Consolidated Financial Statements, are included on pages 9-16 of Part A and B, which are integral part of this document

## Interim Condensed Consolidated Profit and Loss Account

	Note no.	01/01/2016-31/03/2016 (unaudited)	01/01/2015- 31/03/2015 (unaudited)
<b>Continued operations</b>			
<b>Revenue from sales</b>	4 (part A)	<b>21 119</b>	<b>20 181</b>
Revenue from sales of products		9 857	10 461
Revenue from the render of services		9 606	9 325
Revenue from sales of goods and materials		1 656	395
<i>Revenue from sales per segment</i>			
<i>Heavy Industry</i>		5 898	10 445
<i>Hotel Industry</i>		5 895	5 547
<i>Construction Consultancy</i>		1 310	1 513
<i>Rental of Assets</i>		2 253	1 937
<i>Developing</i>		5 116	-
<i>Other Segments</i>		647	739
<b>Cost of sales</b>		<b>17 673</b>	<b>14 342</b>
Cost of products sold		8 862	6 130
Cost of services rendered		7 463	7 971
Cost of goods and materials sold		1 348	241
<b>Gross profit/loss from sales</b>		<b>3 446</b>	<b>5 839</b>
Selling expenses		658	5
Administrative expenses		3 215	3 406
Other operating income	5 (part A)	125	296
Other operating expenses	5 (part A)	495	300
<b>Operating profit/loss</b>		<b>(2 048)</b>	<b>1 195</b>
Financial income	5 (part A)	186	490
Financial cost	5 (part A)	1 439	1 719
<b>Profit/loss before tax</b>		<b>(2 048)</b>	<b>1 195</b>
Income tax expense	11 (part B)	855	869
<b>Net profit/loss from continuing operations</b>		<b>(2 903)</b>	<b>326</b>
<b>Net profit/loss</b>		<b>(2 903)</b>	<b>326</b>
<b>Net profit/loss attributable to</b>			
- Equity holders of the parent company		(2 903)	326
- Non-controlling interests		-	-
<b>Basic earnings per share</b>		<b>(0,04)</b>	<b>0,005</b>
<b>Diluted earnings per share</b>		<b>(0,04)</b>	<b>0,005</b>

## Interim Condensed Consolidated Statement of Comprehensive Income

	Note no.	01/01/2016-31/03/2016 (unaudited)	01/01/2015- 31/03/2015 (unaudited)
<b>Net profit/loss</b>		<b>(2 903)</b>	<b>326</b>
<b>Other Comprehensive Income</b>			
- Other comprehensive income/loss to be reclassified to other comprehensive income in subsequent periods		312	51
Income tax related to items to be reclassified to profit/loss		(59)	6
Other comprehensive income after tax		253	57
<b>Total comprehensive income</b>		<b>(2 650)</b>	<b>383</b>
<b>Total comprehensive income attributable to:</b>			
- Equity holders of the parent company		(2 650)	383
- Non-controlling interests		-	-

## Interim Condensed Consolidated Statement of Financial Position

Assets	Note no.	31/03/2016 (unaudited)	31/12/2015	31/03/2015 (unaudited)
<b>Fixed Assets</b>				
Company value				
Intangible assets	14 (part B)	480	482	573
Tangible fixed assets, including:	12 (part B)	120 072	121 340	124 589
<i>Hotel real estate</i>		95 416	96 310	98 307
<i>Significant assets of heavy industry sector</i>		15 006	15 226	15 885
<i>Other assets:</i>		9 650	9 804	10 397
Investment properties, including:	13 (part B)	77 289	77 178	75 520
<i>Investment grounds</i>		26 659	26 548	27 345
<i>Commercial Real estate</i>		50 630	50 630	48 175
Other financial assets		3	3	3
Receivables and loans	19.11 (part B)	2 141	2 136	2 145
Other long-term financial assets		163	136	-
Long-term prepayments		24	24	8
Deferred tax assets	11 (part B)	7 999	8 076	10 582
<b>Fixed Assets Total</b>		<b>208 171</b>	<b>209 375</b>	<b>213 420</b>

Assets	Note no.	31/03/2016 (unaudited)	31/12/2015	31/03/2015 (unaudited)
<b>Current Assets</b>				
Inventory	15 (part.B)	21 960	24 760	14 194
<i>Residential Apartment</i>		18 265	21 348	13 113
<i>Other Current Assets</i>		5 695	3 412	1 081
Biological assets		-	-	2 264
Receivables from construction contracts	20 (part B)	5 593	6 123	9 171
Trade and other receivables	19.12 (part B)	10 569	14 894	15 851
Receivables from current income tax		661	-	364
Loans granted		160	3 372	-
Derivative financial instruments		73	6	241
Other short-term current financial assets		13 286	9 480	411
Short-term prepayments		1 224	263	2 191
Cash and cash equivalents	19.7 (part B)	11 946	11 666	1 227
<b>Current assets Total</b>		<b>65 472</b>	<b>70 564</b>	<b>45 914</b>
Fixed assets classified as held for sale		-	-	466
<b>Assets Total</b>		<b>273 643</b>	<b>279 939</b>	<b>259 800</b>

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## Interim Condensed Consolidated Statement of Financial Position

Equity	Note no.	31/03/2016 (unaudited)	31/12/2015	31/03/2015 (unaudited)
<b>Equity</b>				
Share capital	19.5 (part B)	18 216	18 216	18 216
Treasury shares (-)		-	(1 739)	(2 960)
Capital surplus/ Share premium		98 086	98 086	98 086
Other components of equity		4 891	3 794	215
Retained earnings:		26 776	29 679	30 331
- Profit/loss from previous years		29 679	27 384	30 005
- Net profit/loss attributable to shareholders of the entity		(2 903)	2 295	326
<b>Equity attributable to equity holders of the parent company</b>		<b>147 969</b>	<b>148 036</b>	<b>143 888</b>
Non-controlling interests		-	-	-
<b>Equity Total</b>		<b>147 969</b>	<b>148 036</b>	<b>143 888</b>
Credits, loans and other debt instruments	18 (part B)	68 870	74 666	44 641
Finance lease	19.9 (part B)	2 175	2 551	4 181
Derivative financial instruments	23 (part B)	2 785	2 581	3 241
Other long-term liabilities		13	51	94
Provision for deferred income tax	11 (part B)	12 418	11 675	11 163
Liabilities and provisions for employee benefits	16 (part B)	273	273	223
Other provisions for long-term liabilities		-	17	-
Long-term accruals		590	688	1 082
<b>Long-term liabilities Total</b>		<b>87 124</b>	<b>92 502</b>	<b>64 526</b>

Equity	Note no.	31/03/2016 (unaudited)	31/12/2015	31/03/2015 (unaudited)
<b>Short-term liabilities</b>				
Trade and other payables	19.13 (cz.B)	11 557	13 875	20 581
Income tax payable		-	687	-
Credits, loans and other debt instruments	18 (cz.B)	19 519	17 613	21 875
Finance lease	19.9 (cz.B)	2 013	2 739	3 344
Derivative financial instruments	23 (cz.B)	-	79	-
Short-term liabilities and provisions for employee benefits	16 (cz.B)	3 071	3 124	3 230
Other provisions for short-term liabilities	17 (cz.B)	224	311	578
Short-term accruals		2 166	973	1 778
<b>Short-term liabilities Total:</b>		<b>38 550</b>	<b>39 401</b>	<b>51 386</b>
<b>Liabilities Total</b>		<b>125 674</b>	<b>131 903</b>	<b>116 912</b>
<b>Total equity</b>		<b>273 643</b>	<b>279 939</b>	<b>259 800</b>

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## Interim Condensed Consolidated Statement of Cash Flows

	Note no	01/01/2016- 31/03/2016 (unaudited)	01/03/2015- 31/03/2015 (unaudited)
<b>Profit/loss before tax from continuing operations</b>		<b>(2 048)</b>	<b>1 195</b>
<b>Adjustments:</b>			
Amortisation of tangible fixed assets	12 (part B)	1 358	1 484
Write-downs on tangible fixed assets held for sale		-	86
Amortisation of intangible assets	14 (part B)	47	45
Fair value adjustment of financial assets/liabilities as determined in the Profit and Loss Account		59	(507)
Gains/losses on disposal of non-financial fixed assets		5	4
Gains/losses from disposal of financial assets (other than financial derivatives)		30	13
Gains/losses on foreign exchange differences		(233)	538
Interest paid		1 135	1 171
Income from interest and dividends		(39)	(34)
Other adjustments		(2)	-
<b>Total adjustments:</b>		<b>2 360</b>	<b>2 800</b>
Change in inventory and biological assets	19.8 (part B)	2 805	(3 673)
Changes in receivables		3 664	(163)
Changes in payables		(2 901)	1 654
Changes in provisions and accruals		(19)	(2 180)
Changes in receivables from construction contracts		529	7 705
<b>Working capital adjustments</b>		<b>4 078</b>	<b>3 343</b>
Interest paid (operating activities)		-	(17)
Income tax paid		-	(593)
<b>Net cash flows from operating activities</b>		<b>4 390</b>	<b>6 728</b>
Expenditure for acquisition of intangible assets	14 (part B)	(45)	(3)
Expenditure for acquisition of tangible fixed assets	12 (part B)	(311)	(1 602)
Proceeds from sale of tangible fixed assets	12 (part B)	211	8
Expenditure for acquisition of investment properties		(110)	(45)
Borrowings given		(65)	-
Expenditure for acquisition of other financial assets		(5 684)	(762)
Proceeds from sale of other financial assets		1 889	238
<b>Net cash flows used in investing activities</b>		<b>(4 115)</b>	<b>(1 976)</b>
Net proceeds from sale of treasury shares		2 583	-
Proceeds from credit and loans granted	19.8 (part B)	10 672	7 703
Repayment of credit and loans	19.8 (part B)	(11 263)	(12 205)
Repayment of finance leased liabilities		(859)	(966)
Interest paid		(1 128)	(958)
<b>Net cash flows from financing activities</b>		<b>5</b>	<b>(6 426)</b>
<b>Net change in cash and cash equivalents</b>		<b>280</b>	<b>(1 674)</b>
<b>Cash and cash equivalents at the beginning of period</b>		<b>11 666</b>	<b>2 901</b>
<b>Cash and cash equivalents at the end of period</b>		<b>11 946</b>	<b>1 227</b>

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## Interim Condensed Consolidated Statement of Changes in Equity

	Note no	Equity attributable to equity holders of the parent company						Non-controlling interests	Total equity
		Share capital	Treasury shares (-)	Capital surplus/ Share premium	Other capital reserves	Retained earnings	Total		
<b>Balance on January 1, 2016</b>		<b>18 216</b>	<b>(1 739)</b>	<b>98 086</b>	<b>3 794</b>	<b>29 679</b>	<b>148 036</b>	-	<b>148 036</b>
<i>Change in the equity in period from 01.01 to 31.03.2016 (unaudited)</i>									
Net profit for the period of 01/01/2016- 31/03/2016		-	-	-	-	(2 903)	(2 903)	-	(2 903)
Other comprehensive income for the period of 01/01/2016-31/03/2016		-	-	-	253	-	253	-	253
<b>Total Comprehensive income 01/01/2016-31/03/2016</b>		-	-	-	<b>253</b>	<b>(2 903)</b>	<b>(2 650)</b>	-	<b>(2 650)</b>
Disposal of treasury shares	19.5 (part B)	-	1 739	-	844	-	2 583	-	2 583
<b>Balance on March 31, 2016</b>		<b>18 216</b>		<b>98 086</b>	<b>4 891</b>	<b>26 776</b>	<b>147 969</b>	-	<b>147 969</b>

	Note no	Equity attributable to equity holders of the parent company						Non-controlling interests	Total equity
		Share capital	Treasury shares (-)	Capital surplus/ Share premium	Other capital reserves	Retained earnings	Total		
<b>Balance on January 1, 2015</b>		<b>18 216</b>	<b>(2 960)</b>	<b>98 086</b>	<b>158</b>	<b>30 005</b>	<b>143 505</b>	-	<b>143 505</b>
<i>Change in the equity in period from 01.01 to 31.03.2015 (unaudited)</i>									
Net profit for the period of 01/01/2015- 31/03/2015		-	-	-	-	326	326	-	326
Other comprehensive income for the period of 01/01/2015-31/03/2015		-	-	-	57	-	57	-	57
<b>Total Comprehensive income 01/01/2015-31/03/2015</b>		-	-	-	<b>57</b>	<b>326</b>	<b>383</b>	-	<b>383</b>
<b>Balance on March 31, 2015</b>		<b>18 216</b>	<b>(2 960)</b>	<b>98 086</b>	<b>158</b>	<b>30 331</b>	<b>143 888</b>	-	<b>143 888</b>

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## Additional Explanatory Notes

### 1. General Information

The IMMOBILE Capital Group (hereinafter referred to as *the Group*) consists of the parent company Grupa Kapitałowa Immobile S.A. with its registered office at ul. Fordońska 40 in Bydgoszcz (hereinafter referred to as *the Parent Company* or *the Company*) and its subsidiaries. The Interim Condensed Consolidated Financial Statements have been drawn up for the period of 3 months ending on March 31, 2016.

The Interim Condensed Consolidated Statement of Financial Position, as well as the additional notes complementing it, include the data as on March 31, 2016 and the comparable data as on December 31, 2015. The Interim Condensed Consolidated Profit and Loss Account (as complemented with additional explanatory notes) and the Statement of Comprehensive Income concerns the data for the period of 3 months ending on March 31, 2016, as well as the comparable data for the period of 3 months, ending on March 31, 2015. The Interim Condensed Consolidated Financial Statements of the Group have been subsequently drawn up as on March 31, 2016 and March 31, 2015 and neither of them was subject to review by an independent auditor.

The Parent Company is registered under entry no. KRS 0000033561 in the register of entrepreneurs, as maintained by the proper District Court, XIII Commercial Division of the National Court Register. The entity was registered under Industry Identification Number [REGON] 090549380.

The duration of Parent Company and the entities comprising the Group is indefinite.

The Company mainly runs its activity within the scope of:

- industrial activity,
- hotel industry activities,
- activity within the scope of construction consultancy,
- renting and operating of own or leased real estate,
- property development activity.

The IMMOBILE S.A. Capital group is the dominant entity of the Group.

The interim financial result may not fully reflect the financial result obtained for the financial year.

### 2. Changes in Group Structure

The entities comprising the Capital Group, as well as the graphical representation of the structure of the Group, have been introduced under section 2 of the Management Report on the Operations of the Group.

The period of 3 months ending on March 31, 2016 was marked by the following changes in the structure of the Group compared to as on December 31, 2015:

- GKI Development GmbH was founded on January 13, 2016, with its registered office in Berlin, with its share capital determined at 25.000 EUR and GK IMMOBILE S.A. as its only shareholder. Its core activity was determined as acquiring, renting, managing and other real estate services, in particular for hotel real estate, in its own name and for its own account, as well as a service provider for other parties, preparation of project and sales of products and services in the field of industry and construction, managing and sales of residential, office and industrial real estate.
- On February 2, 2016, the Company passed the resolution to approve the concept of connection and submission to public until 29.02.2016 of the Plan of the Company's merger with its subsidiary HOTEL 1 GKI

Sp. z o.o. The merger of acquiring company GK IMMOBILE S.A. and the Target Company HOTEL 1 GKI Sp. z o.o. will take place through the acquisition of all assets of HOTEL 1 GKI Sp. z o.o., without increasing of the seed capital of Grupa Kapitałowa IMMOBILE S.A. For the purpose of determining conditions of the merger, an auditor's report will not be required.

- The planned merger is caused by owning by Grupa Kapitałowa IMMOBILE S.A. 100% of shares in HOTEL 1 GKI Sp. z o.o. and by sale by HOTEL 1 GKI Sp. z o.o. (formerly Hotel 1 Sp. z o.o. 1 S.K.A.) of all acquired properties to subsidiaries of Grupa Kapitałowa IMMOBILE S.A. The merger will benefit Grupa Kapitałowa IMMOBILE S.A., especially in economic-financial practices as lower management costs, better cash management, elimination of consolidation measures, tax optimization and simplified management structure.

On February 29, 2016, the Company provided to the public (in accordance with Art. 500 § 21 of the Code of Commercial Companies) the Merger Plan – it is available on Company's website [www.immobile.com.pl](http://www.immobile.com.pl) and at company's main office, until the end of the General Meeting of Acquiring Company and the Meeting of Associates of the Target Company, where the resolution on merging will be passed.

On March 7, 2016, the change concerning the acquisition of shares in the company HOTEL 1 GKI Sp. z o.o., was registered in the National Court Register.

### **3. Basis of Preparation of Interim Condensed Consolidated Financial Statements**

These Interim Condensed Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as approved by the EU ('IAS 34').

These Interim Condensed Consolidated Financial Statements do not include all the information and disclosure required in annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended on 31/12/2015, as approved for publication March 21, 2016.

These Interim Condensed Consolidated Financial Statements have been presented in Polish zloty ('PLN') and all values are presented in thousands of PLN, unless otherwise indicated.

The Interim Condensed Consolidated Financial Statements have been prepared on the assumption that the companies of the Group will continue their business activity in the foreseeable future. As at the date of approval of these financial statements, there were no circumstances that would indicate a threat to the continued activity of the companies constituting the Group.

### **4. Business Segment Information**

For management purposes, the Group was divided into several units based on their products and services provided. Therefore, the following operating reportable segments operate within its structure:

*Industry Segment* comprises the manufacturing of mills, crushers, components of presses, offshore equipment, ship components and machinery for the mining and energy sectors.

*Asset Lease Segment* includes the lease and management of own or leased real estate.

*Hotel Industry Segment* covers the hospitality business in hotels owned or leased.

*Construction Consultancy Segment* covers construction supervision.

*Development Segment* is engaged with the construction and sales of housing. The activity was launched in May 2014

*Other Operating Segments* encompass the revenue from activities other than mentioned above. It does not exceed 10% of the total revenue generated within the Group.

None of the Group's operating segments has been aggregated with another segment to form any of the above-mentioned operational segments.

Management Board monitors the operating results of segments separately for the purpose of making decisions concerning the allocation of resources, performance assessment of allocation and operating results. Segment performance is evaluated based on operating profit or loss, which to a certain degree and as explained in the table below, undergoes different assessment than the operating profit or loss presented in the financial statements. The Group financing (financial revenue and expenses included), as well as the income tax, are monitored at the Group level and not allocated to specific segments.

Transaction prices adopted in transactions between operating segments are determined on a market basis as in transactions with unrelated parties.

All assets that may have an impact on the revenue generated within specific operating segments are assigned to them, e.g.:

- intangible assets,
- tangible fixed assets,
- investment properties,
- receivables and loans, inventory,
- receivables from contracts concerning rendered construction services,
- trade receivables and other receivables,
- derivative financial instruments,
- short- and long-term accruals,
- biological assets,
- cash and cash equivalents.

Operational segments	Industry	Asset Lease	Hotel Industry	Construction Consultancy	Development	Other segments	Total
<i>For the period of 01/01- 31/03/2016 (unaudited)</i>							
<b>Revenues</b>							
Revenue from external customers	5 898	2 253	5 895	1 310	5 116	647	21 119
Sales between segments	-	-	29	1 282	-	-	1 311
<b>Total Revenue</b>	<b>5 898</b>	<b>2 253</b>	<b>5 924</b>	<b>2 592</b>	<b>5 116</b>	<b>647</b>	<b>22 430</b>
Depreciation and amortisation	346	97	790	38	-	134	1 405
Segment operating profit	(920)	796	(142)	(383)	551	(329)	(427)
Assets of reportable segment	34 125	55 165	101 285	1 253	46 896	12 575	251 299

Operational segments	Industry	Asset Lease	Hotel Industry	Construction Consultancy	Development	Other segments	Total
<i>For the period of 01/01- 31/03/2015 (unaudited)</i>							
<b>Revenues</b>							
Revenue from external customers	10 445	1 937	5 547	1 513	-	739	20 181
Sales between segments	-	-	6	543	-	-	549
<b>Total Revenue</b>	<b>10 445</b>	<b>1 937</b>	<b>5 553</b>	<b>2 053</b>	<b>-</b>	<b>739</b>	<b>20 730</b>
Depreciation and amortisation	443	97	831	47	-	111	1 529
Segment operating profit	2 101	682	177	(455)	-	(77)	2 428
Assets of reportable segment	45 323	56 702	98 269	1 705	40 896	4 838	247 733

Reconciliation of results for operational segments together with unit result before tax	From 01.01 to 31.03.2016 (unaudited)	from 01.01 to 31.03.2015 (unaudited)
<b>Segment operating result *</b>	<b>(427)</b>	<b>2 428</b>
Other income not allocated to segments	127	296
Other expense not allocated to segments (negative value)	(495)	(300)
<b>Total: other income and expenses</b>	<b>(368)</b>	<b>(4)</b>
<b>Profit/loss from operating activities</b>	<b>(795)</b>	<b>2 424</b>
Financial income	186	490
Financial expense (negative value)	(1 439)	(1 719)
<b>Profit/loss before tax</b>	<b>(2 048)</b>	<b>1 195</b>

\* - Gross profit on sales has been reduced by the selling expenses, as well as the general and administrative expenses.

In results of the operating segments, the Group takes into account the costs of general management and selling expenses, which were allocated to the segments according to the linkage of the cost with the segment.

In the first quarter of 2016, the Group achieved good results in lease assets sector and development. Other sectors reported a loss.

The segmental operating profit does not include:

- other operating expenses
- financial expense,
- loss/profit on sale of subsidiaries,
- other operating income,
- financial income.

## 5. Revenue and Cost

### *Operating costs and revenues:*

The Group's revenues for the period between January 1, 2015 and March 31, 2016, amounted to 21 119 (thousand) PLN and were 4,65% higher than in the same period of the previous year totalled 20 181 (thousand) PLN. The Industry segment had the greatest share in the revenue generated (5 898 thousand PLN), along with the Hotel Industry segment (5 895 thousand PLN) and the Development segment (5 895 thousand PLN). Analogically and subsequently, the numbers generated during the comparable period of the previous year amounted to 10 445 (thousand) PLN and 5 547 (thousand) PLN respectively and in the Development there were none in 2015.

The cost of sales amounted to 17 673 (thousand) PLN, which made it possible to achieve the gross profit of 3 446 (thousand) PLN as compared to 5 839 (thousand) PLN generated during the first quarter of 2015, with the cost of sales amounting to 14 342 (thousand) PLN.

### *Other operating costs and revenues:*

Other operating revenues	from 01-01 to 31-03-2016 (unaudited)	from 01-01 to 31-03-2015 (unaudited)
Profit from sale of fixed assets	5	4
Reversal of impairment losses on financial receivables	12	1
Termination/ use of reserves	63	139
Penalties and compensation received	34	27
Other operating income	13	125
<b>Total other operating income</b>	<b>127</b>	<b>296</b>

*Other operating income* between January 1, 2016 and March 31, 2016, amounted to 127 (thousand) PLN, while the operating income generated in the comparable period of the previous year totalled 296 (thousand) PLN.

In the first quarter of 2016, the most significant impact on the level of other operating income was the value of released provisions and surplus of reserve used for a court case over the costs incurred in the total amount of 63 thousand PLN. Details are described in section 19.2. (part. B) "Cases".

### *Other operating expenses*

Other operating expenses	from 01-01 to 31-03-2016 (unaudited)	from 01-01 to 31-03-2015 (unaudited)
Loss on disposal of fixed assets	-	8
Write-offs	13	-
Write-downs of expenditures for investing activities	366	86
The creation of reserves	-	124
Penalties and compensations paid	5	40
Legal, debt collection and recovery costs	68	5
Donations	30	36
Other costs	13	1
<b>Total other operating expense</b>	<b>495</b>	<b>300</b>

*Other operating expenses* in the period between January 1, 2016 and March 31, 2016 achieved the level of 495 (thousand) PLN (accordingly, in 2015 they totalled 300 thousand PLN). During the reporting period, there has been the revaluation of investment real estate over their fair value in the amount of 366 thousand. PLN (in the comparable period by PLN 86 thousand. PLN). The value of incurred court costs,

fees related to ongoing litigation and recovery costs of bad debts amounted to 68 thousand. PLN. Group gave donations in the amount of 30 thousand PLN.

### *Financial incomes*

<b>Financial incomes</b>	from 01-01 to 31-03-2016 (unaudited)	from 01-01 to 31-03-2015 (unaudited)
<i>Interest income:</i>		
Cash and cash equivalents (deposits)	7	4
Loans and receivables	18	-
<b>Interests income</b>	<b>25</b>	<b>4</b>
<i>Gains on valuation and settlement of financial instruments measured at fair value:</i>		
Derivatives	-	153
Shares of listed companies	1	-
<b>Gains on valuation and settlement of financial instruments measured at fair value</b>	<b>1</b>	<b>153</b>
<i>Profit (loss) (+/-) from exchange rate differences:</i>		
Cash and cash equivalents (deposits)	61	-
Loans and receivables	39	302
Financial liabilities measured at amortized cost	22	1
<b>Profit (loss) (+/-) from foreign exchange differences</b>	<b>122</b>	<b>303</b>
<i>Profits from assets available for sale transferred from equity</i>		
Dividends from financial assets available for sale	1	-
Other financial income	37	30
<b>Total financial incomes</b>	<b>186</b>	<b>490</b>

*Financial income* for the period of 3 months in the year 2016 achieved the level of 186 thousand PLN and it is lower by 304 thousand PLN in relation to analogical period in 2015.

Level of financial income is resulting mainly from exchange rates differences (122 thousand PLN) resulted from the valuation of financial lease and loan in CHF.

### *Financial cost:*

<b>Financial costs</b>	from 01-01 to 31-03-2016 (unaudited)	from 01-01 to 31-03-2015 (unaudited)
<i>Cost of interest::</i>		
Liabilities from finance leases	50	106
Loans in credit account	935	920
Loans in current account	200	17
Liabilities from supplies and services and other liabilities	49	26
<b>Costs of interests</b>	<b>1 234</b>	<b>1 069</b>
<i>Losses on valuation and settlement of financial instruments measured at fair value:</i>		
Derivative hedging instruments	176	-
<b>Losses on valuation and settlement of financial instruments measured at fair value</b>	<b>176</b>	<b>-</b>
<i>Zyski (straty) (-/+) z tytułu różnic kursowych:</i>		
Zobowiązania finansowe wyceniane wg zamortyzowanego kosztu	-	548
<b>Profit (loss) (+/-) from foreign exchange differences</b>	<b>-</b>	<b>548</b>
<i>Losses on assets available for sale transferred from equity</i>		
Other financial costs	29	102
<b>Total financial costs</b>	<b>1 439</b>	<b>1 719</b>

*Financial costs* from January 1 until March 31, 2016 achieved the level of 1 439 thousand PLN, in comparison to the period in 2015 the financial cost amounted to 1 719 thousand PLN. The impact on the level of costs is resulted from service costs of loans, which were financing the Group's real estate. Interest together with bank provisions for period of 3 months' equals 1 135 thousand PLN. In addition there was influence of valuation of IRS contracts and the hedging instrument of interest rate risk, which change at 31 March 2016 and charged costs for 176 thousand. PLN.

Bydgoszcz, May 13, 2016.

#### Board Signatures

Board Member

*Piotr Fortuna*

Vice-President of the Board

*Sławomir Winiński*

President of the Board

*Rafał Jerzy*

Person who was responsible for preparing Consolidated Financial Data:

Polska Press Sp. z o.o.

*Services Center*

*Hanna Gałzka*