



GRUPA KAPITAŁOWA
IMMOBILE

**Grupa Kapitałowa IMMOBILE S.A.
(IMMOBILE Capital Group)**

THE EXTRACT FROM

- **ANNUAL CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDING ON 31 DECEMBER 2015**

AND

- **ANNUAL CONDENSED CONSOLIDATED MANAGEMENT BOARD'S REPORT
FOR THE YEAR ENDING ON 31 DECEMBER 2015**

March 21, 2016

Table of contents

Selected Consolidated Financial Data	3
Annual Condensed Consolidated Profit and Loss Account.....	4
Annual Condensed Consolidated Statement of Comprehensive Income	4
Annual Condensed Consolidated Statement of Financial Position.....	5
Annual Condensed Consolidated Statement of Financial Position.....	6
Annual Condensed Consolidated Statement of Cash Flows.....	7
Annual Condensed Consolidated Statement of Changes in Equity.....	8
Additional Explanatory Notes	9
1. General Information.....	9
2. Group Structure	10
3. Operating segments.....	11
4. The Management Board of the parent company.....	12
5. Approval of the financial statements.....	13
6. Significant values based on professional judgment and estimates	13
7. Basis of Preparation of Annual Condensed Consolidated Financial Statements.....	14
8. Business Segment Information.....	15
9. Revenues and Costs.....	17

Selected Consolidated Financial Data

	From 01.01 to 31.12.2015	From 01.01 to 31.12.2014	From 01.01 to 31.12.2015	From 01.01 to 31.12.2014
	In thousands PLN		In thousands EUR	
Profit and loss Account				
Revenue from sales	98 311	90 860	23 492	21 689
Operating profit/loss	11 862	(4 925)	2 835	(1 176)
Profit/loss before tax	7 651	(12 455)	1 828	(2 973)
Net profit/loss	2 295	2 842	548	678
Profit/loss attributable to shareholders of the parent company	2 295	2 842	548	678
Earnings per share (PLN)	0,03	0,04	0,01	0,01
Diluted earnings per share (PLN)	0,03	0,04	0,01	0,01
Average exchange rate PLN / EUR for the period	X	X	4,1848	4,1893
Cash Flow				
Net cash flows from operating activities	6 300	(5 379)	1 505	1 235
Net cash used in investing activities	(14 297)	(3 111)	(3 416)	(1 449)
Net cash from financing activities	16 762	9 664	4 005	4 079
Net change in cash and cash equivalents	8 765	1 174	2 094	3 864
Average exchange rate PLN / EUR for the period	X	X	4,1848	4,1585
Balance Sheet				
	31-12-2015	31-12-2014	31-12-2015	31-12-2014
Assets	279 939	263 417	65 690	61 802
Long-term liabilities	92 502	66 013	21 706	15 488
Short-term liabilities	39 401	53 520	9 246	12 557
Equity	148 036	143 884	34 738	33 757
Equity attributable to shareholders of the parent company	148 036	143 884	34 738	33 757
Average exchange rate PLN / EUR for the period	X	X	4,2615	4,2623

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. In relation to periods presented in report, the exchange rates were as follows:

01/01/2015- 31/12/ 2015: 1 EUR = 4.1848

01/01/2014- 31/12/ 2014: 1 EUR = 4.1893

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 Financial Statements, the said exchange rates were as follows:

31/12/ 2015:1 EUR = 4,2615

31/12/2014: 1 EUR = 4,2623

Annual Condensed Consolidated Profit and Loss Account

	Note no.	01/01/2015-31/12/2015	01/01/2014- 31/12/2014
Continued operations			
Revenue from sales	10	98 311	65 074
Revenue from sales of products		50 564	29 041
Revenue from the render of services		45 643	34 539
Revenue from sales of goods and materials		2 104	1 494
<i>Revenue from sales per segment</i>			
<i>Heavy Industry</i>		40 705	49 389
<i>Hotel Industry</i>		28 727	25 846
<i>Construction Consultancy</i>		6 632	6 614
<i>Rental of Assets</i>		7 766	7 956
<i>Developing</i>		12 029	-
<i>Other Segments</i>		2 452	1 055
Cost of sales		73 086	73 190
Cost of products sold		37 960	39 730
Cost of services rendered		34 087	32 606
Cost of goods and materials sold		1 039	854
Gross profit/loss from sales		25 225	17 670
Selling expenses		2 987	808
Administrative expenses		12 608	12 355
Fair value adjustments of biological assets		(505)	170
Other operating income	11	5 802	7 410
Other operating expenses	11	3 065	17 012
Operating profit/loss		11 862	(4 925)
Financial income	11	1 199	188
Financial cost	11	5 410	7 718
Profit/loss before tax		7 651	(12 455)
Income tax expense	12	5 356	(15 297)
Net profit/loss from continuing operations		2 295	2 842
Net profit/loss		2 295	2 842
Net profit/loss attributable to			
Equity holders of the parent company		2 295	2 842
- Non-controlling interests		-	-
Basic earnings per share		0,03	0,04
Diluted earnings per share		0,03	0,04

Annual Condensed Consolidated Statement of Comprehensive Income

	Note no.	01/01/2015-31/12/2015	01/0/2014 - 31/12/2014
Net profit/loss		2 295	2 842
Other Comprehensive Income			
Other comprehensive income/loss to be reclassified to other comprehensive income in subsequent periods			
- Valuation of assets available for sale	12	(72)	-
- Income tax related to items to be reclassified to profit/loss		3	-
Other comprehensive income after tax		(59)	-
Total comprehensive income		2 236	2 842
Total comprehensive income attributable to:			
- Equity holders of the parent company		2 236	2 842
- Non-controlling interests		-	-

Annual Condensed Consolidated Statement of Financial Position

Assets	Note no.	31/12/2015	31/12/2014
Fixed Assets			
Intangible assets	20	482	570
Tangible fixed assets, including:	17	121 340	124 339
<i>Hotel Estates</i>		96 310	99 075
<i>Other assets of heavy industry</i>		15 226	16 104
<i>Other assets:</i>		9 804	9 160
Investment properties, including:	19	77 178	75 065
<i>Investment areas</i>		26 548	26 890
<i>Commercial properties</i>		50 630	48 175
Other financial assets		3	3
Receivables and loans	22	2 1436	1 901
Other long-term assets	21	136	-
Long-term prepayments	31	24	11
Deferred tax assets	12	8 076	10 975
Fixed Assets Total		209 375	212 864

Assets	Note no.	31/12/2015	31/12/2014
Current Assets			
Inventory	24	24 760	10 891
<i>Apartment buildings U/C (Bydgoszcz, Leśna 19-21 Street)</i>		21 348	10 210
<i>Other Current Assets</i>		3 412	681
Biological assets	24	-	1 894
Receivables from construction contracts	26	6 123	16 876
Trade and other receivables	25	14 894	15 932
Receivables from current income tax		-	1 086
Loans granted	22	3 372	-
Derivative financial instruments		6	-
Other short-term current financial assets	41	9 480	91
Short-term prepayments	21	263	421
Cash and cash equivalents	31		
Current assets Total		70 564	50 092
Fixed assets classified as held for sale	13	-	461
Assets Total		279 939	263 417

The additional explanatory notes to the Annual Condensed Consolidated Financial Statements, are included on pages 11-82, which are integral part of this document

Annual Condensed Consolidated Statement of Financial Position

Liabilities	Note no.	31/12/2015	31/12/2014
Share capital		18 216	18 216
Treasury shares (negative value)		(1 739)	(2 960)
Capital surplus/ Share premium		98 086	98 086
Other components of equity		3 794	158
Retained earnings:		29 679	30 384
- Profit/loss from previous years		27 384	27 542
- Net profit/loss attributable to shareholders of the entity		2 295	2 842
Equity attributable to equity holders of the parent company		148 036	143 884
Non-controlling interests		-	-
Equity Total	28	148 036	143 884
<i>Long-term liabilities</i>			
Credits, loans and other debt instruments	29	74 666	45 862
Finance lease	18	2 551	4 590
Derivative financial instruments	41	2 581	3 261
Other long-term liabilities		51	94
Provision for deferred income tax	12	11 675	10 902
Liabilities and provisions for employee benefits	23	273	222
Other provisions for long-term liabilities	30	17	-
Long-term accruals	31	688	1 082
Long-term liabilities Total		92 502	66 013

Liabilities	Note no.	31/12/2015	31/12/2014
<i>Short-term liabilities</i>			
Trade and other payables	31	13 875	18 349
Income tax payable	12	687	-
Credits, loans and other debt instruments	29	17 613	24 918
Finance lease	18	2 739	3 526
Derivative financial instruments	41	79	247
Short-term liabilities and provisions for employee benefits	23	3 124	3 809
Other provisions for short-term liabilities	30	311	914
Short-term accruals	31	973	1 757
Short-term liabilities Total:		39 401	53 520
Liabilities Total		131 903	119 533
Total equity		279 939	263 417

The additional explanatory notes to the Annual Condensed Consolidated Financial Statements, are included on pages 11-82, which are integral part of this document

Annual Condensed Consolidated Statement of Cash Flows

	Note no	01/01/2015- 31/12/2015	01/01/2014- 31/12/2014
Operating activities			
Profit/loss before tax from continuing operations		7 651	(12 455)
<i>Adjustments:</i>			
Amortisation of tangible fixed assets	17	5 863	6 461
Write-downs on tangible fixed assets	17	-	1 069
Write-downs on tangible fixed assets held for sale	13	-	2 135
Amortisation of intangible assets	20	153	141
Impairment losses on intangible assets	20	-	381
Fair value adjustment of investment properties	19	(4 747)	2 801
Fair value adjustment of financial assets/liabilities as determined in the Profit and Loss Account		(854)	3 203
Gains/losses on disposal of non-financial fixed assets	11.2	483	997
Gains/losses from disposal of financial assets (other than financial derivatives)		33	-
Loss on sale of subsidiary		275	-
Gains/losses on foreign exchange differences	11.4	(127)	393
Interest paid	11.4	3 742	4 075
Income from interest and dividends		(102)	-
Other adjustments		17	-
Total adjustments:		4 736	21 656
Change in inventory and biological assets	32	(8 896)	(5 335)
Changes in receivables		1 863	(5 916)
Changes in payables	32	(6 551)	11 202
Changes in provisions and accruals	32	(2 252)	740
Changes in receivables from construction contracts		10 753	(13 052)
Working capital adjustments		(5 083)	(12 361)
Interest paid (operating activities)		-	(374)
Income tax paid		(1 004)	(1 845)
Net cash flows from operating activities		6 300	(5 379)
Cash flows used in investing activities			
Expenditure for acquisition of intangible assets	20	(62)	(633)
Proceeds from sale of intangible assets	20	7	-
Expenditure for acquisition of tangible fixed assets	17	(3 899)	(4 415)
Proceeds from sale of tangible fixed assets	17	970	1 980
Expenditure for acquisition of investment properties	19	(445)	-
Proceeds from borrowings		-	1 000
Repayment of borrowings		(3 310)	(1 000)
Expenditure for acquisition of other financial assets	21	(10 361)	(43)
Proceeds from sale of other financial assets	21	2 775	-
Received interests		25	-
Received dividends		3	-
Net cash flows used in investing activities		(14 297)	(3 111)
Net cash flows (used in)/from financing activities			
Net proceeds from sale of treasury shares		1 914	-
Purchase of Treasury shares		-	(1 326)
Proceeds from credit and loans granted	29	63 041	90 738
Repayment of credit and loans	29	(41 857)	(72 820)
Repayment of finance leased liabilities		(2 163)	(3 227)
Interest paid		(4 173)	(3 701)
Net cash flows (used in)/from financing activities		16 762	9 664
Net change in cash and cash equivalents		8 765	1 174
Cash and cash equivalents at the beginning of period		2 901	1 727
Cash and cash equivalents at the end of period		11 666	2 901
Including restricted cash	27	10 101	-

The additional explanatory notes to the Annual Condensed Consolidated Financial Statements, are included on pages 11-82, which are integral part of this document

Annual 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 sur plus/ Share premium	Other capital reserves	Retained earnings	Total		
Balance on January 1, 2015		18 216	(2 960)	98 086	158	30 384	143 884	-	143 884
<i>Change in the equity in period from 01.01 to 31.12.2015</i>									
Net profit for the period of 01/01/2015- 31/12/2015		-	-	-	-	2 295	2 295	-	2 295
Other comprehensive income for the period of 01/01/2015-31/12/2015		-	-	-	(58)	-	(58)	-	(58)
Total Comprehensive income 01/01/2015-31/12/2015		-	-	-	(58)	2 295	2 237	-	2 237
Creation of capital to cover losses from previous years	28.3	-	1 221	-	3 000	(3 000)	-	-	-
Disposal of treasury shares	28.3	-	-	-	694	-	1 915	-	1 915
Balance on December 31, 2015		18 216	(1 739)	98 086	3 794	29 679	148 036	-	148 036

	Note no	Equity attributable to equity holders of the parent company						Non-controlling interests	Total equity
		Share capital	Treasury shares (-)	Capital sur plus/ Share premium	Other capital reserves	Retained earnings	Total		
Balance on January 1, 2014		18 216	(1 634)	98 086	158	27 542	142 368	-	142 368
<i>Change in the equity in period from 01.01 to 31.12.2014</i>									
Net profit for the period of 01/01/2014- 31/12/2014		-	-	-	-	2 842	2 842	-	2 842
Other comprehensive income for the period of 01/01/2014-31/12/2014		-	-	-	-	-	-	-	-
Total Comprehensive income 01/01/2014-31/12/2014		-	-	-	-	2 842	2 842	-	2 842
Purchase of treasury shares		-	(1 326)	-	-	-	(1 326)	-	(1 326)
Balance on December 31, 2014		18 216	(2 960)	98 086	158	30 384	143 884	-	143 884

The additional explanatory notes to the Annual Condensed Consolidated Financial Statements, are included on pages 11-82, which are integral part of this document

Additional Explanatory Notes

1. General Information

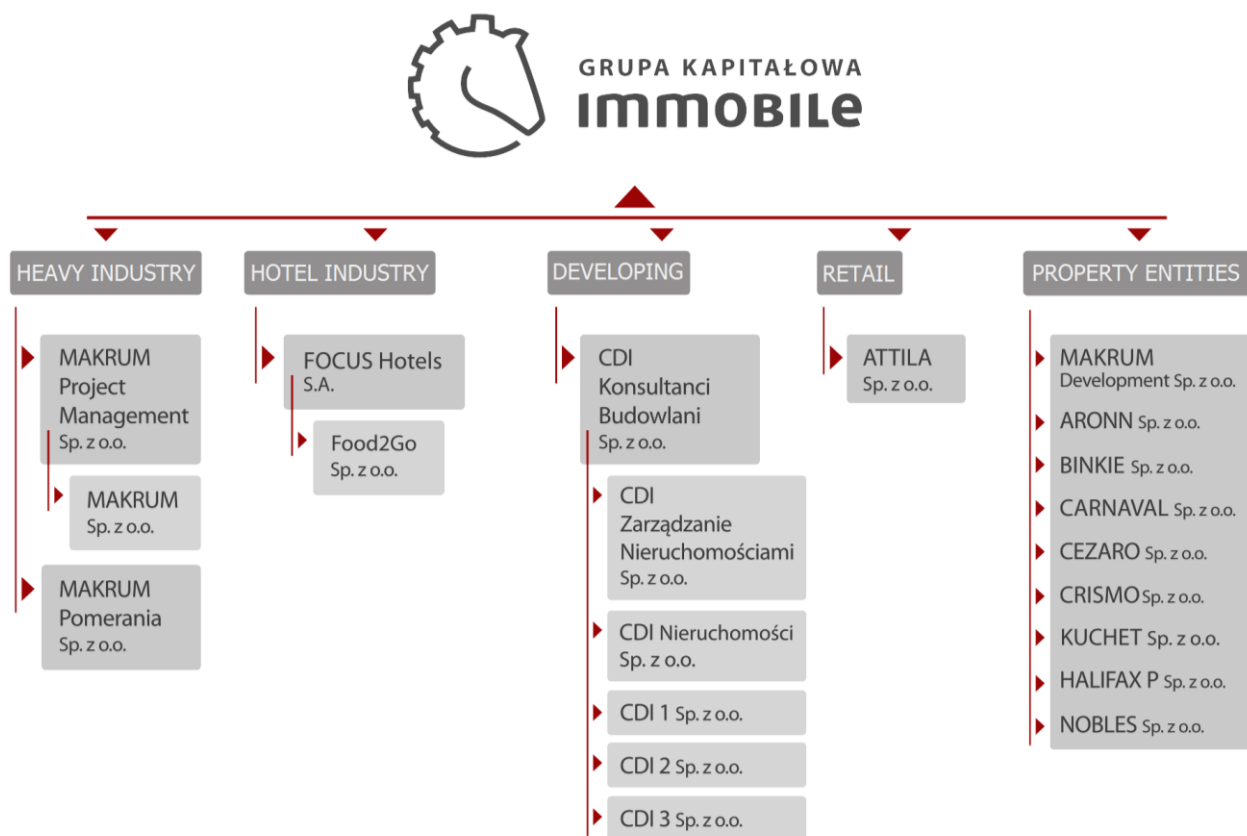
The IMMOBILE Capital Group (hereinafter referred to as *the Group*) consists of the parent company Grupa Kapitałowa Immobile S.A. with its registered office at ul. Fordońska 40 in Bydgoszcz (hereinafter referred to as *the Parent Company* or *the Company*) and its subsidiaries. The Annual Condensed Consolidated Financial Statements have been drawn up for the period of 12 months ending on December 31, 2015 and also consist comparable data as on December 31, 2014.

The Parent Company is registered under entry no. KRS0000033561 in the register of entrepreneurs, 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 dominant entity of the Group is Grupa Kapitałowa IMMOBILE S.A.

2. Group Structure

The Capital Group consist of Grupa Kapitałowa IMMOBILE S.A. as a dominant entity and of subsidiaries, as follows:

Entity	Seated in:	Percentage share of the Group in capital:	
		31.12.2015	31.12.2014
Makrum Project Management Sp. z o.o.	Bydgoszcz, Polska	100,0%	100,0%
Makrum Sp. z o.o.	Bydgoszcz, Polska	100,0%	100,0%
Makrum Pomerania Sp. z o.o.	Bydgoszcz, Polska	100,0%	100,0%
Focus Hotels S.A.	Bydgoszcz, Polska	100,0%	100,0%
CDI Konsultanci Budowlani Sp. z o.o.	Bydgoszcz, Polska	100,0%	100,0%
CDI Zarządzanie Nieruchomościami Sp. z o.o.	Bydgoszcz, Polska	100,0%	100,0%
Makrum Development Sp. z o.o.	Bydgoszcz, Polska	100,0%	100,0%
Crismo Sp. z o.o.	Bydgoszcz, Polska	100,0%	100,0%
Halifax Sp. z o.o.	Bydgoszcz, Polska	100,0%	100,0%
Attila Sp. z o.o.	Bydgoszcz, Polska	100,0%	100,0%
Aronn Sp. z o.o.	Bydgoszcz, Polska	100,0%	100,0%
Binkie Sp. z o.o.	Bydgoszcz, Polska	100,0%	100,0%
Carnaval Sp. z o.o.	Bydgoszcz, Polska	100,0%	100,0%
Cezaro Sp. z o.o.	Bydgoszcz, Polska	100,0%	100,0%
Hotel 1 Sp. z o.o.	Bydgoszcz, Polska	100,0%	100,0%
Nobles Sp. z o.o.	Bydgoszcz, Polska	100,0%	100,0%
Makrum Jumping Team Sp. z o.o.	Bydgoszcz, Polska	0,0%	100,0%
Staten Company Ltd.	Cypr	100,0%	100,0%
Hotel 1 Sp. z o.o. 1 SKA (aktualnie Hotel 1 GKI Sp. z o.o.)	Bydgoszcz, Polska	100,0%	100,0%
Hotel 1 Sp. z o.o. 2 SKA	Bydgoszcz, Polska	100,0%	100,0%
Hotel 1 Sp. z o.o. 3 SKA	Bydgoszcz, Polska	100,0%	100,0%
CDI 1 Sp. z o.o.	Bydgoszcz, Polska	100,0%	100,0%
CDI 2 Sp. z o.o.	Bydgoszcz, Polska	100,0%	100,0%
CDI 3 Sp. z o.o.	Bydgoszcz, Polska	100,0%	100,0%
Food2go Sp. z o.o.	Bydgoszcz, Polska	100,0%	0,0%
CDI Nieruchomości Sp. z o.o.	Bydgoszcz, Polska	100,0%	0,0%
Kuchet Sp. z o.o.	Bydgoszcz, Polska	100,0%	0,0%

The period of 12 months ending on December 31, 2015 was marked by the following changes in the structure of the Group compared to as on December 31, 2014:

- FOOD2GO Sp. z o.o. [Ltd.] was founded on January 28, 2015, with its share capital determined at 5 000 PLN and FOCUS Hotels S.A. (a subsidiary company having 100% dependability to GK IMMOBILE S.A.) as its 100% shareholder. The entity was registered on January 29, 2015 with its core activity determined as the retail sales of beverages in specialised stores.
- CDI Nieruchomości Sp. z o.o. [Ltd.] was founded on June 3, 2015, having its share capital determined at 5 000 PLN. 99% of the shares issued are held by CDI Konsultanci Budowlani (a subsidiary company of 100% dependability to GK IMMOBILE S.A.) and CDI Zarządzanie Nieruchomościami Sp. z o.o. (a subsidiary company having 100% dependability to GK IMMOBILE S.A.) is its 1% shareholder. The entity was registered on June 5, 2015, with its core business activity determined as buying and selling of own real estate.
- KUCHET Sp. z o.o. [Ltd.] (a subsidiary company having 100% dependability to GK IMMOBILE S.A.) was founded on August 31, 2015 with its share capital determined at 5 000 PLN. The entity was registered on September 1, 2015, with its core business activity determined as rental and management of own or leased real estate.
- On 19.11.2015 the Extraordinary Meeting of KUCHET Sp. o.o. signed a resolution to increase the Company's share capital from the amount of PLN 5,000.00 by the amount of PLN 250,000.00, to the amount of PLN 255,000.00, through the creation of 5,000 new shares with its nominal value of PLN 50.00.

All new shares were covered by GK IMMOBILE S.A. in exchange for a cash contribution of a total value of PLN 250,000.00;

- On 28.12.2015, GK IMMOBILE S.A. established an agreement for the sale of its shares in company MAKRUM Jumping Team Sp. o.o. to the buyer outside the Group. The sale price was PLN 1,000,000.00 and may be increased by 75% of the price obtained from the sale of the horse indicated in the contract, under the condition that sale of the horse will be held by 30 June 2016. The loss on losing control in the consolidated financial statements was PLN 275 000.

3. Operating segments

For management purposes, the Group is divided into business units based on their products and services provided. Therefore, there are extract following reportable operating segments:

- **Heavy industry** - engaged in manufacturing mills, crushers, press components, offshore equipment, components for ships and machinery in the mining and energy sectors.
- **Lease of assets** - involved in leasing and management of own and leased real estate.
- **Hotel industry** - engaged in the hospitality business in their own and leased hotels.
- **Construction consulting** - deals with the construction supervision.
- **Developing** - deals with the construction and sale of housing. This activity was launched in May 2014.
- **Other** - includes revenues from operations in other areas than those described above, and their height does not exceed 10% of the Group

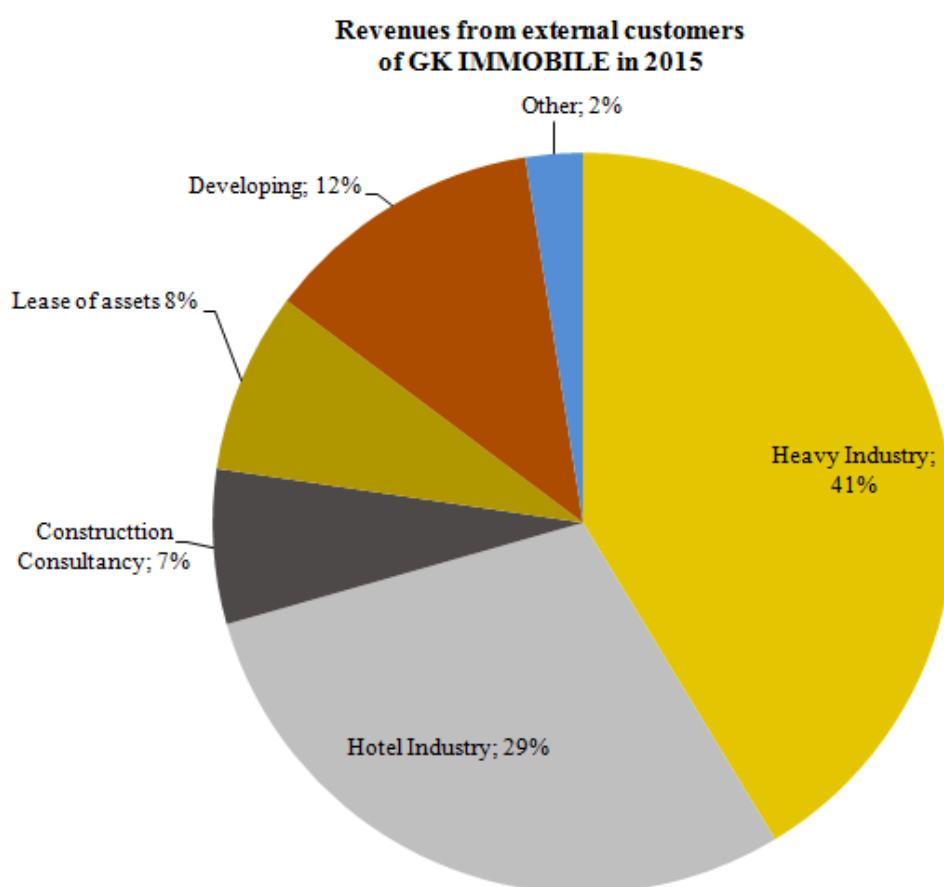
Operating segments	Heavy Industry	Lease of assets	Hotel Industry	Construction Consulting	Developing	Other	Total
From 01.01 to 31-12-2015							
Revenues							
Revenues from external customers	40 705	7 766	28 727	6 632	12 029	2 452	98 311
Sales between segments	200	4	312	3 133	-	-	3 649
Total revenues	40 905	7 770	29 039	9 765	12 029	2 452	101 960

Depreciation	1 335	389	3 753	179	-	360	6 016
Segment's operating result	3 965	2 265	5 433	(401)	1 154	(2 786)	9 630
EBITDA	5 300	2 654	9 186	(222)	1 154	(2 426)	15 646
Profitability of EBITDA	13,02%	34,17%	31,98%	-3,35%	9,59%	-98,94%	15,91%
Assets	39 585	56 167	101 025	2 325	55 704	4 060	258 866
Credits and loans Liabilities (before discounting)	16 594	19 129	36 697	721	16 043	3 886	93 070

Operating segments	Przemysł	Najem aktywów	Hotelarstwo	Konsulting budowlany	Developing	Pozostałe	Ogółem
From 01.01 to 31-12-2015							
Revenues							
Revenues from external customers	49 389	7 956	25 846	6 614	-	1 055	90 860
Sales between segments	312	1 556	24	2 052	-	-	3 944
Total revenues	49 701	9 512	25 870	8 666	-	1 055	94 804

Depreciation	1 695	902	3 419	248	-	338	6 602
Segment's operating result	1 074	2 472	4 176	(504)	(65)	(2 646)	4 507
EBITDA	2 769	3 374	7 595	(256)	(65)	(2 308)	11 109
Profitability of EBITDA	5,61%	42,41%	29,39%	-3,87%	na	-218,77%	12,23%
Assets	52 019	55 449	101 960	2 456	36 298	2 619	250 801
Credits and loans Liabilities (before discounting)	15 209	10 430	41 232	573	0	3 936	71 380

Reconciliation of the segments's results with the unit's result before tax unit	from 01-01 to 31-12-2015	from 01-01 to 31-12-2014
Operating profit of segments	9 630	4 507
Other revenues not allocated to segments	5 297	7 580
Other costs not allocated to segments (-)	(3 065)	(17 012)
Other revenues and costs together	2 232	(9 432)
Profit / (loss) from operations	11 862	(4 925)
Financial revenues	1 199	188
Financial costs (-)	(5 410)	(7 718)
Profit / (loss) before tax	7 651	(12 455)



4. The Management Board of the parent company

The Management Board of the parent company at December 31, 2015 was as follows:

- **Rafał Jerzy** – President of the Board
- **Sławomir Winięcki** – Vice-President of the Board
- **Piotr Fortuna** – Member of the Board

During the reporting period, the Management Board has changed. On March 23, 2015 Piotr Fortuna was appointed as the Member of the Board. From 31 December 2015 until the date of approval of these financial statements, the Management Board has not changed.

5. Approval of the financial statements

These consolidated financial statements were approved by the Management Board to publish on March 21, 2015.

6. Significant values based on professional judgment and estimates

5.1. Professional judgment

The preparation of the annual consolidated financial statements requires from management of the parent company to make judgments, estimates and assumptions that affect the reported incomes, expenses, assets, liabilities and the related notes and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates may result in the need of significant adjustments of assets and liabilities values in the future.

In the process of applying accounting principles (policies), the Board has made the following judgments that have the greatest impact on the presented carrying values of assets and liabilities:

Classification of lease agreements

The Group classifies leases as operating or finance basing on an assessment of the extent of risks and benefits of the leased assets for the lessor and for the lessee. This assessment is based on the economic content of each transaction.

Valuation of the investment properties

The Group measures the fair value of investment properties basing on independent valuers' valuations and our own judgment of changing market conditions and other parameters significantly affecting the value, according to adopted policy of the valuation of investment properties.

The value of investment properties for December 31, 2015, together with the change compared to December 31, 2014, is presented in Note 19.

5.2. Uncertainty of estimates and assumptions

The key assumptions concerning the future and other key sources of uncertainty, which may cause risk of significant adjustments of assets and liabilities within the next financial period are discussed below. The Group has adopted estimates and assumptions about the future basing on the knowledge acquired during the preparation of the financial statements. Existing assumptions and estimates may change as a result of incidents associated with changes in the market or changes which are not under the control of the Group. Such changes are reflected in the estimates and assumptions at the time of occurring.

Impairment of fixed assets, current assets and investment property

The Group assesses impairment of fixed and current assets based on its valuation of independent valuers, own judgment based on changes of market conditions and other parameters significantly affecting the value. If there is evidence of impairment in the fair value compared to previous valuations or acquisition costs, the Group brings off the write-down of assets.

Valuation of reserves from employee benefits

Reserves from employee benefits are estimated with actuarial methods.

The methodology of calculation of reserves at the end of 2015 has not changed. Change in reserves from employee benefits in the period, is related to the recognition of current employment costs, costs of interest and paid benefits. There are the following actuarial assumptions adopted: discount rate of 2.5%, the expected rate of salary increase of 3.7%, the average remaining period of employment 44.79. The reserves are update twice a year.

An asset of deferred tax

The Group recognizes an asset of deferred tax basing on the assumption that in the future it will achieve the taxable income that will allow for its use. Deterioration of tax results in the future could cause this assumption

unfounded.

Fair value of financial instruments

The fair value of financial instruments for which there is no active market is determined using appropriate valuation techniques. In selecting of appropriate methods and assumptions, the Group uses professional judgment. The method of calculating the fair value of financial instruments is presented in Note 41.

Revenue recognition

The Group applies the method of percentage completion when accounting for long-term contracts. Application of this method requires the Group to estimate the proportion of work already done to the total services. If the total costs of contracts increased by 10%, compared to the Group's estimate, the amount of revenue and income would be reduced by about PLN 625 000. Information on the contracts for construction services has been included in Note 26.

Depreciation rates

Depreciation rates are determined basing on the estimated period of economic usability of tangible fixed assets and intangible assets. Every year the Group reviews the economic usability periods basing on current estimates.

7. Basis of Preparation of Annual Condensed Consolidated Financial Statements

These consolidated financial statements have been prepared under the historical cost convention, except for investment properties, derivatives, financial assets available for sale, which are measured at fair value and biological assets that are carried at fair value reduced by costs of sale.

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

The Annual 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.

6.1. Statement of compliance

These Annual Condensed Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as approved by the EU ('IFRS UE'). As at the date of approval of these financial statements, due to ongoing EU process of implementing IFRS and the Group's activities in using reporting standards, IFRS accounting principles differ from IFRS-EU.

The Group took the opportunity of using IFRIC 21 since annual periods beginning 1 January 2015, while the changes to IAS 19 and the changes resulting from Improvements to IFRSs 2010-2012 cycle, since annual periods beginning after 1st January 2016.

EU IFRS comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and the Committee of International Financial Reporting Interpretations ("IFRIC").

Some of the Group's entities maintain their accounting books in accordance with the policy (principles) defined by the Act of 29 September 1994 ("the Accounting Act") and the regulations issued thereunder ("Polish Accounting Standards"). The consolidated financial statements include adjustments not included in the account books of Group's entities that were made to standardize them to IFRS.

6.2. Functional currency and currency of financial statements

The consolidated financial statements of the Group are presented in PLN, which are also the functional currency of the parent company. For each subsidiary's functional currency is determined, and the assets and liabilities of the entity are measured in this functional currency.

8. 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 Consulting 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 those 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 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/ Hospitality	Construction Consulting	Development	Other segments	Total
<i>For the period of 01/01/2015- 31/12/2015</i>							
Revenues							
Revenue from external customers	40 705	7 766	28 727	6 632	12 029	2 452	98 311
Sales between segments	200	4	312	3 133	-	-	3 649
Total Revenue	40 905	7 770	20 039	9 765	-	2 452	101 960

Depreciation and amortisation	1 335	389	3 753	179	-	360	6 016
Segment operating profit	3 965	2 265	5 433	(401)	1 154	(2 786)	9 630
Assets of reportable segment	39 585	56 167	101 025	2 325	55 704	4 060	258 866

Operational segments	Industry	Asset Lease	Hotel Industry/ Hospitality	Construction Consulting	Development	Other segments	Total
<i>For the period of 01/01/2014- 31/12/2014</i>							
Revenues							
Revenue from external customers	49 389	7 956	25 846	6 614	-	1 055	90 860
Sales between segments	312	1 556	24	2 052	-	-	3 944
Total Revenue	49 701	9 512	25 870	8 666	-	1 055	94 804

Depreciation and amortisation	1 695	902	3 419	248	-	388	6 602
Segment operating profit	1 074	2 472	4 176	(504)	(65)	(2 646)	4 507
Assets of reportable segment	52 019	55 449	101 960	2 456	36 298	2 619	250 801

Reconciliation of results for operational segments together with unit result before tax	from 01.01 to 31.12.2015	from 01.01 to 31.12.2014
Segment operating result *	9 630	4 507
Other income not allocated to segments	5 297	7 580
Other expense not allocated to segments (negative value)	(3 065)	(17 012)
Total: other income and expenses	2 232	(9 432)
Profit/loss from operating activities	11 862	(4 925)
Financial income	1 199	188
Financial expense (negative value)	(5 410)	(7 718)
Profit/loss before tax	7 651	(12 455)

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

On January 1, 2015, the following was started to be taken into account, while assessing the performance of operational segments within the Group: general and administrative expenses, which were allocated to a particular segment in accordance with the specific cost-segment connotations. Additionally, on January 1, 2015, the Group has also assigned the following items to the classification of assets of a particular operating segment: long-term accruals, biological assets, cash and cash equivalents. The Management holds strong belief that the selected presentation of the Group's assets would fully reflect the involvement of particular assets in the activity of individual operating segment.

In order to maintain the comparability of data, the performance of a particular segment and assets presented for the period of January 1, 2015 to December 31, 2015 were translated accordingly and by analogy.

The profit earned on sales was chiefly influenced by the good performance in the Heavy and Hotel Industry segment.

The segmental operating profit does not include:

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

9. Revenues and Costs

8.1. Other operation incomes

Other operating income in the period from January to December 2015 amounted to PLN 5 802 000. In the comparable period of 2014 years it was PLN 7 410 000. The value of other operating income in 2015 was primarily influenced by revaluation to market value of investment property in the amount of PLN 4 747 000. In the corresponding period of 2014 years there also was a revaluation of investment property (PLN 5 790 000) and the compensation of the acquired land, received by the Group from the City Hall of Bydgoszcz (PLN 913 000).

	from 01-01 to 31-12-2015	from 01-01 to 31-12-2014
Valuation of investment property to fair value	4 747	5 790
Updated reserves for court proceedings	425	-
Release of unused provisions	-	238
Received penalties and compensation	453	1 319
Other incomes	177	63
Total other operation incomes	5 802	7 410

8.2. Other operation costs

Other operating expenses in the period from January to December 2015 reached PLN 3 065 000. An important item is the write-down of receivables in the amount of PLN 859 000. In the comparable period of 2014, the remaining operating costs reached PLN 17 012 000. It's high level resulted from abandonment of the project of building the Makrum Shopping Mall (amount of PLN 9 663 000) and from revaluation of assets held for sale (PLN 2 483 000) to the price of scrap metal.

	from 01-01 to 31-12-2015	from 01-01 to 31-12-2014
Loss on disposal of fixed assets	483	997
Write-down of impairment of costs associated with investment property	193	10 341
Write-downs of impairment of fixed and intangible assets	7	-
Write-downs of financial receivables	859	2
Write-downs of non-financial receivables	-	6
Write-downs of impairment of assets held for sale	-	2 483
Loss on sale of subsidiaries	275	-
The creation of reserves	117	271
Penalties and damages paid	543	213
Abandoned investments	297	1 069
Written off receivables	90	212
Liquidation Of Stocks	-	281
Donations	133	55
The costs of vindication	68	122
Inventory shortages	-	114
Other costs	-	846
Total other operating expenses	3 065	17 012

8.3 Financial revenues and costs

The value of financial income consists mainly of valuation of derivatives and gain on sale of shares of companies listed on the WSE.

	From 01-01 to 31-12-2015	From 01-01 to 31-12-2014
<i>Incomes from interests:</i>		
Cash and cash equivalents (deposits)	64	20
Loans and receivables	13	17
Incomes from interests	77	37
<i>Gains on valuation and settlement of financial instruments measured at fair value:</i>		
Derivatives	669	47
Shares of listed companies	241	81
Gains on valuation and settlement of financial instruments measured at fair value:	910	128
<i>Profit (loss) (+/-) from exchange rate differences:</i>		
Cash and cash equivalents	1	1
Loans and receivables	(4)	1
Financial liabilities measured at amortized cost	79	-
Profit (loss) (+/-) from exchange rate differences:	76	2
Dividends from financial assets available for sale	2	-
Other financial income	134	21
Total financial income	1 199	188

Financial expenses are primarily interest on loans in the credit account (PLN 3 274 000) and derivatives (613 thousand. PLN), which include mainly the valuation of instruments hedging interest rate risk IRS.

	from 01-01 to 31-12-2015	from 01-01 to 31-12-2014
<i>Cost of interest:</i>		
Liabilities from finance leases	256	431
Credits in credit account	3 274	3 104
Credits in current account	70	166
Liabilities from supplies, services and other payables	166	374
Costs of interests:	3 766	4 075
<i>Losses on valuation and settlement of financial instruments measured at fair value:</i>		
Derivatives	613	3 150
Shares of listed companies	337	-
Losses on valuation and settlement of financial instruments measured at fair value	950	3 150
<i>Profit (loss) (+/-) from exchange rate differences:</i>		
Cash and cash equivalents	263	-
Loans and receivables	(8)	
Financial liabilities measured at amortized cost	356	393
Profit (loss) (+/-) from exchange rate differences:	611	393
Other financial costs	83	100
Total financial costs	5 410	7 718

8.4. Costs by type

Costs by type in the period from January to December 2015 increased comparing to the same period of 2014 by PLN 12 698 000. Such a significant change effected primarily due to an increase in the costs of external services, materials and energy in the development sector and the hotel industry, with a simultaneous decrease of these items in the industrial segment.

	from 01-01 to 31-12-2015	from 01-01 to 31-12-2014
Depreciation	6 016	6 602
Employee benefits	23 360	22 591
Usage of materials and energy	27 699	29 693
Foreign Services	34 225	21 526
Taxes and fees	4 603	3 586
Other costs	1 572	779
Costs by type together	97 475	84 777
The value of sold goods and materials	1 594	604
Change in products, production in progress (+/-)	(10 359)	884
Cost of manufacturing products for own needs (-)	(29)	88
Total costs according to type	88 681	86 353
Personal sale expense	73 086	73 190
Cost of sales	2 987	808
Costs of general management	12 608	12 355
Total costs	88 681	86 353

Bydgoszcz, March 21, 2015.

Board Signatures:

*Member
of the Board*
Piotr Fortuna

*Vice-President
of the Board*
Sławomir Winiecki

*President
of the Board*
Rafał Jerzy

Person responsible for preparing Consolidated Financial Data:

*Polska Press Sp. z
o.o. Shared Services
Center Hanna
Gałązka*