

**CONDENSED CONSOLIDATED INTERIM QUARTERLY REPORT QSr 1/2016  
OF PPH KOMPAP S.A. CAPITAL GROUP  
FOR THE PERIOD from 1 January 2016 up to 31 March 2016**

**(pursuant to § 82 section 2 and § 83 section 3 of the Regulation of the  
Minister of Finance of 19 February 2009 – Journal of Laws No. 33, item 259,  
as amended) on present and periodic reporting by issuers of securities and  
the rules of equal treatment of the information required by the laws of non-  
member states**

including: Condensed Consolidated Interim Financial Statements for  
Q1 2016 according to IAS 34 in PLN  
Condensed Separate Interim Financial Statements for Q1  
2016 according to IAS 34 in PLN

9 may 2016

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**KOMPAP S.A. Manufacture and Trade Enterprise Capital Group**

**CONDENSED CONSOLIDATED INTERIM QUARTERLY REPORT QSr 1/2016**

*Unless otherwise specified, all amounts are expressed in thousands of Polish zloty.*

The selected financial data recognised in the Financial Statements have been converted into EUR as follows:

- Items related to the Statement of Comprehensive Income and Statement of Cash Flows for the current reporting period have been translated in accordance with an arithmetic mean of the average interest rates announced for that day by the NBP (National Bank of Poland) that is applicable on the last day of each month. The rate in question was as follows: EUR 1 = PLN 4.3559 for the current period and PLN 4.1489 for the comparative period.
- Items included in the Statement of Financial Position have been translated in accordance with the average interest rate announced for that day by the NBP that is applicable as at the balance sheet day. The rate in question was as follows: EUR 1 = PLN 4.2684 for the current and comparative period, i.e. the NBP's average interest rate as at 31 December 2015 amounted to PLN 4.2615.

**SELECTED CONSOLIDATED FINANCIAL DATA**

Type	in PLN thousand		in EUR thousand	
	31.03.2016	31.03.2015 – 31.12.2015*	31.03.2016	31.03.2015 31.12.2015*
Sales revenue	15,752	13,598	3,616	3,277
Profit (loss) from operating activities	1,398	1,642	321	396
Gross profit (loss)	1,004	1,738	230	419
Net profit (loss) attributable to shareholders of parent company	619	1,692	142	408
Net cash flows from operating activities	2,493	1,841	572	444
Net cash flows from investing activities	362	(709)	83	(171)
Net cash flows from financing activities	(1,937)	(935)	(445)	(225)
Change in cash and cash equivalents	918	197	211	47
Total assets	89,302	87,218	20,922	20,467
Long-term liabilities	12,825	12,186	3,005	2,860
Short-term liabilities	24,644	23,716	5,774	5,565
Equity attributable to shareholders of parent company	51,222	50,692	12,000	11,895
Share capital	5,617	5,617	1,316	1,318
Number of shares	4,680,496	4,680,496	4,680,496	4,680,496
Profit (loss) per ordinary share (in PLN /EUR)	0.13	0.36	0.03	0.09
Diluted earnings (loss) per share (in PLN/EUR)	0.13	0.36	0.03	0.09
Book value per share (in PLN /EUR)	10.94	10.83	2.56	2.54
Diluted book value per share (in PLN /EUR)	10.94	10.83	2.56	2.54
Dividend declared or paid per share (in PLN/EUR)	-	-	-	-

**SELECTED FINANCIAL DATA OF PARENT COMPANY**

Type	in PLN thousand		in EUR thousand	
	31.03.2016	31.03.2015 – 31.12.2015*	31.03.2016	31.03.2015 31.12.2015*
Sales revenue	1,551	1,513	356	365
Profit (loss) from operating activities	90	141	21	34
Gross profit (loss)	(95)	132	(22)	32
Net profit (loss)	(390)	104	(90)	25
Net cash flows from operating activities	26	(53)	6	(13)
Net cash flows from investing activities	569	526	131	127
Net cash flows from financing activities	(175)	(462)	(40)	(111)
Change in cash and cash equivalents	(175)	11	(40)	3
Total assets	34,352	34,835	8,048	8,174
Long-term liabilities	1,892	2,045	443	480
Short-term liabilities	11,613	11,553	2,721	2,711
Equity	20,847	21,237	4,884	4,983
Share capital	5,617	5,617	1,316	1,318
Number of shares	4,680,496	4,680,496	4,680,496	4,680,496
Profit (loss) per ordinary share (in PLN /EUR)	(0.08)	0.02	(0.02)	0.01
Diluted earnings (loss) per share	(0.08)	0.02	(0.02)	0.01
Book value per share (in PLN /EUR)	4.45	4.54	1.04	1.06
Diluted book value per share (in PLN /EUR)	4.45	4.54	1.04	1.06
Dividend declared or paid per share (in PLN/EUR)	-	-	-	-

\* the data contained in the Statement of Financial Position is presented as at 31 December 2015.

Kwidzyn, 9 May 2016

### **Statement of the Management Board**

In accordance with the requirements provided for in the Regulation of the Minister of Finance of 19 February 2009 on present and periodic reporting by issuers of securities, the Management Board of PPH Kompas S.A. hereby declares that:

The Condensed Consolidated Interim Financial Statements and Condensed Separate Interim Financial Statements prepared for the period from 1 January 2016 to 31 March 2016 and the comparative data have been, to the best of its knowledge, prepared in accordance with the applicable accounting principles and give a true and fair view of the material and financial condition of • Kompas S.A. Capital Group and PPH Kompas S.A. as well as their financial results.

.....  
Management Board

**KOMPAP S.A. Manufacture and Trade Enterprise Capital Group**

**CONDENSED CONSOLIDATED INTERIM QUARTERLY REPORT QSr 1/2016**

**Unless otherwise specified, all amounts are expressed in thousands of Polish zloty.  
Reporting currency: Polish zloty (PLN)**

**Notes to the Condensed Consolidated Quarterly Financial Report**

**GENERAL INFORMATION**

**Basic information on the Parent Company of the Capital Group**

PPH KOMPAP S.A. ("Parent Company") was established pursuant to the Articles of Association of the Company prepared as notarial deed on 30 March 1989 (Repertory A No. II 727/1989). Ul. Piastowska 39 is the address of the registered office of the Company. The Company is entered into the National Court Register under KRS no. 0000064285. The entry into the Register of Entrepreneurs was made on the basis of the decision of the District Court for Łódź-Śródmieście in Łódź issued on 23 November 2001.

The Company's basic area of activity is – in accordance with Polish Classification of Activities (PKD) – other printing (18.12.Z), pre-press and pre-media services (18.13.Z), binding and related services (18.14.Z).

In accordance with the classification applicable at the European Classification of Activities, the Company conducts its activities in the following sector: wood industry.

The shares of the Issuer have been listed on the Warsaw Stock Exchange (GPW) since 1996.

The Management Board is composed of the following persons:

Waldemar Lipka – President of the Management Board,

The Supervisory Board is composed of the following persons:

Jerzy Łopaciński – Chairman of the Supervisory Board,  
Marek Głuchowski – Vice-Chairman of the Supervisory Board,  
Jakub Knabe – Member of the Supervisory Board,  
Edward Łaskawiec – Member of the Supervisory Board,  
Mariusz Banaszuk – Member of the Supervisory Board.

**Basic business segments of the Capital Group**

Printing and service activity related to printing is the basic scope of operations of the companies belonging to the Capital Group.

**The function of PPH KOMPAP S.A. in the Capital Group**

PPH KOMPAP S.A. is the Parent Company of the Capital Group

**Duration of the Parent Company's activity (if known)**

The Parent Company and Capital Group have been established for an indefinite period of time.

Basic information on the Capital Group.

PPH KOMPAP S.A. is a parent company in relation to the following subsidiaries:

- Olsztyńskie Zakłady Graficzne S.A. with its registered office in Olsztyn
- Białostockie Zakłady Graficzne S.A. with its registered office in Białystok

The data of the above entities (i.e. Olsztyńskie Zakłady Graficzne S.A. and Białostockie Zakłady Graficzne S.A.) has been presented in the Consolidated Financial Statements prepared by the Parent Company using full consolidation method.

The subsidiaries of Mr Waldemar Lipka (President of the Management Board), i.e. Grand Spółka z ograniczoną odpowiedzialnością (Ltd.) with its registered office in Sopot, also constitute the related companies of Kompap Group,

- but they are not subject to consolidation.

Transactions with the above entities are presented in these Interim Financial Statements as transactions with related entities, and they are not subject to consolidation eliminations as these are not consolidated entities.

**KOMPAP S.A. Manufacture and Trade Enterprise Capital Group**

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<b>Company name</b>	<b>Address</b>	<b>Number of shares</b>	<b>Nominal value of shares</b>	<b>Total nominal value of shares</b>	<b>Total (registered) share capital</b>	<b>Share in the share capital (in %)</b>
Olsztyńskie Zakłady Graficzne S.A.	10-417 Olsztyn; ul. Towarowa 2	1,150,741	PLN 10	11,507,410	11,645,000	98.82%
Białostockie Zakłady Graficzne S.A.	15-111 Białystok, ul. Tysiąclecia Państwa Polskiego 2	822,867	PLN 10	8,228,670	9,307,500	88.41%

Olsztyńskie Zakłady Graficzne Spółka Akcyjna with its registered office in Olsztyn, ul. Towarowa 2, registered with the District Court in Olsztyn, 8<sup>th</sup> Commercial Division, KRS no. 0000076084.

The Issuer's share capital of the company amounts to 98.82%; this is also the total number of votes at the General Meeting of the company.

The company's operations include:

- Book publishing (58.11.Z)
- Publishing of directories and registers (e.g. street, phone directory) (58.12.Z)
- Publishing of newspapers (58.13.Z)
- Publishing of journals and periodicals (58.14.Z)
- Other publishing activities (58.19.Z)
- Printing of newspapers (18.11.Z)
- Other printing (18.12.Z)
- Pre-press and pre-media services (18.13.Z)
- Binding and related services (18.14.Z)
- Reproduction of recorded media (18.20.Z)
- Other retail sale in non-specialised stores (47.19.Z)
- Retail sale of books in specialised stores (47.61.Z)
- Retail sale of newspapers and stationery in specialised stores (47.62.Z)
- Retail sale of music and video recordings in specialised stores (47.63.Z)
- Retail sale via mail order houses or via Internet (47.91.Z)
- Other retail sale not in stores, stalls or markets (47.99.Z)

Białostockie Zakłady Graficzne Spółka Akcyjna with its registered office in Białystok, ul. Tysiąclecia Państwa Polskiego 2, registered with the District Court in Białystok, 7<sup>th</sup> Commercial Division, KRS no. 0000148154.

The Issuer's share capital of the company amounts to 88.41%; it corresponds to the total number of votes at the General Meeting of the company.

The company's operations include:

- Manufacture of paper stationery
- Other printing
- Pre-press and pre-media services (18.13.Z)
- Binding and related services (18.14.Z)
- Repair and maintenance of machinery
- Installation of industrial machinery, equipment and accessories
- Wholesale of other household goods
- Book publishing
- Other publishing activities
- Rental and management of own or leased real estate
- Publishing of directories and registers (e.g. street, phone directory) (58.12.Z)
- Publishing of newspapers (58.13.Z)
- Publishing of journals and periodicals (58.14.Z)
- Printing of newspapers (18.11.Z)
- Reproduction of recorded media (18.20.Z)
- Other retail sale in non-specialised stores (47.19.Z)
- Retail sale of books in specialised stores (47.61.Z)
- Retail sale of music and video recordings in specialised stores (47.63.Z)
- Retail sale via mail order houses or via Internet (47.91.Z)
- Other retail sale outside stores, stalls or markets (47.99.Z)

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Olsztyńskie Zakłady Graficzne S.A. has the following shares in other enterprises that serve as long-term investments:

<b>Company name</b>	<b>Address</b>	<b>Number of shares</b>	<b>Nominal value of shares</b>	<b>Total nominal value of shares</b>	<b>Total (registered) share capital in PLN</b>	<b>Share in the share capital (in %)</b>
Białostockie Zakłady Graficzne S.A.	15-111 Białystok, ul. Tysiąclecia Państwa Polskiego 2	104,369	PLN 10	1,043,690	9,307,500	11.21%
P.H.U. Kompap S.A.	82-500 Kwidzyn, ul. Piastowska 39	74,653	1.20 PLN	10,200	5,616,595	0.18%

On the basis of the application for correction of data in the Register of Entrepreneurs that was filed with the Commercial Division of the District Court in Olsztyn on 30 September 2015, by way of Resolution no. 13 of 26 May 2015 of the AGM of OZGraf S.A. regarding the redemption of own shares on the basis of Resolution no. 17 of 25 April 2013 of the AGM and Resolution no. 3 of the EGZ of 6 December 2013 and Resolution no. 14 of the AGM of 26 May 2015 regarding the reduction of share capital and amendments to the Articles of Association of the Company, an entry into the National Court Register kept with respect to OZGraf SA, KRS no. 0000076084, was made on 15 March 2016 to redeem 205,500 shares and reduce the share capital to 1,164,500 shares amounting to a total of PLN 11,645,000.00 (there were 1,370,000 shares with a nominal value of PLN 13,700,000), and inform about amendments to the Articles of Association.

Białostockie Zakłady Graficzne S.A. has the following shares in other enterprises that serve as long-term investments:

<b>Company name</b>	<b>Address</b>	<b>Number of shares</b>	<b>Nominal value of shares</b>	<b>Total nominal value of shares</b>	<b>Total (registered) share capital in PLN</b>	<b>Share in the share capital (in %)</b>
P.H.U. Kompap S.A.	82-500 Kwidzyn, ul. Piastowska 39	47,375	PLN 1.20	7,930	5,616,595	0.14%

On 26 May 2015, the General Meeting of BZGraf S.A. adopted Resolution no. 15 regarding the redemption of own shares that were acquired from the shareholders for the purpose of their redemption. Pursuant to the said resolution, 164,250 (one hundred thousand six hundred and forty two thousand two hundred fifty) A series registered shares of the Company were redeemed, with a nominal value of PLN 10 (ten Polish zloty) each, that were acquired by the Company for the purpose of their redemption by way of Resolution no. 13 of the General Meeting held on 25 April 2013. By way of Decision of 29 February 2016, the District Court in Białystok, 12<sup>th</sup> Commercial Division of the National Court Register has made relevant changes with respect to BZGraf S.A., KRS no. 000148154, that consisted in:

- removing the previous amount of share capital (PLN 10,950,000.00) and including the new amount of share capital (PLN 9,307,500.00),
- removing the total number of shares (109,500) and providing the new number of shares (930,750),
- removing the number of A series shares (785,000) and providing the new number of A series shares (620,750).

These Consolidated Interim Financial Statements presents data for the period from 1 March 2016 to 31 March 2016 and include the comparative data with respect to the Statement of Comprehensive Income, Statement of Changes in Equity, and Statement of Cash Flows for an interim period that ended on 31 March 2015, and as for the Statement of Financial Position – the comparative data as at 31 December 2015.

#### **Basis of preparation of the Consolidated Financial Statements**

The Consolidated Financial Statements are prepared by PHU Kompap S.A, the Parent Company of two subsidiaries: Olsztyńskie Zakłady Graficzne S.A. and Białostockie Zakłady Graficzne S.A.

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The Consolidated Financial Statements are prepared and kept in the register office of the Parent Company.

These Condensed Consolidated Interim Financial Statements have been prepared based on the assumption that all subsidiaries that belong to the Group will continue as a going concern in the foreseeable future. As at the date of approval, the Group has not observed any evidence that may endanger the Company's ability to continue as a going concern.

**Declaration of compliance**

These Condensed Consolidated Financial Statements for the period from 1 January 2016 to 31 March 2016 have been prepared in accordance with IAS 34 — Interim Financial Reporting.

Condensed Consolidated Interim Financial Statements do not include all information and disclosures that must be contained in annual consolidated financial statements. In terms of such information and disclosures, the reader should refer to the Consolidated Financial Statements of the Group for the year that ended on 31 December 2015 and was made available on 21 March 2016.

Unless otherwise specified, all amounts provided for in the Condensed Consolidated Financial Statements are expressed in thousands of Polish zloty (PLN).

The Management Board of the Capital Group confirms that the Condensed Consolidated Interim Financial Statements give a true and fair view of the financial condition, results, and cash flows of the company.

**Accounting rules and changes in IFRS**

In preparation of these Condensed Consolidated Interim Financial Statements, the Group applied the same accounting principles and methods of calculation as in the case of Consolidated Financial Statements for 2015.

New standards, changes in the applicable standards and interpretations that have not been approved by the European Union:

- IFRS 9 Financial Instruments issued on 24 July 2014 (effective for annual periods beginning on or after 1 January 2018),
- IFRS 14 Regulatory Deferral Accounts issued on 30 January 2014 (effective for annual periods beginning on or after 1 January 2017),
- IFRS 15 Revenue From Contracts issued on 28 May 2014 (effective for annual periods beginning on or after 1 January 2017),
- Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture issued on 30 June 2014 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: the Sale or Contribution of Assets between an Investor and its Associate or Joint Venture; issued on 11 September 2014 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IFRS 10 Consolidated Financial Statements and IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures: Investment Entities: Applying the Consolidation Exception; issued on 18 December 2014 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 10 Recognition of Deferred Tax Assets for Unrealised Losses (issued on 19 January 2016) – effective for annual periods beginning on or after 1 January 2017,
- Amendments to IAS 7 Disclosure Initiative (issued on 29 January 2016) – effective for annual periods beginning on or after 1 January 2017,
- Explanations to IFRS 15 Revenue From Contracts with Customers issued on 12 May 2016 (effective for annual periods beginning on or after 1 January 2018) – effective for annual periods beginning on or after 1 January 2018.

The Group has not decided to adopt any of the standards, interpretations or amendments before their entry into force. The Management Board of the Company is currently analysing and assessing the impact of the accounting principles (policies) applied by the Group and future financial statements.



**KOMPAP S.A. Manufacture and Trade Enterprise Capital Group**

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**APPLICATION OF ACCOUNTING PRINCIPLES**

**Accounting policies**

While preparing these Condensed Interim Financial Statements, the Company applied the same accounting principles and the same calculation methods as during the previous Annual Financial Statements (Separate and Consolidated Financial Statements for the financial year 2015).

The Statement of Cash Flow is made using the indirect method.

Major accounting principles adopted by the Group are presented below.

**Consolidation principles**

Consolidated Financial Statements contains the Financial Statements of the Manufacture and Trade Enterprise KOMPAP S.A. and that of its subsidiaries prepared for the period ended on 31 March 2016. The Financial Statements of the subsidiaries are prepared for the same reporting period as that of the Parent Company, using consistent accounting policies and based on uniform accounting principles applicable to transactions and economic events of similar nature. Corrections have been made in order to eliminate any discrepancies in the accounting policies applied.

Any significant balances and transactions between entities of the Group, including unrealised profit resulting from transactions within the Group, were fully eliminated. Unrealised losses are eliminated unless they provide for evidence of impairment.

**Intangible assets**

Intangible assets are recognised in the Consolidated Financial Statements according to their purchase price, decreased by depreciation write-downs.

*Depreciation*

Depreciation write-downs are made using the straight-line method.

Annual depreciation rates for intangible assets are as follows:

– licences and software – from 20% to 50%,

Intangible assets with an initial amount of PLN 3,500.00 are subject to one-time depreciation in the month following the one in which they are accepted for use.

Intangible assets whose initial amount exceeds PLN 3,500.00 are subject to depreciation in the month following the one in which they are accepted for economic usefulness. Depreciation is made from the month following the month in which an intangible asset was accepted for use. The periods of economic usefulness are verified on a periodical basis (no less than at the end of each financial year).

*Impairment write-downs*

Intangible assets are reviewed for impairment if there were events or changes indicating that the carrying amount of intangible assets is non-recoverable. Intangible assets are reviewed for impairment no less than at the end of each financial year.

**Fixed assets**

*Measurement as at the date of approval*

The initial value of fixed assets is determined by a purchase price and costs of manufacturing.

*Measurement after the initial recognition*

Land, buildings, and structures used in the production and delivery of goods and services (as well as for administration purposes), machines, devices, means of transport, other fixed assets are recognised in the Consolidated Statement of Financial Position under "purchase price", decreased by depreciation in accordance with their periods of use set as regards particular groups of tangible fixed assets.

The purchase price of tangible fixed assets includes any and all costs related to the purchase of a fixed asset and its working order.

Tangible fixed assets are reviewed for impairment based on the analysis of premises for impairment.

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*Depreciation*

Depreciation of fixed assets is recognised in the Consolidated Statement of Comprehensive Income. It is calculated with respect to any and all fixed assets, with the exception of land and fixed assets under construction, throughout the estimated period of economic usefulness as to their residual values (if such a value significant in relation to the value of a given fixed asset), using the straight-line method.

The straight-line depreciation method is applied in accordance with the estimated period of use of a particular type of fixed asset. The depreciation rates used by the Group with respect to particular types of fixed assets are as follows:

- Buildings and structures – 40 to 50 years
- Machines and technical devices – 3 to 14 years
- Means of transport – 5 to 7 years
- Equipment and other fixed assets – 5 to 14 years

Depreciation is made as of the first day of the month following the one in which a given fixed asset is placed for use.

The estimated period of use of a given fixed asset is taken into account in determining its depreciation period and annual depreciation rate.

The depreciation rates of tangible fixed asset are tested for accuracy periodically (no less than at the end of each financial year). The verification in question consists in the analysis of the periods of use of all fixed assets controlled by the Capital Group. Changes in depreciation rates are made as of the reporting period to follow.

Those assets that feature a unit value of no more than PLN 3,500 and whose periods of use exceed one year and are subject to depreciation in their full initial value as at the purchase date.

Fixed assets under construction that are made for production, lease, or administration purposes, as well as for purposes that have not yet been defined, are recognised in the Consolidated Statement of Financial Position according to the cost of manufacturing, decreased by impairment write-downs. The depreciation of such fixed asset begins as of their primary use in line with the principles related to the own tangible assets.

Assets held under financial lease, correspondingly to own assets, are subject to depreciation throughout the period of economic usefulness.

Profits or losses on sales / liquidation or discontinuation of the use of fixed assets are measured as the difference between sales revenue and the net values of fixed assets. They are recognised in the Consolidated Statement of Comprehensive Income.

*Impairment write-downs*

Tangible fixed assets are reviewed for impairment, if there were events or changes indicating that the carrying amount of tangible fixed assets is non-recoverable. Intangible assets are reviewed for impairment no less than at the end of each financial year.

If there is evidence that the carrying amount exceeds the recoverable amount, the amount of fixed assets or cash-generating units is decreased to the level of recoverable amount.

**Investment property**

Initially, investment property is recognised at the purchase price that includes transaction costs. The carrying amount of a given fixed asset includes the cost of replacement of a part of investment property on the date of its occurrence, provided that the recognition criteria have been met, and it does not include the costs of maintenance of the investment property. After the initial recognition, investment property is presented at fair value reflecting the market conditions as at the balance-sheet date. Profits or losses on changes in the fair value investment property are recognised in the Consolidated Statement of Comprehensive Income in the period in which they occurred.

Investment property are de-recognised from the Statement of Financial Position if they are disposed or if a given investment property is no longer in use, and if there are no anticipated benefits from selling it in the future. Any and all profits or losses on liquidation or the sale of investment property are recognised in the Consolidated Statement of Comprehensive Income in the period in which such liquidation or sale occurs.

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Assets are transferred to and from an investment property only if there is a change in the manner of use of such property. If an investment property is transferred to owner-occupied property, its deemed cost that will be recognised in a different asset category is equal to the fair value of investment property as at the date of change in use. If an owner-occupied property becomes an investment property, it is governed by the principles defined under "Tangible fixed assets" up to the date of change in use.

None of the assets subject to operating lease have been classified under "investment property".

**Shares in subsidiaries**

Long-term investments that include shares in other subsidiaries are measured at purchase price, with consideration of impairment.

Investments of a subsidiary are recognised in the Consolidated Financial Statement using full consolidation method.

Investments in subsidiaries that are held for sale are recognised in accordance with IFRS 5.

**Goodwill**

Goodwill on consolidation results from a surplus (as at the purchase date) of the purchase price over the fair value of identifiable assets and liabilities of a subsidiary, associate, or joint venture as at the purchase date.

In the case of negative goodwill due to a surplus of the fair value of identifiable assets and liabilities of a subsidiary over the purchase price, it is disclosed in the financial result of the period in which it is identified.

**Fixed assets held for sale**

Fixed assets (and groups of assets) held for sale are measured at the carrying amount and fair value – depending which one is lower – decreased by sales costs.

Fixed assets and groups of assets are classified as held for sale if economic benefits from those assets are obtained as a result of their sale, not their further use.

**Available-for-sale financial assets**

Available-for-sale financial assets are any non-derivative financial assets designated as available for sale or not belonging to other category (financial assets at fair value through profit and loss, held-to-maturity investments, loans and receivables).

On initial recognition, available-for-sale financial assets are measured at fair value, whereas unrealised profits and losses are recognised directly in equity due to net unrealised profits. When a given financial asset is de-recognised from the Consolidated Statement of Financial Position or recognised as impaired, cumulative gains and losses that had been recognised directly in equity are recognised in the Consolidated Statement of Comprehensive Income.

**Inventories**

Inventories are recognised according to their purchase price or costs of manufacture that are not higher than their net sale price.

The costs of manufacturing include:

- direct materials
- payroll
- reasonable indirect costs

*Measurement of goods and materials*

Inventories are measured based on first-in, first-out (FIFO). Net sales price corresponds to the estimated price of sale, decreased by all costs that are necessary to complete production as well as essential costs to sell inventories or find a buyer.

*Measurement of finished goods*

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Finished goods are measured at the acquisition date at the cost of manufacturing which is not higher than the net selling price.

*Revaluation of inventories*

Inventories are revalued on the basis of the value in use and commercial value that is measured at the end of each reporting period. If the value in use or commercial value of inventories is decreased, their measurement is reduced to realisable net selling price. The results of such decrease are recognised as operating expenses.

Should it be impossible to determine the net selling price of a given inventory, its fair value as at the balance sheet date is measured otherwise.

**Receivables**

Trade and other receivables do not generate interest rates.

*Measurement as at the date of approval and on initial recognition*

Receivables are measured at an amount equal to the principal receivable on the basis of principle (after revaluation write-downs on receivables).

**Revaluation of receivables**

Receivables are subject to revaluation that takes into account the feasibility of their collection.

As at the balance sheet date, foreign receivables are measured at the average interest rate announced for that day by the NBP.

**Liabilities**

Liabilities, including trade and other liabilities, are measured as at their date of occurrence at fair value, which is increased – in the case of financial liability that is not measured at fair value through profit or loss – by transaction costs and at amortised costs using the effective interest method.

**Provisions**

Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The amount of provisions is verified on a regular basis during the reporting period and adjusted to reflect the current best estimate. Provisions are not measured for future operating losses.

**Accrued expenses**

Accrued expenses are made following the principle of prudence and include in particular provisions on costs that are certain or highly likely to be incurred in the reporting periods to follow.

**Foreign exchange transactions**

Transactions made in a different currency than Polish zloty (PLN) are entered into the accounting books at the exchange rate applicable on the day preceding the transaction. As at balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated on the basis of an average interest rate announced for that day by the NBP.

Profits and losses on currency translations are directly recognised in the Consolidated Statement of Comprehensive Income, except for when such profits or losses result from the measurement of non-monetary assets and liabilities – in such a case, changes in fair value are recognised directly in equity.

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**State aid**

From 1 January 2013, the Parent Company has ceased to be a sheltered workshop, but it still hires a relevant number of persons with disabilities in relation to the persons whose degree of disability has not been established (a minimum of 25% of persons with disabilities), enabling the Parent Company to receive subsidies that cover a certain degree of the payroll awarded to the employees with disabilities. The amount of subsidies depends on the number of the company's employees with disabilities.

The subsidies in question are recognised in the Consolidated Statement of Comprehensive Income in the period in which they are due as other revenues. Consequently, the costs of products sold include the entire employee remuneration.

In the previous reporting periods, the company has also been awarded with subsidies on assets purchased. Such subsidies are recognised in the Consolidated Statement of Financial Position as deferred revenue and recognised in the Statement of Comprehensive Income throughout assets' period of use.

**Income tax**

Mandatory increases of loss/decreases of profit include current and deferred income tax.

Current tax is calculated using the tax base in a given financial year. Tax profit (loss) may vary, depending on the result defined by the IFRS with respect to the de-recognition of tax base from costs and revenues whose – if treated in a fixed or temporary manner – changes the recognition of revenues and costs for tax and accounting purposes. Current taxes are calculated on the basis of tax rates enacted for a given financial year.

Deferred income tax assets or liabilities are calculated as tax to be paid or reimbursed in the future on the temporary differences between the carrying amounts of assets and liabilities and the corresponding tax values.

Deferred tax liability is measured on all taxable temporary differences which will result taxes to be paid, whereas deferred income tax assets are recognised up to the amount that is likely to decrease future tax liabilities by the recognised deductible temporary differences in the future. Tax loss that can be settled in the future serves as a basis for calculation of deferred income tax assets, provided that it is probable that this loss will be accounted for in the future against the future taxable income.

If the tax value and book value of a given asset or liability of a subsidiary will not lead to the reduction of tax liability in the future, the tax value and book value of such assets recognised in the Consolidated Statements of Financial Position are regarded as equal.

Deferred tax assets and liabilities are measured at the tax rates that have already been enacted or are expected to apply in the period in which the liability is settled or the asset realised.

Changes in provisions and deferred income tax assets are recognised in the Consolidated Statements of Comprehensive Income. If assets or deferred tax liabilities are related to the items whose measurement is directly recognised in equity, changes in such assets or liabilities are recognised in the same item.

**Impairment**

As at each balance sheet date, the company reviews its fixed assets and analyses information on internal and external factors that may potentially influence the value of particular assets in order to determine whether there is evidence for impairment. If such evidence is found, the recoverable amount of a given asset is estimated to establish a revaluation write-down. The value is determined as higher from: net selling price of a given asset and its value in use (discounted net cash flow that is possible from further use of a given asset using the current market interest rate, adjusted by the risk for a given type of assets).

**KOMPAP S.A. Manufacture and Trade Enterprise Capital Group**

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If a given asset does not generate cash flows that are not dependent on cash flows generated by other assets, the analysis is conducted with respect to the group of cash-generating assets to which a given asset belongs.

As for intangible asset with an indefinite useful life, an impairment test is conducted as at each balance sheet date from the moment of evidence for possible impairment.

If the recoverable amount is lower than net book value of a given asset (or groups of assets), the carrying amount is decreased to the level of the former. Impairment loss is recognised as cost in the period of occurrence, except for when an asset has been recognised at post-revaluation amount (impairment loss is then treated as the reduction of prior revaluation).

**Cash and cash equivalents**

Cash in hand and bank and held-to-maturity short-term deposits recognised in Consolidated Statement of Financial Position are recognised at their nominal value.

"Cash and cash equivalents", recognised in Statement of Cash Flows, consists of cash on hand and at bank as well as bank deposits whose maturity does not exceed 3 months. Cash at bank bears floating interest rates whose amount depend on the interest rates of one-day bank deposits.

Short-term deposits are made for different periods, starting from one day up to one month, depending on the Company's need for cash. Such deposits bear interest rates according to pre-determined amounts.

**- Functional value and presentational currency**

The items contained in the Financial Statements are measured at the currency of the primary economic environment in which the Capital Group operates ("functional currency"). Consolidated Financial Statement are presented in Polish zloty (PLN), i.e. a functional and presentational value of the Capital Group.

**- Transactions and balances**

Transactions denominated in foreign currencies are translated into the functional currency at the rate which is applicable on the date of transaction. Foreign exchange gains and losses due to these transactions and balance-sheet measurement of monetary assets and liabilities denominated in foreign currencies are recognised in Consolidated Statement of Comprehensive Income.

**MATERIAL ASSESSMENTS AND ESTIMATES**

Preparation of the Condensed Consolidated Financial Statements that are in line with the IFRS requires estimates and assumptions that have an impact on the amounts indicated in the Condensed Consolidated Financial Statements, including the Notes. Within the period of the last 3 months that ended on 31 March 2016, there have been no significant changes in the manner of estimates. Despite the fact that the accepted assumptions and estimates are based on the best knowledge of the Management Boards of the subsidiaries of the Capital Group with respect to the present activities and events, the actual results may vary from the anticipated ones.

Kwidzyn, 9 May 2016

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Person in charge of accounting

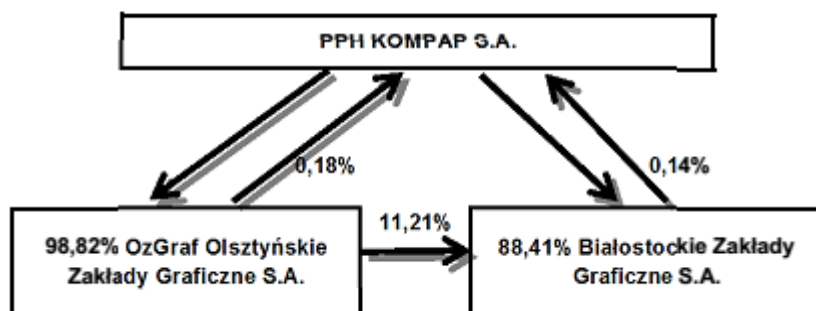
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Management Board

CONDENSED CONSOLIDATED INTERIM QUARTERLY REPORT QSr 1/2016

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STRUCTURAL ORGANISATION OF THE CAPITAL GROUP



PPH KOMPAP S.A.	
98.82% OzGraf Olsztyńskie Zakłady Graficzne S.A.	
88.41% Białostockie Zakłady Graficzne S.A.	

CONDENSED CONSOLIDATED INTERIM QUARTERLY REPORT QSr 1/2016

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CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

Assets	31.03.2016	31.12.2015
<b>FIXED ASSETS</b>	<b>66,256</b>	<b>66,575</b>
Intangible assets	137	121
Tangible fixed assets	59,676	58,907
Available-for-sale financial assets		
Deferred income tax assets	475	734
Financial assets in related entities – shares, stocks		
Property investments	5,968	6,813
Pre-paid expenses		
<b>CURRENT ASSETS</b>	<b>23,046</b>	<b>20,643</b>
Inventories	2,911	2,622
Financial assets held for trading	-	-
Trade and other receivables	16,731	15,907
Other receivables	1,701	1,681
Cash and cash equivalents	1,294	376
Loans granted		
Fixed assets held for sale	2	2
Pre-paid expenses	407	55
Costs of issuing new shares		
<b>TOTAL ASSETS</b>	<b>89,302</b>	<b>87,218</b>

Liabilities	31.03.2016	31.12.2015
<b>EQUITY</b>	<b>51,833</b>	<b>51,316</b>
<b>Equity attributable to shareholders of parent company</b>	<b>51,222</b>	<b>50,692</b>
Share capital	5,617	5,617
Supplementary capital	13,599	13,599
Other supplementary capital	-	-
Revaluation reserve	-	(0)
Own shares	(958)	(869)
Other reserve capital	4,295	4,295
Retained earnings	28,050	23,369
Undistributed profit	619	4,681
<b>Equity attributable to non-controlling interests</b>	<b>611</b>	<b>624</b>
<b>LIABILITIES</b>	<b>37,469</b>	<b>35,902</b>
<b>Long-term liabilities</b>	<b>12,825</b>	<b>12,186</b>
Long-term loans and bank credits	2,832	3,107
Employee benefit liabilities		
Deferred tax liability	6,518	6,483
Long-term provisions	534	534
Long-term trade and other liabilities		
Finance lease liabilities	1,334	351
Liabilities related directly to fixed assets held for sale		
Long-term accruals	1,607	1,711
<b>Short-term liabilities</b>	<b>24,644</b>	<b>23,716</b>
Trade and other liabilities	11,071	9,870
Other liabilities	2,664	1,954
Income tax liabilities		
Finance lease liabilities	1,039	472
Other financial liabilities		858
Short-term loans and bank credits	9,176	9,850
Short-term provisions	518	536
Accruals	176	176
<b>TOTAL LIABILITIES</b>	<b>89,302</b>	<b>87,218</b>

Kwidzyn, 9 May 2016

Person in charge of accounting

Management Board



KOMPAP S.A. Manufacture and Trade Enterprise Capital Group

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CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

Type	Profit attributable to shareholders of parent company								Equity attributable to non-controlling interests	Total equity
	Share capital	Own shares	Supplementary capital	Revaluation reserve	Other reserves	Net profit or loss for the financial year	Retained earnings	Total		
<b>Balance as at 01.01.2015</b>	5,617	(13)	13,379	-	3,757	1,878	22,117	46,735	1,026	47,761
Changes in accounting policies	-	-	-	-	-	-	-	-	-	-
Adjustments related to the settlement of initial recognition of fixed assets	-	-	-	-	-	-	-	-	-	-
<b>Balance after changes</b>	5,617	(13)	13,379	-	3,757	1,878	22,117	46,735	1,026	47,761
<b>Changes in equity from 01.01 to 31.03.2015</b>										
Profit (loss) on revaluation										
Available for sale investments	-		-	-	-	-	-	-	-	-
Cash flow hedges	-		-	-	-	-	-	-	-	-
<b>Net profit recognised directly in equity</b>										
Net profit from 01.01 to 31.03.2015						1,692		1,692	19	1,711
<b>Profits and losses recognised from 01.01 to 31.03.2015</b>						1,692		1,692	19	1,711
Distribution of profit or loss						(1,878)	1,878	-		-
Dividends										
Issued shares										
Consolidation adjustments		(107)					25	25	(328)	(303)
<b>Balance as at 31.03.2015</b>	5,617	(120)	13,379	-	3,757	1,692	24,020	48,345	717	49,062
<b>Balance as at 01.01.2016</b>	5,617	(869)	13,599	-	4,295	4,681	23,369	50,692	624	51,316
Changes in accounting policies	-		-	-	-	-	-	-	-	-
Corrections of material errors	-		-	-	-	-	-	-	-	-
<b>Balance after changes</b>	5,617	(869)	13,599	-	4,295	4,681	23,369	50,692	624	51,316
<b>Changes in equity from 01.01 to 31.03.2016</b>										
Profit (loss) on revaluation										
Available for sale investments	-		-	-	-	-	-	-	-	-
Cash flow hedges	-		-	-	-	-	-	-	-	-
<b>Net profit recognised directly in equity</b>										
Net profit from 1.01 to 31.03.2016						619		619	11	630
<b>Profits and losses recognised from 1.01 to 31.03.2016</b>						619		619	11	630
Distribution of profit or loss						(4 681)	4,681	-	-	-
Dividends										
Disposal of fixed assets										
Options convertible into shares										
Transfer from retained earnings										
Consolidation adjustments		(89)						(89)	(24)	(113)
<b>Balance as at 31.03.2016</b>	5,617	(958)	13,599	-	4,295	619	28,050	51,222	611	51,833

Kwidzyn, 9 May 2016

Persons in charge of accounting

Management Board

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**CONDENSED CONSOLIDATED INTERIM QUARTERLY REPORT QSr 1/2016**

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2016		
Multiple-step variant	period	
	from 01.01.2016 to 31.03.2016	from 01.01.2015 to 31.03.2015
<i>Continued operations</i>		
<b>Sales revenue</b>	15,752	13,598
Product sales revenue	15,117	13,135
Revenue on the sales of products and materials	635	463
<b>Cost of sale</b> (costs of products, services, goods, and materials sold)	11,843	9,887
Manufacturing cost of products sold	11,486	9,652
Value of goods and materials sold	357	235
<b>Gross profit (loss) on sales</b>	3,909	3,711
Costs of sale	438	376
General costs of the Management Board	2,036	1,997
Other operating revenue	123	366
Other operating costs	160	62
Net financial revenue and costs	(397)	(98)
<b>Bargain purchase gain</b>	3	194
<b>Gross profit (loss)</b>	1,004	1,738
<b>Income tax</b>	374	27
<b>Net profit (loss) from continued operations</b>	630	1,711
- attributable to shareholders of parent company	619	1,692
- attributable to non-controlling interests	11	19
<i>Discontinued operations</i>		
<b>Profit (loss) from discontinued operations</b>	-	-
<b>Gross profit (loss)</b>	-	-
<b>Income tax</b>	-	-
<b>Net profit (loss) from discontinued operations</b>	-	-
<i>Continued and discontinued operations</i>		
<b>Net profit (loss) for the financial year</b>	630	1,711
<i>Other comprehensive income</i>		
<b>Other comprehensive income for the financial year</b>	-	-
Exchange differences on translating foreign operations	-	-
Available-for-sale financial assets	-	-
Cash flow hedges	-	-
Income tax on other comprehensive income	-	-
<b>Comprehensive income for the financial year</b>	630	1,711
<b>Net profit (loss) attributable to:</b>		
- to shareholders of parent company	619	1,692
- non-controlling interests	11	19
<b>Net profit (loss)</b>	630	1,711
<b>Comprehensive income for the financial year attributable to:</b>		
- shareholders of parent company	619	1,692
- non-controlling interests	11	19
<b>Comprehensive income for the financial year</b>	630	1,711
<b>Net profit (loss) per ordinary share:</b>		
<b>from continued operations</b>	PLN / share	PLN / share
- basic	0.13	0.36
- diluted	0.13	0.36
<b>from continued and discontinued operations</b>		
- basic	0.13	0.36
- diluted	0.13	0.36

Kwidzyn, 9 May 2016

Person in charge of accounting

Management Board

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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2016		
Indirect method	period	
	from 01.01.2016 to 31.03.2016	from 01.01.2015 to 31.03.2015
<b>Net cash flows from operating activities</b>		
Earnings before taxes (EBT), including	1,004	1,739
Adjustments:	1,265	529
depreciation	789	670
impairment write-downs on tangible fixed assets	-	-
profit/loss from investments	363	(100)
revenues/financial costs	127	172
bargain purchase gain	(3)	(194)
profit attributable to minority shareholders	(11)	(19)
<b>Cash from operating activities before changes in working capital</b>	<b>2,269</b>	<b>2,268</b>
changes in working capital	224	(400)
change in inventories	(288)	(88)
change in receivables	(844)	1,011
change in liabilities	1,912	(920)
change in provisions	(18)	
other adjustments	(538)	(403)
<b>Cash from investing activities</b>	<b>2,493</b>	<b>1,868</b>
Interest paid		
Interest received		
deferred tax		
taxes paid	-	(27)
<b>Net cash from operating activities</b>	<b>2,493</b>	<b>1,841</b>
<b>Cash flows from investing activities</b>		
acquisition of fixed assets and intangible assets	(414)	(739)
revenue from the sale of fixed assets	161	30
revenue from the sale of investments	625	
revenue from the disposition of shares		
acquisition of available-for-sale assets		
revenue from the sale of financial assets		
interest revenue		
acquisition of subsidiaries	(10)	
gain/loss on disposal of investments		
revaluation write-downs on fixed assets		
loans granted/paid		
<b>Net cash from investing activities</b>	<b>362</b>	<b>(709)</b>
<b>Cash flows from financing activities</b>		
inflows from the issuance of shares		
acquisition of own shares	(89)	(107)
inflows from the issuance of debt securities		
inflows from credits and loans taken	403	1,135
finance lease liabilities paid	(203)	(290)
credits and loans paid	(1,921)	(1,387)
interest paid	(127)	(172)
other inflows or financial expenses		(114)
<b>Net cash from financing activities</b>	<b>(1,937)</b>	<b>(935)</b>
<b>Total cash flows</b>	<b>918</b>	<b>197</b>
<b>Opening balance of cash</b>	<b>376</b>	<b>221</b>
<b>Closing balance of cash</b>	<b>1,294</b>	<b>418</b>
<b>CHANGE IN CASH</b>	<b>918</b>	<b>197</b>

Kwidzyn, 9 May 2016

Person in charge of accounting

Management Board

**KOMPAP S.A. Manufacture and Trade Enterprise Capital Group**  
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**NOTE 1**

**WRITE-DOWNS ON INVENTORIES TO NET REALISABLE VALUE AND REVERSALS OF SUCH WRITE-DOWNS**

In Q1 2016, such write-downs were not made or reversed.

**NOTE 2**

**REVALUATION WRITE-DOWNS ON OTHER ASSETS AND REVERSALS OF SUCH WRITE-DOWNS**

From 1 January 2016 to 31 March 2016, there was no increase in impairment write-downs on receivables.

**NOTE 3**

**IMPAIRMENT WRITE-DOWNS ON TANGIBLE FIXED ASSETS, INTANGIBLE ASSETS OR OTHER ASSETS AND REVERSALS OF SUCH WRITE-DOWNS**

In Q1 2016, there were no write-downs on the measurement of fixed assets.

By notarial deed of 30 March 2016, PPHU KOMPAP S.A. sold an investment property in Otoczyn for a total of PLN 600 thousand. The cost of sale amounted to PLN 1,587 thousand. Simultaneously, revaluation write-down amounting to PLN 781 thousand was released.

**NOTE 4**

**ACQUISITIONS AND DISPOSALS OF TANGIBLE FIXED ASSETS**

Type	from 01.01.2016 31.03.2016
<b>Acquisition and disposal of fixed assets:</b>	
- Disposal of fixed assets	161
- Acquisition of fixed assets	414

**NOTE 5**

**INFORMATION ON PROVISIONS MADE, INCREASED, USED, AND RELEASED**

From 1 January 2016 to 31 March 2016, there were no changes in provisions.

**NOTE 6**

**INFORMATION ON PROVISIONS AND DEFERRED INCOME TAX ASSETS**

During the reporting period, the value of deferred income tax assets decreased to PLN 259 thousand, whereas the value of deferred tax liability increased by PLN 35 thousand.

**NOTE 7**

**COMMITMENTS FOR THE PURCHASE OF TANGIBLE FIXED ASSETS**

There were no such commitments included in the statements made by the Companies for the year 2016.

**NOTE 8**

**CORRECTIONS OF PRIOR PERIOD ERRORS**

In Q1 2016, there were no corrections of prior period errors.

**NOTE 9**

**ANY LOAN DEFAULT OR BREACH OF A LOAN AGREEMENT THAT HAS NOT BEEN REMEDIED AT OR BEFORE THE BALANCE SHEET DATE**

In Q1 2016, there were no such events.

**KOMPAP S.A. Manufacture and Trade Enterprise Capital Group**  
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**NOTE 10**

**OPERATING SEGMENTS BY BUSINESS OR GEOGRAPHICAL AREA FROM 01.01.2016 TO 31.03.2016**

The Capital Group distinguishes two operating segments whose results are reviewed on a regular basis by the chief operating decision maker to evaluate the activities conducted as part of such segments. "Production activities" consists in the sale of finished goods, such as books, catalogues, newspapers, and other printing materials as well as provision of services related to binding, rental of factory halls and other printing services. "Sales of goods and materials" consists in the sale of computer listing paper, thermal paper, wrap, waste paper, and waste offset plates. The Capital Group does not allocate assets and liabilities to particular segments.

Management accounting carried out for the needs of the Management Boards of the companies belonging to the Group only consists in dynamic analysis and presentation of information regarding profit and loss accounts for particular operating segments. Cash flow analysis is conducted for the entire enterprise. The Consolidated Financial Statements include information only with respect to the scope of operating segments that is analysed by the Group's companies, i.e. profit and loss account. Assets assigned to commercial segments are not relevant.

**Operating segment identification**

Operating segments are reported in a manner consistent with the internal reporting provided to the Management Board of the Parent Company. There are two operating segments: products as well as goods and materials.

**Reporting segment identification**

The operating segments (products as well as goods and materials) are aggregated in reporting segments since they comply with the aggregation criteria defined in IFRS 8. PPH KOMPAP S.A. Capital Group distinguishes 2 reporting segments as part of its operations ("production activities", "commercial activities") in accordance with IFRS 8 Operating segments. As part of its segments, PPH KOMPAP S.A. conducts business activity, achieving specific revenues and incurring costs. The results of segment activities are reviewed by chief operating decision makers on a regular basis. Financial information on the segments in question is also available.

**"Production activities"**

"Production activities" consists in the sale of finished goods, such as books, catalogues, newspapers, and other printing materials as well as provision of services related to binding, and other printing services.

**"Commercial activities"**

Assets assigned to the commercial segment are not relevant.

The accounting principles with respect to operating segments are the same as that of accounting policies based on which financial statements are made by the companies belonging to the Capital Group. The Group evaluates the results of segment activities through profit or loss before taxes.

Operating segments	January-March 2016		January-March 2015	
	Production activities	Commercial activities	Production activities	Commercial activities
Revenues	15,117	635	13,135	463
Costs	11,486	357	9,652	235
<b>gross sales profit from commercial and production activities</b>	<b>3,631</b>	<b>278</b>	<b>3,483</b>	<b>228</b>
<b>unallocated items</b>				
Costs of sale		438		376
General costs of the Management Board		2,036		1,997
Other operating revenue		123		366
Other operating costs		160		62
Net financial revenue and costs		(397)		(98)
Bargain purchase gain		3		194
Gross profit (loss)		1,004		1,738
Income tax		374		27
Net profit (loss) from continued operations		630		1,711

**Note 11**

**CHANGES IN PRESENTATION IN THE PERIOD FOR WHICH STATEMENTS ARE PREPARED AND COMPARATIVE PERIODS**

There were no such changes in the reporting period and comparative period.

**KOMPAP S.A. Manufacture and Trade Enterprise Capital Group**  
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**NOTE 12**

**CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS**

The following presents the description of contingent liabilities other than credits and loans taken out by the Companies belonging to Kompap S.A. Capital Group as at 31 March 2016.

Credits and loans of PPH KOMPAP S.A.:

- a) investment credit taken out on 23 December 2010 to finance the acquisition of shares of OZGraf Olsztyńskie Zakłady Graficzne S.A. in Olsztyn that initially amounted to PLN 4,000 thousand. The credit repayment period commenced in June 2011 as part of quarterly instalments and its maturity date falls on 11 December 2018 in accordance with the repayment schedule. The credit bears fixed interest rates – 1.55% above WIBOR 3M. Collateral:
  - mortgage amounting to PLN 2,320 thousand with the right of perpetual usufruct of the land situated in Kwidzyn at ul. Piastowska, entered into 4<sup>th</sup> Land Register no. GD1/00033213/1
  - assignment of receivables from property insurance policy that serve as collateral for the credit
  - power of attorney to the bank account of the borrower kept by BGŻ
  - surety of ZGraf Olsztyńskie Zakłady Graficzne S.A. in Olsztyn amounting to PLN 1,480.00 thousand in accordance with Polish civil law
- b) working capital facility taken out on 19 September 2014 to finance the acquisition of shares of OZGraf Olsztyńskie Zakłady Graficzne S.A. in Olsztyn that initially amounted to PLN 1,000 thousand. The credit bears interest based on WIBOR 3M, increased by bank's margin in the amount of 1.55 pp. The maturity date has been extended by way of Annex No. 3 concluded on 6 August 2015. Consequently, the up-to-date maturity date falls on 11 December 2018. Collateral:
  - mortgage amounting to PLN 2,320 thousand with the right of perpetual usufruct of the land situated in Kwidzyn at ul. Piastowska 39, along with the assignment of rights under the [insurance] policy
  - power of attorney to the bank account of the borrower kept by BGŻ
  - surety of OZGraf Olsztyńskie Zakłady Graficzne S.A. in Olsztyn in accordance with Polish civil law
  - pledge amounting to PLN 1,000 thousand on the shares of OZGraf Olsztyńskie Zakłady Graficzne S.A.
- c) On 27 July 2014, PPH Kompap S.A. entered into a multi-purpose credit line contract with Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna. The contract in question provides for the use of a given limit (no more than PLN 500 thousand) as part of overdraft and revolving credit. The contract terminates on 20 July 2017. The credit's limit is equal to WIBOR 1M + 2.12%. The contract is secured by a blank promissory note.

**Credits and loans of Białostockie Zakłady Graficzne S.A.**

- a) Overdraft facility concluded on 23 October 2013 for a period of 1 year in the amount of PLN 1 thousand. In the years to follow, the maturity date of the overdraft facility was extended by way of annexes. By way of Annex concluded on 7 December 2015, the amount of overdraft facility was increased up to PLN 2,000 thousand, with the loan term being extended up to 22 October 2017. Collateral:
  - mortgage on property owned by BZGraf
  - blank promissory note
- b) In April 2014, a subsidiary entered into a working capital facility with Bank Millennium in the amount of PLN 1,241 thousand to pay for 2 working capitals that were borrowed from SBR Bank in Szepietów under substantially worse terms and conditions (WIBOR 1M + 4.5%) Up to the date of preparation of the Financial Statements, the credit has been fully paid.
- c) List of loans borrowed from leasing companies:
  - PKO Leasing – a loan amounting to PLN 732 thousand for the acquisition of bookbinding machinery Trójnóż (three-side trimmer). Repayment period: 5 years, instalments: 17 thousand a month, loan security: Trójnóż. Maturity date: 15 February 2018.
  - PKO Leasing – a loan amounting to PLN 3,302 thousand for the acquisition of printing machine produced by KBA in Germany. Repayment period: 5 years, monthly instalments: PLN 65 thousand gross, loan security: Rapida 105. Maturity date: 20 November 2019. Loan security: blank promissory note.
- d) factoring agreement concluded with Bank Millennium  
Recourse factoring agreement of 25 November 2013 in the amount of PLN 500 thousand. By way of Annex of 24 November 2015, the amount of limit was increased up to [PLN] 1.5 million and the duration was extended up to 19 November 2016.  
Interest: WIBOR 1M + 1.2%, front-end fee: 0.3%, settlement cycle: 180 days, monthly service fee: PLN 100.  
Security: blank promissory note and promissory note agreement.  
additional security for a loan: blank promissory notes and assignment of rights under the insurance policy.
- d) Leasing contract concluded with Bank Millennium
  - agreement for the acquisition of SM 102-2 printing machine produced by Heidelberg. Price: EUR 345 thousand, repayment period: 3 years, instalments: 7,8 thousand a month, security: blank promissory note and the machine itself.

**Credits and loans of Olsztyńskie Zakłady Graficzne S.A.**

- a) overdraft no. 3192/11/400 of 6 October 2011 concluded with Bank Millennium S.A., changed by way of Annex of 18 February 2016 up to [PLN] 1.5 million. Maturity date: 2 March 2017. Collateral:
  - general mortgage amounting to PLN 1.7 million (security: PLN 1 million) and PLN 0.85 million (security: 0.5 million as of 18 March 2016) on property situated in Olsztyn, Mortgage and Land Register: KW OL10/00048104/0.
  - assignment of rights under the insurance policy.
  - blank promissory note and promissory note agreement issued by the Borrower
- b) overdraft no. U/0008133807/0001/2011/1300 of 10 February 2011 with BGŻ SA, changed in September 2015 by way of Annex up to PLN 3 million. Maturity date: 24 September 2015. On 25 September 2015, the lending period has been extended by multi-product limit credit (no. u/0008133807/0002/2015/1300) in the amount of PLN 4 million, broken down into the following products: overdraft – PLN 3 million, revolving credit – PLN 0.5 million, guarantees – PLN 0.5 million, letter of credits – PLN 0.5 million. Maturity date: 24 September 2018. Collateral:
  - contractual capped mortgage in the amount of PLN 5,25 million on the property situated in Olsztyn, Land and Mortgage Register: KW OL10/00048104/0
  - assignment of rights under the insurance policy
  - power of attorney to the bank account of the borrower

**KOMPAP S.A. Manufacture and Trade Enterprise Capital Group**

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*Unless otherwise specified, all amounts are expressed in thousands of Polish zloty.*

- c) loan agreement no. 0346/108/2013/p of 19 December 2013 concluded with AKF Leasing SA in the amount of EUR 337,500 for the acquisition of KBA Rapida. Maturity date: 10 March 2020.

Collateral:

- registered pledge on the financed asset
- assignment of rights under the insurance policy
- two blank promissory notes signed by the borrower and promissory note agreement

**Lease liabilities of Olsztyńskie Zakłady Graficzne S.A.**

- a) Binding lane Pantera. Agreement no. 28452 concluded with SG Equipment Sp. z o. o. The value of fixed asset as at 31 March 2016 – PLN 519 thousand, liability as at 31 March 2016 – PLN 107 thousand. The liability will be repaid in 2016.
- b) Book-sewing machine ASTER EVO. Agreement no. 208544 of 03.12.2015 concluded with Bank Millennium for a period of 3 years. The machine's value as at 31 March 2016: PLN 715 thousand. Liability as at 31 March 2016 – PLN 575 thousand.

<b>NOTE 13</b>
<b>BARGAIN PURCHASE GAIN AND GOODWILL</b>

In 2016, the Parent Company and subsidiaries purchased particular shares from natural persons. Due to the transactions, there has been a change in the structure of the Capital Group, with the bargain purchase gain being indicated and goodwill arisen.

Subsidiary name	number of shares	purchase price (in PLN thousand)	fair value of assets acquired (in PLN thousand)	bargain purchase gain (in PLN thousand)
Białostockie Zakłady Graficzne S.A.	429	6	9	3
<b>TOTAL</b>	<b>429</b>	<b>6</b>	<b>9</b>	<b>3</b>

Each bargain purchase gain is shown under "bargain purchase gain" in the Statements of Comprehensive Income, having a one-time impact on the increase of the financial result of the Capital Group.

Subsidiary name	number of shares	purchase price (in PLN thousand)	fair value of assets acquired (in PLN thousand)	goodwill (in PLN thousand)
Olsztyńskie Zakłady Graficzne S.A.	730	22	15	7
<b>TOTAL</b>	<b>1,460</b>	<b>44</b>	<b>30</b>	<b>7</b>

In April 2016, the Parent Company acquired a total of 1,126 shares of Olsztyńskie Zakłady Graficzne S.A. from natural persons. The total price amounted to PLN 28,150 thousand. The purchase gain will be accounted for in the following quarter in 2016.

<b>NOTE 14</b>
<b>INFORMATION ON MATERIAL CONTRACTS CONCLUDED FROM 1 JANUARY 2016 TO 9 MAY 2016.</b>

Apart from the contracts specified in note 12 and regarding contingent liabilities, there were no other contracts.

<b>NOTE 15</b>
<b>EVENTS AFTER THE BALANCE SHEET DATE</b>

The Capital Group has not observed any material events after the balance sheet date that would call for disclosure in these Condensed Consolidated Financial Statements.

## OTHER NOTES

### TO THE CONDENSED CONSOLIDATED INTERIM QUARTERLY REPORT QSr 1/2016

#### KOMPAP S.A. Manufacture and Trade Enterprise Capital Group

#### 1. PRESENTATION OF THE ORGANISATIONAL STRUCTURE OF THE ISSUER'S CAPITAL GROUP, WITH INDICATION OF ENTITIES SUBJECT TO CONSOLIDATION

The Consolidated Financial Statements consist of the statements of PPH KOMPAP S.A and the financial statements of OzGraf - Olsztyńskie Zakłady Graficzne S.A. and BzGraf - Białostockie Zakłady Graficzne S.A.

The Financial Statements of subsidiaries are prepared for the same reporting period as that of the Parent Company on the basis of uniform accounting principles.

The Consolidated Financial Statements have been prepared in accordance with IAS 27 *Consolidated and Separate Financial Statements*.

On 31 March 2016, PPH KOMPAP Capital Group consisted of the Parent Company and two subsidiaries, i.e. OzGraf - Olsztyńskie Zakłady Graficzne S.A. and BzGraf - Białostockie Zakłady Graficzne S.A., with all companies carrying out activities in the printing industry.

Full consolidation method was used to prepare these Consolidated Financial Statements.

#### 2. LIST OF THE EFFECTS OF CHANGES TO THE STRUCTURE OF BUSINESS ENTITY, INCLUDING BUSINESS ENTITIES CONSOLIDATION, TAKE-OVER OR SALE OF SUBSIDIARIES OF CAPITAL GROUP'S ISSUER, LONG-TERM INVESTMENTS, DIVISION, RESTRUCTURING, AND CEASING BUSINESS OPERATIONS.

During the reporting period there were no changes in the structure of the Group.

#### 3. THE MANAGEMENT BOARD'S POSITION CONCERNING THE FEASIBILITY OF FORECASTS PUBLISHED IN ADVANCE.

PPH KOMPAP S.A. has not published any forecasts concerning 2016.

#### 4. INDICATION OF SHAREHOLDERS HOLDING AT LEAST 5% OF THE TOTAL NUMBER OF VOTES AT THE GENERAL MEETING OF SHAREHOLDERS

In accordance with notifications received by the Company, the following shareholders hold, directly or indirectly through subsidiaries, at least 5% of the total number of votes at the General Meeting of the Company as at the date of submission of the quarterly report, including the changes in the structure of significant shareholdings as of 16 November 2015 (the date of the previous quarterly report) up to the date of submission of the quarterly report:

Name of the Company's Shareholder	Number of shares	Share in the share capital (in %)	Number of votes at the AGM	Share in the total number of votes at the AGM	Changes in ownership structure from the date of Q3 2015 report, i.e. as of 16 November 2015.
Waldemar Lipka	984,670	21.04%	984,670	21.04%	Increase by 42,190
GRAND Sp. z o.o. (A subsidiary of Mr Waldemar Lipka)	359,000	7.67%	359,000	7.67%	Decrease by 51,019
OZGraf S.A.	83,653	1.79%	83,653	1.79%	Increase by 18,500
BZGraf S.A.	50,500	1.08%	50,500	1.08%	Increase by 12,512
Waldemar Lipka and his subsidiaries: Grand Sp. z o.o., FRANET Sp. z o.o., OZGraf S.A.	1,477,823	31.57%	1,477,823	31.57%	Increase by 22,183
Danuta Knabe Witold Knabe*	1,273,976	27.22%	1,273,976	27.22%	Increase by 4,270
Warsaw Equity Investments Sp. z o.o.	634,705	13.56%	634,705	13.56%	No changes
Edward Łaskawiec	351,711	7.51%	351,711	7.51%	No changes

\*On 7 November 2015, Władysław Knabe (one of the shareholders) passed away. By way of the deed of succession certificate of 17 November 2015, the notary public confirmed that the inheritance after the late Władysław Knabe was passed to his wife (Danuta Knabe) and son (Witold Knabe). The inheritance consisted of, *inter alia*, the shares of PPH KOMPAP S.A. Information on this subject has been disclosed in current report no. 70/2015.

**The composition of the Management Board and Supervisory Board and shares of PPH KOMPAP S.A. held by persons from the management and supervisory bodies of the Company or entitlements to such shares, along with statement of changes in the number of shares, as of 16 November 2015 (the date of the previous quarterly report) up to the date of submission of the quarterly report, separately for each person:**

The composition of the Management Board of PPH KOMPAP S.A. from 16 November 2015 up to the date of submission of the quarterly report:

- Waldemar Lipka – President of the Management Board

The composition of the Supervisory Body of PPH KOMPAP S.A. from 16 November 2015 up to the date of submission of the quarterly report:

- Jerzy Łopaciński – Chairman of the Supervisory Board,

- Marek Głuchowski – Vice-Chairman of the Supervisory Board,

- Edward Łaskawiec – Member of the Supervisory Board,

- Jakub Knabe – Member of the Supervisory Board,

- Mariusz Banaszuk – Member of the Supervisory Board.



**OTHER NOTES**  
**TO THE CONDENSED CONSOLIDATED INTERIM QUARTERLY REPORT QSr 1/2016**  
**KOMPAP S.A. Manufacture and Trade Enterprise Capital Group**

**5. STATEMENT OF CHANGES IN THE SHARES OF PPH KOMPAP S.A. OR RIGHTS THERETO (OPTIONS) BY PERSONS FROM THE MANAGEMENT AND SUPERVISORY BODIES OF SUBSIDIARIES OF THE CAPITAL GROUP THAT ARE SUBJECT TO CONSOLIDATION FOLLOWING THE SUBMISSION OF THE PREVIOUS QUARTERLY REPORT**

SHARES OF THE ISSUER OR RIGHTS THERETO BY PERSONS FROM THE MANAGEMENT AND SUPERVISORY BODIES OF THE ISSUER AS AT THE DATE OF SUBMISSION OF THE PREVIOUS QUARTERLY REPORT AND CHANGES IN THE NUMBER OF SHARES FOLLOWING THE SUBMISSION OF THE PREVIOUS QUARTERLY REPORT (SEPARATELY FOR EACH PERSON)

Name and surname	Title	As at the date of publication of the Report, i.e. as at 9 May 2016.	Changes in the number of shares up to the date of publication of Q3 2015 Report, i.e. up to 16 November 2015.
<b>MANAGEMENT BOARD</b>			
Waldemar Lipka	President of the Management Board	984,670 shares	Increase by 42,190
<b>ENTITIES RELATED WITH THE MANAGEMENT BOARD</b>			
GRAND Sp. z o.o.	A subsidiary of Waldemar Lipka – President of the Management Board	359,000 shares	Decrease by 51,019
OZGraf S.A.	A subsidiary of Waldemar Lipka – President of the Management Board	83,653 shares	Increase by 18,500
BZGraf S.A.	A subsidiary of Waldemar Lipka – President of the Management Board	50,500 shares	Increase by 12,512
<b>SUPERVISORY BOARD</b>			
Jerzy Łopaciński	Chairman of the Supervisory Board	6,000 shares	No changes
Marek Głuchowski	Vice-Chairman of the Supervisory Board	None	No changes
Edward Łaskawiec	Member of the Supervisory Board	351,711 shares	No changes
Member of the Supervisory Board has not agreed on disclosing his or her personal data	Member of the Management Board	10,030 shares	No changes
Mariusz Banaszuk	Member of the Supervisory Board	None	No changes
<b>ENTITIES RELATED WITH THE SUPERVISORY BOARD</b>			
Warsaw Equity Investments Sp. z o.o.	A subsidiary of Mr Mariusz Banaszuk – Member of the Supervisory Board	634,705 shares	No changes

**Ongoing proceedings before a court, relevant body for arbitration proceedings, or public administration body**

At present, no proceedings are pending before a court or public administration body with respect to liabilities and claims of the Issuer or its subsidiaries whose value (whether separately or not) constitutes at least 10% of the equity.

**6. PROCEEDINGS PENDING BEFORE A COURT, RELEVANT BODY FOR ARBITRATION PROCEEDINGS OR PUBLIC ADMINISTRATION BODY**

To the best of its knowledge, the Management Board of PPH KOMPAP S.A. is not aware of any proceedings – as at the preparation of these Quarterly Report – that are pending before any court, relevant body for arbitration proceedings or public administration body with respect to the liabilities or claims of the Issuer or its subsidiaries whose value (whether separately or not) would exceed 10% of the equity of PPH KOMPAP S.A.

**7. INFORMATION ON TRANSACTIONS WITH RELATED ENTITIES**

In Q1 2016, the Parent Company and subsidiaries did not make any material transactions with related entities on other conditions than the market ones.

**OTHER NOTES**  
**TO THE CONDENSED CONSOLIDATED INTERIM QUARTERLY REPORT QSr 1/2016**  
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**8. INFORMATION ON CREDIT SURETY, LOAN SURETY, OR GUARANTEE GRANTED BY THE PARENT COMPANY OR ITS SUBSIDIARY**

In Q1 2016, the Parent Company and its subsidiaries have not issued any credit or loan sureties, and they have not made any guaranties whose cumulative value would exceed 10% of the equity of PPH KOMPAP S.A.

**9. INFORMATION ON CHANGES IN THE ECONOMIC SITUATION AND CONDITIONS OF CONDUCTING BUSINESS ACTIVITY THAT HAVE A SUBSTANTIAL IMPACT ON THE FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES OF THE ENTITY, REGARDLESS OF WHETHER SUCH ASSETS AND LIABILITIES ARE RECOGNISED AT FAIR VALUE OR AMORTISED COST;**

During the reporting period, there were no such events.

**10. INFORMATION ON OUTSTANDING CREDITS OR LOANS OR INFRINGEMENT OF SIGNIFICANT PROVISIONS OF CREDIT OR LOAN AGREEMENT, IN RELATION TO WHICH NO RECOVERY ACTIONS HAVE BEEN TAKEN UP TO THE END OF THE REPORTING PERIOD;**

During the reporting period, there were no such events.

**11. IN THE CASE OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE – INFORMATION ON THE CHANGE IN THE MANNER (METHOD) OF SUCH MEASUREMENT;**

During the reporting period, there were no such events.

**11. INFORMATION ON THE CHANGE IN THE CLASSIFICATION OF FINANCIAL ASSETS ARISING FROM A CHANGE IN ITS PURPOSE OR USE;**

During the reporting period, there were no such events.

**13. INFORMATION ON NON-EQUITY AND EQUITY SECURITIES ISSUED, ACQUIRED, AND BOUGHT BACK;**

No non-equity or equity securities have been issued, acquired, or bought back.

**14. INFORMATION ON DIVIDENDS PAID (OR DECLARED) PER SHARE, BROKEN DOWN INTO ORDINARY AND PREFERENCE SHARES;**

No dividends have been paid.

**15. INFORMATION ON SEASONAL VARIATIONS**

The activities conducted by the Capital Group feature insignificant seasonal variations. The first six years account for ca. 45% of annual revenue. There are also factors which have a significant periodical impact on financial results. At times, there is a higher sales volume from May to June as well as from September to November.

**16. OTHER INFORMATION THAT CAN BE SIGNIFICANT IN THE OPINION OF THE ISSUER TO EVALUATE THE HR AND MATERIAL SITUATION, FINANCIAL STANDING, FINANCIAL RESULT AS WELL THEIR CHANGES AND INFORMATION THAT CAN BE SIGNIFICANT TO ASSESS THE FEASIBILITY OF THE LIABILITIES TO BE MET ON THE PART OF THE ISSUER**

In the opinion of the Management Board of PPH KOMPAP S.A., as at the date of preparation of this Quarterly Report there is no other significant information to evaluate the standing of the issuer other than information indicated in this Quarterly Report.

In the opinion of the Management Board of PPH KOMPAP S.A., as at the date of preparation of this Quarterly Report there are no threats as to the feasibility of liabilities to be met by the issuer.

**17. FACTORS THAT CAN HAVE A SIGNIFICANT IMPACT ON THE FINANCIAL RESULTS WITHIN AT LEAST THE FOLLOWING QUARTER**

In the opinion of the Management Board of PPH KOMPAP, the financial results of the issuer in Q2 2016 and Q3 and Q4 2016 will be influenced by the following factors:

- a. stable portfolio of solvent customers;
- b. continued improvement of production efficiency;
- c. workforce optimisation conducted in the previous periods,
- d. reduction of lease obligations,
- e. the synergy effect of acquisitions of OZGraf S.A. and BZGraf S.A.

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Unless otherwise specified, all amounts are expressed in thousands of Polish zloty.

Reporting currency: Polish zloty (PLN)

SEPARATE STATEMENT OF FINANCIAL STANDING OF KOMPAP S.A. AS AT 31 MARCH 2016		
Assets		
	31.03.2016	31.12.2015
<b>FIXED ASSETS</b>	<b>32,608</b>	<b>33,735</b>
Intangible assets	-	-
Tangible fixed assets	4,739	4,793
Available-for-sale financial assets	-	-
Deferred income tax assets	475	770
Financial assets in related entities – shares, stocks	27,394	27,366
Property investments	-	806
Pre-paid expenses	-	-
<b>CURRENT ASSETS</b>	<b>1,744</b>	<b>1,100</b>
Inventories	306	281
Financial assets held for trading	-	-
Trade and other receivables	929	818
Cash and cash equivalents	421	1
Loans granted	-	-
Fixed assets held for sale	-	-
Pre-paid expenses	88	-
Costs of issuing new shares	-	-
<b>TOTAL ASSETS</b>	<b>34,352</b>	<b>34,835</b>
<b>Liabilities</b>		
	<b>31.03.2016</b>	<b>31.12.2015</b>
<b>EQUITY</b>	<b>20,847</b>	<b>21,237</b>
Share capital	5,617	5,617
Supplementary capital	11,876	11,876
Revaluation reserve	-	-
Own shares	-	-
Other reserve capital	3,757	3,757
Retained earnings	(13)	19
Current profit	(390)	(32)
<b>LIABILITIES</b>	<b>13,505</b>	<b>13,598</b>
<b>Long-term liabilities</b>	<b>1,892</b>	<b>2,045</b>
Long-term loans and bank credits	285	333
Employee benefit liabilities	-	-
Deferred tax liability	-	-
Long-term provisions	-	-
Long-term trade and other liabilities	-	-
Finance lease liabilities	-	-
Liabilities related directly to fixed assets held for sale	1,607	1,712
<b>Short-term liabilities</b>	<b>11,613</b>	<b>11,553</b>
Trade and other liabilities	1,802	1,659
Employee benefit liabilities	107	108
Income tax liabilities	-	-
Finance lease liabilities	-	-
Short-term loans and bank credits	9,478	9,544
Short-term provisions	49	65
Accruals	177	177
<b>TOTAL LIABILITIES</b>	<b>34,352</b>	<b>34,835</b>

Kwidzyn, 9 May 2016

Person in charge of accounting

Management Board

**CONDENSED CONSOLIDATED INTERIM QUARTERLY REPORT QSr 1/2016**

Unless otherwise specified, all amounts are expressed in thousands of Polish zloty.

Reporting currency: Polish zloty (PLN)

**SEPARATE STATEMENT OF COMPREHENSIVE INCOME  
FROM 1 JANUARY TO 31 MARCH 2016**

Multiple-step variant	period	
	from 01.01.2016 to 31.03.2016	from 01.01.2015 to 31.03.2015
<i>Continued operations</i>		
<b>Sales revenue</b>	1,551	1,513
Product sales revenue	1,251	1,314
Revenue on the sales of products and materials	300	199
<b>Cost of sale</b> (costs of products, services, goods, and materials sold)	953	864
Manufacturing cost of products sold	688	717
Value of goods and materials sold	265	147
<b>Gross profit (loss) on sales</b>	598	649
Costs of sale	95	102
General costs of the Management Board	413	467
Other operating revenue	80	61
Other operating costs	-	-
Net financial revenue and costs	(265)	(9)
<b>Gross profit (loss)</b>	(95)	132
<b>Income tax</b>	295	28
<b>Net profit (loss) from continued operations</b>	(390)	104
<i>Discontinued operations</i>		
<b>Profit (loss) from discontinued operations</b>	-	-
<i>Continued and discontinued operations</i>		
<b>Gross profit (loss)</b>	(95)	132
<b>Income tax</b>	295	28
<b>Net profit (loss)</b>	(390)	104
weighted average number of ordinary shares	4,680,496	4,680,496
net profit/loss per ordinary share:	(0.08)	0.02
<i>from continued operations</i>		
- basic	(0.08)	0.02
- diluted	(0.08)	0.02
<i>from continued and discontinued operations</i>		
- basic	(0.08)	0.02
- diluted	(0.08)	0.02
<i>Other comprehensive income</i>		
<b>Exchange differences on translating foreign operations</b>	-	-
<b>Available-for-sale financial assets</b>	-	-
<b>Cash flow hedges</b>	-	-
<b>Income tax on other comprehensive income</b>	-	-
<b>Net other comprehensive income</b>	-	-
<b>COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR</b>	<b>(390)</b>	<b>104</b>

Kwidzyn, 9 May 2016

Person in charge of accounting

Management Board

**KOMPAP S.A. Manufacture and Trade Enterprise Capital Group**

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*Unless otherwise specified, all amounts are expressed in thousands of Polish zloty.*

*Reporting currency: Polish zloty (PLN)*

<b>SEPARATE STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2016</b>						
	Share capital	Supplementary capital	Other reserve capital	Profit or loss for the financial year	Undistributed profit	Total
<b>Balance as at 01.01.2015</b>	<b>5,617</b>	<b>13,379</b>	<b>3,757</b>	<b>(1,503)</b>	<b>19</b>	<b>21,269</b>
Changes in accounting policies	-	-	-	-	-	-
<b>Balance after changes</b>	<b>5,617</b>	<b>13,379</b>	<b>3,757</b>	<b>(1,503)</b>	<b>19</b>	<b>21,269</b>
<b>Changes in equity from 01.01 to 31.03.2015</b>						
Profit (loss) on revaluation	-	-	-	-	-	-
Available for sale investments						-
Cash flow hedges						-
Exchange differences on translating foreign operations						-
Tax related to items recognised in or transferred from equity						-
<b>Net profit recognised directly in equity</b>		-		-	-	
Net profit from 01.01 to 31.03.2015						
<b>Total profit and loss recognised from 01.01 to 31.03.2015</b>	-	-	-	-	-	-
Distribution of profit or loss				1,503	(1,503)	-
Net profit from 01.01 to 31.03.2015				104		104
Disposal of fixed assets						-
Options convertible into shares	-					-
<b>Balance as at 31.03.2015</b>	<b>5,617</b>	<b>13,379</b>	<b>3,757</b>	<b>104</b>	<b>(1,483)</b>	<b>21,374</b>
<b>Balance as at 01.01.2016</b>						
<b>Balance as at 01.01.2016</b>	<b>5,617</b>	<b>11,876</b>	<b>3,757</b>	<b>(32)</b>	<b>19</b>	<b>21,237</b>
Changes in accounting policies	-	-	-	-	-	-
<b>Balance after changes</b>	<b>5,617</b>	<b>11,876</b>	<b>3,757</b>	<b>(32)</b>	<b>19</b>	<b>21,237</b>
<b>Changes in equity from 01.01 to 31.03.2016</b>						
Profit (loss) on revaluation	-	-	-	-	-	-
Available for sale investments						-
Cash flow hedges						-
Exchange differences on translating foreign operations						-
Tax related to items recognised in or transferred from equity						-
<b>Net profit recognised directly in equity</b>		-		-	-	
Net profit from 01.01 to 30.09.2015						
<b>Profits and losses recognised from 1.01 to 31.03.2016</b>	-	-	-	-	-	-
Distribution of profit or loss				32	(32)	-
Net profit from 1.01 to 31.03.2016				(390)		(390)
Dividends						-
Disposal of fixed assets						-
Options convertible into shares	-					-
<b>Balance as at 31.03.2016</b>	<b>5,617</b>	<b>11,876</b>	<b>3,757</b>	<b>(390)</b>	<b>(13)</b>	<b>20,847</b>

Kwidzyn, 9 May 2016

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Persons in charge of accounting

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Management Board

**CONDENSED CONSOLIDATED INTERIM QUARTERLY REPORT QSr 1/2016**

Unless otherwise specified, all amounts are expressed in thousands of Polish zloty.

Reporting currency: Polish zloty (PLN)

<b>SEPARATE STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2016</b>		
Indirect method	period	
	from 01.01.2016 to 31.03.2016	from 01.01.2015 to 31.03.2015
<b>Net cash flows from operating activities</b>		
Earnings before taxes (EBT)	(95)	131
Adjustments:	323	59
Depreciation	58	59
profit/loss from investments	205	(82)
revenues/financial costs	60	82
<b>Cash from operating activities before changes in working capital</b>	<b>228</b>	<b>190</b>
changes in working capital	(202)	(216)
change in inventories	(25)	205
change in receivables	(125)	(120)
change in liabilities	142	(177)
change in other items of working capital	(194)	(124)
<b>Cash from investing activities</b>	<b>26</b>	<b>(26)</b>
Interest paid		
taxes paid	-	(27)
<b>Net cash from operating activities</b>	<b>26</b>	<b>(53)</b>
<b>Cash flows from investing activities</b>		
acquisition of fixed assets and intangible assets	(4)	
revenue from the sale of fixed assets		8
revenue from the sale of investments	600	
revenue from the disposition of shares		
acquisition of financial assets	(27)	-
revenue from the sale of financial assets		
interest revenue		
expenditure on property investments		
gain/loss on disposal of investments		518
revaluation write-downs on fixed assets		
loans granted/paid	-	-
<b>Net cash from investing activities</b>	<b>569</b>	<b>526</b>
<b>Cash flows from financing activities</b>		
inflows from the issuance of shares		
inflows from the issuance of debt securities		
loans granted/paid	(158)	(433)
other inflows/financial expenses		
credit interest paid	(17)	(29)
<b>Net cash from financing activities</b>	<b>(175)</b>	<b>(462)</b>
<b>Total cash flows</b>	<b>420</b>	<b>11</b>
<b>Opening balance of cash</b>	<b>1</b>	<b>1</b>
<b>Closing balance of cash</b>	<b>421</b>	<b>12</b>
CHANGE IN CASH	<b>420</b>	<b>11</b>

Kwidzyn, 9 May 2016

Person in charge of accounting

Management Board

**KOMPAP S.A. Manufacture and Trade Enterprise Capital Group**

**CONDENSED CONSOLIDATED INTERIM QUARTERLY REPORT Qsr 1/2016**

*Unless otherwise specified, all amounts are expressed in thousands of Polish zloty.*

*Reporting currency: Polish zloty (PLN)*

<b>APPROVAL OF THE QUARTERLY FINANCIAL REPORT</b>
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This Quarterly Financial Report was approved for publication by the Management Board on 9 May 2016.

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Person in charge of accounting

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Management Board