

**CONSOLIDATED QUARTERLY REPORT OF PROCHEM S.A.
CAPITAL GROUP FOR THIRD QUARTER OF 2013**

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www.prochem.com.pl

**PROCHEM S.A.
44C Powązkowska Street
01-797 Warsaw**

I. Selected financial data

Revenues from sales and profit expressed in PLN and statement of cash flows are converted into EUR at the exchange rate set as the arithmetic mean of average exchange rates announced by the Chairman of National Bank of Poland as at the last day of each month and are as follows:

- for three quarters of 2013 - 4.2231 PLN/EUR
- for three quarters of 2012 - 4.1948 PLN/EUR

Balance sheet data were converted at the average exchange rate announced by the Chairman of National Bank of Poland as at the date of financial statements, which as at the balance sheet date amounted to:

- 4.2163 PLN/EUR as at 30 September 2012
- 4.0882 PLN/EUR as at 31 December 2012

Selected financial data of PROCHEM S.A. Capital Group

Description	Reporting period ended 30 September		Reporting period ended 30 September	
	2013	2012	2013	2012
	In PLN thousands		In EUR thousands	
Consolidated profit and loss account				
Revenues from sales	102 044	110 653	24 163	26 379
Gross profit on sales	11 879	11 151	2 813	2 658
Results from operating activities	3 946	-1 666	934	-397
Profit (loss) before tax	2 945	-740	697	-176
Profit (loss) for the period, assigned to:	2 153	-1 853	510	-442
Shareholders of parent entity	2 237	-2 315	530	-552
Minority interest	-84	462	-20	110
Profit (loss)/diluted profit per one share (in PLN/EUR) – assigned to shareholders of parent company	0.57	-0.59	0.14	-0.14
Consolidated statement of cash flows				
Net cash provided by (used in) operating activities	21 459	-18 107	5 081	-4 317
Net cash provided by (used in) investing activities	772	-491	183	-117
Net cash provide by (used in) financing activities	-2 456	4 529	-582	1 080
Total cash flow, net	19 775	-14 069	4 683	-3 354
Description	Reporting period ended		Reporting period ended	
	30 September 2013	31 December 2012	30 September 2013	31 December 2012
	In PLN thousands		In PLN thousands	
Consolidated statement of financial position				
Total assets	199 460	186 106	47 307	45 523
Total non-current assets	97 122	100 721	23 035	24 637
Total current assets	102 338	85 385	24 272	20 886
Parent entity's equity	109 776	110 410	26 036	27 007
Minority interest	13 262	13 678	3 145	3 346
Total equity	123 038	124 088	29 182	30 353
Total non-current liabilities	5 374	7 751	1 275	1 896
Total current liabilities	71 048	54 267	16 851	13 274
Book value per one ordinary share (in PLN/EUR) – assigned to shareholders of parent entity	28.18	28.35	6.68	6.93

Interim condensed consolidated financial statements as at and for the period of nine months ended 30 September 2013.

Weighted average number of ordinary shares (units)	3 895 000	3 895 000	3 895 000	3 895 000
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Selected financial data of PROCHEM S.A.

Description	Reporting period ended 30 September		Reporting period ended 30 September	
	2013	2012	2013	2012
	in PLN thousands		in EUR thousands	
Profit and loss account				
Revenues from sales	57 876	72 842	13 705	17 365
Gross profit on sales	6 269	4 272	1 484	1 018
Results from operating activities	3 615	-2 184	856	-521
Profit before tax	3 346	5 771	792	1 376
Profit for the period	2 706	5 047	641	1 203
Profit/diluted profit per share (in PLN/EUR)	0.69	1.30	0.16	0.31
Statement of cash flows				
Net cash provided by (used in) operating activities	28 084	-19 955	6 650	-4 757
Net cash provided by (used in) investing activities	-3 369	-220	-798	-52
Net cash provided by (used in) financing activities	-4 972	5 743	-1 177	1 369
Total cash flow, net	19 743	-14 432	4 675	-3 440

Description	Reporting period ended		Reporting period ended	
	30 September 2013	31 December 2012	30 September 2013	31 December 2012
	in PLN thousands		in EUR thousands	
Statement of financial position				
Total assets	125 093	109 647	29 669	26 820
Total non-current assets	47 247	46 860	11 206	11 462
Total current assets	77 846	62 787	18 463	15 358
Total equity	69 653	70 030	16 520	17 130
Total non-current liabilities	517	442	123	108
Total current liabilities	54 923	39 175	13 026	9 582
Book value per one ordinary share (in PLN/EUR)	17.88	17.98	4.24	4.40
Weighted average number of ordinary shares (units)	3 895 000	3 895 000	3 895 000	3 895 000

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF PROCHEM S.A. CAPITAL GROUP

As at and for the period ended 30 September 2013

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I. Interim condensed consolidated financial statements of Capital Group

Consolidated statement of financial position as at 30 September 2013

(all amounts in PLN thousands if not stated otherwise)

	As at 30 September 2013	As at 31 December 2012
A s s e t s		
Non-current assets		
Property, plant and equipment	25 960	26 275
Intangible assets	288	296
Investment properties	33 603	70 178
Shares	843	843
Shares valued using equity method	23 833	1 116
Deferred tax assets	1 372	2 013
Other financial assets	11 223	-
Total non-current assets	97 122	100 721
Current assets		
Inventories	9 233	4 512
Trade and other receivables	47 811	59 597
Other financial assets	299	198
Other assets	18 424	14 282
Cash and cash equivalents	26 571	6 796
Total current assets	102 338	85 385
Total assets	199 460	186 106
E q u i t y a n d l i a b i l i t i e s		
Equity		
Share capital	3 895	3 895
Revaluation reserve	10 995	11 063
Retained earnings	94 886	95 452
Parent entity's equity	109 776	110 410
Minority interest	13 262	13 678
Total equity	123 038	124 088
Non-current liabilities		
Provision for deferred income tax	2 992	5 467
Provision for retirement and similar benefits	1 937	1 876
Other provisions	21	41
Other non-current liabilities	424	367
Total non-current liabilities	5 374	7 751
Current liabilities		
Current bank loans	8 799	7 526
Current borrowings	60	29
Trade payables	29 176	34 983
Liabilities under current income tax	42	101
Other liabilities	4 588	8 065
Deferred income	28 383	3 563
Total current liabilities	71 048	54 267
Total liabilities	76 422	62 018
Total equity and liabilities	199 460	186 106

Weighted average number of ordinary shares (units)	3 895 000	3 895 000
Book value per one share (in PLN) – assigned to shareholders of parent entity	28.18	28.35

Consolidated profit and loss account for the period from 1 January 2013 to 30 September 2013

(all amounts in PLN thousands if not stated otherwise)

	Period ended 30 September 2013	Period ended 30 September 2012
Revenues from sales, including:	102 044	110 653
Revenues from sale of services	97 029	106 130
Revenues from sale of goods and materials	5 015	4 523
Cost of sales, including :	-90 165	-99 502
Cost of services sold	-85 913	-95 585
Cost of merchandise and raw materials	-4 252	-3 917
Gross profit on sales	11 879	11 151
General and administrative expenses	-11 101	-11 107
Other operating income	3 658	2 193
Other operating expenses	-490	-3 903
Results from operating activities	3 946	- 1 666
Financial income	360	124
Profit (loss) on disposal of shares in subsidiaries	-290	1 187
Finance expenses	-1 287	-760
Profit sharing in entities valued using equity method	216	375
Profit (loss) before tax	2 945	-740
Income tax expense	792	1 113
- current tax	281	206
- deferred tax	511	907
Profit for the period	2 153	-1 853

Profit assigned to :

Shareholders of parent entity	2 237	-2 315
Minority interest	-84	462
Profit (loss)/diluted profit per share (in PLN per share) assigned to shareholders of parent entity	0.57	-0.59

Consolidated statement of comprehensive income

Profit for the period	2 153	-1 853
Other comprehensive income (net):	-97	-
Other comprehensive income that will not be reclassified to profit or loss:	-97	-
Actuarial loss on valuation of provisions for employee benefits	-108	-
Income tax related to other comprehensive income	11	-
Total comprehensive income	2 056	-1 853

Total comprehensive income assigned to :

Shareholders of parent entity	2 140	-2 315
Minority interest	-84	462
Weighted average number of ordinary shares	3 895 000	3 895 000
Total comprehensive income per ordinary share (in PLN per one share) assigned to shareholders of parent company	0.55	-0.59

Consolidated statement of changes in equity
For the period from 1 January 2013 to 30 September 2013

(all amounts in PLN thousands if not stated otherwise)

	Share capital	Revaluation reserve	Retained earnings	Equity assigned to shareholders of parent entity	Minority shareholders equity	Total equity
The reporting period from 1 January 2013 to 30 September 2013						
As at the beginning of the period	3 895	11 063	95 452	110 410	13 678	124 088
Net profit of the given period	-	-	2 237	2 237	-84	2 153
Net other comprehensive income	-	-86	-	-86	-11	-97
Total comprehensive income	-	-86	2 237	2 151	-95	2 056
Payment of dividend	-	-	-3 038	-3 038	-242	-3 280
Repurchase of own shares for redemption (Elektromontaż)-change in ownership structure	-	21	76	97	-120	-23
Other changes – among others disposal of shares in subsidiaries	-	-3	159	156	41	197
As at the end of the period	3 895	10 995	94 886	109 776	13 262	123 038

	Share capital	Revaluation reserve	Retained earnings	Equity assigned to shareholders of parent entity	Minority shareholders equity	Total equity
The reporting period from 1 January 2012 to 30 September 2012						
As at the beginning of the period	3 895	10 371	98 620	112 886	14 206	127 092
Net profit of the given period	-	-	-2 315	-2 315	462	-1 853
Net other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-2 315	-2 315	462	-1 853
Payment of dividend	-	-	-	-	-12	-12
Repurchase of own shares for redemption (Elektromontaż)-change in ownership structure	-	202	694	896	-1 206	-310
Other changes – among others disposal of shares in subsidiaries	-	-	31	31	-	31
As at the end of the period	3 895	10 573	97 030	111 498	13 450	124 948

**Consolidated statement of cash flows
for the period from 1 January 2013 to 30 September 2013**

(all amounts in PLN thousands if not stated otherwise)

	Period ended 30 September 2013	Period ended 30 September 2012
Cash flows- Operating activities		
Profit before tax	2 945	-740
Total adjustments	18 855	-16 740
Profit sharing in entities valued under equity method	-216	-375
Amortization and depreciation	1 745	1 766
Interest and profit sharing (dividends)	144	517
(Profit) on disposal of property, plant and equipment	-86	-173
(Profit)/loss on investment	417	-1 190
Change in provisions	-1 029	-267
Change in inventories	-4 721	968
Change in receivables and other assets	5 801	13 805
Change in current liabilities except for loans and borrowings	-8 229	-30 015
Other adjustments (including deferred income)	25 029	-1 776
Cash provided by (used in) operating activities	21 800	-17 480
Paid income tax	341	627
Net cash provide by (used in) operating activities	21 459	-18 107
Cash flows – investing activities		
Inflows	2 237	295
Disposal of intangible assets and property, plant and equipment	49	287
Inflows from financial assets, including:	2 188	8
a) in associated and jointly controlled entities:	270	8
- disposal of financial assets	270	8
b) in other entities :	1 918	-
- disposal of financial assets	1 858	-
- received borrowing	60	-
Outflows	-1 465	-786
Acquisition of intangible assets and property, plant and equipment	-1 286	-704
For financial assets, including:	-129	-81
a) in associated and jointly controlled entities	-100	-81
- acquisition of financial assets	-	-81
- loans granted	-100	-
b) in other entities:	-29	-
- repayment of loans received	-29	-
Other investment expenditures	-50	1
Net cash provided by (used in) investing activities	772	-491
Cash flows – financing activities		
Inflows	7 316	6 352
Bank loans	7 276	6 108
Other financial inflows	40	244
Outflows	-9 772	-1 823

Consolidated statement of cash flows - continuation	Period ended 30 September 2013	Period ended 30 September 2012
Dividends paid	-3 038	-
Other than payment to owners, outflows under profit distribution	-265	-322
Repayment of loans	-6 000	-1 075
Payment of liabilities under finance lease agreements	-77	-30
Interest and commission	-392	-391
Other financial outflows	-	5
Net cash provided by (used in) financing activities	-2 456	4 529
Total cash flow, net	19 775	-14 069
Net increase/(decrease) in cash and cash equivalents	19 775	-14 069
Cash and cash equivalents at the beginning of the period	6 796	19 350
Cash and cash equivalents at the end of the period	26 571	5 281

II. Interim condensed separate financial statements of PROCHEM S.A.

Separate statement of financial position as at 30 September 2013

(all amounts in PLN thousands if not stated otherwise)

	As at 30 September 2013	As at 31 December 2012
A s s e t s		
Non-current assets		
Property, plant and equipment	2 297	2 015
Intangible assets	180	140
Shares in subsidiaries	10 576	15 026
Shares in equity-accounted investees	5 210	708
Deferred tax assets	1 347	1 986
Other financial assets	27 637	26 985
Total non-current assets	47 247	46 860
Current assets		
Inventories	2 184	2 359
Trade and other receivables	36 744	45 745
Other financial assets	3 109	751
Other assets	12 902	10 768
Cash and cash equivalents	22 907	3 164
Total current assets	77 846	62 787
Total assets	125 093	109 647

Equity and liabilities

Equity

Share capital	3 895	3 895
Revaluation reserve	1 041	1 086

Retained earnings	64 717	65 049
Total equity	69 653	70 030
Non-current liabilities		
Provisions for retirement and similar benefits	490	415
Other non-current liabilities	27	27
Total non-current liabilities	517	442
Current liabilities		
Current bank loans	4 692	6 347
Trade payables	20 468	29 083
Other liabilities	2 303	3 734
Deferred income	27 460	11
Total current liabilities	54 923	39 175
Total liabilities	55 440	39 617
Total equity and liabilities	125 093	109 647

Weighted average number of ordinary shares (units)	3 895 000	3 895 000
Book value per share (in PLN)	17.88	17.98

**Separate profit and loss account
for the period from 1 January 2013 to 30 September 2013**

(all amounts in PLN thousands if not stated otherwise)

	Period ended 30 September 2013	Period ended 30 September 2012
Revenues from sales, including:	57 876	72 842
Revenues from sale of services	57 550	71 970
Revenues from sale of goods and materials	326	872
Cost of sales, including:	-51 607	-68 570
Cost of services sold	-51 285	-67 778
Cost of merchandise and raw materials	-322	-792
Gross profit on sales	6 269	4 272
General and administrative expenses	-5 707	-5 471
Other operating income	3 378	2 013
Other operating expenses	-325	-2 998
Results from operating activities	3 615	-2 184
Financial income	972	917
Profit on disposal of shares in subsidiaries	2	7 545
Finance expenses	-1 243	-507
Profit before tax	3 346	5 771
Income tax expense :	640	724
- deferred tax	640	724
Profit for the period	2 706	5 047
Weighted average number of ordinary shares (units)	3 895 000	3 895 000
Profit/diluted profit per share (in PLN per share)	0.69	1.30

Separate statement of comprehensive income

Profit for the period	2 706	5 047
Other comprehensive income (net):	-45	-
Other comprehensive income that will not be reclassified to profit or loss:	-45	-
Actuarial losses on valuation of provisions for employee benefits	-45	-
Total other comprehensive income	2 661	5 047

Weighted average number of ordinary shares (units)	3 895 000	3 895 000
Total comprehensive income per ordinary share (in PLN per share)	0.68	1.30

Separate statement of changes in equity for the period from 1 January 2013 to 30 September 2013

(all amounts in PLN thousands if not stated otherwise)

	Share capital	Revaluation reserve	Retained earnings	Total equity
The reporting period from 1 January 2013 to 30 September 2013				
As at the beginning of the period	3 895	1 086	65 049	70 030
Net profit of the given period	-	-	2 706	2 706
Net other comprehensive income	-	-45	-	-45
Total comprehensive income	-	-45	2 706	2 661
Payment of dividend	-	-	-3 038	-3 038
As at the end of the period	3 895	1 041	64 717	69 653

The reporting period from 1 January 2012 to 30 September 2012

As at the beginning of the period	3 895	951	61 993	66 839
Net profit of the given period	-	-	5 047	5 047
Net other comprehensive income	-	-	-	-
Total comprehensive income	-	-	5 047	5 047
As at the end of the period	3 895	951	67 040	71 886

Separate statement of cash flows for the period from 1 January 2013 to 30 September 2013

(all amount in PLN thousands if not stated otherwise)

	Period ended 30 September 2013	Period ended 30 September 2012
Cash flows – operating activities		
Profit before tax	3 346	5 771

Interim condensed consolidated financial statements as at and for the period of nine months ended 30 September 2013.

Total adjustments	27 738	-25 726
Amortization and depreciation	609	674
Interest and profit sharing (dividends)	-348	-380
(Profit) on disposal of property, plant and equipment	-35	-158
(Profit) on investment recognized in statement of comprehensive income	-2	-7 545
Change in provisions	-302	-50
Change in inventories	175	586
Change in receivables and other assets	3 835	16 664
Change in current liabilities, except for borrowings and loans	-9 647	-33 135
Other adjustments (including deferred income)	27 453	-2 382
Cash provide by (used in) operating activities	28 084	-19 955
Paid income tax	-	-
Net cash provided by (used in) operating activities	28 084	-19 955

Cash flows – investing activities

Inflows	621	247
Disposal of intangible assets and property, plant and equipment	69	244
Proceeds from financial assets, including:	552	3
a) in related entities	552	3
- dividend received	304	3
- disposal of financial assets	4	-
- repayment of loans granted	187	-
- repayment of interest on loans granted	57	-
Outflows	-3 990	-467
Acquisition of intangible assets and property, plant and equipment	-1 006	-465
For financial assets, including:	-2 984	-2
a) in related entities	-2 984	-1
- acquisition of financial assets	-54	-
- loans granted	-2 930	-1
b) in other entities	-	-1
- loans granted	-	-1
Net cash provided by (used in) investing activities	-3 369	-220

Cash flows – financing activities

Proceeds from received loans	4 344	6 003
Payment of dividend	-3 036	-
Repayment of loans	-6 000	-
Paid interest and commission	-280	-260

Net cash provided by (used in) financing activities	-4 972	5 743
Total cash flow, net	19 743	-14 432
Net increase/(decrease) in cash and cash equivalents	19 743	-14 432
Cash and cash equivalents at the beginning of the period	3 164	16 006
Cash and cash equivalents at the end of the period	22 907	1 574

III. Notes on adopted accounting principles (policy) and other explanatory notes to interim condensed consolidated financial statements of PROCHEM S.A Capital Group and PROCHEM S.A.

These notes contain both consolidated financial data of the PROCHEM Capital Group (PROCHEM Group, the Group, the Capital Group) and the separate financial results of PROCHEM S.A. (PROCHEM, the Company, the Issuer).

1. Establishment of the Company and principal activity

Company PROCHEM S.A. (hereinafter called „PROCHEM”, „Company”, „Issuer” or „Parent Company”) seated in Warsaw, 44C Powązkowska Street. The company is registered in the National Court Register (KRS) by the District Court for the Capital City Warsaw, XII Commercial Department of the National Court Register under KRS number 0000019753. Principal activity according to Polish Business Classification (PKD 2007) determines symbol 7112Z – engineering activities and related technical consulting. According to Warsaw Stock Exchange classification PROCHEM belongs to construction sector. PROCHEM S.A. is a Parent Company of the Capital Group and prepares separate consolidated financial statements. PROCHEM S.A. was established through transformation of a state-owned enterprise under the name of Przedsiębiorstwo Projektowania I Realizacji Inwestycji Przemysłu Chemicznego „Prochem”. The notarial deed and Company’s Articles of Association were signed on 1 October 1991. Duration of the Company is unlimited.

2. Management Board and Supervisory authorities of the Parent Company

As at the date of preparation hereby financial statements the Management Board of PROCHEM S.A. comprises of:

- Jarosław Stępniewski - President of the Management Board
- Marek Kiersznicki - Vice President of the Management Board
- Krzysztof Marczak - Vice President of the Management Board

As at the date of preparation hereby financial statements the Supervisory Board comprises of::

- Andrzej Karczykowski - Chairman
- Marek Garliński – Vice Chairman
- Dariusz Krajowski-Kukiel
- Krzysztof Obłój
- Adam Parzydeł

From the date of the announcement of the report for the year 2012 in the composition of the Management Board and the Supervisory Board there were no changes.

3. Description of the Group, with indication of consolidated entities

PROCHEM S.A. Capital Group (hereinafter referred to as „Capital Group”, „Group”), apart from data of parent company comprises the following subsidiaries directly or indirectly:

Subsidiaries covered by full consolidation:

- Prochem Inwestycje Sp. z o.o. seated in Warsaw – subsidiary directly (100.0%);
- PRO-INHUT Sp. z o.o. seated in Dąbrowa Górnicza – subsidiary indirectly (93.4%);
- Pro-Organika Sp. z o.o. seated in Warsaw – subsidiary directly (91.4%);
- Prochem Serwis Sp. z o.o. seated in Warsaw – subsidiary indirectly (89.1%);
- PREDOM Sp. z o.o. seated in Wrocław – subsidiary indirectly (81.1% of the capital and profit, 69.4% of the votes);
- Prochem Zachód Sp. z o.o. seated in Słubice – subsidiary directly (60.0%);
- ELPRO Sp. z o.o. Kraków – subsidiary indirectly (85.1%, including 70.3% share in the 50% share of Elektromontaż Kraków);
- Elmont Inwestycje Sp. z o.o. Kraków – subsidiary indirectly (85.1%, including 70.3% share in the 50% share of Elektromontaż Kraków);
- Elektromontaż Kraków S.A. – subsidiary indirectly (70.3%), including 31.6% of the capital and the voting rights belong to company Prochem Inwestycje subsidiary 100%. Elektromontaż Kraków S.A. prepares consolidated financial statements, which contains data of a 100% subsidiary: ELMONT-POMIARY Sp. z o.o. seated in Kraków and two associates ELPRO Sp. z o.o. and Elmont-Inwestycje Sp. z o.o.;
- IRYD Sp. z o.o. seated in Warsaw – subsidiary indirectly 100%;
- ATUTOR Integracja Cyfrowa Sp. z o.o. seated in Warsaw – subsidiary indirectly (87.3% share belongs to Prochem Inwestycje Sp. z o.o. 100% subsidiary);
- Prochem RPI Sp. z o.o. seated in Warsaw – 100% subsidiary directly and indirectly;
- PRO PLM Sp. z o.o. in liquidation seated in Warsaw – 100% subsidiary directly and indirectly (50% belongs to Prochem Inwestycje Sp. z o.o. 100% subsidiary).

Jointly-controlled entities and associates measured using the equity method:

- ITEL Sp. z o.o. seated in Gdynia – 42.0% share (18.7% of the voting rights and share capital holds directly PROCHEM S.A., and 23.3% belongs to Prochem RPI Sp. z o.o. subsidiary 100%);
- Irydion Sp. z o.o. seated in Warsaw – 50% share;

Consolidated subsidiaries were included in the consolidated financial statements from the date of obtaining control until the date the loss of control by the parent company, and jointly controlled entities and associates from the date of the exercising of joint control and the exertion of significant influence.

Predom Projektowanie Sp. z o.o. was excluded from consolidation. The company has not commenced activity. The value of shares was recognized in impairment losses.

On 7 January 2013 the company PRO-INHUT Sp. z o.o. (subsidiary indirectly) based on the resolution of the Extraordinary Meeting of Shareholders has increased the company's capital by PLN 3 thousand by creating new 6 shares, which were subscribed by minority shareholders. As a result of changes in the articles of association the Issuer's indirect share decreased by 5.6% and is 93.4%.

On 13 February 2013 the company Prochem Inwestycje Sp. z o.o. (100% subsidiary of the Issuer) on the basis of the contract of sale of part of the share for redemption, has sold part of its shares in PROMIS for redemption for the amount of PLN 270 thousand. The nominal value of the share was PLN 110 thousand. Associated company ZI Promis Sp. z o.o. was excluded from consolidation with the day of sale.

On 28 February 2013, the Assembly of Partners adopted a resolution on the dissolution and opening the liquidation of the company PRO-PLM Sp. z o.o. 100% subsidiary directly and indirectly.

On April 3, 2013, the General Meeting of Shareholders of IRYDION Sp. z o.o. resolved to increase the share capital by PLN 4 500 thousand, through the issue of 4 500 new shares with a nominal value of PLN 1,000 each. The new shares were subscribed as follows:

- 4 499 shares at the issue price of PLN 14 996.5 thousand were acquired by Look Finansowanie Inwestycji S.A. seated in Wrocław,
- 1 share at issue price of PLN 3.5 thousand was acquired by PROCHEM S.A.

After the increase the share capital of Irydion Sp. z o.o. amounts to PLN 9 000 thousand. After changing the articles of association the Issuer's share in the capital and the voting rights decreased to 50%

On April 3, 2013 loan agreement was concluded between Irydion Sp. z o.o and shareholder Look Finansowanie Inwestycji S.A. seated in Wrocław under which Look Finansowanie Inwestycji S.A. will grant a loan of PLN 15,000 until 30 September 2013 with the date of repayment till September 30, 2018. The interest rate does not differ from market conditions. The means gained both through the issue of new shares and the borrowing will be used for the implementation of a joint project by the shareholders of company IRYDION Sp. z o.o., i.e. a development project - under the name of Astrum Business Park in Warsaw. The project involves the construction in two phases, of an office building on the land property, which is owned by the Company IRYDION.

4. Accounting policies adopted by Capital Group and Issuer

Statement of compliance and base for presentation

Base for presentation

Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group for three quarters of 2013, ended 30 September 2013 was prepared according to IAS 34 "Interim Reporting" and Minister of Finance Regulation of 19 February 2009 on current and periodic information provided by issuers of securities and conditions for recognition as equivalent required by the law of a non-Member State (Official Journal no. 33, item 259). Presented interim condensed consolidated financial statements do not contain the information and disclosures required for complete financial statements and should be read together with the financial statements for the year ended December 31, 2012.

The interim condensed consolidated financial statements of PROCHEM S.A. Capital Group statements have been prepared assuming a going concern in the foreseeable future.

The duration of each company belonging to PROCHEM S.A. Capital Group is not limited.

Financial statements of subsidiaries are prepared for the same reporting period as the financial statements of the parent company, using consistent accounting policies.

The fiscal year of the parent company and the companies belonging to the Group is the calendar year.

Principles of preparation of the consolidated financial statements

Consolidated financial statements and separate financial statements of PROCHEM S.A. were prepared based on the principle of the historical cost, apart from:

- land, buildings and construction measured at revalued amount,

- investment real property (land), measured at fair value.

Changes in estimates and accounting policies

The preparation of financial statements under IFRS adopted by EU requires using certain accounting estimates and adoption of assumptions concerning future events. Items of the consolidated financial statements set under the estimation are subject to verification if circumstances being base of estimates are changing or as a result of obtaining new information or of progressing course of events or of acquiring greater experience.

Adopted accounting principle (policy) are changed in case of:

1. changes in IFRS,
2. when the change in accounting principles will lead to that information included in the financial statements about the impact of the transaction, of other events and conditions on financial position, financial result or also flows will be more useful and credible for recipients of financial statements.

In case of changes in accounting policies it is assumed that new accounting policies were always applied, except for the ones which aren't anticipating the retrospective change. Adjustments associated with it are recognized as changes in equity. For ensuring the comparability the transformations of financial statements for the period presented earlier are done in such way that the financial statements also include introduced changes, except for situations, when establishing the influence of the change on individual periods or its total influence is in practice impossible.

Significant accounting policies and changes in IFRS

When preparing the interim condensed financial statements for nine months of 2013 were applied the same accounting principles and the same calculation methods which were applied in the consolidated financial statements of PROCHEM S.A. Capital Group for the year ended 31 December 2012 and in the separate financial statements of PROCHEM S.A. for the year ended 31 December 2013, with the exception of IAS 1 and IAS 19, with adjustment of the period comparable to the changes in accounting policies and presentation that:

1. had no impact on the financial data presented in the report for the current period and comparable, and were related to:
 - change in the presentation of the statement of comprehensive income resulting from the amendment to IAS 1. Bearing in mind the clarity and readability of the data presented financial Group has decided to present the income and expenses of the reporting period in two statements: a statement which is presenting components in the consolidated profit and loss account and in the statement that begins with profit or loss for the period and presents components of other comprehensive income (consolidated statement of comprehensive income).
 - changes in the presentation of other comprehensive income is carried out in two groups, which in accordance with other IFRS:
 - will be reclassified to profit or loss under certain conditions,
 - will not be reclassified to profit or loss.
2. had an impact on amounts presented in prior periods related to amendments to IAS 19 Employee Benefits. The changes introduced were related to the recognition and presentation of actuarial gains losses on the valuation of the program of defined post-employment benefits in other comprehensive income and not as yet in profit or loss.

Amount of actuarial gains / losses that should be recognized in the revaluation reserve is not a significant therefore data for previous periods were not restated.

The Group intends to adopt changes in IFRS which were issued but not yet effective until the date of publication of the interim condensed consolidated financial statements, in accordance with the date of its

entry into force. The possible impact of these changes on the future consolidated financial statements of the Group and separate financial statements of PROCHEM S.A. is being analyzed. It is estimated that the amendments to IFRS will not have a significant impact on these financial statements.

Changes in estimates

In the period of nine months of 2013 there were no significant changes in principles and methods of calculation that were used to determine the estimates and in estimates

Functional currency and presentation currency of the financial statements

Interim condensed consolidated financial statements of the Group and separate financial statements of PROCHEM S.A. are presented in Polish Zloty („zloty” or “PLN”), which is the presentation currency of the Group and the functional currency of the parent company.

5. Brief description of achievements and failures of the issuer during the period covered by the report, together with an indication of the most important events

In the third quarter of 2013 there were no significant events that were to impact on the results of PROCHEM S.A. Capital Group and the Issuer.

6. Description of factors and events, especially of untypical nature, which have a significant impact on the financial results

In the third quarter of 2013 the events of untypical nature did not occur.

Other events affecting the financial results of the Capital Group in the third quarter of 2013:

- a) provision for deferred income tax that was created in previous periods in the amount of PLN 325 thousand was resolved, and provision was created in the amount of PLN 843 thousand,
- b) deferred tax assets were used in the amount of PLN 435 thousand, and established in the amount of PLN 517 thousand,
- c) provision to costs created in the previous periods in the amount of PLN 179 thousand were used.

Other events affecting the financial results of the Issuer in the third quarter of 2013:

- a) provision to deferred income tax was created in the amount of PLN 153 thousand,
- b) deferred tax assets were used in the amount of PLN 133 thousand, and created in the amount of PLN 6 thousand,
- c) provision to future costs created in the previous periods in the amount of PLN 167 thousand was used.

7. Notes on the seasonality or cyclicity of the activities of the issuer in the reporting period

Operational activities of the parent company and companies belonging to the Group has no seasonal character or subject to cyclical trends, except for the segment of the general contractor and rental of construction equipment, which are characterized by seasonality, which in large extent is caused by the weather conditions. Weather conditions affect the volume of the revenue generated in these segments. Lower revenues are achieved during the winter, when the weather conditions do not allow to perform some construction work.

8. Information concerning the issue, redemption and repayment of non-equity securities and equity securities

This type of transactions did not occur.

9. Information on paid (or declared) dividend, total and per share, divided into ordinary and preference shares

In the reporting period the Issuer has paid the dividend for 2012 in the amount of PLN 3 038 100, that is PLN 0.78 per share.

10. Events after the date of the condensed quarterly financial statements, which were not included in the statements, but which could have a material impact on future financial results of the issuer

There were no events affecting the financial result

11. Related party transactions

In the third quarter of 2013 the Members of the Management Board and Supervisory Board did not conclude transactions with related parties.

Transactions with related parties as below were concluded on market conditions and relate to sale and purchase of services among others construction services, assembly services and lease as well as loans granted mutually.

Settlements with related parties include trade and other settlements, and loans.
Guarantees and sureties granted to related parties are presented in item 12.

Transactions of the Capital Group with entities valued using the equity method

The reporting period

In the period from 1 January 2013 to 30 September 2013 there were the following transactions with entities valued using the equity method:

- Revenues from sale of services in the amount of PLN 9 934 thousand,
- Financial income (interest on loans) in the amount of PLN 223 thousand.

Share in profit (loss) for the period for nine months of 2013 in entities valued using the equity method amounted to PLN 216 thousand.

As at 30 September 2013 transactions with entities valued using the equity method were as follows:

- Receivables for supplies and services - PLN 741 thousand,
- Liabilities for supplies and services – PLN 21 thousand
- Non-current loans granted – PLN 11 223 thousand,
- Current loans granted – PLN 101 thousand.

Comparative data

In the period from 1 January 2012 to 30 September 2012 there were no transactions with entities valued using equity method.

Share in profit (loss) for the period of nine months of 2012 in entities valued using equity method amounted to PLN 375 thousand.

As at 31 December 2012 settlement in respect of trade receivables and payables with units valued using the equity method did not occur.

Transactions of the Issuer with subsidiaries, jointly controlled entities and associates

Data for the reporting period

Transactions with subsidiaries

As at 30 September 2013 settlement of the Issuer with subsidiaries directly or indirectly developed as follows:
Receivables from non-current loans – PLN 16 413 thousand (included interest PLN 1 633 thousand),
Receivables from current loans – PLN 2 810 thousand (including interest PLN 110 thousand),
Trade and other receivables – PLN 6 250 thousand,
Trade payables – PLN 671 thousand.

In the period from 1 January 2013 to 30 September 2013 there were the following transactions of the Issuer with subsidiaries directly or indirectly:

- Sale and purchase of construction services,
- Sale of goods and materials,
- Sale of other services (rental of space) to subsidiaries
Total revenues from these transactions amounted to – PLN 456 thousand
- Revenues from interest on loans amounted to – PLN 307 thousand
- Proceeds from dividends received amounted to - PLN 304 thousand
- Remuneration under valorization of the contract value – PLN 93 thousand.

Transactions of the Issuer with jointly controlled and associated entities

As at 30 September 2013 settlement of the Issuer with associates directly and indirectly developed as follows:
Receivables from non-current loans PLN 11 223. (including interest PLN 223 thousand),
Receivables from current loans – PLN 101 thousand (including interest PLN 1 thousand),
Trade and other receivables – PLN 741 thousand,
Trade payables – PLN 21 thousand.

In the period from 1 January 2013 to 30 September 2013 there were the following transactions with associates:

- revenues from sale of services – PLN 9 934 thousand
- financial revenue from interest on loans – PLN 224 thousand

Comparative data

Transactions with subsidiaries

As at 31 December 2012 settlements of the Issuer with subsidiaries directly or indirectly developed as follows:
Receivables from non-current loans with interest – PLN 26 985 thousand,

Receivables from current loans with interest – PLN 553 thousand,
Trade and other receivables – PLN 9 004 thousand,
Trade payables – PLN 1 920 thousand.

In the period from 1 January 2012 to 30 September 2012 there were the following transactions of the Issuer with subsidiaries directly or indirectly:

- Sale and purchase of construction services,
- Sale of other services (rental of space) to subsidiaries,

Total revenues from these transactions amounted to – PLN 946 thousand.

- Revenues from interest on loan amounted to – PLN 636 thousand.
- Profit on disposal of shares in subsidiary amounted to PLN 7 545 thousand.
- Remuneration under the valorization of the contract value – PLN 215 thousand,
- Dividends received – PLN 3 thousand.

Transactions with jointly controlled entities and associates

In the period from 1 January 2012 to 30 September 2012 there were no transactions with jointly controlled entities and associates.

12. Information on changes in contingent liabilities or contingent assets since the end of the last financial year

Contingent liabilities

	Capital Group		Including Issuer	
	As at		As at	
	30 September 2013	31 December 2012	30 September 2013	31 December 2012
Bank guarantee of good performance	16 218	18 542	10 450	12 774
Advance payment guarantee	30 484	-	30 484	-
Payment guarantee	1 134	1 035	1 134	1 035
B/e surety of the good performance of the contract	35	35	-	-
Tender guarantee	1 204	-	1 204	-
Total contingent liabilities	49 075	19 898	43 272	13 809

Contingent liabilities granted for third parties

Warranty securing obligations under statutory warranty and guarantee – granted on behalf of ZI Promis Sp. z o.o.	-	286	-	286
Total contingent liabilities	49 075	19 898	43 272	14 095

Contingent assets

Contingent assets of the Group are bank guarantees of good performance which as at balance sheet date amounted to:

	As at	
	30 September 2013	31 December 2012
Bank guarantee of good performance	2 610	2 078
B/e surety of the good performance of the contract	577	577
Total contingent assets	3 187	2 655

Contingent assets relate only to the Issuer.

Contingent liabilities of PERN are presented in item 17.

13. Changes in the structure of the Capital Group since the beginning of the year, including amalgamation, acquisition or disposal of subsidiaries and non-current investments, restructuring and discontinued operations

On 7 January 2013 PRO-INHUT (indirect subsidiary) pursuant to the Resolution of the Extraordinary General Meeting has increased the company's capital by PLN 3 thousand through creation of 6 new shares, which were subscribed by minority shareholders. As a result of changes in the articles of association of the Issuer's indirect share decreased by 5.6% and is 93.4%.

On 13 February 2013 Prochem Inwestycje Sp. z o.o. (100% subsidiary of the Issuer) under the agreement of sale of shares for redemption, has sold shares in PROMIS with the aim of redemption in the amount of PLN 270 thousand. The nominal value of the share was PLN 110 thousand. ZI Promis Sp. z o.o. associated company was excluded from consolidation on the date of sale.

On 28 February 2013 the Assembly of Partners adopted a resolution on the dissolution and opening the liquidation of PRO-PLM Sp. z o.o. direct and indirect subsidiary 100%.

On April 3, 2013 the General Meeting of Shareholders of the subsidiary IRYDION Sp. z o.o. resolved to increase the share capital by PLN 4 500 thousand, through the issue of 4 500 new shares with a nominal value of PLN 1,000 each. New shares were subscribed as follows:

- 4 499 shares at the issue price PLN 14 996.5 thousand were acquired by Look Finansowanie Inwestycji S.A. seated in Wrocław,
- 1 share at issue price of PLN 3.5 was acquired by PROCHEM S.A.

After the increase, the share capital of Irydion Sp. z o.o. amounts to PLN 9,000 thousand. After the change in the articles of association the Issuer's share in the capital and in voting rights decreased to 50%.

On April 3, 2013 loan agreement agreement was concluded between Irydion Sp. z o.o and shareholder Look Finansowanie Inwestycji S.A. seated in Wrocław under which Look Finansowanie Inwestycji S.A. will grant a loan of PLN 15,000 until 30 September 2013 with the date of repayment till September 30, 2018. The interest rate does not differ from market conditions. The means gained both through the issue of new shares and the borrowing will be used for the implementation of a joint project by the shareholders of company IRYDION Sp. z o.o., a development project - under the name Astrum Business Park in Warsaw. This project involves the construction in two phases, of an office building on the land property, which is owned by IRYDION.

As a result of the purchase of own shares for redemption by the company Elektromontaż Kraków SA there is a change in the structure of ownership. As at September 30, 2013, the share of the Parent Company increased by 0.3% percentage points to 70.3%.

In the first quarter of 2013, the company Prochem Investments Sp. z o.o. (subsidiary of the Issuer at 100%) on the basis of the contract of sale of part of the share for redemption, sold its share of the associated company ZI Promis Sp. z o.o. seated in Warsaw for the amount of PLN 270 thousand. The nominal value of the share is PLN 110 thousand.

14. Position of the Board in relation to possibility of realization of previously published results forecasts for the given year, in the light of the results presented in the quarterly report with respect to the forecast results

Management Board of PROCHEM S.A. did not publish any financial results for 2013 neither for the company nor PROCHEM S.A. Capital Group.

15. Shareholders holding directly or indirectly through subsidiaries, at least 5% of the total number of votes at the General Meeting of the Company at the date of this quarterly report, including the number of owned shares, the percentage of the share capital, the number of votes and percentage of the total number of votes at the general meeting, and changes in the ownership of large blocks of shares of the Issuer since the previous quarterly report

The share capital of the company amounts to PLN 3 895 thousand and is divided into 3 895 000 shares with the nominal value of PLN 1 each. The total number of votes from all shares is 3 896 660.

Within nine months of 2013 there was no change in the value of the share capital of the Issuer. According to the knowledge of the Company at the date of this report, the following shareholders hold at least 5% of votes at the general meeting of shareholders:

Description	Number of shares (units)	% of votes in the total number of votes	% of share capital
1. POROZUMIENIE PCH, including:	1 178 320	30.28	30.25
Steve Tappan	509 797	13.08	13.09
2. ING Towarzystwo Funduszy Inwestycyjnych SA, including:	358 312	9.19	9.20
- ING Parasol Specjalistyczny Fundusz Inwestycyjny Otwarty	228 950	5.87	5.88
3. Otwarty Fundusz Emerytalny PZU „Złota Jesień”	387 000	9.93	9.94
4. Legg Mason Towarzystwo Funduszy Inwestycyjnych S.A., including:	560,549	14.39	14.39
- Legg Mason Parasol Fundusz Inwestycyjny Otwarty			
Fundusz Własności Pracowniczej PKP Specjalistyczny			
Fundusz Inwestycyjny Otwarty			
- Legg Mason Akcji Skoncentrowany Fundusz Inwestycyjny Zamknięty			

In the period since the previous annual report, the change in the ownership of large blocks of shares relates to:

- Company Prochem Holding M. Garliński Spółka Komandytowa (hereinafter referred to as Prochem Holding), which adopted a resolution on the dissolution and termination of the activities and on the distribution of company's assets. On the basis of the resolution on division of assets on 16 October 2013 handed over its shares of PROCHEM SA to the current general partners and limited partners of Prochem Holding. The notification received on 18 October 2013 shows that Prochem Holding holds no shares of PROCHEM S.A. Before the change, Prochem Holding held shares entitling to 807 413 votes at the General Assembly of Shareholders, corresponding to 20.72% of the total number of votes and 20.73% of the share capital.
- „The Agreement PHC” On 18 October 2013 the Issuer was notified about the agreement under the name of "AGREEMENT PHC" entitling to exercise the rights from the shares of PROCHEM S.A. The agreement was signed by former partners of the dissolved limited partnership Prochem Holding M. Garliński Spółka Komandytowa and will be valid until 31 December 2016. The members of the

agreement have together 1 178 320 shares of the Issuer, which give the right to 1 179 920 votes at the General Meeting of Shareholders, which corresponds to 30.28% of the total number of votes and represents 30.25% of the share capital.

- Legg Mason Parasol Fundusz Inwestycyjny Otwarty Fundusz Własności Pracowniczej PKPO Specjalistyczny Fundusz Inwestycyjny Otwarty and Leeg Mason Akcji Skoncentrowany Fundusz Inwestycyjny Zamknięty on 4 November 2013 have notified that the number of shares held of PROCHEM S.A. was decreased by 49 866 shares.

On 18 October 2013, the Issuer was notified about the increase in the number of shares owned by Mr. Steve Tappan by 232 616 shares. At the same time Steve Tappan informed on accession on 17 October 2013 to the PHC Agreement concluded by the former partners of a dissolved limited partnership Prochem Holding M. Garliński Spółka Komandytowa.

16. Statement of changes in ownership of the issuer's shares or rights (options) held by Management Board and Supervisory authorities, in accordance with the Issuer's knowledge, in the period from the previous quarterly report

As at the date of the quarterly report the following members of the Management Board and the Supervisory Board of the company held shares of PROCHEM SA:

- Jarosław Stępniewski – 80,933 units;
- Marek Kiersznicki – 70,143 units;
- Krzysztof Marczak – 42,700 units;
- Andrzej Karczykowski – 115,186 units;
- Marek Garliński – 86,400 units;
- Adam Parzydeł – 15,300 units.

In the period since the previous report, there was a change in number of Issuer's shares held by the members of the Management Board and the Supervisory Board:

1. The increase following the division of the assets of the dissolved company Prochem Holding M. Garliński Spółka Komandytowa:
 - Andrzej Karczykowski - 95,186 shares,
 - Marek Garliński – 49,276 shares,
 - Adam Parzydeł – 15,300 shares,
 - Jarosław Stępniewski – 43,156 shares,
 - Marek Kiersznicki – 52,643 shares,
 - Krzysztof Marczak – 33,669 shares,
2. The increase following the acquisition on the WSE:
 - Marek Garliński – 124 shares,
 - Krzysztof Marczak – 1 share.

17. Proceedings pending before the court, competent authority for arbitration or public administration including information on:

- a) proceedings relating to liabilities or receivables of the issuer or its subsidiary whose value is at least 10% of the equity of the issuer, with the specification of the subject case, the amount in dispute, date of initiation of proceedings, the parties to the proceedings and the position of the issuer,
- b) two or more proceedings relating to liabilities and receivables with a total value respectively of at least 10% of the equity of the issuer, stating the total value proceedings separately in the group of liabilities and group of receivables together with the position of the issuer in this case and, in

relation to the most significant proceedings in the group of liabilities and the group of receivables - an indication of their subject, the amount in dispute, date of initiation of proceedings and the parties to the proceedings.

PROCHEM S.A. continues to be a party to the proceedings before the court concerning the settlement of the contract which was interrupted on 10 November 2005, for the construction management of an investment project under the name "Pipeline in a section from the ST- 1 Adamowo - to raw material base Plebanka" concluded with PERN S.A. PROCHEM S.A. filed a lawsuit to the court for payment of PLN 41, 301 thousand under the final settlement of the contract, of which PLN 17,364 thousand is recognized in the statement of financial position as a receivable from seized guarantee deposit, and the remaining amount is the contingent receivable. On 18 January 2008 District Court in Warsaw issued a judgment in this case considering claim of PROCHEM S.A. as to be right in principle, while stating that this obligation is not yet due.

On 26 August 2008 the Court of Appeal in Warsaw issued a final judgment on the appeal lodged by PROCHEM S.A. from the a/m judgment of the District Court, recognizing in it that the claim filed by PROCHEM S.A. regarding accounting for the contract is not premature, and at the same time has ordered that the District Court will make the accounting for the contract mentioned above pursuant to the provisions of the contract. This finding is in compliance with position in a case of PROCHEM S.A.

On 12 August 2010 the hearing was held before the District Court in Warsaw, where the Court decided to appoint an expert - Warsaw University of Technology – Department of Civil Engineering, who according to the recommendations of Court of Appeal will make an ultimate accounting for in relation to the disputed contract. In April 2011, the case file was forwarded to the expert witness, who in an opinion published in May 2012 confirmed the amount of the claim of PROCHEM S.A. By order of May 31, 2012, the District Court granted the Warsaw University of Technology a remuneration for opinion in the case, in relation to which the defendant PERN lodged a complaint. According to PERN SA the prepared opinion could not be the basis of the findings of facts of the case for the Court, because it is contrary to the thesis of the Court in which was determined the basis and scope of the opinion.

The Court of Appeal in Warsaw, I Civil Division has cancelled the decision of the District Court which was contested by PERN SA and the request for remuneration of an expert for the drafting of an opinion has submitted to the District Court for reconsideration.

On 5 February 2013 before the District Court in Warsaw, a hearing was held with the participation of experts, after which the court decided to oblige the parties to submit the pleadings clarifying the final conclusions of evidence to complement the expert opinions and postponed the hearing until 16 May 2013.

By order dated February 25, 2013, the District Court in Warsaw XXVI Economic Department upheld the previous decision of the Court, and finally has awarded a remuneration for the expert for drafting the opinion. In grounds for the judgment the Court determined that, at the hearing on 5 February 2013, the certified expert has carefully explained the methodology that has been adopted for the preparation of the legal opinion and it is not inconsistent with the thesis of the Court, and there are no legitimate grounds to complaint that the methodology adopted by the experts is not correct.

On 14 May 2013, the Issuer received a notice from the District Court in Warsaw of revocation hearing scheduled for 16 May 2013 and the next date of hearing has not been appointed yet.

On 9 August 2013, the Issuer received from the District Court in Warsaw, the decision as of 1 August 2013, from closed session of the Court. At the meeting, the Court decided to admit evidence of a supplementary opinion of research institute - Warsaw University of Technology in Warsaw, in the circumstance of determining the value of services, supplies, and other liabilities made by PROCHEM S.A. and directly related to the implementation of the agreement that have been made after the date of withdrawal from the contract on the basis of commitments contracted prior to the withdrawal from the contract. In November 2013 the experts appointed by the court have started the work associated with the preparation of the supplementary opinion.

This is in accordance with the request made to the Court by PROCHEM S.A.

The value of this procedure exceeds 10% of the equity of the Issuer's Capital Group.

Furthermore, the total value of other proceedings separately for groups of liabilities and as well as group of receivables does not exceed 10% of the equity of the Issuer's Capital Group.

18. Information on the one or more transactions concluded by the issuer or its subsidiary with related parties, if separately or jointly they are significant and were concluded on terms other than market terms:

- a) The subject of the transaction,
- b) the relationship of the issuer or its subsidiary with entity who is a party to the transaction,
- c) the essential terms of the transaction, with particular emphasis on financial conditions and the indication of specific conditions specified by the parties, characteristic of this agreement, in particular different from those commonly used for such contracts.

In the third quarter of 2013 the transactions concluded on other terms than on market conditions did not occur.

19. Information on the granting of surety for loan or borrowing or guarantees by the issuer or its subsidiary - jointly to one entity or its subsidiary, if the total value of existing surety or guarantees is equivalent to at least 10% of the issuer's equity

In the period of nine months of 2013, none of the companies belonging to the Group has granted any warranties or surety for a loan or borrowing of this value to other entity.

In the third quarter of 2013, the Issuer has granted Elektromontaż Kraków SA current loan in the amount of PLN 2 700 thousand. Interest rate on loan has been set at WIBOR 1M.

20. Other information that is essential to the assessment of the human resources, financial position, financial results and their changes and information that is essential to assess the possibility to fulfill its obligations by the issuer.

21. Factors which, in the opinion of the issuer will have an impact on its financial performance for at least the next quarter

In the next quarter results achieved by the Group will depend mainly on the results obtained in the implementation of the contracts acquired by the Group, as well as result of decisions concerning offers made for the sale of their services. Success of development projects, which have been already launched by the Group will be also important.

22. Financial risk management

The activities of the companies belonging to the Group are exposed to the following financial risks:

- credit risk;
- liquidity risk;
- market risks (including currency risk, interest rate risk).

Credit risk

The Group conducts commercial activity through sale of its services to business entities with deferred payments, which may result in the risk of non-payment of contractors for the services provided. Group, in order to minimize the credit risk manages the risk by the current procedure of obtaining security.

Adopted loan repayment period associated with the normal course of sales is 14 - 60 days.

Trade receivables are regularly monitored by the financial services. In case of overdue receivables the recovery procedures are started.

In order to reduce the risk of non-collection of trade receivables the Company receives collateral from its customers in the form of, among others: bank guarantees and insurance, mortgages, bills and deposit.

In order to improve the current liquidity and in order to release the receivables retained by investors for proper security of executed contracts and statutory warranty for construction and assembly work, the Group provides bank guarantee and insurance guarantee under the guarantee lines launched for this purpose.

Credit risk associated with cash and bank deposits is considered by the Group to be low.

All entities in which the Group invests available funds operate in the financial sector. These include domestic banks and branches of foreign banks of first class short-term credit credibility.

Credit risk arising from intercompany loans granted is considered by the Group to be low. The Group does not identify risks arising from payment of liabilities under loan agreements.

The risk of impaired financial assets is reflected by the write downs.

Liquidity risk

The Group is exposed to liquidity risk arising from the relation of current liabilities to current assets.

1. Exchange rate risk

Some contracts for the sale of services are concluded with foreign companies in foreign currencies (EUR, USD). In the event of a significant appreciation of the domestic currency it can have an adverse effect on the Group's results. This risk is partially mitigated in a natural way through the purchase of equipment and services necessary for the execution of these contracts abroad, as well as through the purchase of the relevant financial instruments.

2. Interest rate risk

The Group is exposed to the risk of variability in cash flows due to interest rate arising from bank loans based on floating rate WIBOR ON (overnight) and loans granted based on variable WIBOR 6M and rediscount rate.

Liquidity risk associated with the litigation with PERN S.A.

In the face of a significant prolongation of judicial proceedings in a dispute with PERN which was started in 2006, and currently is held before the District Court in Warsaw on settlement of a contract which was interrupted on November 10, 2005 for the construction management for the investment project under the name of "Pipeline in a section from ST-1 Adamowo- to Plebanka raw materials base", there is a risk of having to meet in 2013 by PROCHEM S.A. obligations toward subcontractors relating to retained guarantee deposits, which as at the balance sheet date amount to PLN 2 928 thousand, before recovery of the security deposit retained by PERN SA. Receivables under the security deposit of the company PROCHEM S.A. from PERN SA as at 30 September 2013 amount to PLN 17 364 thousand.

23. Reporting by business and geographical segments

An operating segment is a component of an entity:

- that engages in business activities from which it may obtain revenues and incur expenses,
- whose results from operating activities are regularly reviewed by the authority responsible for making operating decisions of the Company
- in the case of which separate financial information is available.

Revenues of the segment constitute revenues from sale to external customers.

Segment expenses are expenses that include costs related to sales to external customers.

Segment result is determined at the level of the operating result.

The activities of the companies from the Group and the Issuer for the purposes of management was divided into basic operational departments such as: implementation (general contracting), design service and other engineering services (supervision along with the service of contract engineer), rental of construction equipment, and other activities, which include among other income from subleasing, sale of photocopying services and other. Segment assets include all assets used by a segment, which consist mainly of receivables, inventories and property, plant and equipment less any provisions and any impairment losses.

Some assets in the common use are attributed to the segments based on reasonable weights.

In the third quarter of 2013 revenues from operations achieved abroad amounted to PLN 908 thousand.

Detailed data on the activities of PROCHEM S.A. and the Group in the various segments are shown in the following tables.

Operating segments – PROCHEM S.A. for three quarters of 2013 – results of the segments **The current period from 1 January to 30 September 2013**

	General Contracting	Design and engineering services	Rental of construction equipment	Other	Items not assigned	Total
Revenues from sale to external clients	30 032	24 000	1 936	1 908		57 876
Total revenue of the segment	30 032	24 000	1 936	1 908	-	57 876
Result						
Profit of the segment	208	220	90	44	-	562
Financial income					974	974
Finance expenses					1 243	1 243
Net financial income					-269	-269
Profit on other operating activities					3 053	3 053
Profit before tax					3 346	3 346
Income tax					640	640
Profit for the period					2 706	2 706
Assets and liabilities						
Segment assets (related to activity)	26 445	5 125	3 853	741	-	36 164
Assets unallocated (among others shares and other financial assets)	-	-	-	-	88 929	88 929
Total assets	26 445	5 125	3 853	741	88 029	125 093
Depreciation of property, plant and equipment	38	45	141	-	318	542
Amortization of intangible assets	-	-	-	-	67	67

The comparative period from 1 January to 30 September 2012

	General Contracting	Design and engineering services	Rental of construction equipment	Other	Items not assigned	Total
Revenues from sale to external clients	55 752	11 456	3 464	2 170	-	72 842
Total revenue of the segment	55 752	11 456	3 464	2 170	-	72 842
Result						
Profit of the segment	3 485	-6 468	1 659	125	-	-1 199
Financial income					8 462	8 462
Finance expenses					507	507
Net financial income					7 955	7 955
Result of other operating activities					-985	-985
Profit before tax					5 771	5 771
Income tax					724	724
Profit for the period					5 047	5 047
Assets and liabilities						
Segment assets (related to activity)	44 870	5 775	3 137	1 268	-	55 050
Assets unallocated (among others shares and other financial assets)	-	-	-	-	61 993	61 993
Total assets	44 870	5 775	3 137	1 268	61 993	117 043
Depreciation of property, plant and equipment	102	83	214	228	-	627
Amortization of intangible assets	-	-	-	-	47	47

Operating segments – PROCHEM S.A. Capital Group for three quarters of 2013 results of the segments
The current period from 1 January to 30 September 2013

	General contract ing	Design and engineering services	Rental of construction equipment	Assembly of electrical installations	Rental of office space and real estate	Property management	Maintenance	Commercial activity	Development activity	Other IT services	Other	Items not assigned	Total
Revenue from sale to external customers	30 686	26 775	1 936	28 626	3 802	3 921	-	5 015	-	225	1 058	-	102 044
Total revenue of the segment	30 686	26 775	1 936	28 626	3 802	3 921	-	5 015	-	225	1 058	-	102 044
Result													
Result of the segment	127	235	90	-270	671	-51	-	295	-	3	-322	-	778
Financial income												62	62
Finance expenses												1 279	1 279
Net financial income												-1 217	-1 217
Profit sharing in associated entities												216	216
Result of other operating activities												3 168	3 168
Profit before tax												2 945	2 945
Income tax												792	792
Profit for the current period												2 153	2 153
Net profit assigned to non-controlling interest												-84	-84
Net profit assigned to shareholders of parent entity												2 237	2 237
Assets													
Segment assets (related to activity)	21 050	8 823	3 853	17 018	15 176	3 040	-	1 904	-	176	513	-	71 553
Assets unallocated (among others shares and other financial assets)												127 907	127 907
Total assets	21 050	8 823	3 853	17 018	15 176	3 040	-	1 904	-	176	513	127 907	199 460
Other information related to segment													
Depreciation of property, plant and equipment	58	90	141	329	500	105	-	-	-	-	-	396	1 619

Interim condensed consolidated financial statements as at and for the period of nine months ended 30 September 2013.

Amortization of intangible assets	-	40	-	10	7	1	-	-	-	-	-	68	126
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The comparative period from 1 January to 30 September 2012

	General contract ing	Design and engineering services	Rental of construction equipment	Assembly of electrical installations	Rental of office space and real estate	Property management	Maintenance	Commercial activity	Development activity	Other IT services	Other	Items not assigned	Total
Revenue from sale to external customers	55 985	14 699	3 464	21 063	4 050	4 241	546	4 523	-	334	1 748	-	110 653
Total revenue of the segment	55 985	14 699	3 464	21 063	4 050	4 241	546	4 523	-	334	1 748	-	110 653
Result													
Result of the segment	3 350	-6 610	1 659	1 048	702	198	7	606	-	-125	-791	-	44
Financial income												1 311	1 311
Finance expenses												760	760
Net financial income												551	551
Profit sharing in associated entities												375	375
Result of other operating activities												-1 710	-1 710
Loss before tax												-740	-740
Income tax												1 113	1 113
Loss for the period												-1 853	- 1 853
Net profit assigned to non-controlling interest												462	462
Net profit assigned to shareholders of parent entity												-2 315	-2 315
Assets													
Segment assets (related to activity)	38 148	8 767	3 137	14 121	5 749	2 808	254	1 293	33 678	-	1 522	-	109 477
Assets unallocated (among others shares and other financial assets)												79 978	79 978
Total assets	38 148	8 767	3 137	14 121	5 749	2 808	254	1 293	33 678	-	1 522	79 978	189 455
Other information related													

Interim condensed consolidated financial statements as at and for the period of nine months ended 30 September 2013.

to segment

Depreciation of property, plant and equipment	126	105	214	250	40	573	45	-	-	-	245	98	1 696
Amortization of intangible assets	-	7	-	10	1	-	3	-	-	-	-	49	70

24. Approval of the financial statements

Interim condensed consolidated financial statements were authorized for issue by the Management Board on 14 November 2013

Signatures of the Members of Management Board:

14 November 2013 date	Jarosław Stępniewski first name and surname	Chairman of the Board position signature
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14 November 2013 date	Marek Kiersznicki first name and surname	Vice Chairman of the Board position signature
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14 November 2013 date	Krzysztof Marczak first name and surname	Vice Chairman of the Board position signature
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Signature of person responsible for bookkeeping

14 November 2013 date	Barbara Auguścińska-Sawicka first name and surname	Chief Accountant position signature
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