

**CONSOLIDATED QUARTERLY REPORT OF
PROCHEM S.A.
CAPITAL GROUP FOR THREE QUARTERS OF 2014**

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www.prochem.com.pl

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

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I. Selected data

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

- For three quarters of 2014 - 4.1794 PLN/EUR
- For three quarters of 2013 - 4.2140 PLN/EUR

The data disclosed in the statement of financial position are translated at the average exchange rate announced by the Chairman of the National Bank of Poland as at the date of financial statements, that as at balance sheet date amounted to:

- 4.1755 PLN/EUR as at 30 September 2014
- 4.1472 PLN/EUR as at 31 December 2013

Selected financial data of PROCHEM S.A. Capital Group

Specification	Reporting period ended 30 September		Reporting period ended 30 September	
	2014	2013	2014	2013
	In PLN thousands		In EUR thousands	
Consolidated profit and loss account				
Revenues from sales	113 463	102 044	27 148	24 215
Gross profit on sales	17 036	11 879	4 076	2 819
Results from operating activities	5 942	3 946	1 422	936
Profit before tax	4 579	2 945	1 096	699
Profit for the period assigned to :	3 653	2 153	874	511
Shareholders of Parent Entity	3 612	2 237	864	531
Non-controlling interest	41	-84	10	-20
Profit/diluted profit (in PLN//EUR)- assigned to shareholders of parent entity	0.93	0.57	0.22	0.14
Consolidated statement of cash flows				
Net cash provided by (used in) operating activities	1 405	21 459	336	5 092
Net cash provided by (used in) investing activities	-4 370	772	-1 046	183
Net cash provided by (used in) financing activities	7 807	-2 456	1 868	-583
Total cash flow, net	4 842	19 775	1 159	4 693
Specification	As at		As at	
	30 September 2014	31 December 2013	30 September 2014	31 December 2013
	In PLN thousands		In EUR thousands	
Consolidated statement of financial position				
Total assets	202 231	189 572	48 433	45 711
Total non-current assets	99 236	104 356	23 766	25 163
Total current assets	102 995	85 216	24 667	20 548
Owners' equity	113 017	107 422	27 067	25 902
Non-controlling interest	9 755	12 337	2 336	2 975
Total equity	122 772	119 759	29 403	28 877
Total non-current liabilities	16 270	24 277	3 897	5 854
Total current liabilities	63 189	45 536	15 133	10 980
Book value per one ordinary share (in PLN/EUR)- assigned to shareholders of Parent Entity	29.02	27.58	6.95	6.65
Weighted average number of ordinary shares (units)	3 895 000	3 895 000	3 895 000	3 895 000

Selected financial data of PROCHEM S.A.

Description	Reporting period ended 30 September		Reporting period ended 30 September	
	2014	2013	2014	2013
	in PLN thousands		in EUR thousands	
Separate profit and loss account				
Revenues from sales	80 253	57 876	19 202	13 734
Gross profit on sales	10 957	6 269	2 622	1 488
Results from operating activities	4 957	3 615	1 186	858
Profit before tax	4 343	3 346	1 039	794
Profit for the period	3 431	2 706	821	642
Profit per ordinary share (w PLN/EUR)	0.88	0.69	0.21	0.16
Separate statement of cash flows				
Net cash provided by (used in) operating activities	-484	28 084	-116	6 664
Net cash provided by (used in) investing activities	-3 441	3 369	-823	-799
Net cash provided by (used in) financing activities	9 370	-4 972	2 242	-1 180
Total cash flow, net	5 445	19 743	1 303	4 685
Description	As at		As at	
	30 September 2014	31 December 2013	30 September 2014	31 December 2013
	in PLN thousands		in EUR thousands	
Separate statement of financial position				
Total assets	137 017	121 126	32 815	29 207
Total non-current assets	58 591	59 014	13 960	14 230
Total current assets	78 726	62 112	18 854	14 977
Total equity	77 098	73 507	18 464	17 724
Total non-current liabilities	11 852	19 893	2 838	4 797
Total current liabilities	48 067	27 726	11 512	6 685
Book value per share (in PLN/EUR)	19.79	18.87	4.74	4.55
Weighted average number of ordinary shares (units)	3 895 000	3 895 000	3 895 000	3 895 000

II. Interim condensed consolidated financial statements of Capital Group

1. Consolidated statement of financial position as at 30 September 2014

(all amounts in PLN thousands if not stated otherwise)

	As at 30 września 2014	As at 31 December 2013
A s s e t s		
Non-current assets		
Property, plant and equipment	24 647	25 344
Intangible assets	214	300
Investment properties	33 603	33 603
Shares	843	843
Shares in associates and jointly-controlled entities	23 887	23 970
Deferred tax assets	1 938	1 913
Other financial assets	14 104	18 383
Total non-current assets	99 236	104 356
Current assets		
Inventories	8 974	8 962
Trade and other receivables	57 511	49 095
Other financial assets	8 029	1 877
Other assets	15 390	17 033
Cash and cash equivalents	13 091	8 249
Total current assets	102 995	85 216
Total assets	202 231	189 572
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	11 606	10 954
Retained earnings	97 516	92 573
Owners' equity	113 017	107 422
Non-controlling interest	9 755	12 337
Total equity	122 772	119 759
Non-current liabilities		
Provision for deferred income tax	2 671	2 718
Provisions for retirement and similar benefits	1 841	1 844
Deferred income	11 298	19 338
Other non-current liabilities	460	377
Total non-current liabilities	16 270	24 277
Current liabilities		
Current bank loans	12 891	4 411
Current loans	60	60
Trade payables	30 528	26 799
Provisions for current income tax	301	588
Other liabilities	7 101	6 594
Deferred income	12 308	7 084
Total current liabilities	63 189	45 536
Total liabilities	79 459	69 813
Total equity and liabilities	202 231	189 572

Book value – equity assigned to shareholders of parent entity	113 017	107 422
Number of shares (units)	3 895 000	3 895 000
Book value per one share (in PLN)	29.02	27.58

2. Consolidated profit and loss account for the period from 1 January 2014 to 30 September 2014

(all amounts in PLN thousands if not stated otherwise)

	Period ended 30 September 2014	Period ended 30 September 2013
Revenue from sales, including :	113 463	102 044
Revenues from sale of services	109 168	97 029
Revenues from sale of goods and materials	4 295	5 015
Cost of sales, including :	-96 427	-90 165
Cost of services sold	-92 727	-85 913
Cost of merchandise and raw materials	-3 700	-4 252
Gross profit on sales	17 036	11 879
General and administrative expense	-11 173	-11 101
Other operating income	457	3 658
Other operating expenses	-378	-490
Results from operating activities	5 942	3 946
Financial income	499	360
Profit (loss) on sale of shares in subsidiaries	-	-290
Finance costs	-1 779	-1 287
Profit sharing in entities valued under equity method	-83	216
Profit before tax	4 579	2 945
Income tax expense :	926	792
- current tax	969	281
- deferred tax	-43	511
Profit for the period	3 653	2 153
Profit for the period assigned to:		
Shareholders of parent entity	3 612	2 237
Non-controlling interest	41	-84
Weighted average number of ordinary shares (units)	3 895 000	3 895 000
Profit/diluted profit per one share (in PLN per one share) assigned to shareholders of parent entity	0.93	0.57

3. Consolidated statement of comprehensive income

(all amounts in PLN thousands if not stated otherwise)

Profit for the period	3 653	2 153
Other comprehensive income net	160	-97
Other comprehensive income that will be reclassified to profit or loss under certain conditions:	160	-
Exchange differences from the translation of the entity that operates abroad	160	-
Other comprehensive income that will not be reclassified to profit or loss:	-	-97

Actuarial gains (losses) on valuation of provisions for employee benefits	-	-108
Income tax on other comprehensive income	-	11
Total comprehensive income	3 813	2 056

Total comprehensive income attributable to:

Shareholders of parent entity	3 772	2 140
Non-controlling interest	41	-84

Weighted average number of ordinary shares (units) 3 895 000 3 895 000

Total comprehensive income per ordinary share (in PLN per share) attributable to owners of parent entity 0.97 0.55

4. Consolidated statement of changes in equity for the period from 1 January 2014 to 30 September 2014

(all amounts in PLN thousands if not stated otherwise)

	Share capital	Revaluation reserve	Retained earnings	Equity assigned to shareholders of parent entity	Equity assigned to non-controlling interest	Total equity
The reporting period from 1 January 2014 to 30 September 2014						
As at the beginning of the period	3 895	10 954	92 573	107 422	12 337	119 759
Net profit (loss) of the given period	-	-	3 612	3 612	41	3 653
Net other comprehensive income	-	160	-	160	-	160
Total comprehensive income	-	160	3 612	3 772	41	3 813
Payment of dividend	-	-	-	-	-30	-30
Repurchase of own shares for redemption (Elektromontaż) – change in the structure of participation	-	408	968	1 376	-2 098	-722
Acquisition of shares in company Elektromontaż Kraków S.A. and PROCHEM Zachód Sp. z o.o.	-	84	334	418	-495	-77
Other changes	-	-	29	29	-	29
As at the end of the period	3 895	11 606	97 516	113 017	9 755	122 772

	Share capital	Revaluation reserve	Retained earnings	Equity assigned to shareholders of parent entity	Equity assigned to non-controlling interest	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 (loss) 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	-	-3 038
Repurchase of own shares by Elektromontaż S.A. for redemption –	-	21	76	97	-120	-23

change in the structure of participation						
Other changes – among others sale 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

5. Consolidated statement of cash flows for the period from 1 January 2014 to 30 September 2014

(all amounts in PLN thousands if not stated otherwise)

	Period ended 30 September 2014	Period ended 30 September 2013
Cash flows – operating activities		
Profit (loss) before tax	4 579	2 945
Total adjustments	-1 918	18 855
Share in profit of entities valued using equity method	83	-216
Amortization and depreciation	1 758	1 745
Interest and profit sharing (dividends)	205	144
(Profit) loss on disposal of property, plant and equipment	-4	-86
(Profit) loss on investing activities	-	417
Change in provisions	-889	-1 029
Change in inventories	-12	-4 721
Change in receivables and other assets	-6 801	5 801
Change in current liabilities except for borrowings and loans	5 194	-8 229
Other adjustments (including change in deferred income)	-1 452	25 029
Cash provided by (used in) operating activities	2 661	21 800
Income tax paid	1 256	341
Net cash provided by (used in) operating activities	1 405	21 459
Cash flows – investing activities		
Inflows	333	2 237
Disposal of intangible assets and property, plant and equipment	306	49
Inflows from financial assets, including :	-	2 188
a) in related entities	-	270
- disposal of financial assets (shares)	-	270
b) in other entities	-	1 918
- disposal of financial assets (shares)	-	1 858
- loan received	-	60
Other proceeds from investing activities	27	-
Outflows	-4 703	-1 465
Acquisition of intangible assets and property, plant and equipment	-981	-1 286
For financial assets, including:	-3 722	-129
in jointly-controlled and associated entities	-3 722	-
- acquisition of assets	-722	-
- loans granted	-3 000	-100
b) in other entities; repayment of a loan and interest	-	-29
- repayment of loans	-	-29
Other investment expenses	-	-50
Net cash provided by (used in) investing activities	-4 370	772
Cash flows – financing activities		
Inflows	8 679	7 316

Interim condensed consolidated financial statements as at and for the period of nine months ended 30 September 2014

Bank loans	8 676	7 276
Other financial inflows	3	40
Outflows	-872	-9 772
Dividend paid	-	-3 038
Other, than payments to shareholders, expenses under profit distribution	-107	-265
Repayment of bank loans	-196	-6 000
Payment of liabilities under finance lease agreements	-156	-77
Interest and commission paid	-413	-392
Net cash provided by (used in) financing activities	7 807	-2 456
Total cash flows, net	4 842	19 775
Net increase/(decrease) in cash and cash equivalents	4 842	19 775
Cash and cash equivalents at the beginning of the period	8 249	6 796
Cash and cash equivalents at the end of the period	13 091	26 571

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

1. Separate statement of financial position as at 30 September 2014

(all amounts in PLN thousands if not stated otherwise)

	As at 30 September 2014	As at 31 December 2013
A s s e t s		
Non-current assets		
Property, plant and equipment	1 577	1 981
Intangible assets	170	201
Shares in subsidiaries and other entities	10 162	10 060
Shares in associated entities	5 210	5 210
Deferred tax assets	611	656
Other financial assets	40 561	40 906
Total non-current assets	58 291	59 014
Current assets		
Inventories	2 251	3 126
Trade and other receivables	50 552	39 407
Other financial assets	8 110	5 306
Other assets	8 643	10 548
Cash and cash equivalents	9 170	3 725
Total current assets	78 726	62 112
Total assets	137 017	121 126
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	1 110	950
Retained earnings	72 093	68 662
Total equity	77 098	73 507
Non-current liabilities		
Provisions for retirement and similar benefit	531	531
Deferred income	11 298	19 338
Other non-current liabilities	23	24
Total non-current liabilities	11 852	19 893
Current liabilities		
Current bank loans	8 659	-
Current loans	959	-
Trade payables	24 040	17 767
Provisions for current income tax	262	563
Other liabilities	1 430	3 017
Deferred income	12 717	6 379
Total current liabilities	48 067	27 726
Total liabilities	59 919	47 619
Total equity and liabilities	137 017	121 126
Number of shares (units)	3 895 000	3 895 000
Book value per one share (in PLN)	19.79	18.87

2. Separate statement of comprehensive income for the period from 1 January 2014 to 30 September 2014

(all amounts in PLN thousands if not stated otherwise)

	Period ended 30 September 2014	Period ended 30 September 2013
Revenues from sales, including:	80 253	57 876
Revenues from sale of services	80 249	57 550
Revenues from sale of goods and materials	4	326
Cost of sales, including:	-69 296	-51 607
Cost of services sold	-69 294	-51 285
Cost of merchandise and raw materials	-2	-322
Gross profit on sales	10 957	6 269
General and administrative expenses	-6 092	-5 707
Other operating income	354	3 378
Other operating expenses	-262	-325
Results from operating activities	4 957	3 615
Financial income	880	972
Profit on sale of shares in subsidiaries	-	2
Finance costs	-1 494	-1 243
Profit before tax	4 343	3 346
Income tax expense :	912	640
- current tax	866	-
- deferred tax	46	640
Profit for the period	3 431	2 706

Weighted average number of ordinary shares (units)	3 895 000	3 895 000
Profit/diluted profit per one share (in PLN per one share)	0.88	0.69

3. Separate statement of comprehensive income

Profit for the period	3 431	2 706
Other comprehensive income (net)	160	-45
Other comprehensive income that will be reclassified to profit or loss:		
Exchange differences from the translation of the entity that operates abroad	160	-
Other comprehensive income that will not be reclassified to profit or loss:		
Actuarial losses on valuation of provisions for employee benefits	-	-45
Total comprehensive income	3 591	2 661

Weighted average number of ordinary shares (units)	3 895 000	3 895 000
Total comprehensive income per one ordinary share (in PLN per one share)	0.92	0.68

4. Separate statement of changes in equity for the period from 1 January 2014 to 30 September 2014

(all amounts in PLN thousands if not stated otherwise)

	Share capital	Revaluation reserve	Retained earnings	Total equity
The reporting period from 1 January 2014 to 30 September 2014				
As at the beginning of the period	3 895	950	68 662	73 507
Net profit of the given period	-	-	3 431	3 431
Net other comprehensive income	-	160	-	160
Total comprehensive income	-	160	3 431	3 591
As at the end of the period	3 895	1 110	72 093	77 098

	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
<i>Net other comprehensive income</i>	-	-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

5. Separate statement of cash flows for the period from 1 January to 30 September 2014

(all amounts in PLN thousands if not stated otherwise)

	Period of nine months ended 30 September 2014	Period of nine months ended 30 September 2013
Cash flows – operating activities		
Profit before tax	4 343	3 346
Total adjustments	-3 660	24 738
Amortization and depreciation	635	609
Interest and profit sharing (dividends)	-430	-348
(Profit) loss on disposal of property, plant and equipment	86	-35
(Profit) loss on investing activities recognized in profit and loss account	-	-2
Change in provisions	-713	-302
Change in inventories	875	175
Change in receivables	-9 268	6 835
Change in current liabilities except for borrowings and loans	5 519	-9 647
Other adjustments (including change in deferred income)	-364	27 453
Cash provided by (used in) operating activities	683	28 084
Income tax paid	-1 167	-
Net cash provide by (used in) operating activities	-484	28 084

Cash flows – investing activities

Inflows	376	621
Disposal of intangible assets and property, plant and equipment	303	69
Inflows from financial assets	73	552
in subsidiaries and associated entities:	73	552
dividend received	48	304
repayment of loans granted	-	187
- repayment of interest on loans granted	25	57
- disposal of financial assets (shares)	-	4
Outflows	-3 817	-3 990
Acquisition of intangible assets and property, plant and equipment	-516	-1 006
For financial assets, including:	-3 301	-2 984
a) in related entities:	-3 301	-2 984
- acquisition of financial assets	-101	-54
- loans granted	-3 200	-2 930
Net cash provide by (used in) investing activities	-3 441	-3 369

Cash flows – financing activities

Inflows	9 608	4 344
Bank loans	8 658	4 344
Borrowings	950	-
Outflows	-238	-9 316
Dividend paid	-	-3 036
Loans repayment	-	-6 000
Interest, commission paid	-238	-280
Net cash provided by (used in) financing activities	9 370	-4 972
Total cash flows, net	5 445	19 743
Net increase/(decrease) in cash and cash equivalents	5 445	19 743
Cash and cash equivalents at the beginning of the period	3 725	3 164
Cash and cash equivalents at the end of the period	9 170	22 907

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

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

1. Establishment of Parent Entity 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 a separate consolidated financial statement. PROCHEM S.A. was established through transformation of a state-owned enterprise under the name 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.

In 2013 the Company commenced implementation of investment project „Turnkey construction of system for the production of highly purified paraffin, oils, lubricant and cooling greases and pattern material with the expansion of power complex in Belarus.” Therefore, for the period of implementation of the project the Representation Office was established. Time limit for the activity of Representation Office is restricted, i.e. until 30 July 2016.

2. Managing and supervising bodies of the Parent Entity

As at the date of preparation hereby the financial statements the Management Board of 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

There were no changes in the composition of the Management Board within nine months of 2014.

The Supervisory Board of the 9th term, that was elected by the Annual General Meeting on June 7, 2014 by Resolution No. 7 comprises of :

- Marek Garliński - Chairman
- Steven Tappan – Vice Chairman
- Andrzej Karczykowski
- Krzysztof Obłój
- Wiesław Kiepiel

The composition of Supervisory Board as above is valid as at the date of preparation of the hereby financial statements.

3. Employment

Average employment in PROCHEM Capital Group for nine months of 2014 was 496.2 FTEs and for nine months of 2013 495.7 FTEs, including employment in the Parent Entity as at 30 September 2014 was 226.2 FTEs and as at 30 September 2013 207.3 FTEs.

Level of employment in PROCHEM Capital Group, in persons as at 30 September 2014 was 516 and as at 30 September 2013 507, including employment in the Parent Entity as at 30 September 2014 was 230 and as at 30 September 2013 222.

4. Description of the Capital Group with the consolidated entities

PROCHEM S.A. Capital Group (hereinafter referred to as „Capital Group”, „Group”), in addition to 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 (93.2%);
- 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 capital and profit, 69.4% of votes);
- PROCHEM Zachód Sp. z o.o. seated in Słubice – subsidiary directly (80.0%);
- ELPRO Sp. z o.o. seated in Kraków – subsidiary indirectly (88.6%, including 77.2% in the 50% share of Elektromontaż Kraków);
- Elmont Inwestycje Sp. z o.o. seated in Kraków – subsidiary indirectly (88.6%, including 77.2% in the 50% share of Elektromontaż Kraków);
- Elektromontaż Kraków S.A. – subsidiary indirectly (77.2%), including 65.4% of capital and votes belongs to PROCHEM Inwestycje a 100% subsidiary. Elektromontaż Kraków S.A. prepares consolidated financial statements, which contains data of a 100% subsidiary: ELMONT-POMIARY Sp. z o.o. z seated in Kraków and two associated companies ELPRO Sp. z o.o. and Elmont-Inwestycje Sp. z o.o.;
- IRYD Sp. z o.o. seated in Warsaw – 100% subsidiary indirectly ;
- ATUTOR Integracja Cyfrowa Sp. z o.o. seated in Warsaw – subsidiary indirectly (87.3% share belongs to company PROCHEM Inwestycje Sp. z o.o. 100% subsidiary);
- PROCHEM RPI Sp. z o.o. seated in Warsaw - 100% subsidiary (including 3.33% of capital and votes belongs PROCHEM Inwestycje).

Jointly controlled entities and associates valued with equity method :

- ITEL Sp. z o.o. seated in Gdynia – 42,0% of share (18.7% of votes and capitals belongs directly to PROCHEM S.A., and 23.3% belongs to PROCHEM RPI Sp. z o.o. a 100% subsidiary);
- Irydion Sp. z o.o. seated in Warsaw – 50% of share;

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

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

5. Adopted accounting principles applied by the Capital Group and the Issuer

Principles of presentation

The interim condensed consolidated financial statements of PROCHEM S.A. Capital Group and separate interim condensed financial statements for the nine months of 2014 were 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 equivalents required by the law of a non-Member State (Official Journal no. 33, item 259). The interim condensed 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 financial year ended 31 December 2013.

The interim condensed consolidated financial statements of PROCHEM S.A. Capital Group and separate interim condensed financial statements have been prepared assuming a going concern in the foreseeable future and it is stated that there is no evidence indicating that PROCHEM Capital Group and Issuer will not be able to continue their operations as a going concern.

The duration of the activities of separate entities belonging to PROCHEM S.A. Capital Group is not limited.

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

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

Principles of preparation of financial statements

These financial statements have been 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.

Significant accounting policies and changes in IFRS

The interim condensed consolidated financial statements and separate interim condensed financial statements have been prepared using the same accounting principles and the same calculation methods which were applied in the consolidated financial statements of PROCHEM S.A. Capital Group and separate financial statements of PROCHEM S.A. for the year ended 31 December 2013.

The Group and the Parent Entity will apply announced changes in IFRS, not yet effective as at the date of presentation of the interim condensed consolidated financial statements, in accordance with their effective date. 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.

Change in estimates

In the period of the nine months of 2014 there were no significant changes in estimates.

Functional currency and presentation currency of the financial statements

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

The financial result and financial position of the Representative Office in Belarus are translated using the following procedures:

- assets and liabilities are translated at the closing rate at the date of statement of financial position,
- revenues and expenses are translated at the average exchange rate, and

- arisen exchange differences are recognized in the statement of comprehensive income.

6. 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 2014, there were no significant events that would have an impact on the achieved results of PROCHEM S.A.Capital Group and the Issuer.

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

In the third quarter of 2014 the events of untypical nature did not occur.

Other events affecting the financial results of the Capital Group in third quarter of 2014:

- a) was resolved provision for deferred income tax which was created in the previous periods in the amount of PLN 527 thousand, and provision was created in the amount of PLN 275 thousand,
- b) deferred tax assets were used in the amount of PLN 277 thousand, and were created in the amount of PLN 398 thousand,
- c) provisions to costs created in the previous years were used in the amount of PLN 479 thousand,

Other events affecting the financial results of the Issuer in third quarter of 2014:

- a) was resolved provision which was created in the previous periods for deferred income tax in the amount of PLN 189 thousand, and provision was created in the amount of PLN 158 thousand,
- b) deferred tax assets were used in the amount of PLN 253 thousand, and were created in the amount of PLN 261 thousand,
- c) provision to future costs which was created in the previous periods was used in the amount of PLN 233 thousand.

8. Explanatory notes concerning seasonality or cyclicity of the Issuer's activities in the reporting period

Operational activities of the Group and the Issuer neither have seasonal character nor is subject to cyclic trends, except for the segment of the general contracting and rental of construction equipment, which are characterized by seasonality, which in large extent is caused by the weather conditions. Weather conditions have an impact on the volume of the revenue generated in these segments. Lower revenues are achieved during the winter season, when the weather conditions do not allow for execution of some construction work.

9. Information concerning the issue, repurchase and repayment of non-equity securities and equity securities

In third quarter of 2014 and in the period of the nine months of 2014 economic operations of this type did not occur.

10. Information on paid (or declared) dividend, total and per share, broken down into ordinary shares and preference shares

In the reporting period the Issuer did not pay dividend.

11. 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

On October 20, 2014 the Issuer granted a loan a jointly controlled entity Irydion Sp. z o.o. seated in Warsaw in the amount of PLN 500 thousand, with repayment date until 31 December 2014. The interest was set at 3% per annum.

12. Related party transactions

In third quarter of 2014 and in the period of the nine months of 2014 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 and loans granted mutually.

Settlements with related parties include trade settlements, and under loans.

Guarantees and sureties granted to related parties are presented in item 12.

Transactions of the Capital Group with entities valued under equity method

The reporting period

As at 30 September 2014 the settlements of the Group with jointly controlled and associated entities developed as follows:

- Receivables from non-current loans - PLN 11,484 thousand
- Trade and other receivables – PLN 105 thousand
- Trade payables – PLN 5 thousand

In the period from 1 January 2014 to 30 September 2014 there were the following transactions with jointly controlled and associated entities:

- revenues from sale of services – PLN 12,710 thousand
- financial revenues from interest on loans – PLN 212 thousand.

Revenues from sale of services totally concern company jointly controlled Irydion sp. z o.o. seated in Warsaw, on behalf of which the investment project is implemented under the name of "ASTRUM Business Park" in Warsaw.

Share in net loss for three quarters of 2014 in the entities valued using the equity method amounted to PLN 83 thousand.

The comparative data

In the period from 1 January 2013 to 30 September 2013 the transactions occurred with entities valued using equity method, under:

- revenues from sale of services in the amount of PLN 9,934 thousand,
- financial revenues (interest on loan granted) in the amount of PLN 223 thousand.

Share in net profit (loss) for three quarters of 2014 in the entities valued using the equity method amounted to PLN 216 thousand.

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

- trade receivables – PLN 741 thousand,
- trade payables – PLN 21 thousand,

- non-current loans granted – PLN 11,223 thousand,
- current loans granted – PLN 101 thousand.

Transactions of the Issuer with subsidiaries

Data for the reporting period

As at 30 September 2014 the settlements of the Issuer with subsidiaries directly and indirectly developed as follows:

Receivables under non-current loans with interest – PLN 26,457 thousand,
Receivables under current loans with interest - PLN 81 thousand,
Trade and other receivables - PLN 4,890 thousand
Liabilities under current loan with interest - PLN 959 thousand
Trade payables – PLN 1,351 thousand

In the period from 1 January 2014 to 30 September 2014 there were the following transactions of the Issuer with subsidiaries directly and indirectly:

sale and purchase of construction services,
sale of other services (rental of space),
Total revenues from these transactions amounted to – PLN 164 thousand
Revenues from interest on loans amounted to - PLN 411 thousand
Remuneration under valorization of the contract value – PLN 15 thousand
Dividends received – PLN 53 thousand

The comparative data

As at 30 September 2013 the settlement of the Issuer with subsidiaries directly and indirectly developed as follows:

Receivables from non-current loans with interest - PLN 16,413 thousand
Receivables from current loans with interest - PLN 2,810 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 and indirectly:

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

Transactions of the Issuer with associated and jointly controlled entities

The reporting period

As at 30 September 2014 the settlements of the Issuer with jointly controlled and associated entities developed as follows:

Receivables from non-current loans - PLN 11,484 thousand
Trade and other receivables - PLN 105 thousand
Trade payables – PLN 5 thousand

In the period from 1 January 2014 to 30 September 2014 the following transactions occurred with jointly

controlled and associated entities :

- revenues from sale of services – PLN 12,710 thousand
- financial revenues from interest on loan – PLN 212 thousand.

Revenues from sale of services totally concern company jointly controlled Irydion sp. z o.o. seated in Warsaw, on behalf of which the investment project is implemented under the name of "ASTRUM Business Park" in Warsaw.

The comparative data

As at 30 September 2013 there were the following transactions of the Issuer with jointly controlled and associated entities:

- Receivables under non-current loans - PLN 11,223 thousand (including interest PLN 224 thousand).
- Receivables under 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 the settlements of the Issuer with jointly controlled and associated entities developed as follows:

- Revenues from sale of services in the amount of PLN 9,934 thousand,
- Financial revenues (interest on loan granted) in the amount of PLN 224 thousand.

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

Contingent liabilities and contingent assets and other collateral

	Capital Group		Including Issuer	
	As at		As at	
	30 September 2014	31 December 2013	30 September 2014	31 December 2013
Collateral granted				
Bank guarantee of good performance	14 785	17 167	11 243	11 407
Guarantee of return of advance payment	27 244	29 478	27 244	29 478
Payment guarantee	997	1 134	997	1 134
Tender guarantee	64	1 235	64	1 235
Total collateral granted	43 090	49 014	39 548	43 254
Contingent liabilities				
surety of promissory notes issued by a subsidiary Pro-Inhut Sp. z o.o. seated in Dąbrowa Górnicza on behalf of investor to secure claims concerning good performance	247	-	247	-
bill of exchange surety of good performance	-	35	-	-
Letters of Credit	2 320	-	2 320	-
Total collateral granted and contingent liabilities	45 657	49 049	42 115	43 254
	As at			
	30 September 2014		31 December 2013	
Collateral received				
Bank guarantee of good performance		1 693		1 206
Bill of exchange surety of the terms of contract		77		577
Total collateral received		1 770		1 783

Collateral received relate only to the Issuer.

Contingent receivables from PERN are presented in item 17.

14. 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 4 January was completed the liquidation procedure of the subsidiary PRO-PLM Sp. z o.o. seated in Warsaw. Company PRO-PLM Sp. z o.o. was a 100% subsidiary.

On 7 January 2014 the company PROCHEM Inwestycje Sp. z o.o. seated in Warsaw (100% subsidiary) on the basis of the contract of sale of shares acquired 10,000 shares with the nominal value of PLN 5 each, in company Elektromontaż Kraków S.A. seated in Kraków (subsidiary). The total sale price was set as PLN 500 thousand.

On 28 March 2014 on the basis of the contract of sale Spółka PROCHEM S.A. acquired 20% of shares in company PROCHEM Zachód Sp. z o.o. seated in Warsaw (subsidiary), i.e. 32 shares with nominal value of PLN 1 thousand with total value of PLN 320 thousand. The total sale price was set as PLN 100 thousand. After the transaction the Issuer has 80% of share capital and 80% in total number of votes of the company PROCHEM Zachód.

On 27 May 2014 PROCHEM Inwestycje Sp. z o.o. seated in Warsaw (100% subsidiary) on the basis of the contract of sale acquired 5,000 shares with the nominal value of PLN 5 each, in company Elektromontaż Kraków S.A. seated in Kraków (subsidiary). The total sale price was set as PLN 115 thousand.

In the period of nine months of 2014 subsidiary Elektromontaż Kraków S.A. repurchased 3 288 own shares for redemption for total amount of PLN 77 thousand. As result of repurchase of own shares for redemption by Elektromontaż Kraków S.A. has occurred a change in the structure of participation. Share of the Parent Company increased by 6.8% percentage points.

As at 30 September 2014 share of the Parent Company in capital and votes of Elektromontaż Kraków increased by 6.8% percentage points to 77.2%.

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

Management Board of PROCHEM S.A. did not publish any forecasts of financial results neither for the company nor PROCHEM S.A. Capital Group for 2014.

16. Shareholders holding directly or indirectly through subsidiaries, at least 5% of the total number of votes at the General Meeting of the Issuer at the date of this quarterly report, including the number of owned shares, their percentage of the share capital, the number of votes from them and their percentage share in 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

According to the knowledge of the Company as 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 held	% of votes in total	% of share capital
		number of votes	
POROZUMIENIE PHC, including:	1 179 483	30.31	30.28
Steve Tappan	510 000	13.09	13.09
Otwarty Fundusz Emerytalny PZU „Złota Jesień“	387 521	9.94	9.95
Legg Mason Towarzystwo Funduszy Inwestycyjnych S.A., including:	560 549	14.39	14.39
- Legg Mason Parasol Fundusz Inwestycyjny Otwarty „Legg Mason Parasol FIO“	284 054	7.29	7.29
Noble Funds Towarzystwo Funduszy Inwestycyjnych S.A. including:	207 792	5.33	5.33
Nobile Funds Fundusz Inwestycyjny Otwarty (QUERCUS Parosolowy SFIO, QUERCUS Absolute Return FIZ and QUERCUS Absolutnego Zwrotu FIZ) manager by przez Quercus Towarzystwo Funduszy Inwestycyjnych S.A.	198 466	5.09	5.09
	204 198	5.24	5.24

In the period since the annual report for 2013 rok, on 7 June 2014 the Annual Meeting of Shareholders was informed about a change in shares owned:

- POROZUMIENIE PHC the increase by 1 163 shares, including:
 - Steven Tappan by 203 shares,
- Otwarty Fundusz Emerytalny PZU „Złota Jesień“ the increasing by 521 shares.
In addition:
- On 21 August 2014 Issuer was informed that as a result of the acquisition of shares of PROCHEM SA, the participation of the one of the funds managed by Nobile Funds TFI SA, ie. Nobile Funds Fundusz Inwestycyjny Otwarty exceeded 5% of the total number of votes in the company PROCHEM SA, before the transaction, the Fund held 192 446 shares representing 4.94% of the share capital and 192 446 votes from these shares, representing 4.94% of the total number of votes. After the transaction, the Fund holds 198 446 shares of the company PROCHEM SA, representing 5.09% of the share capital and 198 446 votes from these shares, representing 5.09% of the total number of votes.
- On 21 October 2014 the Issuer was informed that as a result of the transaction on the regulated market, investment funds (QUERCUS Parosolowy SFIO, QUERCUS Absolute Return FIZ and QUERCUS Absolutnego Zwrotu FIZ) managed by Quercus TFI SA exceeded 5% of the total number of votes at the General Meeting. Before the transaction, the Funds held total 994 of PROCHEM S.A. shares, representing 4.98% of the share capital and 193 994 votes from these shares, representing 4.98% of the total number of votes. After the transaction the Funds held total 201 198 shares, representing 5.24% of the Company's share capital and 201 198 votes from these shares, representing 5.24% of the total number of votes.

17. 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 separate financial statements the following members of the Management Board and the Supervisory Board of the company held shares of PROCHEM SA:

- Jarosław Stępniewski – 80,943 units;
- Marek Kiersznicki – 70,393 units;
- Krzysztof Marczak – 43,700 units;
- Andrzej Karczykowski – 115,186 units;
- Marek Garliński – 86,400 units;
- Steven Tappan – 510,000 units.

Since the submission of the annual report for 2013 there has been a change in the number of shares of the issuer held by the members of the Management Board and the Supervisory Board:

Increase:

- Steven Tappan – 203 shares,
- Marek Kiersznicki – 250 shares,
- Krzysztof Marczak – 1000 shares

18. 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 which 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, determining total value of 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 SA 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 SA 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 commenced the work associated with the preparation of the supplementary opinion.

On 25 February 2014 the Court received the supplementary opinion that confirms the amount of the claim of PROCHEM S.A.

On 24 October 2014, the court suspended of its own motion the proceedings until remove formal obstacles, which to be removed in the coming days, and will be submitted a request to continue the proceedings and setting of a deadline for the next meeting.

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 group of liabilities and as well as group of receivables does not exceed 10% of the equity of the Issuer's Capital Group.

19. 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) subject of the transaction,
- b) connections of the issuer or its subsidiary with a party to the transaction
- c) the material terms of the transaction, with particular emphasis on financial conditions and an indication of the specific conditions determined by the parties, characteristic of this agreement, in particular different from those commonly applied for such contracts.

In the period of nine months of 2014 the transactions concluded on other terms than on market conditions did not occur.

Within nine months of 2014 the Issuer granted a jointly-controlled company Irydion Sp. z o.o. seated in Warsaw a loan in the amount of PLN 3,000 thousand, with repayment date until 31 December 2014. The interest was set at 3% per annum.

20. Information on sureties for loan or borrowing or guarantee granted by the issuer or by its subsidiary – jointly to one entity or its subsidiary, if the total value of existing surety or guarantees is equivalent to at least of the Issuer's equity

In 2014 none of the companies belonging to the Capital Group has granted other entity a warranty or surety for a loan or borrowing of this value.

On 14 February 2014 the Company underwrote two promissory notes issued by subsidiary PRO-INHUT Sp. z o.o. based in Dąbrowa Górnicza on behalf of investor in order to secure the claims. The value of the surety as at September 30, 2014 amounted to PLN 247 thousand.

21. Other information that in the Issuer's opinion 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

Low debt levels and high liquidity allow to the Companies from the Group for accurate and timely service of obligations which means that they are a reliable partner in business transactions.

22. Factors which in the opinion of the Issuer will have an impact on its financial performance in at least the subsequent quarter

In the subsequent quarter, the 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.

23. Financial instruments and financial risk management

Financial assets

As at 30 September 2014

(in PLN thousands)	Separate financial statements		Consolidated financial statements	
	As at 30 September 2014	As at 31 December 2013	As at 30 September 2014	As at 31 December 2013
Classes of financial instruments				
Receivables from supplies and services	50 078	38 3870	52 020	46 479
Cash	9 170	3 725	13 091	8 249
Loans granted	41 247	37 449	14 511	11 497
Other financial assets – discounted security deposit for securing bank guarantee of return of advance payment	7 424	8 763	7 424	8 763
Total	107 919	88 807	87 046	74 988

Financial liabilities

As at 30 September 2014

(in PLN thousands)	Separate financial statements			Consolidated financial statements		
	Financial liabilities measured at amortized cost	Liabilities excluded from IAS 39 financial	Total	Financial liabilities measured at amortized cost	Liabilities excluded from IAS 39 financial	Total
Classes of financial instruments						
Loans	8 659	-	8 659	12 891	-	12 891
Borrowings	959	-	959	60	-	60
Finance lease	-	-	-	-	598	598
Payables	24 040	-	24 040	30 528	-	30 528
	33 658	-	33 658	43 479	598	44 077

As at 31 December 2013

(in PLN thousands)	Separate financial statements			Consolidated financial statements		
	Financial liabilities measured at amortized cost	Liabilities excluded from IAS 39 financial	Total	Financial liabilities measured at amortized cost	Liabilities excluded from IAS 39 financial	Total
Classes of financial instruments						
Loans	-	-	-	4 411	-	4 411
Borrowings	-	-	-	60	-	60
Finance lease	-	-	-	-	374	374
Payables	17 767	-	17 767	26 799	-	26 799

17 767	-	17 767	31 270	374	31 644
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Impairment allowance of financial assets by categories and classes of financial assets

(in PLN thousands)	Separate financial statements		Consolidated financial statements	
	As at 30 September 2014	As at 31 December 2013	As at 30 September 2014	As at 31 December 2013
Receivables from supplies and services	(5 613)	(5 796)	(7 209)	(7 221)
Other financial assets	(207)	(207)	-	-
Total	(5 820)	(6 003)	(7 209)	(7 221)

Liquidity risk related to the dispute in court with PERN SA

In view of the substantial extension of legal proceeding in a dispute with PERN SA which began in 2006, and is currently pending before the District Court in Warsaw on the accounting for the contract interrupted on 10 of November 2005 for the implementation of an investment project under the name of "Pipeline in a section from the ST-1 Adamowo - to Plebanka raw material base ", the risk exists of the need of fulfilling in 2014 by PROCHEM the commitments concerning seized guarantee deposits from subcontractors, which as at the balance sheet date amounted to PLN 2 928 thousand, before the security deposits retained by PERN SA are refunded. Amounts due under the deposit of PROCHEM SA from PERN SA as at 31 December 2013 amounted to PLN 17 364 thousand. The Company believes that the risk is minimal, but the Board of PROCHEM SA takes into account a necessity of accumulation of adequate funds for this purpose. A detailed description of the dispute is presented in item 17.

24. Financial reporting by business and geographical segments

Operating segment is a component part of the entity:

- that engages in business activity from which it can obtain income and incur expenses,
- whose operating results are regularly reviewed by the body responsible for making operating decisions of the Company,
- in case of which is available a separate financial information.

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

Expenses of the segment are the expenses composed of costs relating to the sale to external customers.

Segment result is determined on the level of operating income.

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.

Within nine months of 2014 operating revenues achieved by the Parent Company, abroad (exports) and included in the consolidated income statement amounted to PLN 30,096 thousand, which represents 26.5% of revenues from sale. In the analogous period of the previous year these revenues amounted to PLN 908 thousand, which accounted for 0.9% of total sales.

Information on major customers of the Group, which share in the sales revenue which was recognized in consolidated profit and loss account for the first half of 2014 exceeded 10% of revenues from sale:

- Belarusian client – 37.75% share of the revenues from the sale, which has been shown in the segment "General Contracting" and "Design and other engineering services";
- Irydion Sp. z o.o. jointly controlled company – 11.2% share of the revenues from the sale, which has been presented in the segment "General Contracting" and "Design and other engineering services".
- Client - producer of rapeseed oil for technical purposes – 12.1% share of the revenues from the sale, which has been presented in the segment "General Contracting" and "Design and other engineering services".

Assets of Representation in Belarus as at September 30, 2014 year did not exceed 10% of total assets reported in the separate statement of financial position and in the consolidated statement of financial position.

Unallocated assets to segments are primarily shares in jointly controlled entities and associates and loans granted. With respect to the above-mentioned assets there is no evidence of the possible loss of value as at 30 June 2014. In addition, as at the balance sheet date the Group has carried out the analysis of contracts on construction works in the light of the budgeted results. For all contracts in which the budgeted costs exceeded the budgeted income, the Group created provisions to cover losses as at the balance sheet date.

Detailed information on the activities of PROCHEM S.A. and companies belonging to the Group in the various segments are shown in the following tables.

Operating segments – PROCHEM S.A. for three quarters of 2014 – results of the segments

The current period from 1 January to 30 September 2014

	General contracting	Design and engineering services	Rental of construction equipment	Other	Items not assigned	Total
Revenues from clients	59 706	16 007	3 516	1 024	-	80 253
Total revenue of the segment	59 706	16 007	3 516	1 024	-	80 253
Result						
Profit (loss) of the segment	9 241	-5 682	1 461	-155	-	4 865
Financial income	-	-	-	-	880	880
Finance expenses	-	-	-	-	-1 494	-1 494
Net financial income	-	-	-	-	-614	-614
Profit on other operating activities	-	-	-	-	92	92
Profit before tax	-	-	-	-	4 343	4 343
Income tax	-	-	-	-	912	912
Profit for the current period	-	-	-	-	3 431	3 431
Assets						
Segment assets (related to activity)	49 200	2 894	1 854	934	-	54 882
Assets unallocated (among others shares and other financial assets)	-	-	-	-	82 135	82 135
Total assets	49 200	2 894	1 854	934	82 135	137 017
Depreciation of property, plant and	34	4	101	-	421	560
						27

equipment

Amortization of intangible assets - - - - 71 71

The comparative period from 1 January to 30 September 2014

	General contracting	Design and engineering services	Rental of construction equipment	Other	Items not assigned	Total
Revenues from 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 (loss) 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 current 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

Operating segments – PROCHEM S.A. Capital Group for three quarters of 2014 – results of the segments

The current period from 1 January to 30 September 2014

	General contracting	Design and engineering services	Rental of construction equipment	Assembly of electrical installations	Rental of office space and real estate	Property management	Maintenance	Commercial activity	Other IT services	Other	Items not assigned	Total
Revenues from clients	60 508	18 958	3 519	16 030	3 789	4 054	1 137	4 295	218	955	-	113 463
Total revenues of the segment	60 508	18 958	3 519	16 030	3 789	4 054	1 137	4 295	218	955	-	113 463
Result												
Profit (loss) of the segment	9 113	-5 770	1 460	319	776	169	68	121	-	-393	-	5 863
Financial income	-	-	-	-	-	-	-	-	-	-	499	499
Finance expenses	-	-	-	-	-	-	-	-	-	-	-1 779	-1 779
Net financial income	-	-	-	-	-	-	-	-	-	-	-1 280	-1 280
Profit sharing in associated entities	-	-	-	-	-	-	-	-	-	-	-83	-83
Profit on other operating activities	-	-	-	-	-	-	-	-	-	-	79	79
Profit before tax	-	-	-	-	-	-	-	-	-	-	4 579	4 579
Income tax	-	-	-	-	-	-	-	-	-	-	926	926
Profit for the period	-	-	-	-	-	-	-	-	-	-	3 653	3 653
Profit for the period assigned to non-controlling interest	-	-	-	-	-	-	-	-	-	-	41	41
Profit for the period assigned to shareholders of parent entity	-	-	-	-	-	-	-	-	-	-	3 612	3 612
Assets												
Segment assets (related to activity)	45 289	6 783	1 871	8 153	17 922	3 608	495	1 274	-	756	-	86 151
Assets unallocated (among other shares and other financial assets)											116 080	116 080
Total assets	45 289	6 783	1 871	8 153	17 922	3 608	495	1 274	-	756	116 080	202 231
Other information related to segment												
Depreciation of property, plant and equipment	60	91	102	233	490	92	62	31	-	-	454	1 615
Amortisation of intangible assets	-	62	-	6	1	-	2	1	-	-	71	143

The current period from 1 January to 30 September 2013

	General contracting	Design and engineering services	Rental of construction equipment	Assembly of electrical installations	Rental of office space and real estate	Property management	Maintenance	Commercial activity	Other IT services	Other	Items not assigned	Total
Revenues from clients	30 686	26 775	1 936	28 626	3 802	3 921	-	5 015	225	1 058	-	102 044
Total revenues of the segment	30 686	26 775	1 936	28 626	3 802	3 921	-	5 015	225	1 058	-	102 044
Result												
Profit (loss) 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
Profit onn other operating activities	-	-	-	-	-	-	-	-	-	-	3 168	3 168
Profit before tax	-	-	-	-	-	-	-	-	-	-	2 945	2945
Income tax	-	-	-	-	-	-	-	-	-	-	792	792
Profit for the period	-	-	-	-	-	-	-	-	-	-	2 153	2 153
Profit for the period assigned to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-84	-84
Profit for the period 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 other 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
Amortisation of intangible assets	-	40	-	10	7	1	-	-	-	-	68	126

25. Approval of financial statements

Interim condensed financial statements were authorized to issue by the Management Board on 14 November 2014.

Signatures of the Members of Management Board

14 November 2014 date	Jarosław Stępniewski first name and surname	Chairman of the Board position signature
14 November 2014 date	Marek Kiersznicki first name and surname	Vice Chairman position signature
14 November 2014 date	Krzysztof Marczak first name and surname	Vice Chairman position signature

Signature of the person responsible for bookkeeping

14 November 2014 date	Barbara Auguścińska-Sawicka first name and surname	Chief Accountant position signature
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