

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

Contents:

- Selected financial data
- Interim condensed consolidated financial statements as at and for the period of twelve months ended 31 December 2014
- Interim condensed separate financial statements as at and for the period of twelve months ended 31 December 2014
- 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.

www.prochem.com.pl

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

Table of content

I.	Selected financial data...	3
II.	Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group	5
	1. Consolidated statement of financial position	5
	2. Consolidated profit and loss account	6
	3. Consolidated statement of comprehensive income	7
	4. Consolidated statement of changes in equity	7
	5. Consolidated statement of cash flows	8
III.	Interim condensed separate financial statements of PROCHEM S.A.	10
	1. Separate statement of financial position	10
	2. Separate profit and loss account	11
	3. Separate statement of comprehensive income	11
	4. Separate statement of changes in equity	12
	5. Separate statement of cash flows	12
IV.	Notes on adopted accounting principles (policy) and other explanatory notes	14

I. Selected financial data

Revenues from sales, and profits expressed in PLN, and Statement of cash flows are translated into EURO at 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 four quarters of 2014 - 4.1885 PLN/EURO
- for four quarters of 2013 - 4.2110 PLN/EURO

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, which as at balance-sheet date amounted to:

- 4.2623 PLN/EURO as at 31 December 2014
- 4.1472 PLN/EUR as at 31 December 2013

Selected financial data of PROCHEM S.A. Capital Group

Description	Reporting period ended 31 December		Reporting period ended 31 December	
	2014	2013	2014	2013
	In PLN thousands		In EURO thousands	
Consolidated profit and loss account				
Revenues from sales	176 020	140 489	42 024	33 362
Gross profit on sales	22 860	14 929	5 458	3 545
Results from operating activities	5 686	-737	1 358	-175
Profit before tax	5 000	-394	1 194	-94
Profit for the period assigned to:	3 107	-1 013	742	-241
Shareholders of parent entity	3 580	-34	855	-8
Non-controlling interest	-473	-979	-113	-232
Profit/diluted profit (in PLN//EUR0)- assigned to shareholders of parent entity	0.92	-0.01	0.22	0.00
Consolidated statement of cash flows				
Nat cash provided by (used in) operating activities	-2 899	7 539	-692	1 790
Net cash provided by (used in) investing activities	-7 578	984	-1 809	234
Net cash provided by (used in) financing activities	8 834	-7 070	2 109	-1 679
Total cash flow, net	-1 643	1 453	-392	345

Description	As at		As at	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	In PLN thousands		In EURO thousands	
Consolidated statement of financial position				
Total assets	202 760	189 572	48 559	45 711
Total non-current assets	99 865	104 356	23 917	25 163
Total current assets	102 895	85 216	24 643	20 548
Owners' equity	113 303	107 422	27 135	25 902
Non-controlling interest	9 244	12 337	2 214	2 975
Total equity	122 547	119 759	29 349	28 877
Total non-current liabilities	7 470	24 277	1 789	5 854
Total current liabilities	72 743	45 536	17 421	10 980
Book value per one ordinary share (in PLN/EURO)-assigned to shareholders of parent entity	29.09	27.58	6.97	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 31 December		Reporting period ended 31 December	
	2014	2013	2014	2013
	In PLN thousands		In EURO thousands	
<i>Separate profit and loss account</i>				
Revenues from sales	128 334	83 340	30 639	19 791
Gross profit on sales	17 289	9 346	4 128	2 219
Results from operating activities	7 541	2 379	1 800	565
Profit before tax	6 380	8 554	1 523	2 031
Profit for the period	4 833	6 643	1 154	1 578
Profit per ordinary share (in PLN/EURO)	1.24	1.71	0.30	0.41
<i>Separated statement of cash flows</i>				
Net cash provided by (used in) operating activities	-4 295	14 272	-1 025	3 389
Net cash provided by (used in) investing activities	-6 559	-3 971	-1 566	-943
Net cash provided by (used in) financing activities	10 090	-9 740	2 409	-2 313
Total cash flow, net	-764	561	-182	133
Description	As at		As at	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	In PLN thousands		In EURO thousands	
<i>Separate statement of financial position</i>				
Total assets	140 041	121 126	32 856	29 207
Total non-current assets	50 493	59 014	11 846	14 230
Total current assets	89 548	62 112	21 009	14 977
Total equity	78 702	73 507	18 465	17 724
Total non-current liabilities	2 558	19 893	600	4 797
Total current liabilities	58 781	27 726	13 791	6 685
Book value per ordinary share (in PLN/EURO)	20.21	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

I. Interim condensed consolidated financial statements of Capital Group**Consolidated statement of financial position as at 31 December 2014**

(all amounts in PLN thousands if not stated otherwise)

	As at 31 December 2014	As at 31 December 2013.
A s s e t s		
Non-current assets		
Property, plant and equipment	25 061	25 344
Intangible assets	190	300
Investment properties	32 960	33 603
Shares	829	843
Shares in associates and jointly-controlled entities	25 150	23 970
Deferred tax assets	2 066	1 913
Other financial assets	13 609	18 383
Total non-current assets	99 865	104 356
Current assets		
Inventories	4 500	8 962
Trade and other receivables	67 052	49 095
Other financial asset	11 209	1 877
Other assets	13 528	17 033
Cash and cash equivalents	6 606	8 249
Total current assets	102 895	85 216
Total assets	202 760	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	12 048	10 954
Retained earnings	97 360	92 573
Owners' equity	113 303	107 422
Non-controlling interest	9 244	12 337
Total equity	122 547	119 759
Non-current liabilities		
Provision for deferred income tax	2 654	2 718
Provision for retirement and similar benefits	1 985	1 844
Deferred income	1 867	19 338
Other non-current liabilities	964	377
Total non-current liabilities	7 470	24 277
Current liabilities		
Current bank loans	14 050	4 411
Current loans	60	60
Trade payables	31 399	26 799
Provisions for current income tax	724	588
Other liabilities	7 291	6 594
Deferred income	19 219	7 084
Total current liabilities	72 743	45 536
Total liabilities	80 213	69 813
Total equity and liabilities	202 760	189 572

Book value – equity assigned to shareholders of parent entity	113 303	107 422
Number of shares (units)	3 895 000	3 895 000
Book value per one shares (in PLN)	29.09	27.58

Consolidated profit and loss account for the period from 1 January 2014 to 31 December 2014

(all amounts in PLN thousands if not stated otherwise)

	Period ended 31 December 2014	Period ended 31 December 2013
Revenues from sales, including :	176 020	140 489
Revenues from sale of services	166 342	134 428
Revenues from sale of goods and materials	9 678	6 061
Cost of sales, including :	-153 160	-125 560
Cost of services sold	-144 306	-120 373
Cost of merchandise and raw materials sold	-8 854	-5 187
Gross profit on sales	22 860	14 929
General and administrative expense	-16 204	-15 157
Other operating income	1 285	4 139
Other operating expenses	-2 255	-4 648
Results from operating activities	5 686	-737
Financial income	390	2 097
Profit (loss) on sale of shares	211	-296
Finance costs	-2 467	-1 815
Profit sharing in entities valued under equity method	1 180	357
Profit before tax	5 000	-394
Income tax :	1 893	619
- current tax	2 165	903
- deferred tax	-272	-284
Profit for the period	3 107	-1 013
Profit for the period assigned to:		
Shareholders of parent entity	3 580	-34
Non-controlling interest	-473	-979
Weighted average number of ordinary shares (units)	3 895 000	3 895 000
Profit/diluted profit (in PLN per one share) assigned to shareholders of parent entity	0.92	- 0.01

Consolidated statement of comprehensive income

(all amounts in PLN thousands if not stated otherwise)

Profit for the period	3 107	-1 013
Other comprehensive income net	653	-132
<i>Other comprehensive income that will be reclassified to profit or loss under certain conditions:</i>	794	-56
Revaluation of property, plant and equipment	608	-
Exchange differences from the translation of the entity that operates abroad	280	-56
Income tax on other comprehensive income	94	-
<i>Other comprehensive income that will not be reclassified to profit or loss:</i>	-141	-76
Actuarial gains (losses) on valuation of provisions for employee benefits	-174	-103
Income tax on other comprehensive income	33	27
Total comprehensive income	3 760	-1 145
Total comprehensive income attributable to:		
Shareholders of Parent Entity	4 233	-163
Non-controlling interest	-440	-982
Weighted average number of ordinary shares (units)	3 895 000	3 895 000
Total comprehensive income per ordinary share (in PLN per one share) attributable to owners of parent entity	1.09	-0.04

Consolidated statement of changes in equity for the period from 1 January 2014 to 31 December 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 31 December 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	-	-	3 580	3 580	-473	3 107
<i>Net other comprehensive income</i>	-	591	-	591	62	653
Total comprehensive income	-	591	3 580	4 171	-411	3 760
Payment of dividend	-	-	-	-	-30	-30
Acquisition of shares in company Elektromontaż Kraków S.A. and in Prochem Zachód Sp. z o.o.	-	408	968	1 376	-2 098	-722
Repurchase of own shares for redemption (Elektromontaż) – change in the structure of participation	-	95	348	443	-525	-82
Other changes	-	-	-109	-109	-29	-138
As at the end of the period	3 895	12 048	97 360	113 303	9 244	122 547

Interim condensed consolidated financial statements as at and for the period of twelve months ended 31 December 2014

	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 31 December 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	-	-	-34	-34	-979	-1 013
<i>Net other comprehensive income</i>	-	-129	-	-129	-3	-132
Total comprehensive income	-	-129	-34	-163	-982	-1 145
Payment of dividend	-	-	-3 038	-3 038	-	-3 038
Repurchase of own shares Elektromontaż S.A. for redemption – change in the structure of participation	-	32	84	116	-146	-30
Other changes – among others sale of shares in subsidiaries	-	-12	109	97	29	126
As at the end of the period	3 895	10 954	92 573	107 422	12 337	119 759

Consolidated statement of cash flows for the period from 1 January 2014 to 31 December 2014

(all amounts in PLN thousands if not stated otherwise)

	Period ended 31 December 2014	Period ended 31 December 2013
Cash flows – operating activities		
Profit (loss) before tax	5 000	-394
Total adjustments	-5 870	8 345
Share in profit of entities valued using equity method	-1 180	-357
Amortisation and depreciation	2 328	2 339
Interest and profit sharing (dividends)	271	304
(Profit) loss on disposal of PPE	60	-232
(Profit) loss on investing activities	196	296
Change in provisions	311	-424
Change in inventories	4 462	-4 450
Change in receivables and other assets	-14 840	5 849
Change in current liabilities except for borrowings and loans	5 232	-9 036
Other adjustments (including change in deferred income)	-2 710	14 056
Cash provided by (used in) operating activities	-870	7 951
Income tax paid	2 029	412
Net cash provided by (used in) operating activities	-2 899	7 539
Cash flows – investing activities		
Inflows	559	2 707
Disposal of intangible assets and PPE	348	474
Inflows from financial assets, including :	211	2 233
a) in related entities	-	377
- disposal of financial assets (shares)	-	276
- repayment of loan granted with interest	-	101
b) in other entities	211	1 856
- disposal of financial assets (shares)	211	1 856

Interim condensed consolidated financial statements as at and for the period of twelve months ended 31 December 2014

Outflows	-8 137	-1 723
Acquisition of intangible assets and PPE	-1 415	-1 513
For financial assets, including:	-6 722	-210
a) In jointly-controlled and associated entities	-6 722	-210
- acquisition of assets	-722	-110
- loans granted	-6 000	-100
Net cash flows provided by (used in) investing activities	-7 578	984
<hr/>		
Cash flows – financing activities		
Inflows	9 774	3 339
Bank loans	9 771	3 232
Borrowing	-	60
Other financial inflows	3	47
Outflows	-940	-10 409
Dividend paid	-	-3 038
Other than payments to shareholders, expenses under profit distribution	-112	-272
Repayment of bank loans	-193	-6 347
Repayment of borrowings	-	-29
Payments of liabilities under finance lease agreements	-64	-90
Interest and commission paid	-546	-513
Other financial outflows	-25	-120
Net cash provided by (used in) financing activities	8 834	-7 070
<hr/>		
Total cash flows, net	-1 643	1 453
Net increase/(decrease) in cash and cash equivalents	-1 643	1 453
Cash and cash equivalents at the beginning of the period	8 249	6 796
Cash and cash equivalents at the end of the period	6 606	8 249

II. Interim condensed separate financial statements of PROCHEM S.A.**Separate statement of financial position as at 31 December 2014**

(all amounts in PLN thousands if not stated otherwise)

	As at 31 December 2014	As at 31 December 2013
A s s e t s		
Non-current assets		
Property, plant and equipment	1 799	1 981
Intangible assets	151	201
Shares in subsidiaries and other entities	10 162	10 060
Shares in associated entities	5 210	5 210
Deferred tax assets	1 135	656
Other financial assets	32 036	40 906
Total non-current assets	50 493	59 014
Current assets		
Inventories	2 504	3 126
Trade and other receivables	60 267	39 407
Other financial assets	19 382	5 306
Other assets	4 433	10 548
Cash and cash equivalents	2 962	3 725
Total current assets	89 548	62 112
Total assets	140 041	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	1 312	950
Retained earnings	73 495	68 662
Total equity	78 702	73 507
Non-current liabilities		
Provision for retirement and similar benefit	711	531
Deferred income	1 827	19 338
Other non-current liabilities	20	24
Total non-current liabilities	2 558	19 893
Current liabilities		
Current bank loans	9 448	-
Current loans	957	-
Trade payables	25 591	17 767
Provisions for current income tax	684	563
Other liabilities	4 091	3 017
Deferred income	18 010	6 379
Total current liabilities	58 781	27 726
Total liabilities	61 339	47 619
Total equity and liabilities	140 041	121 126
Number of shares (units)	3 895 000	3 895 000
Book value per one share (in PLN)	20.21	18.87

**Separate statement of comprehensive income
for the period from 1 January 2014 to 31 December 2014**

(all amounts in PLN thousands if not stated otherwise)

	Period ended 31 December 2014	Period ended 31 December 2013
Revenues from sales, including:	128 334	83 340
Revenues from sale of services	128 322	82 889
Revenues from sale of goods and materials	12	451
Cost of sales, including:	-111 045	-73 994
Cost of services sold	-111 034	-73 551
Cost of merchandise and raw materials	-11	-443
Gross profit on sales	17 289	9 346
General and administrative expenses	-9 463	-7 901
Other operating income	1 100	3 783
Other operating expenses	-1 385	-2 849
Results from operating activities	7 541	2 379
Financial income	865	2 840
Profit on sale of shares in subsidiaries	-	5 087
Finance costs	-2 026	-1 752
Profit before tax	6 380	8 554
Income tax expense :	1 547	1 911
- current tax	2 045	564
- deferred tax	-498	1 347
Profit for the period	4 833	6 643

Weighted average number of ordinary shares (units)	3 895 000	3 895 000
Profit/diluted profit per one share (in PLN per one share)	1.24	1.71

Separate statement of comprehensive income

Profit for the period	4 833	6 643
Other comprehensive income (net)	361	-129
Other comprehensive income that will be reclassified to profit or loss:	502	-56
Revaluation of PPE	274	
Exchange difference from the translation of the entity which operates abroad	280	-56
Income tax on other comprehensive income	-52	
Other comprehensive income that will not be reclassified to profit or loss:	-141	-73
Actuarial losses on valuation of provisions for employee benefits	-174	-90
Income tax on other comprehensive income	33	17
Total comprehensive income	5 194	6 514

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)	1.33	1.67

Separate statement of changes in equity
For the period from 1 January 2014 to 31 December 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 31 December 2014				
As at the beginning of the period	3 895	950	68 662	73 507
Net profit of the given period	-	-	4 833	4 833
<i>Net other comprehensive income</i>	-	362	-	362
Total comprehensive income	-	362	4 833	5 195
As at the end of the period	3 895	1 312	73 495	78 702
The reporting period from 1 January 2014 to 31 December 2013				
As at the beginning of the period	3 895	1 086	65 049	70 030
Net profit of the given period	-	-	6 643	6 643
<i>Net other comprehensive income</i>	-	-129	-	-129
Total comprehensive income	-	-129	6 643	6 514
Payment of dividend	-	-	-3 038	-3 038
Other changes	-	-7	8	1
As at the end of the period	3 895	950	68 662	73 507

Separate statement of cash flows
for the period from 1 January to 31 December 2014
(all amounts in PLN thousands if not stated otherwise)

	Period of nine months ended 31 December 2014	Period of nine months ended 31 December 2013.
Cash flows – operating activities		
Profit before tax	6 380	8 554
Total adjustments	-8 750	5 718
Amortisation and depreciation	819	817
Interest and profit sharing (dividends)	-507	-474
(Profit) loss on disposal of property, plant and equipment	86	-146
(Profit) loss on investing activities recognized in profit and loss account	-	-5 087
Change in provisions	375	220
Change in inventories	622	-767
Change in receivables	-14 773	6 510
Change in current liabilities except for borrowings and loan	8 824	-11 958
Other adjustments (including deferred income)	-4 196	16 603
Cash provided by (used in) operating activities	-2 371	14 272
Income tax paid	-1 924	-
Net cash provided by (used in) operating activities	-4 294	14 272

Cash flows – investing activities

Interim condensed consolidated financial statements as at and for the period of twelve months ended 31 December 2014

Inflows	406	6 704
Disposal of intangible assets and PPE	303	452
Inflows from financial assets	103	6 252
a) In subsidiaries and associated entities:	103	6 252
- dividend received	53	304
- repayment of loans granted	-	287
- repayment of interest on loans granted	50	58
- disposal of financial assets (shares)	-	5 603
Outflows	-6 956	-10 675
Acquisition of intangible assets and PPE	-655	-1 091
For financial assets, including:	-6 301	-9 584
a) in related entities:	-6 301	-9 584
- acquisition of financial assets	-101	-54
- loans granted	-6 200	-9 530
Net cash provided by (used in) investing activities	-6 550	-3 971
<hr/>		
Cash flows – financing activities		
Inflows	10 398	-
Bank loans	9 448	-
Borrowings	950	-
Outflows	-317	-9 740
Dividend paid	-	-3 036
Loans repayment	-	-6 347
Interest, commission paid	-317	-357
Net cash provided by (used in) financing activities	10 081	-9 740
<hr/>		
Total cash flows, net	-763	561
Net increase/(decrease) in cash and cash equivalents	-763	561
Cash and cash equivalents at the beginning of the period	3 725	3 164
Cash and cash equivalents at the beginning of the period	2 962	3 725
<hr/>		

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 Stepniewski - 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 twelve 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.

1. Employment

Average employment in PROCHEM Capital Group in 2014 was 501 FTEs and in 2013 544 FTEs, including employment in the Parent Entity in 2014 was 225.6 FTEs and in 2013 207.3 FTEs.

Level of employment in PROCHEM Capital Group, in persons as at 31 December 2014 was 517 and as at 31 December 2013 567, including employment in the Parent Entity as at 31 December 2014 in persons was 230 and as at 31 December 2013 226 persons.

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 Warsaw - subsidiary directly (80.0%);
- ELPRO Sp. z o.o. seated in Krakow – subsidiary indirectly (88.7%, including 77.3% in the 50% share of Elektromontaż Kraków);
- Elmont Inwestycje Sp. z o.o. seated in Krakow – subsidiary indirectly (88.7%, including 77.3% in the 50% share of Elektromontaż Kraków);
- Elektromontaż Kraków S.A. – subsidiary indirectly (77.3%), including 65.5% 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. seated in Krakow and two associated companies ELPRO Sp. z o.o. and Elmont-Inwestycje Sp. z o.o.;
- IRYD Sp. z o.o. seated in Warsaw – subsidiary indirectly in 100%;
- ATUTOR Integracja Cyfrowa Sp. z o.o. seated in Warsaw – subsidiary indirectly (87.3% share belongs to Prochem Inwestycje Sp. z o.o. a 100% subsidiary);
- Prochem RPI Sp. z o.o. seated in Warsaw – a 100% subsidiary (including 3.33% of capital and votes belongs to 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 the joint control and exerting significant influence.

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 the joint control and exerting significant influence.

4. 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 twelve 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 twelve 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.

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 2014, there were no significant events that would have an impact on the achieved 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 fourth quarter of 2014 the events of untypical nature did not occur.

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

- a) was resolved provision for deferred income tax which was created in the previous periods in the amount of PLN 1 430 thousand, and was created provision in the amount of PLN 1 758 thousand,
- b) deferred tax assets were used in the amount of PLN 1 579 thousand, and were created in the amount of PLN 2 268 thousand,
- c) provisions to costs created in the previous years were used in the amount of PLN 324 thousand and were created provisions to costs in the amount of PLN 1 982 thousand,
- d) was made write-down for receivables in the amount of PLN 1 129 thousand, and was resolved write-down in the amount of PLN 295 thousand.

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

- a) was resolved provision for deferred income tax which was created in the previous periods in the amount of PLN 46 thousand, and was created provision in the amount of PLN 107 thousand,
- b) deferred tax assets were created in the amount of PLN 664 thousand,
- c) was used provision to future costs which was created in the previous periods in the amount of PLN 144 and was created provision in the amount of PLN 364 thousand,
- e) was made write-down for receivables in the value of PLN 1 129 thousand, and was resolved write-down in the amount of PLN 295 thousand.

As at 31 December 2014 the Capital Group, through the property experts has measured the value of land and buildings and investment property at their fair value.

Land, buildings and constructions are carried at revalued amount being its fair value. Valuation was carried out by reference to the market transaction prices for similar assets. All the real estates valued are classified according to the hierarchy of values to level 3.

Details concerning land and buildings, as well as information on the fair value hierarchy as at 31 December 2014.

The Group	Fair value as at 31 December 2013 (in PLN thousands)	Fair value as at 31 December 2014 (in PLN thousands)	Revaluation surplus recognized in other comprehensive income (in PLN thousands)
	Level 3	Level 3	Level 3
Land, including the right of perpetual usufruct	4 874	4 946	72
Buildings and constructions	17 634	18 076	442
Total	22 508	23 022	514
including the Parent Company	342	616	274

Details concerning investment properties and information on the fair value hierarchy as at 31 December 2014.

The Group	Fair value as at 31 December 2013 (in PLN thousands)	Fair value as at 31 December 2014 (in PLN thousands)	Revaluation surplus recognized in other comprehensive income (in PLN thousands)
	Level 3	Level 3	Level 3
Land, including the right of perpetual usufruct	17 533	16 747	-786
Buildings and constructions	16 070	16 213	143
Total	33 603	32 960	-643

7. 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.

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

In the fourth quarter of 2014 and in the period of the twelve months of 2014 economic operations of this type have not occurred.

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

In the reporting period the Issuer did not pay dividend.

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

Events of this type have not occurred.

11. Related party transactions

In the fourth quarter of 2014 and in the period of the twelve months of 2014 the Members of the Management Board and Supervisory Board did not enter into transactions with related parties.

Transactions with related parties as below were concluded on market conditions and relate to sale and purchase among others of construction services, assembly services, lease agreement 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 31 December 2014 the settlements of the Group with jointly controlled and associated entities developed as follows:

Receivables from non-current loans - PLN 11,524 thousand

Receivables from current loans - PLN 6,055 thousand

Trade and other receivables – PLN 105 thousand

Trade payables – PLN 12 thousand

In the period from 1 January 2014 to 31 December 2014 there were the following transactions with jointly-controlled and associated entities:

- revenues from sale of services – PLN 18,008 thousand
- financial revenues from interest on loans – PLN 280 thousand.

Revenues from sale of services totally relate to the 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 profit for the four quarters of 2014 of units valued with equity method amounted to PLN 1,180 thousand.

The comparative data

In the period from 1 January 2013 to 31 December 2013 the transactions occurred with entities valued using equity method, under:

- revenues from sale of services in the amount of PLN 21,283 thousand,
- financial revenues (interest on loan granted) in the amount of PLN 300 thousand.

Share in net profit for the four quarters of 2013 of units valued with equity method amounted to PLN 357 thousand.

As at 31 December 2013 the transactions with entities valued under equity method were as follows:

- trade receivables – PLN 723 thousand,
- trade payables – PLN 16 thousand,
- non-current loans granted – PLN – 11,300 thousand.

Transactions of the Issuer with subsidiaries

Data for the reporting period

As at 31 December 2014 the settlements of the Issuer with subsidiaries directly and indirectly developed as follows:

Receivables under non-current loans with interest – PLN 18,427 thousand,

Receivables under current loans with interest - PLN 8,173 thousand,

Trade and other receivables - PLN 5,242 thousand

Liabilities under current loan with interest PLN 957 thousand
Trade payables – PLN 3,405 thousand

In the period from 1 January 2014 to 31 December 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 292 thousand
Revenues from interest on loans amounted to - PLN 497 thousand
Remuneration under valorization of the contract value – PLN 15 thousand
Dividends received – PLN 53 thousand
Costs under interest on loans amounted to – PLN 16 thousand

The comparative data

As at 31 December 2013 the settlement of the Issuer with subsidiaries directly and indirectly developed as follows:

Receivables under non-current loans with interest - PLN 22,523 thousand.
Receivable under current loans with interest - PLN 3,429 thousand,
Trade and other receivables - PLN 5,974 thousand
Trade payables - PLN 733 thousand

In the period from 1 January 2013 to 31 December 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 582 thousand
Revenues from interest on loans amounted to - PLN 439 thousand.
Revenues from dividends received – PLN 304 thousand.
Remuneration under valorization of the contract value – PLN 93 thousand
Revenues from sale of shares – PLN 5,085 thousand

Transactions of the Issuer with associated and jointly-controlled entities

The reporting period

As at 31 December 2014 the settlement of the Issuer with jointly-controlled entities and with associated entities developed as follows:

Receivables under non-current loans - PLN 11,524 thousand.
Receivables under current loans - PLN 6,055 thousand.
Trade and other receivables - PLN 105 thousand.
Trade payables – PLN 12 thousand.

In the period from 1 January 2014 to 31 December 2014 there were the following transactions with jointly-controlled entities and with associated entities:

- revenues from sale of services – PLN 18,008 thousand.
- financial revenues under interest on loan – PLN 280 thousand.

Revenues from sale of services totally relate to the 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 31 December 2013 the settlement of the Issuer with jointly-controlled entities and with

associated entities developed as follows:

- receivables under non-current loans with interest – PLN 11,300 thousand
- trade and other receivables - PLN 722 thousand
- trade payables – PLN 16 thousand.

In the period from 1 January 2013 to 31 December 2013 the settlements of the Issuer with jointly-controlled entities and with associated entities developed as follows:

- revenues from sale of services PLN 21,283 thousand,
- financial revenues (interest on loan granted) in the amount of PLN 300 thousand.

12. 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 As at		Including the Issuer As at	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Collateral granted				
Bank guarantee of good performance	16 014	17 167	12 028	11 407
Guarantee of return of advance payment	25 499	29 478	25 499	29 478
Payment guarantee	997	1 134	-	1 134
Tender guarantee	-	1 235	997	1 235
Total collateral	42 510	49 014	38 524	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	-	-
Total collateral granted and contingent liabilities	42 757	49 049	38 771	43 254
	As at			
	31 December 2014		31 December 2013	
Collateral received				
Bank guarantee of good performance		1 547		1 206
Bill of exchange surety of the terms of contract		77		577
Total collateral received		1 624		1 783

Collateral received relate only to the Issuer.

Contingent receivables from 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 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 twelve months of 2014 subsidiary Elektromontaż Kraków S.A. repurchased 3 576 own shares for redemption for total amount of PLN 82 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 6.9% percentage points.

As at 31 December 2014 share of the Parent Company in capital and votes of Elektromontaż Kraków increased by 6.9% percentage points to 77.3%.

14. 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.

15. 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 number of votes	% of share capital
1. POROZUMIENIE PHC, including: Steve Tappan	1 179 483 510 000	30.31 13.09	30.28 13.09
2. Otwarty Fundusz Emerytalny PZU „Złota Jesień“	387 521	9.94	9.95
3. Legg Mason Towarzystwo Funduszy Inwestycyjnych S.A., including: - Legg Mason Parasol Fundusz Inwestycyjny Otwarty „Legg Mason Parasol FIO”	560 549 284 054	14.39 7.29	14.39 7.29
4. (QUERCUS Parosolowy SFIO, QUERCUS Absolute Return FIZ oraz QUERCUS Absolutnego Zwrotu FIZ) manager by Quercus Towarzystwo Funduszy Inwestycyjnych S.A.	204 198	5.24	5.24

In the period since the annual report for 2013, on 7 June 2014 of the Annual Meeting of Shareholders, the Group was informed about a change in number of 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 S.A., 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 S.A., 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 S.A., 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 Zwotu 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 193 994 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.
- On 9 February 2015 the Issuer was informed that in result of sale of shares by Noble Funds Funduszu Inwestycyjnego Otwartego managed by Noble Funds Towarzystwo Funduszy Inwestycyjnych S.A. (hereinafter the Fund) fell below the threshold of 5% of the total number of votes in the Company. Prior to the change the Fund held 199,908 shares of the Company representing 5.13% of share capital and 5.13% of the total number of votes. After the change the Funds holds 193,595 of the Company's shares representing 4.97% of the Company's share capital and 4.97% of the total number of votes.

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 consolidated quarterly report the following members of the Company's Management Board and the Supervisory Board held shares of PROCHEM S.A.:

- Jarosław Stepiński – 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.

In the period from the annual report for 2013 years there was a change in the number of the Issuer's shares held by the members of the Management Board and the Supervisory Board:

1. Increase:
 - Krzysztof Marczak – 1000 shares
 - Marek Kiersznicki – 250 shares

17. Proceedings pending before the court, competent authority for arbitration or public administration body 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 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 Management Contracting for an investment project under the name of "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 receivables under the seized guarantee deposits, and remaining amount is the contingent receivables. On 18 January 2008 District Court in Warsaw issued a judgment in this case considering claim of PROCHEM S.A. as right in principle, while stating that this obligation is not due yet. On 26 August 2008 the Court of Appeal in Warsaw issued a final judgment on the appeal from the above mentioned judgment of the District Court lodged by PROCHEM S.A., 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 to the District Court to make accounting for the mentioned above contract pursuant to the provisions of the contract. This finding is in compliance with the PROCHEM's position in this judicial proceedings.

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 the final settlement for the contract in dispute. In April 2011, the case file was forwarded to the expert witness, who in an opinion published in the May 2012 had 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, and against the above judgement, the defendant PERN has lodged a complaint. According to PERN SA the opinion prepared could not be the basis of the findings of facts of 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 has submitted request of the expert for granting remuneration for the drafting of opinion 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 aiming at clarifying the final conclusions of evidence, in the scope of complementing of opinions of experts 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 granted a remuneration for the expert for preparing of the opinion. In grounds for the judgment the Court determined that, at the hearing on 5 February 2013, the expert has carefully explained the methodology, which has been adopted for the preparation of the legal opinion and that the methodology is not inconsistent with the thesis of the Court, and no legitimate grounds exist to claim 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 which was scheduled for 16 May 2013 and the next date of hearing has not been appointed yet.

On 9 August 2013, the Issuer received the decision from the District Court in Warsaw 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 scope 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 the commitments which were contracted before the withdrawal from the contract. In November 2013 the experts appointed by the court started 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 hearing until the removal of formal obstacles that have now been removed and on February 6, 2015, a request was made to continue the proceedings and set a date 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.

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) subject of the transaction,
- b) connections of the issuer or its subsidiary which is the party to the transaction,
- c) the material terms of the transaction, with particular emphasis on financial conditions and the 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 twelve months of 2014 transactions concluded on terms other than market did not occur.

In the fourth quarter of 2014 the Issuer granted a jointly-controlled company a loan in the amount of PLN 3,000 thousand. In the twelve months of 2014 the Issuer granted a jointly-controlled company Irydion Sp. z o.o. seated in Warsaw loans in the amount of PLN 6,000 thousand, with repayment date until 31 December 2015. The interest was set at 3% per annum.

19. 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 had 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 December 31, 2014 amounted to PLN 247 thousand.

20. Other information that in the Issuer's opinion is essential to the assessment of the human resources, financial position, financial results and changes in them, and information that is essential to assess the possibility to fulfill its obligations by the Issuer

The low level of debt and the high financial liquidity permit the Companies from the Capital Group for the current and timely handling of obligations with the result that they are a credible partner in trade.

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

In the prospect of 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 on results of decisions concerning offers which were submitted for sale of services. The success of development projects, which have been already started by the Group also will have significant importance.

22. Financial instruments and financial risk management

Financial assets

As at 31 December 2014

(in PLN thousands)	Separate financial statements		Consolidated financial statements	
	As at 31December 2014	As at 31December 2013	As at 31December 2014	As at 31December 2013
Classes of financial instruments				
Receivables from supplies and services	59 792	38 3870	65 461	46 479
Cash	2 962	3 725	6 606	8 249
Loans granted	44 377	37 449	17 777	11 497
Other financial assets – discounted security deposit for securing bank guarantee of return of advance payment	7 041	8 763	7 041	8 763
Total	114 169	88 807	96 885	74 988

Financial liabilities

As at 31 December 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	9 448	-	9 448	14 050	-	14 050
Borrowings	957	-	957	60	-	60
Finance lease	-	-	-	-	631	631
Payables	25 591	-	25 591	31 399	-	31 399
Total	35 996	-	35 996	45 509	631	46 140

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
Total	17 767	-	17 767	31 270	374	31 644

Impairment allowances of financial assets by categories and classes of financial assets

(in PLN thousands)	Separate financial statements		Consolidated financial statements	
	As at 31December 2014	As at 31December 2013	As at 31December 2014	As at 31December 2013
Receivables from supplies and services	(5 515)	(5 796)	(6 973)	(7 221)
Other financial assets	(207)	(207)	-	-
Total	(5 722)	(6 003)	(6 973)	(7 221)

Liquidity risk related to the dispute in court with PERN SA

In view of the substantial prolongation of legal proceeding in a dispute with PERN SA which was started in 2006, and is 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 the commitments by PROCHEM in 2014 concerning seized guarantee deposits of subcontractors, which as at the balance sheet date amount to PLN 2 928 thousand, before recovering the security deposits retained by PERN SA. Amounts due under the deposit of PROCHEM S.A. from PERN SA as at 31 December 2014 amounted to PLN 17 364 thousand. In the Company's opinion the risk is minimal, but the Management Board of PROCHEM S.A. takes into account a necessity of accumulation of adequate funds for this purpose. A detailed description of the dispute is presented in item 17.

23. Financial reporting by business and geographical segments

Operating segment is a component part of the entity:

- that engages in business activity in relation to which it can obtain income and incur expenses,
- whose operating results are regularly reviewed by the body responsible for making operating decisions in 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 which are 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 Capital Group and the Issuer for the purposes of management was divided into eleven basic operational departments such as: implementation (General contracting), design service and other engineering services (supervisions and the of contract engineer services), rental of construction equipment, and other activities, which include among other income from subletting, sale of the photocopy service and other.

Segment assets include all assets used by a segment, which consist mainly of receivables, inventories and property, plant and equipment after deduction of value of provisions and impairment losses. Some assets of the common use are attributed to these segments based on reasonable weight.

Within twelve months of 2014 operating revenues achieved by the Parent Company, abroad (exports) and included in the consolidated income statement amounted to PLN 60,354 thousand, which represents 47.03% of revenues from sale. In the analogous period of the previous year these revenues amounted to PLN 9 119 thousand, which accounted for 10.93% of revenues from sales.

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

- Belarusian client – 47.03% share of the revenues from the sale, which has been shown in the segment "General Contracting" and "Design services and other engineering services”;
- Irydion Sp. z o.o. jointly controlled company – 14.4% share of the revenues from the sale, which has been presented in the segment "General Contracting" and "Design services and other engineering services ”.
- Client - producer of rapeseed oil for technical purposes – 15.4% share of the revenues from the sale, which has been presented in the segment "General Contracting" and "Design services and other engineering services ”.

Assets of the Representation in Belarus as at September 30, 2014 year do not exceed 10% of balance sheet amount disclosed in the separate statement of financial position and in the consolidated statement of financial position.

Unallocated to segments assets are primarily shares in jointly controlled entities and associates and loans granted. With respect to the above-mentioned assets the premises which attest the possible loss of value as at 31 December 2014 were not identified. 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 the Group companies in different segments is presented in the following tables.

Detailed information on the activities of PROCHEM S.A. and Capital Group in different segments is presented in the following tables.

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

The current period from 1 January to 31 December 2014

	General contracting	Design services and other engineering services	Rental of construction equipment	Other	Items not assigned	Total
Revenues from clients	89 582	33 382	4 013	1 357	-	128 334
Total revenue of the segment	89 582	33 382	4 013	1 357	-	128 334
Result						
Profit (loss) of the segment	8 334	-1 449	1 418	-476	-	7 827
Financial income	-	-	-	-	864	864
Finance expenses	-	-	-	-	-2 026	-2 026
Net financial income	-	-	-	-	-1 162	-1 162
Profit on other operating activities	-	-	-	-	-285	-285
Profit before tax	-	-	-	-	6 380	6 380
Income tax	-	-	-	-	-1 547	-1 547
Profit for the current period	-	-	-	-	4 833	4 833
Assets						
Segment assets (related to activity)	61 536	1 697	618	898	-	64 749
Assets unallocated (among others shares and other financial assets)	-	-	-	-	75 292	75 292
Total assets	61 536	1 697	618	898	75 292	140 041
Depreciation of property, plant and equipment	43	5	122	-	559	729
Amortization of intangible assets	-	-	-	-	90	90

The comparative period from 1 January to 31 December 2013

	General contracting	Design services and other engineering services	Rental of construction equipment	Other	Items not assigned	Total
Revenues from clients	42 784	35 492	2 762	2 302	-	83 340
Total revenue of the segment	42 784	35 492	2 762	2 302	-	83 340
Result						
Profit (loss) of the segment	734	101	283	318	-	1 436
Financial income	-	-	-	-	7 927	7 927
Finance expenses	-	-	-	-	-1 752	-1 752
Net financial income	-	-	-	-	6 175	6 175
Profit on other operating activities	-	-	-	-	934	934
Profit before tax	-	-	-	-	8 554	8 554
Income tax	-	-	-	-	-1 911	-1 911
Profit for the current period	-	-	-	-	6 643	6 643
Assets and liabilities						
Segment assets (related to activity)	25 726	10 388	3 844	776	-	40 734
Assets unallocated (among others shares and other financial assets)	-	-	-	-	80 392	80 392
Total assets	25 726	10 388	3 844	776	80 392	121 126
Depreciation of property, plant and equipment	62	46	178	-	438	724
Amortization of intangible assets	-	-	-	-	93	93

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

The current period from 1 January to 31 December 2014

	General contracting	Design services and other 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	91 044	37 462	4 016	20 154	4 900	5 445	1 577	9 678	418	1 326	-	176 020
Total revenues of the segment	91 044	37 462	4 016	20 154	4 900	5 445	1 577	9 678	418	1 326	-	176 020
Result												
Profit (loss) of the segment	8 378	-1 348	1 417	-1 495	905	167	-732	139	-	-775	-	6 656
Financial income	-	-	-	-	-	-	-	-	-	-	390	390
Profit on sale of shares	-	-	-	-	-	-	-	-	-	-	211	211
Finance expenses	-	-	-	-	-	-	-	-	-	-	-2 467	-2 467
Net financial income	-	-	-	-	-	-	-	-	-	-	-1 866	-1 866
Profit sharing in associated entities	-	-	-	-	-	-	-	-	-	-	1 180	1 180
Profit on other operating activities	-	-	-	-	-	-	-	-	-	-	-970	-970
Profit before tax	-	-	-	-	-	-	-	-	-	-	5 000	5 000
Income tax	-	-	-	-	-	-	-	-	-	-	1 893	1 893
Profit for the period	-	-	-	-	-	-	-	-	-	-	3 107	3 107
Profit for the period assigned to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-473	-473
Profit for the period assigned to shareholders of parent entity	-	-	-	-	-	-	-	-	-	-	3 580	3 580
Assets												
Segment assets (related to activity)	58 682	4 879	618	5 676	17 716	3 152	904	1 593	-	634	-	93 854
Assets unallocated (among other shares and other financial assets)	-	-	-	-	-	-	-	-	-	-	108 906	108 906
Total assets	58 682	4 879	618	5 676	17 716	3 152	904	1 593	-	634	108 906	202 760
Other information related to segment												
Depreciation of property, plant and equipment	102	88	122	318	651	123	84	44	-	-	617	2 149
Amortisation of intangible assets	-	73	-	9	-	2	3	2	-	-	90	179

Interim condensed consolidated financial statements as at and for the period of twelve months ended 31 December 2014

The current period from 1 January to 31 December 2013

	General contracting	Design services and other 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	43 979	40 359	2 762	34 343	5 136	5 238	1 065	6 061	344	1 202	-	140 489
Total revenues of the segment	43 979	40 359	2 762	34 343	5 136	5 238	1 065	6 061	344	1 202	-	140 489
Result												
Profit (loss) of the segment	767	453	283	-2 742	801	-37	80	306	-	-139	-	-228
Financial income	-	-	-	-	-	-	-	-	-	-	2 097	2 097
Loss on sale of shares	-	-	-	-	-	-	-	-	-	-	-296	-296
Finance expenses	-	-	-	-	-	-	-	-	-	-	-1 815	-1 815
Net financial income	-	-	-	-	-	-	-	-	-	-	-14	-14
Profit sharing in entities valued using equity method	-	-	-	-	-	-	-	-	-	-	357	357
Loss on other operating activities	-	-	-	-	-	-	-	-	-	-	-509	-509
Loss before tax	-	-	-	-	-	-	-	-	-	-	-394	-394
Income tax	-	-	-	-	-	-	-	-	-	-	619	619
Profit for the period	-	-	-	-	-	-	-	-	-	-	-1 013	-1 013
Profit for the period assigned to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-979	-979
Profit for the period assigned to shareholders of parent entity	-	-	-	-	-	-	-	-	-	-	-34	-34
Assets												
Segment assets (related to activity)	21 049	14 991	3 844	8 860	19 023	2 968	320	1 744	106	230	-	73 135
Assets unallocated (among other shares and other financial assets)	-	-	-	-	-	-	-	-	-	-	116 437	116 437
Total assets	21 049	14 991	3 844	8 860	19 023	2 968	320	1 744	106	230	116 437	189 572
Pozostałe informacje dotyczące segmentu												
Amortyzacja rzeczowych aktywów trwałych	94	108	178	333	667	133	84	-	-	-	570	2 167
Amortyzacja wartości niematerialnych	-	53	-	10	9	2	3	-	-	-	95	172

24. Approval of financial statements

Interim condensed financial statements were authorized to issue by the Management Board on 27 February 201.

Podpisy Zarządu:

Signatures of the Members of Management Board

27 February 2014 Jarosław Stępniewski Chairman of the Board
date first name and surname position signature

27 February 2014 Marek Kiersznicki Vice Chairman
date first name and surname position signature

27 February 2014 Krzysztof Marczak Vice Chairman
date first name and surname position signature

Signature of the person responsible for bookkeeping

27 February 2014 Barbara Auguścińska-Sawicka Chief Accountant
date first name and surname position signature

