

**CONSOLIDATED QUARTERLY REPORT
OF PROCHEM S.A. CAPITAL GROUP
FOR THE FOURTH QUARTER OF 2015**

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I. Selected financial data

Revenues from sales and profit expressed in PLN and the 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 amounted to:

- For four quarters of 2015 - 4.1848 PLN/EURO
- For four quarters of 2014 - 4.1885 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:

- 4.2615 PLN/EURO as at 31 December 2015
- 4.2623 PLN/EURO as at 31 December 2014

Selected financial data of PROCHEM S.A. Capital Group

Description	Reporting period ended 31 December		Reporting period ended 31 December	
	2015	2014	2015	2014
	In PLN thousands		In EURO thousands	
Consolidated profit and loss account				
Revenues from sales	264 838	176 048	63 286	42 031
Gross profit on sales	23 464	22 890	5 607	5 465
Results from operating activities	7 569	5 872	1 809	1 402
Before tax profit	8 148	4 963	1 947	1 185
Profit for the period assigned to:	5 665	3 278	1 354	783
Shareholders of parent entity	5 959	3 751	1 424	896
Non-controlling interest	-294	-473	-70	-113
Profit/diluted profit per one share (in PLN//EURO)- assigned to shareholders of parent company	1.53	0.96	0.37	0.23
Consolidated statement of cash flows				
Net cash provided by (used in) operating activities	5 610	-2 805	1 341	-670
Net cash provided by (used in) investing activities	15 798	-7 711	3 775	-1 841
Net cash provided by (used in) financing activities	-4 418	8 873	-1 056	2 118
Total cash flow, net	16 990	-1 643	4 060	-392
Description	As at		As at	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	In PLN thousands		In EURO thousands	
Consolidated statement of financial position				
Total assets	214 259	202 337	50 278	47 471
Total non-current assets	83 743	99 961	19 651	23 452
Total current assets	130 516	102 376	30 627	24 019
Equity attributable to owners of parent company	118 260	113 436	27 751	26 614
Non-controlling interest	8 722	9 243	2 047	2 169
Total equity	126 982	122 679	29 797	28 782
Total non-current liabilities	5 149	6 884	1 208	1 615
Total current liabilities	82 128	72 774	19 272	17 074
Book value per one ordinary share (in PLN/EURO)- assigned to owners of parent company	30.36	29.12	7.12	6.83
Weighted average number of 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	
	2015	2014.	2015	2014
	In PLN thousands		In EURO thousands	
Separate statement of profit and loss				
Revenues from sales	219 371	128 334	52 421	30 640
Gross profit on sales	16 411	17 289	3 922	4 128
Results from operating activities	7 328	7 491	1 751	1 788
Before tax profit	8 366	6 333	1 999	1 512
Profit for the period	6 303	5 009	1 506	1 196
Profit per one ordinary share (in PLN/EURO)	1.62	1.29	0.39	0.31
Separate statement of cash flows				
Net cash provide by (used in) operating activities	8 151	-4 177	1 948	-997
Net cash provide by (used in) investing activities	7 893	-6 710	1 886	-1 602
Net cash provide by (used in) financing activities	-2 237	10 124	-535	2 417
Total cash flow, net	13 807	-763	3 299	-182

Description	As at		As at	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	In PLN thousands		in EURO thousands	
Separate statement of financial position				
Total assets	156 625	139 683	36 753	32 772
Total non-current assets	55 467	50 609	13 016	11 874
Total current assets	101 158	89 074	23 738	20 898
Total equity	83 743	78 827	19 651	18 494
Total non-current liabilities	729	2 558	171	600
Total current liabilities	72 153	58 298	16 931	13 678
Book value per one ordinary share (in PLN/EURO)	21.50	20.24	5.05	4.75
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 2015

(all amounts in PLN thousands if not stated otherwise)

	As at 31 December 2015	As at 31 December 2014
A s s e t s		
Non-current assets		
Property, plant and equipment	23 814	25 238
Intangible assets	508	190
Investment properties	11 960	32 960
Shares	830	830
Shares valued using equity method	25 987	25 136
Deferred tax assets	2 689	1 998
Other financial assets	17 955	13 609
Total non-current assets	83 743	99 961
Current assets		
Inventories	7 140	4 483
Trade and other receivables	83 179	66 534
Other financial assets	2 798	11 209
Other assets	13 803	13 544
Cash and cash equivalents	23 596	6 606
Total current assets	130 516	102 376
Total assets	214 259	202 337
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	11 960	11 973
Retained earnings	102 405	97 568
Owners' equity	118 260	113 436
Non-controlling interest	8 722	9 243
Total equity	126 982	122 679
Non-current liabilities		
Provision for deferred income tax	2 888	2 656
Provision for retirement and similar benefits	1 865	1 985
Deferred income	-	1 867
Other liabilities	396	376
Total non-current liabilities	5 149	6 884
Current liabilities		
Bank loans	11 772	14 050
Loans	-	60
Trade payables	51 507	31 229
Liabilities for current income tax	1 168	407
Other liabilities	4 872	7 809
Deferred income	12 809	19 219
Total current liabilities	82 128	72 774
Total liabilities	87 277	79 658
Total equity and liabilities	214 259	202 337
Book value – equity attributable to owners of Parent Entity	118 260	113 436
Number of shares (units)	3 895 000	3 895 000
Book value per one share (in PLN)	30.36	29.12

Consolidated profit and loss account
For the period from 1 January 2015 to 31 December 2015
(all amounts in PLN thousands if not stated otherwise)

	Period ended 31 December 2015	Period ended 31 December 2014.
Revenues from sales, including :	264 838	176 048
Revenues from sale of services	256 194	166 370
Revenues from sale of goods and materials	8 644	9 678
Cost of sales, including :	-241 374	-153 158
Cost of services sold	-233 733	-144 309
Cost of merchandise and goods sold	-7 641	-8 849
Gross profit on sales	23 464	22 890
General and administrative expense	-15 564	-16 209
Other operating income	1 501	1 496
Other operating expenses	-1 832	-2 305
Results from operating activities	7 569	5 872
Financial income	1 088	582
Gain on sale of shares	190	-
Finance costs	-1 550	-2 657
Profit sharing in entities valued using equity method	851	1 166
Before tax profit	8 148	4 963
Income tax :	2 483	1 685
- current tax	2 788	1 879
- deferred tax	-305	-194
Profit for the period	5 665	3 278

Profit for the period assigned to:

Shareholders of Parent Entity	5 959	3 751
Non-controlling interest	-294	-473
Weighted average number of ordinary shares (units)	3 895 000	3 895 000
Profit per one ordinary share (in PLN per one share) assigned to owners of Parent Entity	1.53	0.96

Consolidated statement of comprehensive income
For the period from 1 January 2015 to 31 December 2015
(all amounts in PLN thousands if not stated otherwise)

Profit for the period	5 665	3 278
Profit for the period	5 665	3 278
Other comprehensive income net	-59	603
<i>Other comprehensive income that will be reclassified to profit or loss under certain conditions:</i>	-33	744
Revaluation of property, plant and equipment	-	623
Deferred income on revaluation of property, plant and equipment	-	-108
Foreign exchange differences from the translation of the entity operating abroad	-33	229
<i>Other comprehensive income that will not be reclassified to profit or loss:</i>	-26	-141
Actuarial losses from the valuation of provisions for employee benefits	-30	-174
Income tax on other comprehensive income	4	33
Total comprehensive income	5 606	3 881

Total comprehensive income assigned to:		
Shareholders of Parent Entity	5 900	4 292
Non-controlling interest	-294	-411
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) assigned to owners of Parent Entity	1.51	1.10

Consolidated statement of changes in equity for the period from 1 January 2015 to 31 December 2015

(all amounts in PLN thousands if not stated otherwise)

The reporting period from 1 January 2015 to 31 December 2015

	Share capital	Revaluation reserve	Retained earnings	Equity assigned to shareholders of parent entity	Equity assigned to non-controlling interest	Total equity
As at the beginning of the period	3 895	11 973	97 568	113 436	9 243	122 679
Net profit (loss) of the given period	-	-	5 959	5 959	-294	5 665
Net other comprehensive income	-	-33	-	-33	-2	-35
Total comprehensive income	-	-33	5 959	5 926	-296	5 630
<i>Transactions with shareholders</i>						
Payment of dividend	-	-	-1 363	-1 363	-11	-1 374
Repurchase of own shares for redemption (Elektromontaż) – change in the structure of shareholding	-	18	60	78	-102	-24
Other changes	-	2	181	183	-112	71
As at the end of the period	3 895	11 960	102 405	118 260	8 722	126 982

The reporting period from 1 January 2014 to 31 December 2014

	Share capital	Revaluation reserve	Retained earnings	Equity assigned to shareholders of parent entity	Equity assigned to non-controlling interest	Total equity
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	-	-	3 751	3 751	-473	3 278
Net other comprehensive income	-	541	-	541	62	603
Total comprehensive income	-	541	3 751	4 292	-411	3 881
<i>Transactions with shareholders</i>						
Payment of dividend	-	-	-	-	-30	-30
Acquisition of shares in company Elektromontaż Kraków S.A. and 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 shareholding	-	95	348	443	-525	-82
Other changes – among others sale of shares in subsidiaries	-	-25	-72	-97	-30	-127
As at the end of the period	3 895	11 973	97 568	113 436	9 243	122 679

Consolidated statement of cash flows for the period from 1 January 2015 to 31 December 2015

(all amounts in PLN thousands if not stated otherwise)

	Period ended 31 December 2015	Period ended 31 December 2014.
Cash flows – operating activities		
Gross profit (loss)	8 148	4 963
Total adjustments	-129	-5 708
Share in profit in entities valued using equity method	-851	-1 166
Amortization and depreciation	2 440	2 336
Interest and profit sharing (dividends)	225	375
Gain on disposal of property, plant and equipment	-70	-177
Loss on investment	20	417
Change in provisions	-63	332
Change in inventories	-2 657	4 479
Change in receivables and other assets	-14 534	-14 338
Change in current liabilities except for borrowings and loans	18 565	5 446
Other adjustments (including change in deferred income)	-3 204	-3 412
Cash provided by (used in) operating activities	8 019	-745
Income tax paid	2 409	2 060
Net cash provided by (used in) operating activities	5 610	-2 805
Cash flows – investing activities		
Inflows	17 805	586
Disposal of intangible assets and property, plant and equipment	19	348
Disposal of real estate	16 978	27
Disposal of subsidiary	566	-
Inflows from loans granted to other entities	226	-
Other inflows from other entities	16	211
Outflows	-2 007	-8 297
Acquisition of intangible assets and property, plant and equipment	-1 707	-1 575
For financial assets, including:	-	-6 722
a) In associated entities	-	-6 772
- acquisition of assets	-	-722
- loans granted	-	-6 000
b) In other entities	-300	-
- loans granted	-300	-
Net cash provided by (used in) investing activities	15 798	-7 711
Cash flows – financing activities		
Inflows	9 020	9 816
Bank loans	9 002	9 771
Other financial inflows	18	145
Outflows	-13 438	-943
Dividend paid	-1 363	-
Other than payments to shareholders expenses under profit distribution	-35	-112
Repayment of bank loans	-11 280	-193
Repayment of borrowings	-60	-
Payment of liabilities under finance lease	-63	-64
Commission and interest paid	-619	-549
Other outflows	-18	-25

Net cash provided by (used in) financing activities	4 418	8 873
Total cash flow net	16 990	-1 643
Net increase/(decrease) in cash and cash equivalents	16 990	-1 643
Cash and cash equivalents as at the beginning of the period	6 606	8 249
Cash and cash equivalents as at the end of the period	23 596	6 606

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

Separate statement of financial position as at 31 December 2015

(all amounts in PLN thousands if not stated otherwise)

	As at 31 December 2015	As at 31 December 2014
A s s e t s		
Non-current assets		
Property, plant and equipment	1 542	1 977
Intangible assets	414	151
Shares in subsidiaries	10 162	10 162
Shares in jointly-controlled entities and associated entities	5 210	5 210
Deferred tax assets	1 813	1 073
Other financial assets	36 326	32 036
Total non-current assets	55 467	50 609
Current assets		
Inventories	5 316	2 487
Trade and other receivables	69 227	59 810
Other financial assets	3 569	19 382
Other assets	6 277	4 433
Cash and cash equivalents	16 769	2 962
Total current assets	101 158	89 074
Total assets	156 625	139 683
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	1 237	1 261
Retained earnings	78 611	73 671
Total equity	83 743	78 827
Non-current liabilities		
Provisions for retirement and similar benefits	715	711
Deferred income	-	1 827
Other liabilities	14	20
Total non-current liabilities	729	2 558
Current liabilities		
Bank loans	9 024	9 448
Borrowings	950	957
Trade payables	47 236	25 416
Liabilities under current income tax	1 096	367
Other liabilities	1 380	4 100
Deferred income	12 467	18 010
Total current liabilities	72 153	58 298
Total liabilities	72 882	60 856
Total equity and liabilities	156 625	139 683
Number of shares (units)	3 895 000	3 895 000
Book value per share (in PLN)	21.50	20.24

Separate profit and loss account for the period from 1 January 2015 to 31 December 2015

(all amounts in PLN thousands if not stated otherwise)

	Period ended 31 December 2015	Period ended 31 December 2014
Revenues from sales, including:	219 371	128 334
Revenues from sale of services	216 048	128 322
Revenues from sale of goods and materials	3 323	12
Cost of sales, including:	-202 960	-111 045
Cost of services sold	-199 701	-111 034
Cost of merchandise and raw materials	-3 259	-11
Gross profit on sales	16 411	17 289
General and administrative expenses	-9 268	-9 463
Other operating income	1 447	1 100
Other operating expenses	-1 262	-1 435
Results from operating activities	7 328	7 491
Financial income	2 194	1 060
Finance expenses	-1 156	-2 218
Before tax profit	8 366	6 333
Income tax expense:	2 063	1 324
- current tax	2 644	1 760
- deferred tax	-581	-436
Profit for the period	6 303	5 009

Weighted average number of ordinary shares (units)	3 895 000	3 895 000
Profit/diluted profit per one ordinary share (in PLN per one share)	1.62	1.29

Separate statement of comprehensive income for the period from 1 January 2015 to 31 December 2015

Profit for the period	6 303	5 009
Other comprehensive income, net	-24	311
<i>Other comprehensive income that will be reclassified to profit or loss under certain conditions:</i>	<i>-7</i>	<i>452</i>
Revaluation of property, plant and equipment		275
Income tax on revaluation of property, plant and equipment		-52
Foreign exchange differences on the translation of the entity operating abroad	-7	229
<i>Other comprehensive income that will not be reclassified to profit or loss:</i>	<i>-21</i>	<i>-141</i>
Actuarial losses on the valuation of provisions for employee benefits	-21	-174
Income tax on other comprehensive income	4	33
Total comprehensive income	6 279	5 320

Weighted average number of ordinary shares (units)	3 895 000	3 895 000
Total comprehensive income per ordinary share (in PLN per one share)	1.61	1.37

**Separate statement of changes in equity
for the period from 1 January 2015 to 31 December 2015**

(all amounts in PLN thousands if not stated otherwise)

The reporting period from 1 January 2015 to 31 December 2015

	Share capital	Revaluation reserve	Retained earnings	Total equity
As at the beginning of the period	3 895	1 261	73 671	78 827
Net profit of the given period	-	-	6 303	6 475
<i>Other comprehensive income (net)</i>	-	-24	-	-24
Total comprehensive income	-	-24	6 303	6 279
Payment of dividend	-	-	-1 363	-1 363
As at the end of the period	3 895	1 237	78 611	83 743

The reporting period from 1 January 2014 to 31 December 2014

	Share capital	Revaluation reserve	Retained earnings	Total equity
As at the beginning of the period	3 895	950	68 662	73 507
Net profit of the given period	-	-	5 009	5 009
<i>Other comprehensive income (net)</i>	-	311	-	311
Total comprehensive income	-	311	5 009	5 320
As at the end of the period	3 895	1 261	73 671	78 827

**Separate statement of cash flows
for the period from 1 January 2015 to 31 December 2015**

(all amounts in PLN thousands if not stated otherwise)

	Period ended 31 December 2015	Period ended 31 December 2014
Cash flows – operating activities		
Before tax profit	8 366	6 333
Total adjustments	2 117	-8 554
Amortization and depreciation	1 015	826
Interest and profit sharing (dividends)	-1 305	-507
(Profit) loss on disposal of property, plant and equipment	-14	-86
Change in provisions	-114	375
Change in inventories	-2 829	639
Change in receivables	-11 369	-14 316
Change in current liabilities, except for loans and borrowings	19 171	8 625
Other adjustments (including deferred income)	-2 438	-4 110
Cash provided by (used in) operating activities	10 483	-2 221
Income tax paid	2 332	1 956
Net cash provided by (used in) operating activities	8 151	-4 177
Cash flows – investing activities		
Inflows	8 884	406
Disposal of intangible assets and property, plant and equipment	17	303
Inflows from financial assets in related entities, including:	8 867	103
- repayment of loans granted	6 558	-
- repayment of interest on loans granted	1 306	50
- dividends received	1 003	53
Outflows	-991	-7 116
Acquisition of intangible assets and PPE	-871	-815
For financial assets in related entities, including:	-120	-6 301
- acquisition of financial assets	-	-101
- loans granted	-120	-6 200
Net cash provided by (used in) investing activities	7 893	-6 710
Cash flows – financing activities		
Inflows	9 018	10 440
Loans	9 000	9 448
Borrowings	-	950
Other financial inflows	-	42
Outflows	-11 255	-316
Dividend paid	-1 363	-
Repayment of bank loans	-9 423	-
Commission, interest paid	-469	-316
Net cash provided by (used in) financing activities	-2 237	10 124
Total cash flows, net	13 807	-763
Net increase/(decrease) in cash and cash equivalents	13 807	-763
Cash and cash equivalents at the beginning of the period	2 962	3 725
Cash and cash equivalents at the end of the period	16 769	2 962

III. 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 the PROCHEM Capital Group (the PROCHEM Group, the 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 separate consolidated financial statements. PROCHEM S.A. was established through transformation of a state-owned enterprise under the name of Przedsiębiorstwo Projektowania I Realizacji Inwestycji Przemysłu Chemicznego „PROCHEM”. The notarial deed and Company’s Articles of Association were signed on 1 October 1991. Duration of the Company is unlimited.

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 limited, i.e. until 30 July 2016.

2. Management Board and Supervisory authorities of the Parent Entity

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

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

There were no changes in composition of the Management Board in the period of twelve months of 2015.

The Supervisory Board comprises of:

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

This composition of the Supervisory Board is current at the date of these financial statements. There were no changes in the composition of the Supervisory Board in the year 2015.

3. Employment

Average employment in PROCHEM Capital Group for 2015 was 459 FTEs, and for the year 2014 503 FTEs, including employment in the Parent Entity for 2015 was 237 FTEs, and for the year 2014 233 FTEs.

Level of employment, in persons as at 31 December 2015 in PROCHEM Capital Group was 481 and as at 31 December 2014 524, including employment in the Parent Entity as at 31 December 2015 was 250, and as at 31 December 2014 238.

4. Organisation of the Group and indication of entities subject to consolidation

PROCHEM S.A. Capital Group (hereinafter referred to as „Capital Group”, „Group”), in addition to the Parent Entity 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%);
- Przedsiębiorstwo Konsultingowo-Inżynieryjne PREDOM Sp. z o.o. z seated in Wrocław – subsidiary indirectly (81.1% of the capital and profit, 71.4% 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 (88.8%, including 77.6% in 50% share of Elektromontaż Kraków);
- Elmont Inwestycje Sp. z o.o. seated in Kraków – subsidiary indirectly (87.8%, including 77.6% in 50% share of Elektromontaż Kraków);
- Elektromontaż Kraków S.A. seated in Kraków – subsidiary indirectly (77.6%), including 65.8% of the capital and votes belongs to company PROCHEM Inwestycje 100% subsidiary. Elektromontaż Kraków S.A. prepares consolidated financial statements, which contains data of the subsidiary in 100%: ELMONT-POMIARY Sp. z o.o. 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 – subsidiary indirectly 100%;
- ATUTOR Integracja Cyfrowa Sp. z o.o. seated in Warsaw – subsidiary indirectly (87.3% of share belongs to company PROCHEM Inwestycje Sp. z o.o. 100% subsidiary);
- PROCHEM RPI Sp. z o.o. seated in Warsaw – subsidiary directly and indirectly in 100%;

Jointly controlled entities and associates valued using the equity method:

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

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

On 14 April 2015 pursuant to the sale agreement, the Company PROCHEM S.A. sold 12 290 shares in TEOMA S.A. in liquidation. The total sale price was set at the amount of PLN 122.90.

On 22 May 2015 based on the contract of sale, the Company PROCHEM Inwestycje Sp. Z oo, a 100% subsidiary of PROCHEM S.A. sold 196 shares (representing 89.1% of the share capital) of the company PROCHEM Servis Sp. z oo seated in Warsaw. The nominal value of shares amounts to PLN 196 thousand. The total sale price was set at amount of PLN 1 300 thousand.

5. The adopted accounting principles applied by the Capital Group and the Issuer

Statement of compliance and principles of presentation

Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group and interim condensed separate financial statements for the four quarters of 2015 were prepared according to IAS 34 „Interim Reporting” and the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009 No. 33, item 259). The interim condensed consolidated financial statements do not contain the information and disclosures required for complete financial statements and should be read together with the financial statements for the financial year ended 31 December 2014.

Presented interim condensed consolidated financial statements of PROCHEM S.A. Capital Group and interim condensed separate financial statements are compliant with all requirements of IFRS adopted by EU and present a true and fair view of the financial position as at 31 December 2015 and comparable data, as well as results of operations for the period ended 31 December 2015 and comparable data.

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

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

Significant accounting policies and changes in IFRS

The interim condensed consolidated financial statements and interim condensed separate financial statements have been prepared using the same accounting principles and the same calculation methods which were applied in the financial statements as at 31 December 2014.

The Group and the Issuer will apply the announced changes in IFRS, which are still not become effective until 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 financial statements is being analyzed.

Changes in estimates

In the fourth quarter of 2015 there were no significant changes in the principles and methods of calculation used to determine the estimates and in the values of estimates.

Principles of preparation of financial statements

The consolidated financial statements were prepared based on the principle of the historical cost, apart from:

- land buildings and construction measured at revalued amount,
- Investment properties (land), investment property under construction measured at fair value.

Functional currency and presentation currency of financial statements

The interim condensed consolidated financial statements of the Group and interim condensed separate financial statements of PROCHEM S.A. are presented in Polish Zloty („zloty” or ”PLN”), which is the functional and presentation 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 set as the arithmetic mean of average exchange rates for the whole reporting period, and
- arisen exchange differences are recognized in the statement of comprehensive income as the foreign exchange differences of the translation of entity operating abroad.

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 concerning them

In the fourth quarter of 2015, 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 achieved financial results

In the fourth quarter of 2015, the company received a contractual penalty plus interest in the amount of PLN 1.3 million, due on account of failure to meet obligations by the Partner, concerning the contract of mandate on design work.

Other events affecting the financial results of the Capital Group in the fourth quarter of 2015:

- a) was released provision for deferred income tax created in previous periods in the amount of PLN 9 thousand, and provision was created in the amount of PLN 55 thousand,
- b) deferred tax assets were used in the amount of PLN 46 thousand, and were created in the amount of PLN 677 thousand,
- c) provisions to costs created in the previous periods were used in the amount of PLN 333 thousand, provision to costs in the amount of PLN 1 527 thousand was created.
- d) Was made write-down for receivables in the amount of PLN 28 thousand, was released write-down created in previous periods in the amount of PLN 91 thousand.

Other events affecting the financial result of the Issuer in the fourth quarter of 2015:

- a) provision to deferred income tax was created in the amount of PLN 31 thousand, and was released provision to deferred income tax created in the previous periods in the amount of PLN 9 thousand,
- b) deferred tax assets were used in the amount of PLN 23 thousand, and were created in the amount of PLN 673 thousand,
- c) Provision to costs created in the previous periods in the amount of PLN 106 thousand was used, provision to costs in the amount of PLN 1 431 thousands was created.
- d) Was made writ-down for receivables in the amount of PLN 28 thousands, was released write-down created in the previous periods PLN 91 thousand.

8. Explanations concerning seasonality and cyclality of the Issuer's activities in the presented period

Operational activity of the Group and the Issuer neither have seasonal character, nor is subject to cyclic trend, except for the segment of the general contracting and for rental of construction equipment, which are characterized by a seasonality, which in large extent depends on 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 the fourth quarter of 2015 the economic operations of this type have not occurred.

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

The Group, based on the Resolution No 13 of the General Meeting of Shareholders of PROCHEM S.A. of 13 June 2015 paid a dividend from the profit for 2014 in the amount of PLN 1 363 thousand. The payment was made on July 17, 2015.

11. Events which occurred 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

Information on settlement of the dispute with PERN is presented in item 18.

12. Related party transactions

In the twelve months of 2015 there were no transactions concluded by the Group and the Issuer with the Members of the Management Board and Supervisory Board, and also with their spouses, the siblings, the ascendants, and the descendants, and with other relatives.

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

Settlements with related entities include trade settlements and financial settlements.

Guarantees and sureties granted to related entities are presented in item 13.

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

Reporting period

As at 31 December 2015 the Group's settlements with the entities valued using the equity method developed as follows:

Receivables from non-current loans with interest - PLN 17,955 thousand

Trade and other receivables – PLN 7,432 thousand

Trade payables – PLN 16 thousand

From 1 January 2015 to 31 December 2015 there were the following transactions with the entities valued using the equity method:

- revenues from sale of services – PLN 29,359 thousand
- financial revenues from interest on loan – PLN 375 thousand

Revenues from sale of services entirely concern jointly-controlled entity Irydion Sp.z o.o. seated in Warsaw, for benefit of which is implemented an investment project under the name of "Astrum Business Park" in Warsaw.

The share in the net profit for four quarters of 2015 of entities valued under the equity method amounted to PLN 851 thousand.

Comparative data

As at 31 December 2014 the Group's settlements with the entities valued using the equity method developed as follows:

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

From 1 January 2014 to 30 September 2014 there were the following transactions with the entities valued using the equity method:

- revenue from sale of services in the amount of PLN 18,008 thousand,
- financial revenues from interest on loan in the amount of PLN 280 thousand.

Revenues from sale of services entirely concern jointly-controlled entity Irydion Sp.z o.o. seated in Warsaw, for benefit of which is implemented an investment project under the name of "Astrum Business Park" in Warsaw.

The share in the net profit for four quarters of 2014 of entities valued under the equity method amounted to PLN 1.180 thousand.

Transaction of the Issuer with subsidiaries

Data for the reporting period

As at 31 December 2015 the Issuer's settlements with subsidiaries directly and indirectly developed as follows:

- Receivables from non-current loans with interest – PLN 18,371 thousand
- Receivables from current loans with interest - PLN 845 thousand
- Trade and other receivables - PLN 1,666 thousand
- Liabilities under current loan along with interest – PLN 950 thousand
- Trade payables – PLN 2,701 thousand
- Other liabilities – PLN 107 thousand.

From 1 January 2015 to 31 December 2015 there were the following transactions of the Issuer with subsidiaries directly and indirectly:

- sale and purchase of construction services,
- sale of other services (lease of space)

- Total revenues from those transactions amounted to – PLN 666 thousand
- Revenues from interest on loans amounted to - PLN 361 thousand
- Dividends received - PLN 1 003 thousand
- Costs under interest on loans amounted to – PLN 58 thousand

Comparable data

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

Receivables from non-current loans with interest - PLN 18,427 thousand
Receivables from current loans with interest - PLN 8,173 thousand
Trade and other receivables - PLN 5,242 thousand
Trade payables – PLN 3,405 thousand
Liabilities under current loan along with interest – PLN 950 thousand

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 (lease of space),

Total revenues from those transactions amounted to - PLN 292 thousand

Revenues from interest on loans amounted to - PLN 497 thousand

Dividends received – PLN 53 thousand

Remuneration under valorization of the contract value – PLN 15 thousand.

Transaction of the Issuer with associated entities and with jointly-controlled companies

Reporting period

As at 31 December 2015 the Issuer's settlements with jointly-controlled companies and entities associated directly and indirectly developed as follows:

Receivables from non-current loans – PLN 17,955 thousand

Trade and other receivables - PLN 7,432 thousand

Trade payables – PLN 16 thousand

From 1 January 2015 to 31 December 2015 there were the following transactions with jointly-controlled entities and associated entities:

- revenues from sale of services – PLN 29,359 thousand
- financial revenues under interest on loan – PLN 375 thousand.

Revenues from sale of services entirely concern jointly-controlled entity Irydion Sp.z o.o. seated in Warsaw, for benefit of which is implemented an investment project under the name of "Astrum Business Park" in Warsaw.

Comparative data

As at 31 December 2014 there were the following transactions of the Issuer with jointly-controlled entities and associated companies:

Receivables from non-current loans with interest – PLN 11,524 thousand

Receivables from current loans with interest – PLN 6,055 thousand

Trade and other receivables - PLN 105 thousand

Trade payables – PLN 12 thousand.

From 1 January 2014 to 31 December 2014 the Issuer's settlements with jointly-controlled entities and associated companies developed as follows:

- revenues from sale of services in the amount of PLN 18,008 thousand,
- financial revenues under interest on loans – PLN 281 thousand.

13. Information concerning changes in contingent liabilities or contingent assets that have occurred since last financial year end

Contingent liabilities and contingent assets and other collateral

	Capital Group As at		Including Issuer As at	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Granted collateral				
Bank guarantee of good performance	16 010	16 845	11 603	12 859
Guarantee of return of advance payment	4 115	24 668	4 115	24 668
Guarantee of payment	852	997	852	997
Tender guarantee	60	-	60	-
Total collateral granted	21 037	42 510	16 630	38 524
Contingent liabilities				
Surety of promissory notes issued by subsidiary Pro-Inhut Sp. z o.o. seated in Dąbrowa Górnicza for the benefit of investor in order to secure the claims of a good execution	247	247	247	247
Letters of Credit	3 564	-	3 564	-
Total collateral granted and contingent liabilities	24 848	42 757	20 441	38 771

	As at	
	30 September 2015	31 December 2014
Collateral received		
Bank guarantee of good performance	3 617	1 547
Bill of exchange securing terms of the contract	77	77
Total collateral received	3 694	1 624

Collateral received relate only to the Issuer.
Contingent receivables from PERN in item 18.

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

In the twelve months of 2015 subsidiary Elektromontaż Kraków S.A. repurchased 1 050 own shares for redemption for total amount of PLN 24 thousand. As result of repurchase of own shares for redemption by company Elektromontaż Kraków there has been a change in in the structure of shareholding. The share of the Parent Company increased by 0.3% percentage points. As at 31 December 2015 the share of the Parent Company in the share capital and votes of Elektromontaż Krakow is 77.6%.

15. Management Board's position in relation to the possibility of accomplishment of previously published forecast of results for the given year, in the light of results presented in the quarterly report with respect to the forecasted results

The Management Board of PROCHEM S.A. did not publish any forecasts of financial results for 2015 , neither for the company nor for the PROCHEM S.A. Capital Group.

16. Shareholders having 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 the 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 Company's knowledge 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:	1 179 483	30.30	30.28
Steven Tappan	510 000	13.09	13.09
2. Otwarty Fundusz Emerytalny PZU „Złota Jesień“	387 521	9.95	9.95
3. 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
4. (QUERCUS Parosolowy SFIO, QUERCUS Absolute Return FIZ and QUERCUS Absolutnego Zwrotu FIZ) manager by Quercus Towarzystwo Funduszy Inwestycyjnych S.A., total: including:	394 963	10.14	10.14
- QUERCUS Parosolowy SFIO	194 944	5.00	5.00

Since the submission of the annual report for the year 2014 the Group has received the following information about the change in shareholding:

- on 22 October 2015 Fundusz Inwestycyjny QUERCUS Parosolowy SFIO independently increased share in the total number of votes in the company PROCHEM S.A., and has exceeded the threshold of 5% of the total number of votes in the company PROCHEM S.A. Before the change, the Fund held 190,644 shares of the Issuer, representing 4.895% of the share capital and had 190,644 votes from these shares. Which represented 4.893% of the total number of votes at the General Meeting. As at 22 October 2015. Fund held 194,944 shares of the Company PROCHEM S.A., representing 5.005% of the share capital of the Company. These shares carried 194,944 votes at the General Meeting of the Company, representing 5.003% of the total number of votes at the General Meeting.

- on 22 December 2015 QUERCUS Towarzystwo Funduszy Inwestycyjnych S.A. – QUERCUS Parosolowy SFIO, QUERCUS Absolutne Return FIZ and QUERCUS Absolutnego Zwrotu FIZ – increased (by joint Funds) share in the total number of votes in the company PROCHEM S.A. and has exceeded the threshold of 10% of the total number of votes in the company PROCHEM S.A. Before the change the Funds jointly held 389 463 shares of the Company, representing 9.999% of the share capital and had 389 463 votes from these shares, representing 9.999% of the total number of votes at the General Meeting.

At the transaction date the Funds have a total of 394 963 shares of the Company, representing 10.14% of the share capital and 10.14% of the total number of votes at the General Meeting.

Changing the rights from the issuer's securities

On September 24, 2015 year on the basis of paragraph 10 of the Statute of company PROCHEM S.A., Resolution No. 22/132/94 which was passed by the Warsaw Stock Exchange on 30 May 1994, Resolution No. 636/15 which was adopted by the NDS on 23 September 2015, and Resolution No 955/2015 which was enacted by the Management Board of the Warsaw Stock Exchange on 18 September 2015, was carried out

the conversion of registered shares into bearer shares. The date of conversion, assimilation and introduction to trading on the main market in normal mode - September 28, 2015.

After the change:

- the Company's share capital amounts to PLN 3,895.000 and has not changed,
- the total number of votes from all shares of the Issuer at the General Meeting will amount to 3,896,160 decreased by 500 votes.

Structure of shares after the change:

- 3,886,854 shares to bearer,
- 7,566 registered preferred shares,
- 580 registered preferred shares.

17. Statement of changes in ownership of the issuer's shares or rights to them (options) by the managing persons and supervisory authorities, according to the issuer's knowledge in the period from the last quarterly report

As at the date of quarterly report the following members of the Management Board and the Supervisory Board of the Company held shares of PROCHEM S.A.:

- Jarosław Stępniewski – 80,943 units.;
- Marek Kiersznicki – 70,393 units.;
- Krzysztof Marczak – 43,700 units;
- Andrzej Karczykowski – 115,186 units;
- Marek Garliński – 86,900 units;
- Steven Tappan – 510,000 units.

The nominal value of 1 share is PLN 1.

Managing persons and supervisory authorities don't hold any shares of affiliated entities.

Since the submission of the annual report for 2014 years a member of the Supervisory Board Mr. Marek Garliński purchased 500 pcs. of 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 of its subsidiary, which value is at least 10% of the equity of the issuer, with the specification of: the subject of the 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 Issuer's equity, with determining total value of proceedings separately in the group of liabilities and group of receivables, with the position of the issuer in this case, and in relation to the most significant proceedings in the group of liabilities and the group of receivables – an indication of their subject, the amount in dispute, date of initiation of proceedings and the parties to the proceedings.

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

On 26 August 2008 the Court of Appeal in Warsaw issued a final judgment on the appeal lodged by PROCHEM S.A. from the a/m judgment of the District Court, recognizing in it that the claim filed by PROCHEM S.A. regarding accounting for the contract is not premature, and at the same time has ordered

that the District Court will make the accounting for the contract mentioned above pursuant to the provisions of the contract. This finding is in compliance with position in a case of PROCHEM S.A.

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

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

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

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

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

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

On 4 March 2015 the District Court in Warsaw has scheduled a hearing for 30 April 2015.

At the hearing on 30 April 2015, the Regional Court in Warsaw has pledged experts to supplement the opinion. Date of next hearing will be appointed after the supplementation of expert opinions.

On 6 May 2015 in relation to the doubts raised against some aspects of the expert's opinions and in the interest of a faster conclusion of the case, PROCHEM limited action by the amount of PLN 139 thousand to the amount of PLN 41 162 thousand, along with statutory interest.

On 17 July 2015 the Company received a copy of the supplementary opinion expert, which in all cases had confirmed the position of PROCHEM S.A.

On 22 October 2015 the District Court in Warsaw, XXVI Commercial Division announced judgment in the above matter, in which:

- from the principal action, jointly and severally to the Issuer and a member of the consortium adjudged from PERN:
 - ✓ amount of PLN 35 086 589.26, with statutory interest from 23 March 2006 until the date of payment;
 - ✓ amount of PLN 4 879 883.58, with statutory interest from 22 March 2006 until the date of payment;

- ✓ amount of PLN 126 400,4, with statutory interest from 16 January 2007 until the date of payment.

- in the cross action, dismissed the action of PERN entirely.

The above mentioned judgment constitutes the judgment of first instance, the parties have the right to lodge an appeal against the judgment.

From the above judgment on 7 December 2015 PERN lodged an appeal. The term of consideration of the appeal has not been set yet.

At 30 of September 2015 the Group presents the receivables from PERN SA under guarantee deposits seized during the execution of the contract worth PLN 17,364 thousand, which are the subject of a final settlement of the contract and the proceedings which is pending before the Court. These receivables are not covered by write-down. The remaining amount of the claim of PROCHEM SA in the amount of PLN 22,728 thousand was recognized as a contingent asset, because at the reporting date, did not meet all the criteria for recognition as an asset in the understanding of IAS 37.

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 for group of receivables does not exceed 10% of the equity of the Issuer's Capital Group.

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

- a) the subject of the transaction,
- b) the connections of the issuer or its subsidiary with the entity 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 those which are different from those commonly applied for such contracts.,

In the four quarters of 2015 there were no transactions concluded on other terms than market terms.

In this period the Issuer granted a loan in the amount of PLN 120 thousand to a subsidiary with the repayment date until 31 December 2015. Interest rate was set as at 3% annually

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

In the reporting period the jointly-controlled company Irydion Sp. z oo on 20 April 2015 signed an agreement on the construction and mortgage loan up to the amount PLN 43 469 thousand for the implementation of development project (construction of office building) under the name of Astrum Business Park in Warsaw. Interest on the loan is established as follows: in the Developer's Phase (the period for implementation of the project) according to a floating interest rate WIBOR 3M plus margin, in the investment phase (after conversion of the loan) 3M EURIBOR plus margin. The repayment date was set for September 22, 2031. The loan will be launched after the establishment of security. The established security for the loan include: the establishment of contractual mortgage, transfer of rights from the insurance policy of the project, transfer of a debt from lease contracts, the establishment of the registered pledge on all shares in the share capital by the Shareholders.

Company PROCHEM SA granted to the jointly controlled company Irydion Sp. z o.o. a surety under abovementioned agreement of loan up to the amount of PLN 21,735 thousand. (i.e. 50% of the amount of the loan). The guarantee was fixed up to 20 September 2016.

On April 20, 2015, the company PROCHEM SA entered into an agreement of registered pledge of 4 500 shares with a nominal value of PLN 1 000 each, with a total nominal value of PLN 4 500 thousand. These shares represent 50% of the share capital of the jointly controlled entity and give the right to 4,500 votes at

the company's shareholders' meeting. Registered pledge on the shares is to constitute the collateral of the loan as above.

21. 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 of fulfilment the 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 economic turnover.

22. 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

The results in subsequent quarters will depend mainly on the possibility of gaining of new contracts on sale of its services by the companies from the Capital Group. A large impact on the results of the Capital Group will have the continuation of projects already underway: the contract in Belarus and the Center Astrum Business Park in Warsaw.

23. Financial instruments and financial risk management

Financial assets

(in PLN thousands)	Separate financial statements		Consolidated financial statements	
	As at 31 December 2015	As at 31 December 2014	As at 31 December 2015	As at 31 December 2014
Classes of financial instruments				
Receivables from supplies and services	65 535	59 334	82 358	65 665
Cash	16 769	2 962	23 596	6 606
Loans granted	37 369	44 377	18 227	17 777
Other financial assets – discounted security deposit constituting collateral for a bank guarantee of repayment of advance payment	2 526	7 041	2 526	7 041
Total	122 199	113 714	126 707	97 089

Financial liabilities

As at 30 September 2015.

(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	9 024	-	9 024	11 772	-	11 772
Borrowings	950	-	950	-	-	-
Finance lease	-	-	-	-	387	387
Payables	47 236	-	47 236	51 507	-	51 507
Total	57 210	-	57 210	63 279	387	63 666

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
Klasy instrumentów finansowych						
Loans	9 448	-	9 448	14 050	-	14 050
Borrowings	957	-	957	60	-	60
Finance lease	-	-	-	-	590	590
Payables	25 416	-	25 416	31 229	-	31 229
Total	35 821	-	35 821	45 339	590	45 929

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

(in PLN thousands)	Separate financial statements		Consolidated financial statements	
	As at 31 December 2015	As at 31 December 2014	As at 31 December 2015	As at 31 December 2014
Receivables from supplies and services	(6 029)	(5 515)	(7 482)	(6 943)
Other financial assets	(207)	(207)	-	-
Total	(6 236)	(5 722)	(7 482)	(6 943)

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 begun in 2006, and currently is pending before the District Court in Warsaw concerning the accounting for the contract in the formula GRI for investment project under the name of "Rurociąg w relacji ST-1 Adamowo - Baza Surowcowa Plebanka" which was interrupted on 10 of November 2005, the risk exists of the need of fulfilment of the commitments by PROCHEM in 2015 in relation to seized guarantee deposits of subcontractors, which at the balance-sheet date amount to PLN 2,928 thousand, before the recovering of guarantee deposits seized by PERN S.A. The amount due to PROCHEM S.A. under security deposit from PERN S.A. as at 31 March 2015 amounts to PLN 17 364 thousand. In the Company's opinion the risk is minimal, but the Management Board of PROCHEM SA takes into account a necessity of accumulation of adequate funds for this purpose. A detailed description of the dispute in item 17.

Liquidity risk associated with the concentration of sales revenues

In twelve months of 2015 the Capital Group realized sales revenues in the amount of PLN 264 838 thousand, including PLN 115 654 thousand (43.7%) concerned Belarusian Client. Accordingly, the Group disclosed in the statement of financial position the following financial instruments related to the above Client.

Classes of financial assets	As at 31 December 2015	% share in total assets
Financial assets		
Receivables from supplies and services	9 435	4.4
Other financial assets (discounted security deposit constituting the collateral for bank guarantee of refund of advance payment)	2 526	1.2
Total financial assets	11 961	5.6
Financial liabilities		
Payables	20 389	9.5
Total financial liabilities	20 389	9.5

24. Financial Reporting by business and geographical segments

Operating segment is a component part of the entity:

- that engages in business activity in connection with 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 constitute the expenses composed of costs relating to the sale to external customers.

Segment result is determined on the level of operating income.

The activity of the Companies from Capital Group and the Issuer for the managing purposes was divided into eleven basic operating divisions such as: implementation (General Contracting), design services and other engineering services (supervisions along with the service of project engineer), the rental of the construction equipment, and other activities which include among others revenues from sublet, sale of services of photocopying, and other.

Segment assets include all assets used by a segment, consisting primarily of receivables, inventories, and property, plant and equipment, after reduction by value of provisions and impairment losses.

Some assets in the joint use are assigned to the segments based on reasonable weight

For four quarters of 2015 revenue from the activity achieved by the Parent Entity, outside Poland(Export) and recognized in the consolidated income statement amounted to PLN 115 654 thousand, which represents 43.7% of revenues reported in the consolidated income statement.

In the analogous period of the previous year these revenues amounted to PLN 60 259 thousand, which accounted for 34.2% of sales revenue.

Information on the main customers of the Group, which share in revenues from sales recognized in the consolidated profit and loss account for four quarters of 2015 exceeded 10% of total revenues:

- Belarusian client– revenues in the amount of PLN 115 654 thousand, representing 43.7% share in total revenues from sale, which were disclosed in the segment „General contracting” and „Design and other engineering services”
- Irydion Sp. z o.o. jointly controlled company – revenues in the amount of PLN 28 775 thousand, representing 10.9 % share in total revenues from sale, which were disclosed in the segment „General contracting” and „Design and other engineering services”
- the manufacturer of rapeseed oil for technical purposes – revenues in the amount of PLN 33 087 thousand, representing 12.5% share in total revenues from sale, which were disclosed in the segment „General contracting” and „Design and other engineering services”;

Assets of the Representation Office in Belarus at 31 December 2015 did not exceed 10% of total balance sheet disclosed in the separate statement of financial position and in the consolidated statement of financial position.

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

Operating segments – PROCHEM S.A. for four quarters of 2015 – revenues and results of the segments

The current period from 1 January to 31 December 2015

	General contracting	Design services and other engineering services	Rental of the construction equipment	Commercial activity	Other	Items not assigned	Total
Revenues relating to external customers	184 573	28 216	1 907	3 323	1 352	-	219 371
Total segment revenues	184 573	28 216	1 907	3 323	1 352	-	219 371
Result							
Profit (loss) of the segment	10 270	-3 240	271	64	-222	-	7 143
Financial income	-	-	-	-	-	2 194	2 194
Finance costs	-	-	-	-	-	-1 156	-1 156
Net financial income	-	-	-	-	-	1 038	1 038
Profit on other operating activities	-	-	-	-	-	185	185
Before tax profit	-	-	-	-	-	8 366	8 366
Income tax	-	-	-	-	-	2 063	2 063
Profit for the period	-	-	-	-	-	6 303	6 303
Segment assets (related to activity)	60 774	6 219	474	-	595	-	68 062
Unallocated assets (among others shares, other financial assets)	-	-	-	-	-	88 563	88 563
Total assets	60 774	6 219	474	-	595	88 563	156 625
Depreciation of property, plant and equipment	40	425	92	-	335	-	892
Amortization of intangible assets	-	-	-	-	-	123	123

The comparative period from 1 January to 31 December 2014

	General contracting	Design services and other engineering services	Rental of the construction equipment	Other	Item not assigned	Total
Revenues relating to external customers	89 582	33 382	4 013	1 357	-	128 334
Total segment revenues	89 582	33 382	4 013	1 357	-	128 334
Result						
Profit (loss) of the segment	8 334	-1 449	1 417	-476	-	7 826
Financial income	-	-	-	-	1 060	1 060
Finance costs	-	-	-	-	-2 218	-2 218
Net financial income	-	-	-	-	-1 158	-1 158
Profit on other operating activities	-	-	-	-	-336	-336
Before tax profit	-	-	-	-	6 333	6 333
Income tax	-	-	-	-	1 324	1 324
Profit for the period	-	-	-	-	5 009	5 009
Segment assets (related to activity)	61 053	1 697	618	898	-	64 266
Unallocated assets (among others shares, other financial assets)	-	-	-	-	75 417	75 417
Total assets	61 053	1 697	618	898	75 417	139 683
Depreciation of property, plant and equipment	43	5	122	-	565	735
Amortization of intangible assets	-	-	-	-	91	91

Operating segments – PROCHEM S.A. Capital Group for four quarters of 2015 – revenues and results of the segments

The current period from 1 January to 31 December 2015

	General contracting	Design services and other engineering services	Rental of the construction equipment	Electrical installations	Rental of office space and real estate	Property management	Maintenance	Commercial activity	Other IT services	Other	Items not assigned	Total
Revenues relating to external customers	186 987	32 303	1 907	25 446	4 938	2 069	1 067	8 644	177	1 300	-	264 838
Total segment revenues	186 987	32 303	1 907	25 446	4 938	2 069	1 067	8 644	177	1 300	-	264 838
Result												
Profit (loss) of the segment	10 323	-2 869	272	-1 011	1 149	193	16	291	-	-464	-	7 900
Financial income	-	-	-	-	-	-	-	-	-	-	1 278	1 278
Finance costs	-	-	-	-	-	-	-	-	-	-	-1 550	-1 550
Net financial income	-	-	-	-	-	-	-	-	-	-	-272	-272
Profit sharing in associated entities	-	-	-	-	-	-	-	-	-	-	851	851
Profit on other operating activities	-	-	-	-	-	-	-	-	-	-	-331	-331
Before tax profit	-	-	-	-	-	-	-	-	-	-	8 148	8 148
Income tax	-	-	-	-	-	-	-	-	-	-	2 483	2 483
Net profit for the current period	-	-	-	-	-	-	-	-	-	-	5 637	5 637
Net loss assigned to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-294	-294
Net profit assigned to shareholders of parent entity	-	-	-	-	-	-	-	-	-	-	5 959	5 959
Assets												
Segment assets (related to activity)	61 125	10 096	474	5 432	17 470	-	780	1 828	-	381	-	97 586
Unallocated assets (among others shares, other financial assets)	-	-	-	-	-	-	-	-	-	-	116 673	116 673
Total assets	61 125	10 096	474	5 432	17 470	-	780	1 828	-	381	116 673	214 259
Other information related to segment												
Depreciation of property, plant and equipment	104	498	92	365	680	50	86	45	-	340	36	2 296
Amortization of intangible assets	-	6	-	13	-	-	-	2	-	-	123	144

The current period from 1 January to 31 December 2014

	General contracting	Design services and other engineering services	Rental of the construction equipment	Electrical installations	Rental of office space and real estate	Property management	Maintenance	Commercial activity	Other IT services	Other	Items not assigned	Total
Revenues relating to external customers	91 044	37 462	4 016	20 154	4 928	5 445	1 577	9 678	418	1 326	-	176 048
Total segment revenues	91 044	37 462	4 016	20 154	4 928	5 445	1 577	9 678	418	1 326	-	176 048
Result												
Profit (loss) of the segment	8 378	-1 348	1 417	-1 495	933	164	-732	139	-	-775	-	6 681
Financial income										582	582	499
Finance costs											-2 657	-2 657
Net financial income										-2 075	-2 075	-1 280
Profit sharing in entities valued using the equity method											1 166	1 166
Profit on other operating activities											-809	-809
Before tax profit											4 963	4 963
Income tax											1 685	1 685
Profit for the period											3 278	3 278
Net loss assigned to non-controlling interest											-473	-473
Net profit assigned to shareholders of the parent entity											3 751	3 751
Assets												
Segment assets (related to activity)	58 032	4 879	618	5 621	17 716	3 152	904	1 599	-	634	-	93 155
Unallocated assets (among others shares, other financial assets)											109 182	109 182
Total assets	58 032	4 879	618	5 621	17 716	3 152	904	1 599	-	634	109 182	202 337
Other information related to segment												
Depreciation of property, plant and equipment	108	88	122	318	651	123	84	44	-	-	618	2 156
Amortization of intangible assets	-	73	-	9	-	2	3	2	-	-	91	180

PROCHEM S.A. CAPITAL GROUP

Information about the geographical areas

The geographical breakdown of sales revenue of PROCHEM S.A. Group, which were disclosed in the consolidated profit and loss account has been shown in accordance with the country of the seat of the ordering party.

	1 January -31 December 2015	1 January -31 December 2014
Poland	149 184	106 088
Belarus	115 654	60 259
Other countries	-	23
Total sales revenue	264 838	166 370

The geographical breakdown of property, plant and equipment of the Capital Group of PROCHEM S.A

	1 January -31 December 2015	1 January -31 December 2014
Poland	36 121	58 143
Belarus	161	245
Total property, plant and equipment	36 282	58 388

25. Approval of financial statements

The condensed interim financial statements were approved for issue by the Management Board on 29 February 2016.

Signatures of the Members of the Management Board:

29 February 2016 Jarosław Stępniewski President of the Board
date first name and surname position signature

29 February 2016 Marek Kiersznicki Vice President
date first name and surname position signature

29 February 2016 Krzysztof Marczak Vice President
date first name and surname position signature

Signature of the person responsible for bookkeeping

29 February 2016 Barbara Auguścińska-Sawicka Chief Accountant
date first name and surname position signature