

**CONSOLIDATED QUARTERLY REPORT OF PROCHEM S.A.  
CAPITAL GROUP FOR THE FIRST QUARTER OF THE YEAR 2014**

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## I. Selected financial data

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

- for the first quarter of 2014 - 4.1894 PLN/EUR
- for the first quarter of 2013 - 4.1738 PLN/EUR

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

- 4.1713 PLN/EUR as at 31 March 2014
- 4.1472 PLN/EUR as at 31 December 2013

### **Selected financial data of PROCHEM S.A. Capital Group**

Specification	Reporting period ended 31 March		Reporting period ended 31 March	
	2014	2013	2014	2013
	in PLN thousands		in EUR thousands	
<b>Consolidated profit and loss account</b>				
Revenues from sales	32 092	27 997	7 660	6 708
Gross profit on sales	4 324	4 323	1 032	1 036
Results from operating activities	949	458	227	110
Profit before tax	909	258	217	62
Profit for the period assigned to:	289	289	69	69
Shareholders of Parent Entity	343	224	82	54
Non-controlling interest	-54	65	-13	16
Profit/diluted profit (in PLN//EUR)- assigned to shareholders of parent entity	0.09	0.06	0.02	0.01
<b>Consolidated statement of cash flows</b>				
Net cash provided by (used in) operating activities	-2 525	-3 118	-603	-747
Net cash provided by (used in) investing activities	-965	1 681	-230	403
Net cash provided by (used in) financing activities	1 615	2 108	385	505
Total cash flow, net	-1 875	671	-448	161
Specification	As at		As at	
	31 March 2014	31 December 2013	31 March 2014	31 December 2013
	in PLN thousands		in EUR thousands	
<b>Consolidated statement of financial position</b>				
Total assets	187 087	189 572	44 851	45 711
Total non-current assets	104 072	104 356	24 950	25 163
Total current assets	83 015	85 216	19 901	20 548
Owners' equity	108 822	107 422	26 088	25 902
Non-controlling interest	10 616	12 337	2 545	2 975
Total equity	119 438	119 759	28 633	28 877
Total non-current liabilities	24 371	24 277	5 843	5 854
Total current liabilities	43 278	45 536	10 375	10 980

Book value per one ordinary share (in PLN/EUR) assigned to shareholders of Parent Entity	27.94	27.58	6.70	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.**

Specification	Reporting period ended 31 March		Reporting period ended 31 March	
	2014	2013	2014	2013
	in PLN thousands		in EUR thousands	
<b>Separate profit and loss account</b>				
Revenues from sales	20 262	14 127	4 836	3 385
Gross profit on sales	2 483	2 085	593	500
Results from operating activities	735	90	175	22
Profit before tax	955	164	228	39
Profit for the period	564	294	135	70
Profit per one ordinary share (in PLN/EUR)	0.14	0.08	0.03	0.02
<b>Separate statement of cash flows</b>				
Net cash provided by (used in) operating activities	-2 378	-1 997	-568	-478
Net cash provided by (used in) investing activities	-587	-355	-140	-85
Net cash provided by (used in) financing activities	1 799	1 094	429	262
Total cash flow, net	-1 166	-1 258	-278	-301

Specification	As at		As at	
	31 March 2014	31 December 2013	31 March 2014	31 December 2013
	in PLN thousands		in EUR thousands	
<b>Separate statement of financial position</b>				
Total assets	118 313	121 126	28 364	29 207
Total non-current assets	59 286	59 014	14 213	14 230
Total current assets	59 027	62 112	14 151	14 977
Total equity	74 071	73 507	17 757	17 724
Total non-current liabilities	19 893	19 893	4 769	4 797
Total current liabilities	24 349	27 726	5 837	6 685
Book value per one ordinary share (in PLN/EUR)	19.02	18.87	4.56	4.55
Weighted average number of ordinary shares(units)	3 895 000	3 895 000	3 895 000	3 895 000

## II. Interim condensed consolidated financial statements of Capital Group

### Consolidated statement of financial position as at 31 March 2014

(all amounts in PLN thousands if not stated otherwise)

	As at 31 March 2014	As at 31 December 2013
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	25 350	25 344
Intangible assets	251	300
Investment properties	33 603	33 603
Shares	843	843
Shares in equity-accounted investees	23 962	23 970
Deferred tax assets	1 606	1 913
Other financial assets	18 457	18 383
<b>Total non-current assets</b>	<b>104 072</b>	<b>104 356</b>
<b>Current assets</b>		
Inventories	8 261	8 962
Trade and other receivables	49 127	49 095
Other financial assets	1 881	1 877
Other assets	17 372	17 033
Cash and cash equivalents	6 374	8 249
<b>Total current assets</b>	<b>83 015</b>	<b>85 216</b>
<b>Total assets</b>	<b>187 087</b>	<b>189 572</b>
<b>Equity and liabilities</b>		
<b>Equity</b>		
Share capital	3 895	3 895
Revaluation reserve	11 244	10 954
Retained earnings	93 683	92 573
<b>Owners' equity</b>	<b>108 822</b>	<b>107 422</b>
<b>Non-controlling interest</b>	<b>10 616</b>	<b>12 337</b>
<b>Total equity</b>	<b>119 438</b>	<b>119 759</b>
<b>Non-current liabilities</b>		
Provision for deferred income tax	2 691	2 718
Provisions for retirement and similar benefits	1 844	1 844
Deferred income	19 338	19 338
Other non-current liabilities	498	377
<b>Total non-current liabilities</b>	<b>24 371</b>	<b>24 277</b>
<b>Current liabilities</b>		
Current bank loans	6 162	4 411
Current loans	60	60
Trade payables	24 410	26 799
Provisions for current income tax	344	588
Other liabilities	6 468	6 594
Deferred income	5 834	7 084

<b>Total current liabilities</b>	<b>43 278</b>	<b>45 536</b>
<b>Total liabilities</b>	<b>67 649</b>	<b>69 813</b>
<b>Total equity and liabilities</b>	<b>187 087</b>	<b>189 572</b>
Book value – equity assigned to shareholders of parent entity	108 822	107 422
Number of shares (units)	3 895 000	3 895 000
Book value per share (in PLN)	27.94	27.58

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

(all amounts in PLN thousands if not stated otherwise)

	<b>Period ended 31 March 2014</b>	<b>Period ended 31 March 2013</b>
<b>Revenues from sales, including :</b>	32 092	27 997
Revenues from sale of services	30 538	26 771
Revenue from sale of goods and materials	1 554	1 226
<b>Cost of sales, including :</b>	-27 768	-23 674
Cost of services sold	-26 473	-22 674
Cost of merchandise and raw materials	-1 295	-1 000
<b>Gross profit on sales</b>	<b>4 324</b>	<b>4 323</b>
General and administrative expense	-3 445	-3 940
Other operating income	88	119
Other operating expenses	-18	-44
<b>Results from operating activities</b>	<b>949</b>	<b>458</b>
Financial income	252	81
Finance costs	-299	-320
Profit sharing in entities valued under equity method	7	39
<b>Profit before tax</b>	<b>909</b>	<b>258</b>
Income tax expense :	620	-31
- current tax	313	265
- deferred tax	307	-296
<b>Profit for the period</b>	<b>289</b>	<b>289</b>
Profit for the period assigned to:		
Shareholders of parent entity	343	224
Non-controlling interest	-54	65
Weighted average number of ordinary shares (units)	3 895 000	3 895 000
Profit/diluted profit per one share (in PLN per share) assigned to shareholders of parent entity	0.09	0.06

### Consolidated statement of comprehensive income for the period from 1 January 2014 to 31 March 2014

(all amounts in PLN thousands if not stated otherwise)

<b>Other comprehensive income net</b>	-	-
<b>Total comprehensive income</b>	<b>289</b>	<b>289</b>
Net profit attributable to:		
Shareholders of Parent Entity	343	224
<b>Non-controlling interest</b>	<b>-54</b>	<b>65</b>
		<b>6</b>

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*Interim condensed consolidated financial statements as at and for the period of three months ended 31 March 2014*

Weighted average number of ordinary shares (units)	3 895 000	3 895 000
Total comprehensive income per ordinary share (in PLN per share) assigned to shareholders of Parent Entity	0.09	0.06

**Consolidated statement of changes in equity for the period from 1 January 2014 to 31 March 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
<b>The reporting period from 1 January 2014 to 31 March 2014</b>						
<b>As at the beginning of the period</b>	<b>3 895</b>	<b>10 954</b>	<b>92 573</b>	<b>107 422</b>	<b>12 337</b>	<b>119 759</b>
Net profit (loss) of the given period	-	-	343	343	-54	289
<b>Net other comprehensive income</b>	-	-	-	-	-	-
<b>Total comprehensive income</b>	-	-	<b>343</b>	<b>343</b>	<b>-54</b>	<b>289</b>
Repurchase of own shares for redemption (Elektromontaż) – change in the structure of participation	-	7	10	17	-27	-10
Acquisition of shares in Elektromontaż Kraków S.A. and Prochem Zachód Sp. z o.o.	-	283	757	1 040	-1 640	-600
<b>As at the end of the period</b>	<b>3 895</b>	<b>11 244</b>	<b>93 683</b>	<b>108 822</b>	<b>10 616</b>	<b>119 438</b>
	Share capital	Revaluation reserve	Retained earnings	Equity assigned to shareholders of parent entity	Equity assigned to non-controlling interest	Total equity
<b>The reporting period from 1 January 2013 to 31 March 2013</b>						
<b>As at the beginning of the period</b>	<b>3 895</b>	<b>11 063</b>	<b>95 452</b>	<b>110 410</b>	<b>13 678</b>	<b>124 088</b>
Net profit (loss) of the given period	-	-	224	224	65	289
<b>Net other comprehensive income</b>	-	-	-	-	-	-
<b>Total comprehensive income</b>	-	-	<b>224</b>	<b>224</b>	<b>65</b>	<b>289</b>
Change in the structure of participation of non-controlling interest (shares repurchased by Elektromontaż for redemption)	-	9	39	48	-48	-
Repurchase of own shares by Elektromontaż S.A. for redemption	-	-	-7	-7	-3	-10
Other changes – among others sale of shares in subsidiaries	-	-	-387	-387	41	-346
<b>As at the end of the period</b>	<b>3 895</b>	<b>11 072</b>	<b>95 321</b>	<b>110 288</b>	<b>13 733</b>	<b>124 021</b>

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**The reporting period from 1 January 2013 to 31 December 2013**


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<b>As at the beginning of the period</b>	<b>3 895</b>	<b>11 063</b>	<b>95 452</b>	<b>110 410</b>	<b>13 678</b>	<b>124 088</b>
Net profit (loss) of the given period	-	-	-34	<b>-34</b>	-979	<b>-1 013</b>
<b>Net other comprehensive income</b>	-	<b>-132</b>	-	<b>-132</b>	<b>-3</b>	<b>-135</b>
<b>Total comprehensive incomr</b>	-	<b>-132</b>	<b>-34</b>	<b>-166</b>	<b>-982</b>	<b>-1 148</b>
Payment of dividend	-	-	-3 038	<b>-3 038</b>	-242	<b>-3 280</b>
Repurchase of own shares for redemption (Elektromontaž) – change in the structure of participation	-	32	84	<b>116</b>	-146	<b>-30</b>
Other changes – among others sale of shares in subsidiaries	-	-9	109	<b>100</b>	29	<b>129</b>
<b>As at the end of the period</b>	<b>3 895</b>	<b>10 954</b>	<b>92 573</b>	<b>107 422</b>	<b>12 337</b>	<b>119 759</b>

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

(all amounts in PLN thousands if not stated otherwise)

	Period ended 31 March 2014	Period ended 31 March 2013
<b>Cash flows – operating activities</b>		
Profit before tax	909	258
Total adjustments	-2 877	-3 259
Profit sharing in entities valued using equity method	-8	-39
Amortization and depreciation	599	576
Interest and profit sharing (dividends)	-38	133
(Profit) loss on disposal of property, plant and equipment	-	-12
Change in provisions	-330	-695
Change in inventories	701	-1 168
Change in receivables and other assets	-373	7 092
Change in current liabilities except for borrowings and loans	-2 170	-6 633
Other adjustments (including change in deferred income)	-1 258	-2 513
Cash provided by (used in) operating activities	-1 968	-3 001
Income tax paid	-557	-117
<b>Net cash provided by (used in) operating activities</b>	<b>-2 525</b>	<b>-3 118</b>
<b>Cash flows – investing activities</b>		
Inflows	6	2 209
Disposal of intangible assets and property, plant and equipment	6	23
Inflows from financial assets, including :	-	2 186
a) in related entities	-	270
- disposal of financial assets (shares)	-	270
b) in other entities	-	<b>1 916</b>
- loan received	-	60
- other proceeds from financial assets	-	1 856
Outflows	-971	-528
Acquisition of intangible assets and property, plant and equipment	-366	-449
For financial assets, including:	-605	-79



a) in related entities; acquisition of financial assets	-605	-50
b) in other entities; repayment of a loan and interest	-	-29
<b>Net cash provided by (used in) investing activities</b>	<b>-965</b>	<b>1 681</b>
<b>Caswhy flows – financing activities</b>		
Inflows	2 006	2 375
Bank loans	2 003	2 375
Other financial inflows	3	-
Outflows	-391	-267
Other than payments to shareholders, expenses under profit distribution	-10	-10
Repayment of bank loans	-135	-95
Payment of liabilities under finance lease agreement	-133	-29
Commission and interest paid	-113	-133
<b>Net cash provided by (used in) financing activities</b>	<b>1 615</b>	<b>2 108</b>
Total cash flows, net	-1 875	671
Net increase/(decrease) in cash and cash equivalents	-1 875	671
Cash and cash equivalents at the beginning of the period	8 249	6 796
Cash and cash equivalents at the end of the period	6 374	7 467

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

#### Separate statement of financial position as at 31 March 2014

(all amounts in PLN thousands if not stated otherwise)

	As at 31 March 2014	As at 31 December 2013
<b>A s s e t s</b>		
<b>Non-current assets</b>		
Property, plant and equipment	2 007	1 981
Intangible assets	182	201
Shares in subsidiaries and other entities	10 160	10 060
Shares in equity-accounted investees	5 210	5 210
Deferred tax assets	407	656
Other financial assets	41 320	40 906
<b>Total non-current assets</b>	<b>59 286</b>	<b>59 014</b>
<b>Current assets</b>		
Inventories	2 555	3 126
Trade and other receivables	37 441	39 407
Other financial assets	5 325	5 306
Other assets	11 147	10 548
Cash and cash equivalents	2 559	3 725
<b>Total non-current assets</b>	<b>59 027</b>	<b>62 112</b>
<b>Total assets</b>	<b>118 313</b>	<b>121 126</b>
<b>E q u i t y a n d l i a b i l i t i e s</b>		
<b>Equity</b>		
Share capital	3 895	3 895

Revaluation reserve	950	950
Retained earnings	69 226	68 662
<b>Total equity</b>	<b>74 071</b>	<b>73 507</b>
<b>Non-current liabilities</b>		
Provisions for retirement and similar benefits	531	531
Other provisions	19 338	19 338
Other non-current liabilities	24	24
<b>Total non-current liabilities</b>	<b>19 893</b>	<b>19 893</b>
<b>Current liabilities</b>		
Current bank loans	1 868	-
Trade payables	15 032	17 767
Provision for current income tax	334	563
Other liabilities	2 312	3 017
Deferred income	4 803	6 379
<b>Total current liabilities</b>	<b>24 349</b>	<b>27 726</b>
<b>Total liabilities</b>	<b>44 242</b>	<b>47 619</b>
<b>Total equity and liabilities</b>	<b>118 313</b>	<b>121 126</b>
Number of shares (units)	3 895 000	3 895 000
Book value per share (in PLN)	19.02	18.87

**Separate statement of comprehensive income for the period from 1 January 2014 to 31 March 2014**  
(all amounts in PLN thousands if not stated otherwise)

	Period ended 31 March 2014	Period ended 31 March 2013
<b>Revenues from sales, including:</b>	20 262	14 127
Revenues from sale of services	20 258	13 915
Revenue from sale of goods and materials	4	212
Cost of sales, including :	-17 779	-12 042
Cost of services sold	-17 777	-11 831
Cost of merchandise and raw materials	-2	-211
<b>Gross profit on sales</b>	<b>2 483</b>	<b>2 085</b>
General and administrative expenses	-1 806	-2 043
Other operating income	70	82
Other operating expenses	-12	-34
<b>Results from operating activities</b>	<b>735</b>	<b>90</b>
Financial income	413	341
Finance expenses	-193	-267
<b>Profit before tax</b>	<b>955</b>	<b>164</b>
Income tax expense :	391	-130
- current tax	141	-
- deferred tax	250	-130
<b>Profit for the period</b>	<b>564</b>	<b>294</b>

Weighted average number of ordinary shares (units)	3 895 000	3 895 000
Profit/diluted profit per share (in PLN per share)	0.14	0.08

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

Other comprehensive income (net)	-	-
<b>Total comprehensive income net</b>	<b>564</b>	<b>294</b>
Weighted average number of ordinary shares (units)	3 895 000	3 895 000
Total comprehensive income per ordinary share (in PLN per share)	0.14	0.08

**Separate statement of changes in equity**

(all amounts in PLN thousands if not stated otherwise)

	Share capital	Revaluation reserve	Retained earnings	Total equity
<b>The reporting period from 1 January 2014 to 31 March 2014</b>				
<b>As at the beginning of the period</b>	<b>3 895</b>	<b>950</b>	<b>68 662</b>	<b>73 507</b>
Net profit of the given period	-	-	564	<b>564</b>
<i>Net other comprehensive income</i>	-	-	-	-
<b>Total comprehensive income</b>	-	-	<b>564</b>	<b>564</b>
<b>As at the end of the period</b>	<b>3 895</b>	<b>950</b>	<b>69 226</b>	<b>74 071</b>

	Share capital	Revaluation reserve	Retained earnings	Total equity
<b>The reporting period from 1 January 2013 to 31 March 2013</b>				
<b>As at the beginning of the period</b>	<b>3 895</b>	<b>1 086</b>	<b>65 049</b>	<b>70 030</b>
Net profit of the given period	-	-	294	<b>294</b>
<i>Net other comprehensive income</i>	-	-	-	-
<b>Total comprehensive income</b>	-	-	<b>294</b>	<b>294</b>
<b>As at the end of the period</b>	<b>3 895</b>	<b>1 086</b>	<b>65 343</b>	<b>70 324</b>

	Share capital	Revaluation reserve	Retained earnings	Total equity
<b>The reporting period from 1 January 2013 to 31 December 2013</b>				
<b>As at the beginning of the period</b>	<b>3 895</b>	<b>1 086</b>	<b>65 049</b>	<b>70 030</b>
Net profit of the given period	-	-	6 643	<b>6 643</b>
<i>Net other comprehensive income</i>	-	-129	-	-129
<b>Total comprehensive income</b>	-	<b>-129</b>	<b>6 643</b>	<b>6 514</b>
Payment of dividend	-	-	-3 038	3 038
Other changes	-	-7	8	1

<b>As at the end of the period</b>	<b>3 895</b>	<b>950</b>	<b>68 662</b>	<b>73 507</b>
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### Separate statement of cash flows for the period from 1 January to 31 March 2014

(all amounts in PLN thousands if not stated otherwise)

	<b>Three months period ended 31 March 2013</b>	<b>Three months period ended 31 March 2013</b>
<b>Cash flows – operating activities</b>		
Profit before tax	955	164
Total adjustments	-2 963	-2 161
Amortization and depreciation	207	198
Interest and profit sharing (dividends))	-167	-103
(Profit) loss on disposal of property, plant and equipment	-	-12
(Profit) loss on investment recognized in profit and loss account	-	-
Change in provisions	-274	-1
Change in inventories	571	220
Change in receivables	1 367	3 903
Change in current liabilities, except for loans and borrowings	-3 091	-6 366
Other adjustments (including deferred income)	-1 576	-
Cash provided by (used in) operating activities	-2 008	-1 997
Income tax paid	370	-
<b>Net cash provided by (used in) operating activities</b>	<b>-2 378</b>	<b>-1 997</b>
<b>Cash flows – investing activities</b>		
Inflows	3	169
Disposal of intangible assets and property, plant and equipment	-	23
Inflows from financial assets	3	146
In subsidiaries and related entities:	3	146
- repayment of loans granted	-	91
- repayment of interest on loans granted	3	55
Outflows	590	524
Acquisition of intangible assets and property, plant and equipment	290	344
For financial assets, including:	300	180
a) in related entities:	300	180
- acquisition of financial assets	100	50
- loans granted	200	130
<b>Net cash provided by (used in) investing activities</b>	<b>-587</b>	<b>-355</b>
<b>Cash flows – financing activities</b>		
Inflows	1 868	1 208
Bank loans	1 868	1 208
Outflows	69	114
Commission and interest paid	69	114
<b>Net cash provided by (used in) financing activities</b>	<b>1 799</b>	<b>1 094</b>
Total cash flow, net	-1 166	-1 258
Net increase/(decrease in cash and cash equivalents	-1 166	-1 258
Cash and cash equivalents at the beginning of the period	3 725	3 164
Cash and cash equivalents at the end of the period	2 559	1 906

#### **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 the PROCHEM Capital Group (the PROCHEM Group, the Group, the 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 interim consolidated financial statements the Management Board of PROCHEM S.A. comprises of:

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

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

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

From the date of the announcement of the report for the year 2013 there have been no changes in the composition of the Management Board and the Supervisory Board.

##### **3. Description of Capital Group with indication of 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 and 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 w Dąbrowa Górnicza – subsidiary indirectly (93.4%);
- Pro-Organika Sp. z o.o. seated in Warsaw – subsidiary directly (91.4%);
- Prochem Serwis Sp. z o.o. seated in Warsaw – subsidiary indirectly (89.1%);
- PREDOM Sp. z o.o. seated in Wrocław – subsidiary indirectly (81.1% of the capital and profit, 69.4% of votes);
- Prochem Zachód Sp. z o.o. seated in Warsaw – subsidiary directly(80.0%);
- ELPRO Sp. z o.o. Kraków – subsidiary indirectly (87.2%, including 74.4% in the 50% share of Elektromontaż Kraków);
- Elmont Inwestycje Sp. z o.o. Kraków – subsidiary indirectly (87.2%, including 74.4% in the 50% share of Elektromontaż Kraków);
- Elektromontaż Kraków S.A. – subsidiary indirectly (74.4%), including 58.8% of capital and votes belongs to company Prochem Inwestycje 100 % subsidiary. Elektromontaż Kraków S.A. prepares consolidated financial statements, which contains data of 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 w Warsaw – 100% indirect subsidiary;
- ATUTOR Integracja Cyfrowa Sp. z o.o. seated in Warsaw – indirect subsidiary (87.3% belongs to company Prochem Inwestycje Sp. z o.o. 100% subsidiary);
- Prochem RPI Sp. z o.o. seated in Warsaw - 100% subsidiary indirectly and directly;

#### Jointly-controlled and associated entities valued using equity method:

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

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

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

#### **4. Adopted accounting policies applied by Capital Group and Issuer**

##### ***Base for presentation***

Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group and separate interim condensed financial statements for three months of 2014 was prepared according to IAS 34 "Interim Reporting" and Minister of Finance Regulation of 19 February 2009 on current and periodic information provided by issuers of securities and conditions for recognition as equivalent required by the law of a non-Member State (Official Journal no. 33, item 259 with further amendments). 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 S.A. Capital Group and Issuer will not be able to continue its 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 the consolidated financial statements***

Consolidated financial statements was prepared based on the principle of the historical cost, apart from:

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

### ***Changes in estimates and accounting policies***

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

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

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

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

### ***Significant accounting policies***

When preparing the interim condensed consolidated financial statements and interim condensed separate financial statements for three months of 2014 were applied the same accounting principles and the same calculation methods which were applied in the consolidated financial statements of PROCHEM S.A. Capital Group and financial statements of PROCHEM S.A. for the year ended 31 December 2013.

### ***Change in estimates***

In the period of three months of 2014 there were no significant changes in principles and methods of calculation that were applied to determine the estimates.

### ***Functional currency and presentation currency of the financial statements***

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

The financial result and financial position of the Representative Office 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 first quarter of 2014, there were no significant events that would have an impact on the achieved results of PROCHEM S.A. Group and of the Issuer.

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

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

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

- a) was resolved provision which was created in the previous periods for deferred income tax in the amount of PLN 694 thousand and was created provision in the amount of PLN 746 thousand,
- b) deferred tax assets were used in the amount of PLN 602 thousand, and were created in the amount of PLN 373 thousand,
- c) provisions to costs created in the previous periods were used in the amount of PLN 335 thousand.

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

- a) was resolved provision which was created in the previous periods for deferred income tax in the amount of PLN 368 thousand, and was created provision in the amount of PLN 516 thousand,
- b) deferred tax assets were used in the amount of PLN 102 thousand,
- c) provision to future costs created in the previous periods were used in the amount of PLN 311 thousand,

**7. Explanatory notes concerning seasonal 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 affect 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 first quarter of 2014 the transactions of this type did not occur.

**9. Information on paid (or declared) dividend, total and per share, with the division 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**

On April 25, 2014 the Issuer granted a loan a jointly controlled entity Irydion sp. z o.o. seated in Warsaw, in the amount of PLN 2,000 thousand with repayment date until September 30, 2014. Interest was set at 3% annually.

**11. Related party transactions**

In the first quarter of 2014 the Members of the Management Board and Supervisory Board did not conclude transactions with related parties.



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

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

## **Transactions of the Capital Group with the associated entities, and the jointly-controlled entities**

### ***The reporting period***

As at 31 March 2014 the settlements of the Group with associated entities and jointly controlled entities developed as follows:

- Receivables from non-current loans PLN 11,373
- Trade and other receivables – PLN 156 thousand
- Trade payables – PLN 16 thousand

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

- revenues from sale of services – PLN 6.658 thousand
- financial revenues from interest on loans – PLN 74 thousand.

Revenues from sale of services as a whole relate to the jointly controlled company IRYDION sp. z o.o. in Warsaw, for which the investment project is carried out under the name of "Astrum Business Park" in Warsaw.

Share in net profit for the first quarter of 2014 in entities valued using the equity method amounted to PLN 7 thousand.

### ***The comparative data***

In the period from 1 January 2013 to 31 March 2013 there were no transactions with associated entities.

Share in net profit (loss) for the first quarter of 2013 in entities valued using the equity method amounted to PLN 39 thousand.

As at 31 March 2013 there were no transactions under trade payables with entities associated directly and indirectly.

## **Transactions of the Issuer with subsidiaries**

### **Data for the reporting period**

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

- Receivables under non-current loans with interest - PLN 22,863 thousand,
- Receivables under current loans with interest - PLN 3,448 thousand,
- Trade and other receivables - PLN 5,772 thousand
- Trade payables – PLN 660 thousand

In the period from 1 January 2014 to 31 March 2014 there were the following transactions of the Issuer with subsidiaries directly or indirectly:  
sale and purchase of construction services,

sale of other services (rental of space),  
Total revenues from these transactions amounted to – PLN 56 thousand  
Revenues from interest on loans amounted to - PLN 162 thousand  
Remuneration under valorization of the contract value - PLN 15 thousand.

### ***The comparative data***

As at 31 March 2013 settlements of the Issuer with subsidiaries directly or indirectly developed as follows:

Receivables from non-current loans with interest - PLN 27,330 thousand,  
Receivables from current loans with interest - PLN 410 thousand,  
Trade and other receivables - PLN 8,556 thousand  
Trade payables - PLN 2,902 thousand

In the period from 1 January 2014 to 31 March 2013 there were the following transactions of the Issuer with subsidiaries directly or indirectly:

sale and purchase of construction services,  
sale of other services (rental of space),  
Total revenues from these transactions amounted to - PLN 351 thousand  
Revenues from interest on loans amounted to - PLN 218 thousand  
Remuneration under valorization of the contract value - PLN 93 thousand

## **Transactions of the Issuer with the associated entities and jointly controlled entities**

### ***The reporting period***

As at 31 March 2014 settlement of the Issuer with entities jointly controlled and associated entities directly or indirectly developed as follows:

Receivables from non-current loans PLN 11,373  
Trade and other receivables – PLN 156 thousand  
Trade payables – PLN 16 thousand.

In the period from 1 January 2014 to 31 March 2013 there were the following transactions

With jointly controlled entities and associates:

- revenues from sale of services – PLN 6,658 thousand
- financial revenues from interest on loan – PLN 74 thousand

Revenues from sale of services as a whole relate to the jointly controlled company IRYDION sp. z o.o. in Warsaw, for which the investment project is carried out under the name of "Astrum Business Park" in Warsaw.

### ***The comparative data***

In the period from 1 January 2012 to 31 March 2013 there were no transactions with associated entities. As at 31 March 2013 there were no transactions under trade payables with entities associated directly and indirectly under trade payables and receivables.

## **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**

	<b>Capital Group</b>		<b>Including Issuer</b>	
	<b>As at</b>		<b>As at</b>	
	<b>31 March</b>	<b>31</b>	<b>31 March</b>	<b>31</b>
	<b>2014</b>	<b>December</b>	<b>2014</b>	<b>December</b>
		<b>2013</b>		<b>2013</b>
<b>Collateral granted</b>				
Bank guarantee of good performance	16 705	17 167	10 945	11 407
Advance payment guarantee	28 911	29 478	28 911	29 478
Payment guarantee	1 134	1 134	1 134	1 134
Tender guarantee	1 180	1 235	1 180	1 235
<b>Total collateral granted</b>	<b>47 930</b>	<b>49 014</b>	<b>42 170</b>	<b>43 254</b>
<b>Total contingent liabilities</b>				
Bill of exchange surety of the good performance	35	35	-	-
<b>Total collateral granted and contingent liabilities</b>	<b>47 965</b>	<b>49 049</b>	<b>42 170</b>	<b>43 254</b>

	<b>As at</b>	
	<b>31 March 2014</b>	<b>31 December 2013</b>
<b>Collateral received</b>		
Bank guarantee of good performance	1 201	1 206
Bill of exchange for security of the terms of contract	577	577
<b>Total collateral received</b>	<b>1 778</b>	<b>1 783</b>

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 2014 was completed the liquidation procedure of the subsidiary PRO-PLM Sp. z o.o. seated in Warsaw. Company PRO-PLM 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 Krakowie (subsidiary). The total sale price was set as PLN 500 thousand.

As a result of transaction the share indirectly of the Parent Company increased by 3.9% percentage points.

In the first quarter of 2014 the subsidiary Elektromontaż Kraków S.A. repurchased 424 own shares for redemption for total amount of PLN 10 thousand. As result of repurchase of own shares for redemption by Elektromontaż Kraków has occurred a change in the structure of participation. Share of the Parent Company increased by 0.1% percentage point.

As at 31 March 2014 share of the Parent Company in capital and votes of the company Elektromontaż Krakow increased by 4.0% percentage points to 74.4%.

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.

**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:

Specification	Number of shares held	% of votes in total number of votes	% of share capital
POROZUMIENIE PHC, including:	1 178 320	30.28	30.25
Steve Tappan	509 797	13.08	13.09
Otwarty Fundusz Emerytalny PZU „Złota Jesień“	387 000	9.93	9.94
Legg Mason Towarzystwo Funduszy Inwestycyjnych S.A., including:	560 549	14.39	14.39
- Legg Mason Parasol Fundusz Inwestycyjny Otwarty „Legg Mason Parasol FIO“	284 054	7.29	7.29
Noble Funds Towarzystwo Funduszy Inwestycyjnych S.A.	207 792	5.33	5.33

In the period since the submission of the annual report for 2013 there has been no change in ownership of large blocks of shares.

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

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

- Jarosław Stępniewski – 80,943 units;
- Marek Kiersznicki – 70,143 units;
- Krzysztof Marczak – 42,700 units;
- Andrzej Karczykowski – 115,186 units;
- Marek Garliński – 86,400 units;
- Adam Parzydeł – 15,300 units.

Since the submission of the annual report for 2013 there was no change in the ownership structure of the issuer's shares.

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

- a) proceedings relating to liabilities or receivables of the issuer or its subsidiary whose value is at least 10% of the equity of the issuer, with the specification of the subject case, the amount in dispute, date of initiation of proceedings, the parties to the proceedings and the position of the issuer,
- b) two or more proceedings relating to liabilities and receivables with a total value respectively of at least 10% of the equity of the issuer, 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 construction management of an investment project under the name "Pipeline in a section from the ST- 1 Adamowo - to raw material base Plebanka" concluded with PERN S.A. PROCHEM S.A. filed a lawsuit to the court for payment of PLN 41, 301 thousand under the final settlement of the contract, of which PLN 17,364 thousand is recognized in the statement of financial position as a receivable from seized guarantee deposit, and the remaining amount is the contingent receivable. On 18 January 2008 District Court in Warsaw issued a judgment in this case considering claim of PROCHEM S.A. as to be right in principle, while stating that this obligation is not yet due.

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

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

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

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

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

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

On 9 August 2013, the Issuer received from the District Court in Warsaw, the decision as of 1 August 2013, from closed session of the Court. At the meeting, the Court decided to admit evidence of a supplementary

opinion of research institute - Warsaw University of Technology in Warsaw, in the circumstance of determining the value of services, supplies, and other liabilities made by PROCHEM S.A. and directly related to the implementation of the agreement that have been made after the date of withdrawal from the contract on the basis of commitments contracted prior to the withdrawal from the contract. In November 2013 the experts appointed by the court have started the work associated with the preparation of the supplementary opinion. On 25 February 2014, the Court received the supplementary opinion that confirms the amount of the claim of PROCHEM S.A.

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

Furthermore, the total value of other proceedings separately for 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) relationship of the issuer or its subsidiary with the entity who is a party to the transaction,
- c) significant terms of the transaction, with particular emphasis on financial conditions and indication of specific conditions determined by the parties which are characteristic of this agreement, in particular different from terms commonly applied this type of contracts.w.

In the first quarter of 2014 the transactions concluded on other terms than on market conditions did not occur.

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

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

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 surety to the amount of PLN 831 thousand

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

Low debt level and high liquidity enable for the accurate and timely service the obligations by the Companies belonging to the Group which means that they are a reliable partner in trade.

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

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

## 22. Financial instruments and financial risk management

### Financial assets

(in PLN thousands)	Separate financial statements		Consolidated financial statements	
	As at 31 March 2014	As at 31 December 2013	As at 31 March 2014	As at 31 December 2013
<b>Classes of financial instruments</b>				
Receivables from supplies and services	37 441	38 3870	49 127	46 479
Financial means	2 559	3 725	6 374	8 249
Loans granted	37 882	37 449	11 575	11 497
Other financial assets – discounted security deposit for securing bank guarantee of return of advance payment	8 763	8 763	8 763	8 763
<b>Total</b>	<b>86 645</b>	<b>88 807</b>	<b>75 839</b>	<b>74 988</b>

### Financial liabilities

As at 31 March 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
<b>Classes of financial instruments</b>						
Loans	1 868	-	1 868	6 162	-	6 162
Borrowings	-	-	-	60	-	60
Finance lease	-	-	-	-	-	-
Payables	15 032	-	15 032	24 410	-	24 410
<b>Total</b>	<b>16 900</b>	<b>-</b>	<b>16 900</b>	<b>30 632</b>	<b>-</b>	<b>30 632</b>

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
<b>Classes of financial instruments</b>						
Loans	-	-	-	4 411	-	4 411
Borrowings	-	-	-	60	-	60
Finance lease	-	-	-	-	374	374
Payables	17 767	-	17 767	26 799	-	26 799
<b>Total</b>	<b>17 767</b>	<b>-</b>	<b>17 767</b>	<b>31 270</b>	<b>374</b>	<b>31 644</b>

## Impairment allowance of financial assets by categories and classes of financial assets

(in PLN thousands)	Separate financial statements		Consolidated financial statements	
	As at 31 March 2014	As at 31 December 2013	As at 31 March 2014	As at 31 December 2013
Receivables from supplies and services	(5 659)	(5 796)	(7 192)	(7 221)
Other financial assets	(207)	(207)	-	-
Total	(5 806)	(6 003)	(7 192)	(7 221)

### **Liquidity risk related to the dispute in court with PERN SA**

In view of the substantial extension of legal proceeding in a dispute with PERN SA which began in 2006, and is currently pending before the District Court in Warsaw on the accounting for the contract interrupted on 10 of November 2005 for the implementation of an investment project under the name of "Pipeline in a section from the ST-1 Adamowo - to Plebanka raw material base ", the risk exists of the need of fulfilling in 2014 by PROCHEM the commitments concerning seized guarantee deposits from subcontractors, which as at the balance sheet date amounted to PLN 2 928 thousand, before the security deposits retained by PERN SA are refunded. Amounts due under the deposit of PROCHEM S.A. from PERN SA as at 31 December 2013 amounted to PLN 17 364 thousand. The Company believes that the risk is minimal, but the Board of PROCHEM 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 from which it can obtain income and incur expenses,
- whose operating results are regularly reviewed by the body responsible for making operating decisions of the Company,
- in case of which is available a separate financial information.

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

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

Segment result is determined on the level of operating income.

The activities of the companies from the Group and the Issuer for the purposes of management was divided into basic operational departments such as: implementation (general contracting), design service and other engineering services (supervision along with the service of contract engineer), rental of construction equipment, and other activities, which include among other income from subleasing, sale of photocopying services and other.

Segment assets include all assets used by a segment, which consist mainly of receivables, inventories and property, plant and equipment less any provisions and any impairment losses.

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

In the first quarter of 2014 revenues from operations achieved abroad by Parent Company amounted to PLN 3,183.6 thousand constituting 15.7% of revenues from sale.

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



## Operating segments – PROCHEM S.A. for the first quarter of 2014 – results of the segments

*The current period from 1 January to 31 March 2014*

	General contractingo	Design and engineering services	Rental of construction equipment	Othere	Items not assigned	Total
Revenues from clients	12 125	6 348	1 529	260	-	20 262
<b>Total revenue of the segment</b>	<b>12 125</b>	<b>6 348</b>	<b>1 529</b>	<b>260</b>	<b>-</b>	<b>20 262</b>
<b>Result</b>	<b>473</b>	<b>96</b>	<b>178</b>	<b>-70</b>	<b>-</b>	<b>677</b>
<b>Profit (loss) of the segment</b>	<b>473</b>	<b>96</b>	<b>178</b>	<b>-70</b>	<b>-</b>	<b>677</b>
Financial income	-	-	-	-	413	413
Finance expenses	-	-	-	-	-193	-193
Net financial income	-	-	-	-	220	220
Profit on other operating activities	-	-	-	-	58	58
<b>Profit before tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>955</b>	<b>955</b>
Income tax	-	-	-	-	391	391
<b>Profit for the current period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>564</b>	<b>564</b>
<b>Assets</b>						
Segment assets (related to activity)	30 826	3 579	1 926	691	-	37 022
Assets unallocated (among others shares and other financial assets)	-	-	-	-	81 291	81 291
<b>Total assets</b>	<b>30 826</b>	<b>3 579</b>	<b>1 926</b>	<b>691</b>	<b>81 291</b>	<b>118 313</b>
Depreciation of property, plant and equipment	13	3	34	-	132	182
Amortization of intangible assets	-	-	-	-	25	25

*The comparative period from 1 January to 31 March 2013*

	General contractingo	Design and engineering services	Rental of construction equipment	Othere	Items not assigned	Total
Revenues from clients	5 943	6 931	258	995	-	14 127
<b>Total revenue of the segment</b>	<b>5 943</b>	<b>6 931</b>	<b>258</b>	<b>995</b>	<b>-</b>	<b>14 127</b>
<b>Result</b>	<b>48</b>	<b>82</b>	<b>-131</b>	<b>43</b>	<b>-</b>	<b>42</b>
<b>Profit (loss) of the segment</b>	<b>48</b>	<b>82</b>	<b>-131</b>	<b>43</b>	<b>-</b>	<b>42</b>
Financial income	-	-	-	-	341	341
Finance expenses	-	-	-	-	-267	-267
Net financial income	-	-	-	-	74	74
Loss on other operating activities	-	-	-	-	48	48
<b>Profit before tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>164</b>	<b>164</b>
Income tax	-	-	-	-	-130	-130
<b>Profit for the current period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>294</b>	<b>294</b>
<b>Assets and liabilities</b>						
Segment assets (related to activity)	32 193	7 331	3 111	1 092	-	43 727
Assets unallocated (among others shares and other financial assets)	-	-	-	-	60 963	60 963

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*Prochem S.A. Capital Group*

*Report for the first quarter of 2014*

*Interim condensed consolidated financial statements as at and for the period of three months ended 31 March 2014*

<b>Total assets</b>	<b>32 193</b>	<b>7 331</b>	<b>3 111</b>	<b>1 092</b>	<b>60 963</b>	<b>104 690</b>
Depreciation of property, plant and equipment	11	33	48	-	88	180
Amortization of intangible assets	-	-	-	-	18	18

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Operating segments – PROCHEM S.A. Capital Group for the first quarter of 2014 – results of the segments

*The current period from 1 January to 31 March 2014*

	General contract ing	Design and engineerin g services	Rental of constructi on equipmen t	Assembly of electrical installations	Rental of office space and real estate	Property managemen t	Maint enanc e	Commerci al activity	Develope r's activity	Other IT services	Other	Items not assigned	Total
Revenues from clients	12 209	7 332	1 532	6 415	1 314	1 324	210	1 554	-	50	152	-	32 092
<b>Total revenues of the segment result</b>	<b>12 209</b>	<b>7 332</b>	<b>1 532</b>	<b>6 415</b>	<b>1 314</b>	<b>1 324</b>	<b>210</b>	<b>1 554</b>	<b>-</b>	<b>50</b>	<b>152</b>	<b>-</b>	<b>32 092</b>
<b>Gain (loss) of the segment</b>	<b>437</b>	<b>64</b>	<b>176</b>	<b>91</b>	<b>196</b>	<b>34</b>	<b>1</b>	<b>21</b>	<b>-</b>	<b>-</b>	<b>-141</b>	<b>-</b>	<b>879</b>
Financial income	-	-	-	-	-	-	-	-	-	-	-	252	252
Finance costs	-	-	-	-	-	-	-	-	-	-	-	-299	-299
Net financial income	-	-	-	-	-	-	-	-	-	-	-	-47	-47
Profit sharing in associated entities	-	-	-	-	-	-	-	-	-	-	-	7	7
<b>Profit on other operating activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>70</b>	<b>70</b>
<b>Profit before tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>909</b>	<b>909</b>
Income tax	-	-	-	-	-	-	-	-	-	-	-	620	620
<b>Profit for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>289</b>	<b>289</b>
<b>Profit for the period assigned to non-controlling interest</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-54</b>	<b>-54</b>
<b>Profit for the period assigned to shareholders of parent company</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>343</b>	<b>343</b>
<b>Assets</b>													
Segment assets (related to activity)	26 692	7 770	1 943	11 867	17 694	3 199	134	1 584	-	-	356	-	70 239
Assets unallocated (among others shares and other												116 848	116 848

financial assets)

<b>Total assets</b>	<b>26 692</b>	<b>7 770</b>	<b>1 943</b>	<b>11 867</b>	<b>17 694</b>	<b>3 199</b>	<b>134</b>	<b>1 584</b>	-	-	<b>356</b>	<b>116 848</b>	<b>187 087</b>
<b>Other information related to msegment</b>													
Depreciation of property, plant and equipment	19	26	358	77	167	29	20	-	-	-	-	166	539
Amortization of intangible assets	-	30	-	2	-	1	1	-	-	-	-	26	60

**The current period from 1 January to 31 March 2013**

	General contract ing	Design and engineerin g services	Rental of constructi on equipmen t	Assembly of electrical installations	Rental of office space and real estate	Property managemen t	Maint enanc e	Commerci al activity	Develope r's activity	Other IT services	Other	Items not assigned	Total
Revenues from clients	6 335	7 417	258	9 321	1 220	<b>1 300</b>	<b>215</b>	1 226	-	101	604	-	27 997
<b>Total revenues of the segment result</b>	<b>6 335</b>	<b>7 417</b>	<b>258</b>	<b>9 321</b>	<b>1 220</b>	<b>1 300</b>	<b>215</b>	<b>1 226</b>	-	<b>101</b>	<b>604</b>	-	<b>27 997</b>
<b>Gain (loss) of the segment</b>	<b>-82</b>	<b>123</b>	<b>-131</b>	<b>269</b>	<b>70</b>	<b>26</b>	<b>72</b>	<b>70</b>	-	<b>12</b>	<b>-46</b>	-	<b>383</b>
Financial income	-	-	-	-	-	-	-	-	-	-	-	81	81
Finance costs	-	-	-	-	-	-	-	-	-	-	-	-320	-320
Net financial income	-	-	-	-	-	-	-	-	-	-	-	-239	-239
Profit sharing in associated entities	-	-	-	-	-	-	-	-	-	-	-	39	39
<b>Profit on other operating activities</b>	-	-	-	-	-	-	-	-	-	-	-	75	75
<b>Profit before tax</b>	-	-	-	-	-	-	-	-	-	-	-	<b>258</b>	<b>258</b>
Income tax	-	-	-	-	-	-	-	-	-	-	-	-31	-31
<b>Profit for the period</b>	-	-	-	-	-	-	-	-	-	-	-	<b>289</b>	<b>289</b>
<b>Profit for the period</b>	-	-	-	-	-	-	-	-	-	-	-	<b>65</b>	<b>65</b>

<b>assigned to non-controlling interest</b>														
<b>Profit for the period assigned to shareholders of parent company</b>	-	-	-	-	-	-	-	-	-	-	-	-	224	224
<b>Assets</b>														
Segment assets (related to activity)	26 526	9 008	3 111	14 274	15 680	3 130	91	1 824	28 855	-	772	-	103 271	
Assets unallocated (among others shares and other financial assets)												75 117	75 117	
<b>Total assets</b>	<b>26 526</b>	<b>9 008</b>	<b>3 111</b>	<b>14 274</b>	<b>15 680</b>	<b>3 130</b>	<b>91</b>	<b>1 824</b>	<b>28 855</b>	<b>-</b>	<b>772</b>	<b>75 117</b>	<b>178 388</b>	
<b>Other information related to msegment</b>														
Depreciation of property, plant and equipment	20	44	48	94	163	33	20	-	-	-	-	116	538	
Amortization of intangible assets	-	16	-	3	-	-	-	-	-	-	-	19	38	

**24. Approval of financial statements**

Interim condensed financial statements were authorized to issue by the Management Board on 15 May 2014.

**Signatures of the Members of Management Board**

15 May 2014 date	Jarosław Stępniewski first name and surname	Chairman of the Board position	..... signature
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15 May 2014 date	Marek Kiersznicki first name and surname	Vice Chairman position	..... signature
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15 May 2014 date	Krzysztof Marczak first name and surname	Vice Chairman position	..... signature
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**Signature of the person responsible for bookkeeping**

15 May 2014 date	Barbara Auguścińska-Sawicka first name and surname	Chief Accountant position	..... signature
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