

**CONSOLIDATED QUARTERLY REPORT
OF PROCHEM S.A. CAPITAL GROUP
FOR THE FIRST QUARTER OF 2016**

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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 the first quarter of 2016 - 4.3559 PLN/EURO
- For the first quarter of 2015 - 4.1489 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:

- 4.2684 PLN/EUR as at 31 March 2016
- 4.2615 PLN/EUR as at 31 December 2015

Selected financial data of Prochem S.A. Capital Group

Description	Reporting period ended 31 March		Reporting period ended 31 March	
	2016	2015	2016	2015
	In PLN thousands		In EURO thousands	
Consolidated profit and loss account				
Revenues from sales	36 826	27 079	8 454	6 527
Gross profit on sales	4 314	3 750	990	904
Results from operating activities	1 228	639	282	154
Before tax profit	1 179	1 495	271	360
Profit for the period assigned to:	916	868	210	209
Shareholders of parent entity	925	856	212	206
Non-controlling interest	-9	12	-2	3
Profit/diluted profit per one share (in PLN//EURO)- assigned to shareholders of parent company	0.24	0.22	0.05	0.05
Consolidated statement of cash flows				
Net cash provided by (used in) operating activities	-5 486	302	-1 259	73
Net cash provided by (used in) investing activities	4 964	66	1 140	16
Net cash provided by (used in) financing activities	2 674	926	614	223
Total cash flow, net	2 152	1 294	494	312
Description	As at		As at	
	31 March 2016	31 December 2015	31 March 2016	31 December 2015
	In PLN thousands		In EURO thousands	
Consolidated statement of financial position				
Total assets	190 484	214 436	44 699	50 319
Total non-current assets	81 563	81 783	19 140	19 191
Total current assets	108 921	132 653	25 559	31 128
Equity attributable to owners of parent company	117 318	116 357	27 530	27 304
Non-controlling interest	8 682	8 738	2 037	2 050
Total equity	126 000	125 095	29 567	29 355
Total non-current liabilities	4 468	5 153	1 048	1 209
Total current liabilities	60 016	84 188	14 083	19 755
Book value per one ordinary share (in PLN/EURO)- assigned to owners of parent company	30.12	29.87	7.07	7.01
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 March		Reporting period ended 31 March	
	2016	2015	2016	2015
	In PLN thousands		In EURO thousands	
Separate statement of profit and loss				
Revenues from sales	29 475	17 692	6 767	4 264
Gross profit on sales	2 937	2 053	674	495
Results from operating activities	1 163	684	267	165
Before tax profit	1 374	1 629	315	393
Profit for the period	1 154	1 095	265	264
Profit per one ordinary share (in PLN/EURO)	0.30	0.28	0.07	0.07
Separate statement of cash flows				
Net cash provide by (used in) operating activities	-6 027	-443	-1 384	-107
Net cash provide by (used in) investing activities	120	-188	28	-45
Net cash provide by (used in) financing activities	2 609	1 992	599	480
Total cash flow, net	-3 298	1 361	-757	328

Description	31 March 2016	31 December 2015	31 March 2016	31 December 2015
	In PLN thousands		In EURO thousands	
	Separate statement of financial position			
Total assets	135 585	157 200	32 468	36 888
Total non-current assets	55 122	55 088	12 914	12 927
Total current assets	83 463	102 112	19 554	23 962
Total equity	84 429	83 275	19 780	19 541
Total non-current liabilities	703	729	165	171
Total current liabilities	53 453	73 196	12 523	17 716
Book value per one ordinary share (in PLN/EURO)	21.68	21.38	5.08	5.02
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 March 2016

(all amounts in PLN thousands if not stated otherwise)

	As at 31 March 2016	As at 31 December 2015
A s s e t s		
Non-current assets		
Property, plant and equipment	23 812	23 814
Intangible assets	480	508
Investment properties	11 960	11 960
11 960 Shares	830	830
Shares valued using the equity method	23 837	24 000
Deferred tax assets	2 597	2 716
Other financial assets	18 047	17 955
Total non-current assets	81 563	81 783
Current assets		
Inventories	7 129	7 071
Trade and other receivables	57 176	83 091
Other financial assets	773	2 799
Other assets	18 096	15 197
Cash and cash equivalents	25 747	23 595
Total current assets	108 921	132 653
Total assets	190 484	214 436
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	11 599	11 584
Retained earnings	101 824	100 878
Owners' equity	117 318	116 357
Non-controlling interest	8 682	8 738
Total equity	126 000	125 095
Non-current liabilities		
Provision for deferred income tax	2 232	2 883
Provision for retirement and similar benefits	1 839	1 854
Other liabilities	397	416
Total non-current liabilities	4 468	5 153
Current liabilities		
Bank loans	14 578	11 772
Trade payables	35 397	51 451
Liabilities for current income tax	88	1 447
Other liabilities	6 481	8 142
Deferred income	3 472	11 376
Total current liabilities	60 016	84 188
Total liabilities	64 484	89 341
Total equity and liabilities	190 484	214 436
Book value – equity attributable to owners of Parent Entity	117 318	116 337
Number of shares (units)	3 895 000	3 895 000
Book value per one share (in PLN)	30.12	29.87

Consolidated profit and loss account for the period from 1 January 2016 to 31 March 2016

(all amounts in PLN thousands if not stated otherwise)

	Period ended 31 March 2016	Period ended 31 March 2015
Revenues from sales, including :	36 826	27 079
Revenues from sale of services	35 717	26 069
Revenues from sale of goods and materials	1 109	1 010
Cost of sales, including :	-32 512	-23 329
Cost of services sold	-31 448	-22 510
Cost of merchandise and goods sold	-1 064	-819
Gross profit on sales	4 314	3 750
General and administrative expense	-3 190	-3 295
Other operating income	125	216
Other operating expenses	-21	-32
Results from operating activities	1 228	639
Financial income	346	1 081
Finance costs	-230	-273
Profit sharing in entities valued using the equity method	-165	48
Before tax profit	1 179	1 495
Income tax :	263	627
- current tax	795	276
- deferred tax	-532	351
Profit for the period	916	868

Profit for the period assigned to:

Shareholders of Parent Entity	925	856
Non-controlling interest	-9	12
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	0.24	0.22

**Consolidated statement of comprehensive income
For the period from 1 January 2016 to 31 March 2016**

(all amounts in PLN thousands if not stated otherwise)

Profit for the period	916	868
Other comprehensive income net	-	-45
<i>Other comprehensive income that will be reclassified to profit or loss under certain conditions:</i>	<i>-</i>	<i>-45</i>
Foreign exchange differences from the translation of the entity operating abroad	-	-45
Total comprehensive income	916	823
Total comprehensive income assigned to:		
Shareholders of Parent Entity	925	811
Non-controlling interest	-9	12
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	0.24	0.21

Consolidated statement of changes in equity from 1 January 2016 to 31 March 2016

(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
From 1 January 2016 to 31 March 2016						
As at the beginning of the period	3 895	11 584	100 878	116 357	8 738	125 095
Net profit (loss) of the given period	-	-	925	925	-9	916
Net other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	925	925	-9	916
<i>Transactions with shareholders</i>						
Repurchase of own shares for redemption (Elektromontaż) – change in the structure of shareholding	-	15	21	36	-47	-11
Other changes	-	-	-	-	-	-
As at the end of the period	3 895	11 599	101 824	117 318	8 682	126 000

	Share capital	Revaluation reserve	Retained earnings	Equity assigned to shareholders of parent entity	Equity assigned to non-controlling interest	Total equity
From 1 January 2015 to 31 March 2015						
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	-	-	856	856	12	868
Net other comprehensive income	-	-45	-	-45	-	-45
Total comprehensive income	-	-45	856	811	12	823
<i>Transactions with shareholders</i>						
Repurchase of own shares for redemption (Elektromontaż) – change in the structure of shareholding	-	11	19	30	-39	-9
Other changes	-	-	4	4	-	4
As at the end of the period	3 895	11 939	98 447	114 281	9 216	123 497

Consolidated statement of cash flows
from 1 January 2016 to 31 March 2016
(all amounts in PLN thousands if not stated otherwise)

	Period ended 31 March 2016	Period ended 31 March 2015
Cash flows – operating activities		
Gross profit (loss)	1 179	1 495
Total adjustments	-4 642	-534
Share in profit in entities valued using the equity method	165	-48
Amortization and depreciation	569	589
Interest and profit sharing (dividends)	24	72
Gain(loss) on disposal of property, plant and equipment	-5	-
Change in provisions	-238	-299
Change in inventories	-58	-1 397
Change in receivables and other assets	18 544	18 228
Change in current liabilities except for borrowings and loans	-17 677	-14 882
Other adjustments (including change in deferred income)	-5 966	-2 797
Cash provided by (used in) operating activities	-3 463	961
Income tax paid	-2 023	-659
Net cash provided by (used in) operating activities	-5 486	302
Cash flows – investing activities		
Inflows	5 327	369
Disposal of intangible assets and property, plant and equipment	5 252	57
The obtained refund of loans granted	75	-
Other investment income	-	312
Outflows	-363	-243
Acquisition of intangible assets and property, plant and equipment	-341	-243
Other outflows	-22	-
Net cash provided by (used in) investing activities	4 964	126
Cash flows – financing activities		
Inflows	2 967	2 163
Bank loans	2 967	2 145
Other financial inflows	-	18
Outflows	-293	-1 297
Other than payments to shareholders expenses under profit distribution	-11	-9
Repayment of bank loans	-152	-1 068
Repayment of borrowings	-	-60
Payment of liabilities under finance lease	-11	-
Commission and interest paid	-119	-160
Net cash provided by (used in) financing activities	2 674	866
Total cash flow net	2 152	1 294
Net increase/(decrease) in cash and cash equivalents	2 152	1 294
Cash and cash equivalents as at the beginning of the period	23 595	6 606
Cash and cash equivalents as at the end of the period	25 747	7 900

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

Separate statement of financial position as at 31 March 2016

(all amounts in PLN thousands if not stated otherwise)

	As at 31 March 2016	As at 31 December 2015
A s s e t s		
Non-current assets		
Property, plant and equipment	1 595	1 542
Intangible assets	373	414
Shares in subsidiaries	10 162	10 162
Shares in jointly-controlled entities and associated entities	4 810	4 810
Deferred tax assets	1 690	1 834
Other financial assets	36 492	36 326
Total non-current assets	55 122	55 088
Current assets		
Inventories	5 304	5 247
Trade and other receivables	52 783	68 856
Other financial assets	1 432	3 569
Other assets	10 473	7 671
Cash and cash equivalents	13 471	16 769
Total current assets	83 463	102 112
Total assets	138 585	157 200
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	859	859
Retained earnings	79 675	78 521
Total equity	84 429	83 275
Non-current liabilities		
Provisions for retirement and similar benefits	689	715
Other liabilities	14	14
Total non-current liabilities	703	729
Current liabilities		
Bank loans	11 722	9 024
Borrowings	950	950
Trade payables	34 710	47 154
Liabilities under current income tax	82	1 361
Other liabilities	2 231	3 670
Deferred income	3 758	11 037
Total current liabilities	53 453	73 196
Total liabilities	54 156	73 925
Total equity and liabilities	138 585	157 200
Number of shares (units)	3 895 000	3 895 000
Book value per share (in PLN)	21.68	21.38

Separate profit and loss account

For the period from 1 January 2015 to 31 March 2016

(all amounts in PLN thousands if not stated otherwise)

	Period ended 31 March 2016	Period ended 31 March 2015
Revenues from sales, including:	29 475	17 692
Revenues from sale of services	29 475	17 692
Revenues from sale of goods and materials	-	-
Cost of sales, including:	-26 538	-15 639
Cost of services sold	-26 538	-15 639
Cost of merchandise and raw materials	-	-
Gross profit on sales	2 937	2 053
General and administrative expenses	-1 880	-1 502
Other operating income	114	155
Other operating expenses	-8	-22
Results from operating activities	1 163	684
Financial income	380	1 150
Finance expenses	-169	-205
Before tax profit	1 374	1 629
Income tax expense:	220	534
- current tax	77	244
- deferred tax	143	290
Profit for the period	1 154	1 095
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)	0.30	0.28

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

Profit for the period	1 154	1 095
Other comprehensive income, net	-	-45
<i>Other comprehensive income that will be reclassified to profit or loss under certain conditions:</i>	<i>-7</i>	<i>-45</i>
Foreign exchange differences from the translation of the entity operating abroad	-	-45
Total comprehensive income	1 154	1 050
Weighted average number of ordinary shares (units)	3 895 000	3 895 000
Total comprehensive income per ordinary share (in PLN per one share)	0.30	0.27

**Separate statement of changes in equity
for the period from 1 January 2016 to 31 March 2016**

(all amounts in PLN thousands if not stated otherwise)

The reporting period from 1 January 2016 to 31 March 2016

	Share capital	Revaluation reserve	Retained earnings	Total equity
As at the beginning of the period	3 895	859	78 521	83 275
Net profit of the given period	-	-	1 154	1 154
<i>Other comprehensive income (net)</i>	-	-	-	-
Total comprehensive income	-	-	-	-
As at the end of the period	3 895	859	79 675	84 429

The reporting period from 1 January 2015 to 31 March 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	-	-	1 095	1 095
<i>Other comprehensive income (net)</i>	-	-45	-	-45
Total comprehensive income	-	-	-	-
As at the end of the period	3 895	1 216	74 766	79 877

**Separate statement of cash flows
for the period from 1 January 2016 to 31 March 2016**

(all amounts in PLN thousands if not stated otherwise)

	Period ended 31 March 2016	Period ended 31 March 2015
Cash flows – operating activities		
Before tax profit	1 374	1 629
Total adjustments	-6 177	-1 461
Amortization and depreciation	225	231
Interest and profit sharing (dividends)	-81	-66
(Profit) loss on disposal of property, plant and equipment	-4	-
Change in provisions	-132	-210
Change in inventories	-57	-506
Change in receivables	13 139	15 220
Change in current liabilities, except for loans and borrowings	-13 963	-13 028
Other adjustments (including deferred income)	-5 304	-3 102
Cash provided by (used in) operating activities	-4 803	168
Income tax paid	1 224	-611
Net cash provided by (used in) operating activities	--6 027	-443
Cash flows – investing activities		
Inflows	201	7
Disposal of intangible assets and property, plant and equipment	12	1
Inflows from financial assets in related entities, including:	189	6
- repayment of loans granted	186	-
- repayment of interest on loans granted	3	6
Outflows	-81	-195
Acquisition of intangible assets and PPE	-81	-75
For financial assets in related entities, including:	-	-120
- loans granted	-	-120
Net cash provided by (used in) investing activities	120	-188
Cash flows – financing activities		
Inflows	2 698	2 115
Bank loans	2 698	2 097
Other financial inflows	-	18
Outflows	-89	-123
Commission, interest paid	-89	-123
Net cash provided by (used in) financing activities	2 609	1 992
Total cash flows, net	-3 298	1 361
Net increase/(decrease) in cash and cash equivalents	-3 298	1 361
Cash and cash equivalents at the beginning of the period	16 769	2 962
Cash and cash equivalents at the end of the period	13 471	4 323

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, Capital Group) and the separate financial results of PROCHEM S.A. (PROCHEM, the Company, the Issuer).

1. Establishment of the 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 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 the Representation Office is restricted, i.e. until 30 July 2016.

2. The 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 three months of 2016.

The Supervisory Board comprises of:

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

The above 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 period of three months 2016.

3. Employment

In the first quarter of 2016 average employment in PROCHEM Capital Group was 466 FTEs and in 2015 504 FTEs, including employment in Parent Entity in the first quarter of 2016 was 242 FTEs and in 2015 232.2 FTEs.

Level of employment in persons as at 31 March 2016 in PROCHEM Capital Group was 483 and as at 31 March 2015 527, including employment in Parent Entity as at 31 March 2016 252, and as at 31 March 2015 237.

4. Description of the Capital Group with indication of the consolidated entities

PROCHEM S.A. Capital Group (hereinafter referred to as „Capital Group”, „Group”), in addition to the 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 Dąbrowa Górnicza – subsidiary indirectly (93.2%);
- Pro-Organika Sp. z o. o. seated in Warsaw – subsidiary directly (91.4%);
- PREDOM Sp. z o. o. seated in Wrocław – subsidiary indirectly (81.1% of share in 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. Kraków – subsidiary indirectly (88.8%, including 77.8% in the 50% share of Elektromontaż Kraków);
- Elmont Inwestycje Sp. z o. o. Kraków – subsidiary indirectly (88.8%, including 77.8 % in the 50% share of Elektromontaż Kraków);
- Elektromontaż Kraków S.A. – subsidiary indirectly (77.8%), including 65.9% of the capital and votes belongs to Prochem Inwestycje subsidiary in 100%. 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 directly to 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 capital belongs directly to Prochem S.A., and 23.3% belongs to 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 the jointly-controlled entities and the associates from the date of exercising of joint control and of exertion of significant influence.

Predom Projektowanie Sp. z o. o. was excluded from consolidation. The company has not commenced activities.

Within three months of 2016 subsidiary Elektromontaż Kraków S.A. has repurchased 500 of own shares for redemption for the total amount of PLN 11 thousand. As a result of share buyback for redemption by the company Elektromontaż Kraków S.A. the structure of the shareholding has changed. The share of the Parent Company increased by 0.2% percentage point.

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

Principles of presentation

Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group and interim condensed separate financial statements for the first quarter of 2016 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 2015.

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 2016 and comparable data, as well as results of operations for the period ended 31 December 2016 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 Prochem S.A. Capital Group and Issuer 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 2015.

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 first quarter of 2016 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.

Transactions in foreign currencies

Transactions in foreign currencies are initially recognized at the exchange rate of the NBP effective as at the transaction date. Balance sheet monetary items of assets and liabilities expressed in foreign currencies are measured at the average NBP exchange rate in force at the balance sheet date. Gains and losses arising from the settlement of such transactions and carrying value of assets and liabilities expressed in foreign currencies are recognized in the profit and loss account except for exchange differences relating to assets under construction, which are included in the cost of these assets and are treated as an adjustment to interest costs of loans in foreign currencies.

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, 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 related

In the first quarter of 2016, there were no significant events that would have an impact on the achieved results of PROCHEM S.A. Capital Group and the Issuer.

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

In the first quarter of 2016 did not occur untypical events.

Other events affecting the financial results of the Capital Group in the first quarter of 2016:

- a) was released provision for deferred income tax created in the previous periods in the amount of PLN 2 136 thousand, and provision was created in the amount of PLN 1 315 thousand,
- b) deferred tax assets were used in the amount of PLN 2 134 thousand, and were created in the amount of PLN 1 824 thousand,
- c) provisions to costs created in the previous periods were used in the amount of PLN 478 thousand.

Other events affecting the financial results of the Issuer in the first quarter of 2016:

- a) deferred tax assets were used in the amount of PLN 1 105 thousand, and was created deferred tax asset in the amount of PLN 972 thousand,
- b) Provisions to costs created in the previous periods in the amount of PLN 478 thousand were used.

7. Explanations concerning seasonality and cyclicity of the Issuer's activities in the presented period

Operational activities 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.

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

In the first quarter of 2016 the economic operations of this type have not occurred.

9. Information on paid (or declared) dividend, total and per share, łącznie i w przeliczeniu na jedną akcję, with the division into ordinary shares and preference shares

In the first quarter of 2016 the Issuer has not paid dividends.

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

Have not occurred.

11. Related party transactions

In the first quarter of 2016 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 with 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 - of construction and assembly services, and rental, as well as of loans granted mutually.

Settlements with related entities include trade settlements and financial settlements.

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

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

Reporting period

As at 31 March 2016 the settlements of the Group with the entities valued with the equity method developed as follows:

Receivables from non-current loans – PLN 18,047 thousand

Trade and other receivables – PLN 4,687 thousand.

Trade payables – PLN 12 thousand

From 1 January 2016 to 31 March 2016 there were the following transactions with the entities valued with the equity method:

- revenues from sale of services – PLN 5,031 thousand

- financial revenues from interest on loan – PLN 93 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 loss for the first quarter of 2016 of entities valued under the equity method amounted to PLN 165 thousand.

Comparative data

As at 31 March 2015 the settlements of the Group with the entities valued with the equity method developed as follows:

Receivables from non-current loans – PLN 11,569 thousand

Receivables from current loans - PLN 6,098 thousand

Trade and other receivables – PLN 1,624 thousand

Trade payables – PLN 11 thousand

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

- revenues from sale of services – PLN 3,000 thousand
- financial revenues from interest on loan – PLN 89 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 the first quarter of 2015 of entities valued under the equity method amounted to PLN 48 thousand.

Transactions of the Issuer with subsidiaries

Data for the reporting period

As at 31 March 2016 the settlements of the Issuer with subsidiaries directly and indirectly developed as follows:

Receivables from non-current loans with interest – PLN 18,445 thousand,

Receivables from current loans with interest - PLN 659 thousand,

Trade and other receivables - PLN 1,575 thousand

Liabilities under current loan with interest – PLN 950 thousand

Trade payables – PLN 3,153 thousand

From 1 January 2016 to 31 March 2016 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 44 thousand

Revenues from interest on loans amounted to – PLN 77 thousand.

Comparable data

As at 31 March 2015 the settlements of the Issuer with subsidiaries directly and indirectly developed as follows:

Receivables from non-current loans with interest – PLN 18,497 thousand,

Receivables from current loans with interest - PLN 8,315 thousand,

Trade and other receivables - PLN 4,563 thousand

Liabilities under current loan with interest – PLN 957 thousand

From 1 January 2015 to 31 March 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 114 thousand.

Revenues from interest on loans amounted to – PLN 99 thousand.

Costs under interest on loans amounted to – PLN 7 thousand.

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

Reporting period

As at 31 March 2016 the settlements of the Issuer with jointly-controlled entities and associated directly and indirectly developed as follows:

Receivables from non-current loans - PLN 18,047 thousand.

Trade and other receivables - PLN 4,687 thousand.

Trade payables – PLN 12 thousand.

From 1 January 2016 to 31 March 2016 there were the following transactions with jointly-controlled entities and associates:

- revenues from sale of services – PLN 5,031 thousand.

- financial revenues under interest on loan – PLN 93 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 March 2015 the settlements of the Issuer with jointly-controlled entities and associated directly and indirectly developed as follows:

Receivables from non-current loans - PLN 11,569 thousand.

Receivables from current loans - PLN 6,098 thousand.

Trade and other receivables - PLN 1,624 thousand.

Trade payables – PLN 11 thousand.

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

- revenues from sale of services – PLN 3,000 thousand.

- financial revenues under interest on loan – PLN 89 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.

12. Information concerning changes in contingent liabilities or contingent assets which have occurred since the end of the last financial year

Contingent liabilities and contingent assets and other collateral

	Capital Group As at		Including Issuer As at	
	31 March 2016	31 December 2015	31 March 2016	31 December 2015
Collateral granted				
Bank guarantee of good performance	13 864	15 999	9 457	11 592
Guarantee of return of advance payment	1 943	4 115	1 943	4 115
Guarantee of payment	852	852	852	852
Tender guarantee	51	60	51	60
Total collateral granted	16 710	21 026	12 303	16 619
Contingent liabilities				
surety of promissory notes issued by the subsidiary Pro-Inhut Sp. o. o. based in Dąbrowa Górnicza to an investor in	247	247	247	247

order to secure the claims of the good performance

Letters of Credit	3 564	3 564	3 434	3 564
Total collateral granted and contingent liabilities	20 521	24 837	15 984	20 430

	As at	
	31 March 2016	31 December 2015
Collateral received		
Bank guarantee of good performance	4 785	3 617
Aval for securing terms of the contract	77	77
Total collateral received	4 862	3 694

Collateral received relate only to the Issuer.

Contingent receivables from PERN in item 17.

13. 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, the restructuring and discontinued operations

In the first quarter of 2016 subsidiary Elektromontaż Kraków S.A. repurchased 500 of own shares for redemption for a total amount of PLN 11 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. Share of the Parent Company increased by 0.2% percentage points and as at 31 March 2016 is 77.8%

14. 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 neither for the company nor for the PROCHEM S.A. Capital Group for 2016.

15. 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 owned	% of share capital	
		% of votes in total number of votes	% of share capital
1. POROZUMIENIE PHC, including: Steven Tappan	1 179 483 510 000	30.30 13.09	30.28 13.09
2. Otwarty Fundusz Emerytalny PZU „Złota Jesień“	387 521	9.94	9.95
3. Legg Mason Towarzystwo Funduszy Inwestycyjnych S.A., including: - Legg Mason Parasol Fundusz Inwestycyjny Otwarty „Legg Mason Parasol FIO”	560 549 284 054	14.39 7.29	14.39 7.29
4. (QUERCUS Parosolowy SFIO, QUERCUS Absolute Return FIZ and QUERCUS Absolutnego Zwrotu FIZ) managed by Quercus Towarzystwo Funduszy Inwestycyjnych S.A.	394 963	10.14	10.14

Since the submission of the annual report for 2015 there has been no change.

16. Statement of changes in ownership of the issuer's shares or rights to them (options) by the managing persons and by the supervisory authorities of the issuer, according to the issuer's knowledge in the period from the last 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 – 70,393 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 2015 there has been no change in the number of shares of the issuer held by the members of the Management Board and the Supervisory Board.

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 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.

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 the action for payment 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 31 of March 2016 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 S.A. 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 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 Capital Group.

18. 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) subject of the transaction,
- b) 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 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 first quarter of 2016 there were no transactions concluded on other terms than market terms.

In the first quarter of 2016 the Issuer does not grant loans.

19. 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 first quarter of 2016 the Group did not advance any sureties.

20. Other information that in the issuer's opinion is essential to the assessment of the human resources, assets, 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.

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

In a perspective of a succeeding quarter, the results achieved by the Group will depend mainly on the effects obtained from implementation of new contracts gained by the Group, as well as it will depend on results of decisions concerning the submitted offers for the sale of services. It will be important also the success of the development projects that have been launched by the Group.

22. Financial instruments and financial risk management

Financial assets

As at 31 March 2016

(in PLN thousands)	Separate financial statements		Consolidated financial statements	
	As at 31 March 2016	As at 31 December 2015	As at 31 March 2016	As at 31 December 2015
Classes of financial instruments				
Receivables from supplies and services	48 172	64 043	51 813	78 239
Cash	13 471	16 769	25 747	23 595
Loans granted	37 349	37 369	18 245	18 228
Other financial assets – discounted the security deposit constituting collateral for a bank guarantee of repayment of advance payment	575	2 526	575	2 526
Total	99 567	120 707	96 380	122 588

Financial liabilities

Loans	11 722	9 024	14 578	11 772
Borrowings received	950	950	-	-
Finance lease	-	-	502	424
Trade payables	34 710	47 154	30 397	51 451
Total	47 382	57 128	50 477	63 647

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

In face 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 concerning 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 by PROCHEM in 2015 of the commitments in relation to seized guarantee deposits of subcontractors, which on balance sheet day amounted PLN 2,928 thousand, before the recovering of guarantee deposits seized by PERN S.A. Receivables from the security deposit of the company PROCHEM S.A. from PERN SA as at 31 December 2015 amounted to PLN 17 364 thousands. In the Company's opinion such a risk is minimal, but the Management Board of PROCHEM S.A. takes into account a necessity of accumulation of adequate funds for this purpose.

A detailed description of the dispute in Item No.17.

Liquidity risk associated with the concentration of sales revenues

In the first quarter of 2016 the Capital Group realized sales revenues in the amount of PLN 36 826 thousand, including PLN 12 019 thousand (32.6%) 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 instruments	As at 31 March 2016	% share in total assets	As at 31 March 2016	% share in total assets
Financial assets				
Receivables from supplies and services	4 089	2%	12 860	7%
Other financial assets – discounted the security deposit constituting collateral for a bank guarantee of repayment of advance payment	575	-	5 668	3%
Total financial assets	4 664	2%	18 528	10%
Financial liabilities	7 748	4%		
Payables	7 748	4%	3 427	2%
Total financial liabilities	7 748	4%	3 427	2%

The Management Board of the Group constantly monitors the progress of work, which concern the contract, including the cash flows generated within the project and is personally responsible for direct contact with the Investor. Key decisions related to contract (e.g. a provider of technology and of main components of the installation) are taken in consultation with the Investor. On the basis of existing cooperation with the Client and analysis of the current performance of the contract in relation to the budget and schedule of work which were agreed with the Client - the Management Board of the Group considers as low the risk associated with the realization of financial instruments which were recognized in the statement of financial position as at 31 March 2016.

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 belonging to the Capital Group and of the Issuer, for the managing purposes were divided into the eleven basic operational sectors such as: execution (general contracting), design services and other engineering services (supervisions along with the project engineer service), the lease of the construction equipment, and other activities, covering among others the income from the sublet, sale of photocopying services and other.

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

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

In the first quarter of 2016 revenues from activities achieved by the Parent Entity beyond Polish borders (exports) and recognized in the consolidated profit and loss account amounted to PLN 12 019 thousand constituting 33% of sales revenues. In the analogous period of the previous year such revenues amounted to PLN 6 989 thousand, constituting 25.8% of sales revenues.

Information on major customers of the Group, which share in the sales revenue was recognized in the consolidated profit and loss account for the first quarter of 2016 exceeded 10% of the total revenues from sale:

- Belarusian client - 33% of share in sales revenues, as shown in the segment of „General Contracting” and „Design services and other engineering services”;

- Irydion Sp. z o. o. the jointly-controlled company – 11% of share in sales revenues as shown in the segment of „General Contracting” and „Design services and other engineering services”;
- Goodrich Sp. z o. o. – 13% of share in sales revenues as shown in the segment of „General Contracting” and „Design services and other engineering services”

Assets of the Representation in Belarus as at 31 March 2016 do not exceed 10% of balance sheet amount disclosed in the separate statement of financial position and in the consolidated statement of financial position.

Unallocated assets to segments are the primarily shares in the jointly-controlled entities and in associates, and loans granted. With respect to the above-mentioned assets don't exist any premises indicating of the possible loss of value as at 31 March 2016. In addition, as at the balance sheet date the Group has carried out the analysis of contracts on construction works taking into account the results budgeted. For all contracts in which the budgeted costs exceeded the budgeted income, the Group recognized provisions to cover losses at the balance sheet day. Detailed data on the activities of the companies belonging to the Group in the different segment is presented in the following tables.

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

Operating segments – PROCHEM S.A. for the first quarter of 2016 – revenues and results of the segments

The current period from 1 January to 31 March 2016

	General contracting	Design services, and other engineering services	Rental of construction equipment	Other	Items not assigned	Total
Revenues in relation to external customers	22 335	6 173	664	303	-	29 475
Total segment revenues						
Result						
Profit (loss) of the segment	2 386	-1 446	178	-61	-	1 057
Financial income	-	-	-	-	380	380
Finance costs	-	-	-	-	-169	-169
Net financial income	-	-	-	-	211	211
Profit on other operating activities	-	-	-	-	106	106
Before tax profit	-	-	-	-	1 374	1 374
Income tax	-	-	-	-	220	220
Net profit for the current period	-	-	-	-	1 154	1 154
Assets						
Segment assets (related to activity)	42 341	5 352	577	476	-	48 746
Unallocated assets (among others shares, other financial assets)	-	-	-	-	89 839	89 839
Total assets	42 341	5 352	577	476	89 839	138 585
Depreciation of property, plant and equipment	6	-	25	-	153	184
Amortization of intangible assets	-	-	-	-	41	41

The comparative period from 1 January to 31 March 2015

	General contracting	Design services, and other engineering services	Rental of construction equipment	Other	Items not assigned	Total
Revenues in relation to external customers	11 718	5 231	381	362	-	17 692
Total segment revenues						
Result	1 661	-1 145	10	26	-	552
Profit (loss) of the segment	1 661	-1 145	10	26	-	552
Financial income	-	-	-	-	1 150	1 150
Finance costs	-	-	-	-	-205	-205
Net financial income	-	-	-	-	945	945
Profit on other operating activities	-	-	-	-	133	133
Before tax profit	-	-	-	-	1 630	1 630
Income tax	-	-	-	-	535	535
Net profit for the current period	-	-	-	-	1 095	1 095
Assets						
Segment assets (related to activity)	45 193	3 353	641	503	-	49 690
Unallocated assets (among others shares, other financial assets)	-	-	-	-	75 188	75 188
Total assets	45 193	3 353	641	503	75 188	124 878
Depreciation of property, plant and equipment	18	100	22	-	72	212
Amortization of intangible assets	-	-	-	-	19	19

Operating segments – PROCHEM S.A. Capital Group for the first quarter of 2016 – revenues and results of the segment

The current period from 1 January to 31 March 2016

	General contracting	Design services, other engineering services	Rental of construction equipment	Assembly of electrical installations	Lease of office space and real estate	Commercial activity	Other IT services	Other	Items not assigned	Total
Revenues in relation to external clients	22 586	7 659	664	3 177	1 388	1 105	26	221	-	36 826
Total segment revenues	22 586	7 659	664	3 177	1 388	1 105	26	221	-	36 826
Result										
Profit (loss) of the segment	2 224	-1 438	178	106	216	28	-83	-107	-	1 124
Financial income	-	-	-	-	-	-	-	-	346	346
Finance costs	-	-	-	-	-	-	-	-	230	230
Net financial income	-	-	-	-	-	-	-	-	116	116
Profit sharing in associated entities	-	-	-	-	-	-	-	-	-165	-165
Profit on other operating activities	-	-	-	-	-	-	-	-	104	104
Before tax profit	-	-	-	-	-	-	-	-	1 179	1 179
Income tax	-	-	-	-	-	-	-	-	263	263
Net profit for the current period	-	-	-	-	-	-	-	-	916	916
Net loss assigned to non-controlling interest	-	-	-	-	-	-	-	-	-9	-9
Net profit assigned to shareholders of parent entity	-	-	-	-	-	-	-	-	925	925
Assets										
Segment assets (related to activity)	42 407	8 925	577	3 024	17 676	868	-	216	-	73 693
Unallocated assets (among others shares, other financial assets)	-	-	-	-	-	-	-	-	116 791	116 791
Total assets	42 407	8 925	577	3 024	17 676	868	-	216	116 791	190 484
Other information related to segment										
Depreciation of property, plant and equipment	6	17	25	115	174	-	-	166	13	516
Amortization of intangible assets	-	5	-	6	-1	-	-	-	41	53

The comparative period from 1 January to 31 March 2015

	General contracting	Design services, other engineering services	Rental of construction equipment	Assembly of electrical installations	Lease of office space and real estate	Commercial activity	Other IT services	Other	Items not assigned	Total	General contracting	Design services, other engineering services
Revenues in relation to external clients	11 862	5 525	383	4 984	1 239	1 406	281	1 010	41	348	-	27 079
Total segment revenues	11 862	5 525	383	4 984	1 239	1 406	281	1 010	41	348	-	27 079
Result												
Profit (loss) of the segment	1 196	-1 302	8	333	232	99	57	35	-89	-114	-	455
Financial income	-	-	-	-	-	-	-	-	-	-	1 081	1 081
Finance costs	-	-	-	-	-	-	-	-	-	-	-273	-273
Net financial income	-	-	-	-	-	-	-	-	-	-	808	808
Profit sharing in associated entities	-	-	-	-	-	-	-	-	-	-	48	48
Profit on other operating activities	-	-	-	-	-	-	-	-	-	-	184	184
Before tax profit	-	-	-	-	-	-	-	-	-	-	1 495	1 495
Income tax	-	-	-	-	-	-	-	-	-	-	627	627
Net profit for the current period	-	-	-	-	-	-	-	-	-	-	868	868
Net profit assigned to non-controlling interest	-	-	-	-	-	-	-	-	-	-	12	12
Net profit assigned to shareholders of parent entity	-	-	-	-	-	-	-	-	-	-	856	856
Assets												
Segment assets (related to activity)	40 550	6 420	657	6 295	17 989	3 057	141	1 658	-	339	-	77 106
Unallocated assets (among others shares, other financial assets)	-	-	-	-	-	-	-	-	-	-	108 710	108 710
Total assets	40 550	6 420	657	6 295	17 989	3 057	141	1 658	-	339	108 710	185 816
Other information related to segment												
Depreciation of property, plant and equipment	25	114	22	92	169	30	22	8	-	-	81	563
Amortization of intangible assets	-	2	-	3	-	-	-	2	-	-	19	26

PROCHEM S.A. CAPITAL GROUP

Information about the geographical areas

Geographical breakdown of sales revenues of PROCHEM S.A. Capital Group recognized in the consolidated profit and loss account was presented in accordance with country of the seat of ordering party.

	1 January - 31 March 2016	1 January - 31 March 2015
Poland	24 807	20 090
Belarus	12 019	6 989
Other countries	-	-
Total sales revenues	36 826	27 079

Geographical breakdown of property, plant and equipment of PROCHEM S.A. Capital Group

	1 January-31 March 2016	1 January-31 March 2015
Poland	36 091	50 056
Belarus	161	243
Total property, plant and equipment	36 252	50 299

24. Approval of the financial statements

The condensed interim financial statements were approved for issue by the Management Board on 16 May 2016.

Signatures of the Members of the Supervisory Board:

16 May 2016 Jarosław Stępniewski President of the Board
date first name and surname position signature

16 May 2016 Marek Kiersznicki Vice President
date first name and surname position signature

16 May 2016 Krzysztof Marczak Vice President
date first name and surname position signature

Signature of the person responsible for bookkeeping

16 May 2016 Barbara Auguścińska-Sawicka Chief Accountant
date first name and surname position signature