

Prochem S.A.

Supplementary report
on the audit of the separate
financial statements
Financial Year ended
31 December 2014

The supplementary report contains 9 pages

The supplementary report on the audit
of the separate financial statements
for the financial year ended
31 December 2014

*This document is a free translation of the Polish original. Terminology current in
Anglo-Saxon countries has been used where practicable for the purposes of this
translation in order to aid understanding. The binding Polish original should be
referred to in matters of interpretation*

Contents

1.	General	3
1.1.	General information about the Company	3
1.1.1.	Company name	3
1.1.2.	Registered office	3
1.1.3.	Registration in the register of entrepreneurs of the National Court Register	3
1.1.4.	Management of the Company	3
1.2.	Key Certified Auditor and Audit Firm Information	3
1.2.1.	Key Certified Auditor information	3
1.2.2.	Audit Firm information	3
1.3.	Prior period financial statements	4
1.4.	Audit scope and responsibilities	4
2.	Financial analysis of the Company	6
2.1.	Summary analysis of the separate financial statements	6
2.1.1.	Separate statement of financial position	6
2.1.2.	Separate statement of profit and loss	7
2.1.3.	Separate statement of comprehensive income	7
2.2.	Selected financial ratios	8
3.	Detailed report	9
3.1.	Accounting system	9
3.2.	Notes to the separate financial statements	9
3.3.	Report on the Company's activities	9

1. General

1.1. General information about the Company

1.1.1. Company name

Prochem S.A.

1.1.2. Registered office

44C Powązkowska Street
 01-797 Warsaw

1.1.3. Registration in the register of entrepreneurs of the National Court Register

Registration court: District Court for the Capital City of Warsaw in Warsaw,
 XII Commercial Department of the National Court Register

Date: 13 June 2001

Registration number: KRS 0000019753

Share capital as at
 the end of reporting period: PLN 3,895,000.00

1.1.4. Management of the Company

The Management Board is responsible for management of the Company.

As at 31 December 2014, the Management Board of the Company was comprised of the following members:

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

1.2. Key Certified Auditor and Audit Firm Information

1.2.1. Key Certified Auditor information

Name and surname: Monika Bartoszewicz

Registration number: 10268

1.2.2. Audit Firm information

Name: KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.

Address of registered office: 51 Chłodna Street, 00-867 Warsaw

Registration number: KRS 0000339379

Registration court: District Court for the Capital City of Warsaw in Warsaw,
 XII Commercial Department of the National Court Register

NIP number: 527-26-15-362

KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. is entered into the register of audit firms, maintained by the National Council of Certified Auditors, under number 3546.

1.3. Prior period financial statements

The separate financial statements for the financial year ended 31 December 2013 were audited by KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. and received an unmodified opinion.

The separate financial statements were approved at the General Meeting on 7 June 2014 where it was resolved to allocate the net profit for the prior financial year of PLN 6,643,123.89 to reserve capital.

The separate financial statements were submitted to the Registry Court on 18 June 2014.

1.4. Audit scope and responsibilities

This report was prepared for the General Meeting of Prochem S.A. with its registered office in Warsaw, 44C Powązkowska 44C and relates to the separate financial statements comprising: the separate statement of financial position as at 31 December 2014, the separate statement of profit and loss, the separate statement of comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

The audited Company prepares its separate financial statements in accordance with International Financial Reporting Standards as adopted by the European Union on the basis of the decision of the General Meeting dated 25 June 2005.

The separate financial statements were audited in accordance with the contract dated 4 July 2014, concluded on the basis of the resolution of the Supervisory Board dated 6 June 2014 on the appointment of the auditor.

We conducted the audit in accordance with section 7 of the Accounting Act dated 29 September 1994 (Official Journal from 2013, item 330 with amendments) (“the Accounting Act”), National Standards on Auditing issued by the National Council of Certified Auditors and International Standards on Auditing.

We audited the separate financial statements at the Company during the period from 9 to 20 March 2015.

Management of the Company is responsible for the accuracy of the accounting records and the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations and preparation of the report on the Company’s activities.

Our responsibility is to express an opinion and to prepare a supplementary report on the audit of the separate financial statements and whether the financial statements are derived from properly maintained accounting records based on our audit.

Management of the Company submitted a statement dated as at the same date as this report as to the true and fair presentation of the accompanying separate financial statements, which confirmed that there were no undisclosed matters which could significantly influence the information presented in the separate financial statements.

All required statements, explanations and information were provided to us by Management of the Company and all our requests for additional documents and information necessary for expressing our opinion and preparing the report have been fulfilled.

The scope of the work planned and performed has not been limited in any way. The method and scope of our audit is detailed in working papers prepared by us and retained in the offices of the Audit Firm.

The Key Certified Auditor and the Audit Firm fulfill the independence requirements as described in Art. 56 points 3 and 4 of the Act on Certified Auditors and their Self-Governance, Audit Firms authorized to Audit Financial Statements and Public Oversight dated 7 May 2009 (Official Journal from 2009 No. 77, item 649 with amendments).

2. Financial analysis of the Company

2.1. Summary analysis of the separate financial statements

2.1.1. Separate statement of financial position

	31.12.2014 PLN '000	% of total	31.12.2013 PLN '000	% of total
Non-current assets				
Property, plant and equipment	1 977	1,4	1 981	1,6
Intangible assets	151	0,1	201	0,2
Shares in subsidiaries	10 162	7,3	10 060	8,3
Shares in jointly controlled entities and associates	5 210	3,7	5 210	4,3
Deferred tax assets	1 073	0,8	656	0,5
Other financial assets	32 036	22,9	40 906	33,8
Total non-current assets	50 609	36,2	59 014	48,7
Current assets				
Inventories	2 487	1,8	3 126	2,6
Trade and other receivables	59 810	42,8	39 407	32,5
Other financial assets	19 382	13,9	5 306	4,4
Other assets	4 433	3,2	10 548	8,7
Cash and cash equivalents	2 962	2,1	3 725	3,1
Total current assets	89 074	63,8	62 112	51,3
TOTAL ASSETS	139 683	100,0	121 126	100,0
EQUITY AND LIABILITIES				
	31.12.2014 PLN '000	% of total	31.12.2013 PLN '000	% of total
Equity				
Share capital	3 895	2,8	3 895	3,2
Revaluation reserve	1 261	0,9	950	0,8
Retained earnings	73 671	52,7	68 662	56,7
Total equity	78 827	56,4	73 507	60,7
Non-current liabilities				
Provisions for retirement and similar benefits	711	0,5	531	0,4
Deferred income	1 827	1,3	19 338	16,0
Other liabilities	20	-	24	-
Total non-current liabilities	2 558	1,8	19 893	16,4
Current liabilities				
Bank loans	9 448	6,8	-	-
Borrowings	957	0,7	-	-
Trade payables	25 416	18,2	17 767	14,7
Current income tax liabilities	367	0,3	563	0,4
Other liabilities	4 100	2,9	3 017	2,5
Deferred income	18 010	12,9	6 379	5,3
Total current liabilities	58 298	41,8	27 726	22,9
Total liabilities	60 856	43,6	47 619	39,3
TOTAL EQUITY AND LIABILITIES	139 683	100,0	121 126	100,0

2.1.2. Separate statement of profit and loss

	1.01.2014 - 31.12.2014 PLN '000	% of total sales	1.01.2013 - 31.12.2013 PLN '000	% of total sales
Revenues from sale	128 334	100,0	83 340	100,0
Revenues from the sale of services	128 322	100,0	82 889	99,5
Revenues from the sale of merchandise and raw materials	12	-	451	0,5
Cost of sale	(111 045)	86,5	(73 994)	88,7
Cost of services sold	(111 034)	86,5	(73 551)	88,3
Cost of merchandise and raw materials sold	(11)	-	(443)	0,5
Gross profit on sale	17 289	13,5	9 346	11,3
General and administrative expenses	(9 463)	7,4	(7 901)	9,5
Other operating income	1 100	0,8	3 783	4,6
Other operating expenses	(1 435)	1,1	(2 849)	3,4
Profit from operating activities	7 491	5,8	2 379	2,9
Finance income	1 060	0,8	2 840	3,4
Profit on the disposal of shares in subsidiaries	-	-	5 087	6,1
Finance expenses	(2 218)	1,7	(1 752)	2,1
Profit before income tax	6 333	4,9	8 554	10,3
Income tax expense	1 324	1,0	1 911	2,3
current tax	1 760	1,4	564	0,7
deferred tax	(436)	0,4	1 347	1,6
Net profit	5 009	3,9	6 643	8,0
Weighted average number of ordinary shares	3 895 000		3 895 000	
Basic and diluted earnings per share (PLN per share)	1,29		1,71	

2.1.3. Separate statement of comprehensive income

	1.01.2014 - 31.12.2014 PLN '000	% of profit	1.01.2013 - 31.12.2013 PLN '000	% of profit
Net profit	5 009	100,0	6 643	100,0
Other comprehensive income, net	311	6,2	(129)	1,9
Other comprehensive income that may be reclassified to profit or loss:	452	9,0	(56)	0,8
Revaluation of property, plant and equipment	275	5,5	-	-
Exchange differences arising on translation of foreign entity	229	4,5	(56)	0,8
Income tax on other comprehensive income	(52)	1,0	-	-
Other comprehensive income that will never be reclassified to profit or loss:	(141)	2,8	(73)	1,1
Actuarial losses arising from valuation of employee benefits provision	(174)	3,5	(90)	1,4
Income tax on other comprehensive income	33	0,7	17	0,3
Total comprehensive income	5 320	106,2	6 514	98,1
Weighted average number of ordinary shares	3 895 000		3 895 000	
Comprehensive income per share (PLN per share)	1,37		1,67	

2.2. Selected financial ratios

	2014	2013	2012
1. Return on sales			
$\frac{\text{profit for the period} \times 100\%}{\text{revenue}}$	3,9%	8,0%	3,6%
2. Return on equity			
$\frac{\text{profit for the period} \times 100\%}{\text{equity} - \text{profit for the period}}$	6,8%	9,9%	4,6%
3. Debtors' days			
$\frac{\text{average trade receivables (gross)} \times 365 \text{ days}}{\text{revenue}}$	156 days	220 days	251 days
4. Debt ratio			
$\frac{\text{liabilities} \times 100\%}{\text{equity and liabilities}}$	43,6%	39,3%	36,1%
5. Current ratio			
$\frac{\text{current assets}}{\text{current liabilities}}$	1,5	2,4	1,7

- Revenue includes revenue from sales of finished products, merchandise and raw materials.
- Average trade receivables represent the average of trade receivables at the beginning and at the end of the period, with no deduction made for allowances.

3. Detailed report

3.1. Accounting system

The Company maintains current documentation describing the applied accounting principles adopted by the Management Board to the extent required by Art. 10 of the Accounting Act.

During the audit of the separate financial statements, we tested, on a sample basis, the operation of the accounting system.

On the basis of the work performed, we have not identified any material irregularities in the accounting system, which have not been corrected and that could have a material effect on the separate financial statements. Our audit was not conducted for the purpose of expressing a comprehensive opinion on the operation of the accounting system.

The Company performed a physical verification of its assets in accordance with the requirements and time frame specified in Art. 26 of the Accounting Act, and reconciled and recorded the result thereof in the accounting records.

3.2. Notes to the separate financial statements

All information included in the notes to the separate financial statements, comprising of a summary of significant accounting policies and other explanatory notes, is, in all material respects, presented accurately and completely. This information should be read in conjunction with the separate financial statements.

3.3. Report on the Company's activities

The report on the Company's activities includes, in all material respects, information required by Art. 49 of the Accounting Act and by the Decree of the Ministry 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 2014, item 133) and the information is consistent with the separate financial statements.

On behalf of KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
Registration No. 3546
51 Chłodna Street
00-867 Warsaw

Signed on the Polish original

.....
Monika Bartoszewicz
Key Certified Auditor
Registration No. 10268
Limited Liability Partner
with power of attorney

24 April 2015

ABCD

Prochem S.A.
*The supplementary report on the audit of the separate financial statements
for the financial year ended 31 December 2014*
TRANSLATION