

## **REPORT FOR THE FIRST HALF OF 2015**

### **Contents:**

- Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group as at and for the period of six months ended 30 June 2015

and

- Selected financial data
- Statement of the Management Board
- Report of the Management Board on the activities of PROCHEM S.A. Capital Group for the first half of 2015

[www.prochem.com.pl](http://www.prochem.com.pl)

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

## Selected financial data

Revenues from sales and profits 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 amount to:

- For the first half of 2015 - 4.1341 PLN/EURO
- For the first half of 2014 - 4.1784 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:

- 4.1944 PLN/EURO as at 30 June 2015
- 4.2623 PLN/EURO as at 31 December 2014

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

Description	Reporting period ended 30 June		Reporting period ended 30 June	
	2015	2014	2015	2014
	In PLN thousands		In EURO thousands	
<i>Consolidated profit and loss account</i>				
Revenues from sales	84 314	66 706	20 395	15 964
Gross profit on sales	10 560	10 915	2 554	2 612
Results from operating activities	2 602	3 577	629	856
Before tax profit	2 610	3 146	631	753
Profit for the period, assigned to:	972	2 400	235	574
Shareholders of Parent Entity	953	2 374	231	568
Non-controlling interest	19	26	5	6
Profit/diluted profit per one share (in PLN/EURO) – assigned to shareholders of Parent Company	0.24	0.61	0.06	0.15
<i>Consolidated statement of cash flows</i>				
Net cash provided by (used in) operating activities	-5 085	-7 687	-1 230	-1 840
Net cash provided by (used in) investing activities	16 156	-3 456	3 908	-827
Net cash provided by (used in) financing activities	-1 425	7 709	-345	1 845
Total cash flow, net	9 646	-3 434	2 333	-822

Description	As at		As at	
	30 June 2015	31 December 2014	30 June 2015	31 December 2014
	In PLN thousands		In EURO thousands	
<i>Consolidated statement of financial position</i>				
Total assets	201 635	202 337	48 072	47 471
Total non-current assets	82 906	99 961	19 766	23 452
Total current assets	118 729	102 376	28 307	24 019
Owners' equity	113 003	113 436	26 941	26 614
Non-controlling interest	9 100	9 243	2 170	2 169
Total equity	122 103	122 679	29 111	28 782
Total non-current liabilities	4 981	6 884	1 188	1 615
Total current liabilities	74 551	72 774	17 774	17 074
Book value per one ordinary share (in PLN/EURO) – assigned to shareholders of Parent Entity	29.01	29.12	6.92	6.83
Weighted average number of ordinary shares	3 895 000	3 895 000	3 895 000	3 895 000

## **Statement of the Management Board**

### **Statement of the Management Board on the reliability of interim condensed consolidated financial statements**

In compliance with the requirements of the regulation of the Minister of Finance dated 19 February 2009 concerning current and interim information submitted by issuers of securities and the conditions for recognition as equivalent information required by the law of a non — Member State (Journal of Laws No 33, item 259, as amended), the Management Board of PROCHEM S.A. declares hereby that according to their best knowledge:

- interim condensed consolidated financial statements of PROCHEM S.A Capital Group for the first half of 2015 and comparable data were prepared according to International Accounting Standard 34 „Interim Financial Reporting”, which was adopted by European Union and reflects in true, fair and clear way its financial position and its financial performance;
- report of the Management Board on the activities of PROCHEM S.A. Capital Group for the first half of 2015 presents a true picture of development, achievements and financial situation of the Group, including basic risks and threats.

### **Statement of the Management Board on the entity authorized to review interim condensed consolidated financial statements**

The Management Board of PROCHEM S.A. declares that KPMG Audyt Sp. z ograniczoną odpowiedzialnością sp. k., the entity authorized to audit financial statements has been appointed in accordance with legal regulations and that the entity and the auditors conducting the audit of interim condensed consolidated financial statements of PROCHEM S.A. Capital Group meet the conditions to prepare an impartial and independent report according to appropriate provisions of the law.

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

Warsaw, 28 August 2015

# **INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS OF PROCHEM S.A.**

**As at and for the period ended 30 June 2015**

## Contents

1. Consolidated statement of financial position
2. Consolidated statement of profit and loss
3. Consolidated statement of comprehensive income
4. Consolidated statement of changes in equity
5. Consolidated statement of cash flows
6. Notes to adopted accounting principles (policy) and other explanatory notes to financial statements

[www.prochem.com.pl](http://www.prochem.com.pl)

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

**Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group as at and for the period ended 30 June 2015**

**Consolidated statement of financial position as at 30 June 2015**

(all amounts in PLN thousands if not stated otherwise)

	Note No.	As at June 2015	30 December 2014
<b>A s s e t s</b>			
<b>Non-current assets</b>			
Property, plant and equipment	1	24 159	25 238
Intangible assets		408	190
Investment properties	2	12 704	32 960
Shares		830	830
Shares valued using equity method	3	24 858	25 136
Deferred tax assets	4	2 180	1 998
Other financial assets	5	17 767	13 609
<b>Total non-current assets</b>		<b>82 906</b>	<b>99 961</b>
<b>Current assets</b>			
Inventories	6	7 480	4 483
Trade and other receivables	7	71 581	66 534
Other financial assets	8	5 801	11 209
Other assets	9	17 615	13 544
Cash and cash equivalents		16 252	6 606
<b>Total current assets</b>		<b>118 729</b>	<b>102 376</b>
<b>Total assets</b>		<b>201 635</b>	<b>202 337</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	10	3 895	3 895
Revaluation reserve		11 746	11 973
Retained earnings		97 362	97 568
<b>Equity of owners of parent entity</b>		<b>113 003</b>	<b>113 436</b>
<b>Non-controlling interest</b>		<b>9 100</b>	<b>9 243</b>
<b>Total equity</b>		<b>122 103</b>	<b>122 679</b>
<b>Non-current liabilities</b>			
Provision for deferred income tax	4	2 809	2 656
Provision for retirement and similar benefits		1 959	1 985
Deferred income	13	-	1 867
Other non-current liabilities		213	376
<b>Total non-current liabilities</b>		<b>4 981</b>	<b>6 884</b>
<b>Current liabilities</b>			
Bank loans	11	13 075	14 050
Borrowings		-	60
Trade payables	12	35 887	31 229
Provision for current income tax		1 348	407
Other liabilities		5 968	7 809
Deferred income	13	18 273	19 219
<b>Total current liabilities</b>		<b>74 551</b>	<b>72 774</b>
<b>Total liabilities</b>		<b>79 532</b>	<b>79 658</b>
<b>Total equity and liabilities</b>		<b>201 635</b>	<b>202 337</b>
Book value – equity assigned to shareholders of Parent Company		113 003	113 436
Weighted average number of ordinary shares (units)		3 895 000	3 895 000
Book value per one share(in PLN)- assigned to shareholders of Parent Company		29.01	29.12

**Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group as at and for the period ended 30 June 2015**

**Consolidated statement of profit and loss  
from 1 January 2015 to 30 June 2015**

(all amounts in PLN thousands if not stated otherwise)

	Note No.	Period ended 30 June 2015	Period ended 30 June 2014
Revenues from sale, including:		84 314	66 706
Revenues from sale of services	14	82 164	63 652
Revenues from sale of goods and materials		2 150	3 054
Cost of sales, including :		-73 754	-55 791
Cost of services sold	15	-70 232	-53 185
Cost of merchandise and raw materials		-3 522	-2 606
<b>Gross profit on sales</b>		<b>10 560</b>	<b>10 915</b>
General and administrative expenses	15	-7 217	-7 420
Other operating income	16	325	226
Other operating expenses	17	-1 066	-144
<b>Results from operating activities</b>		<b>2 602</b>	<b>3 577</b>
Financial income	18	1 028	299
Profit on sale of shares in subsidiaries		190	-
Finance costs	19	-932	-638
Share in profit in entities valued using equity method		-278	-92
<b>Before tax profit</b>		<b>2 610</b>	<b>3 146</b>
Income tax expense	4	1 638	746
- current tax		1 680	627
- deferred tax		-42	119
<b>Profit for the period</b>		<b>972</b>	<b>2 400</b>

Profit for the period assigned to:

Shareholders of Parent Entity	953	2 374
Non-controlling interest	19	26
Profit/diluted profit (in PLN per one share) assigned to owners of Parent Entity	0.24	0.61

**Consolidated statement of comprehensive income**

<b>Profit for the period</b>	<b>972</b>	<b>2 400</b>
<b>Other comprehensive income (net):</b>	<b>-232</b>	<b>-12</b>
<i>Other comprehensive income that will be reclassified to profit or loss:</i>	<i>-232</i>	<i>-12</i>
Exchange differences on translation of the entity operating abroad	-232	-12
<i>Other comprehensive income that will not be reclassified to profit or loss:</i>	<i>-</i>	<i>-</i>
<b>Total comprehensive income</b>	<b>740</b>	<b>2 388</b>

Total comprehensive income assigned to :

Shareholders of Parent Company	721	2 362
Non-controlling interest	19	26
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 Company	0.19	0.61

**Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group as at and for the period ended 30 June 2015**

**Consolidated statement of changes in equity  
For the period from 1 January 2015 to 30 June 2015**

(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 for the period from 1 January 2015 to 30 June 2015</b>						
<b>As at the beginning of the period</b>	<b>3 895</b>	<b>11 973</b>	<b>97 568</b>	<b>113 436</b>	<b>9 243</b>	<b>122 679</b>
Net profit of the given period	-	-	953	953	19	972
<i>Other comprehensive income (net)</i>	-	-232	-	-232	-	-232
<b>Total comprehensive income</b>	<b>-</b>	<b>-232</b>	<b>953</b>	<b>721</b>	<b>19</b>	<b>740</b>
<i>Transactions with shareholders</i>						
Payment of dividend	-	-	-1 363	-1 363	-11	-1 374
Repurchase of own shares for redemption (Elektromontaż)- change in the structure of shareholding	-	11	19	30	-39	-9
Other changes (among others – sale of subsidiary Prochem Serwis)	-	-6	185	179	-112	67
<b>As at the end of the period</b>	<b>3 895</b>	<b>11 746</b>	<b>97 362</b>	<b>113 003</b>	<b>9 100</b>	<b>122 103</b>
<b>The reporting period for the period from 1 January 2014 to 30 June 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 of the given period	-	-	2 374	2 374	26	2 400
<i>Other comprehensive income (net)</i>	-	-12	-	-12	-	-12
<b>Total comprehensive income</b>	<b>-</b>	<b>-12</b>	<b>2 374</b>	<b>2 362</b>	<b>26</b>	<b>2 388</b>
<i>Transactions with shareholders</i>						
Payment of dividend	-	-	-	-	-48	-48
Change in the structure of shareholding of non-controlling interest (purchase of shares from non-controlling interest - Elektromontaż , Prochem Zachód)	-	408	975	1 383	-2 098	-715
Repurchase of own shares for redemption (Elektromontaż)- change in the structure of shareholding	-	57	239	296	-344	-48
<b>As at the end of the period</b>	<b>3 895</b>	<b>11 407</b>	<b>96 161</b>	<b>111 463</b>	<b>9 873</b>	<b>121 336</b>

**Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group as at and for the period ended 30 June 2015**

**Consolidated statement of cash flows for the period from 1 January 2015 to 30 June 2015**

(all amounts in PLN thousands if not stated otherwise)

	Note No.	Period ended 30 June 2015	Period ended 30 June 2014
<b>Cash flows – operating activities</b>			
Profit before tax		2 610	3 146
Total adjustments		-6 989	-10 022
Share in profit in entities valued using equity method		278	92
Amortization and depreciation		1 204	1 181
Interest and profit sharing (dividends)		157	85
Profit on disposal of property, plant and equipment		-8	-17
From investments		-124	-
Change in provisions		-478	-574
Change in inventories		-2 997	-132
Change in receivables and other assets	20	-7 029	606
Change in current liabilities, except for borrowings and loans	20	3 070	-5 281
Other adjustments (including change in deferred income)	20	-1 062	27 080
<b>Cash provided by(used in) operating activities</b>		<b>-4 379</b>	<b>-6 876</b>
Income tax paid		-706	-811
<b>Net cash provided by (used in) operating activities</b>		<b>-5 085</b>	<b>-7 687</b>
<b>Cash flows – investing activities</b>			
<b>Inflows</b>		<b>16 963</b>	<b>32</b>
Disposal of intangible assets and property, plant and equipment		3	32
Disposal of real estate		16 378	-
Disposal of subsidiary		566	-
Other inflows from other entities		16	-
<b>Outflows</b>		<b>-807</b>	<b>-3 488</b>
Acquisition of intangible assets and property, plant and equipment		-507	-766
For financial assets, including:			-2 722
a) in associated entities		-	-2 722
- loans granted		-	-2 000
- acquisition of financial assets		-	-722
b) in other entities:		-300	-
- loans granted		-300	-
<b>Net cash provided by (used in) investing activities</b>		<b>16 156</b>	<b>-3 456</b>
<b>Cash flows – financing activities</b>			
<b>Inflows</b>		<b>3 018</b>	<b>8 527</b>
Bank loans		3 000	8 524
Other financial inflows		18	3
<b>Outflows</b>		<b>-4 443</b>	<b>-818</b>
Other than payments to shareholders, expenses under profit distribution		-20	-95
Repayment of bank loans		-3 975	-314
Repayment of borrowings		-60	-
Payment of liabilities under finance lease		-41	-166
Interest		-347	-234
Other financial outflows		-	-9
<b>Net cash provided by (used in) financing activities</b>		<b>- 1 425</b>	<b>7 709</b>
Total cash flows, net		9 646	-3 434



**Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group as at and for the period ended 30 June 2015**

Net increase/(decrease) in cash and cash equivalents	9 646	-3 434
<b>Cash and cash equivalents as at the beginning of the period</b>	<b>6 606</b>	<b>8 249</b>
<b>Cash and cash equivalents as at the end of the period</b>	<b>16 252</b>	<b>4 815</b>

**Notes on adopted accounting principles (policy) in Capital Group and other explanatory notes to interim condensed consolidated financial statements**

**1. Establishment of Parent Entity and principal activity**

Company PROCHEM S.A.(hereinafter called „Prochem”, „Company”, „Issuer” or „Parent Company”) seated in Warsaw, 44C Powązkowska Street. The company is registered in the National Court Register (KRS) by the District Court for the Capital City Warsaw, XII Commercial Department of the National Court Register under KRS number 0000019753. Principal activity according to Polish Business Classification (PKD 2007) determines symbol 7112Z – engineering activities and related technical consulting. According to Warsaw Stock Exchange classification PROCHEM belongs to construction sector. PROCHEM S.A. is a Parent Company of the Capital Group and prepares separate consolidated financial statements. PROCHEM S.A. was established through transformation of a state-owned enterprise under the name of Przedsiębiorstwo Projektowania I Realizacji Inwestycji Przemysłu Chemicznego „Prochem”. The notarial deed and Company’s Articles of Association were signed on 1 October 1991. Duration of the Company is unlimited.

In 2013 the Company commenced implementation of investment project „Turnkey construction of system for the production of highly purified paraffin, oils, lubricant and cooling greases and pattern material with the expansion of power complex” in Belarus. Therefore, for the period of implementation of the project the Representation Office was established. Time limit for the activity of Representation Office is limited, i.e. until 30 July 2016.

**2. The Management Board and the Supervisory authorities of Parent Entity**

As at the date of preparation hereby 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

There were no changes in composition of the Management Board in the first half of 2015.

As at the date of preparation of hereby consolidated financial statements the Supervisory Board comprises of:

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

### **3. Employment**

In the first half of 2015 average employment in PROCHEM Capital Group was 498 FTEs, and in the first half of 2014 507 FTEs.

Employment in persons in PROCHEM Capital Group as at 30 June 2015 was 499, and as at 30 June 2014 522.

### **4. Organization of the Capital Group and indication of entities subject to consolidation.**

PROCHEM S.A. Capital Group (hereinafter referred to as „Capital Group”, „Group”), in addition to the Parent Company comprises the following subsidiaries directly or indirectly:

#### Subsidiaries covered by full consolidation:

- Prochem Inwestycje Sp. z o.o. seated in Warsaw – subsidiary directly (100.0%);
- PRO-INHUT Sp. z o.o. seated in Dąbrowa Górnicza – subsidiary indirectly (93.2%);
- Pro-Organika Sp. z o.o. seated in Warsaw – subsidiary directly (91.4%);
- Przedsiębiorstwo Konsultingowo-Inżynieryjne PREDOM Sp. z o.o. seated in Wrocław – subsidiary indirectly (81.1% of the capital and profit, 71.4% of votes);
- Prochem Zachód Sp. z o.o. seated in Warsaw – subsidiary directly (80.0%);
- ELPRO Sp. z o.o. seated in Kraków – subsidiary indirectly (88.7%, including 77.4% in 50% share of Elektromontaż Kraków);
- Elmont Inwestycje Sp. z o.o. seated in Kraków – subsidiary indirectly (88.7%, including 77.4% in 50% share of Elektromontaż Kraków);
- Elektromontaż Kraków S.A. seated in Kraków – subsidiary indirectly (77.4%), including 65.5% of the capital and votes belongs to company Prochem Inwestycje 100% subsidiary.
- Elektromontaż Kraków S.A. seated in Kraków – subsidiary indirectly (77.4%),
- Elmont Pomiar Sp. z o.o. seated in Kraków – subsidiary indirectly 100%,
- IRYD Sp. z o.o. seated in Warsaw – subsidiary indirectly 100%;
- ATUTOR Integracja Cyfrowa Sp. z o.o. seated in Warsaw – subsidiary indirectly (87.3% of share belongs to company Prochem Inwestycje Sp. z o.o. 100% subsidiary);
- Prochem RPI Sp. z o.o. seated in Warsaw – subsidiary in 100% (including 3.33% of capital and votes belongs to company Prochem Inwestycje).

#### Jointly controlled entities and associates valued using the equity method:

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

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

On 14 April 2015 pursuant to the sale agreement, the Company PROCHEM S.A. sold 9 790 shares in TEOMA SA in liquidation. The total sale price was set at the amount of PLN 97.90.

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

In the first half of 2015 years subsidiary Elektromontaż Krakow SA bought back 387 of own shares for redemption for a total amount of PLN 9 thousand. As a result of share buyback for redemption by the company Elektromontaż Krakow SA there was a change in the structure of shareholding. The share of the

## **Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group as at and for the period ended 30 June 2015**

Parent Company increased by 0.1% percentage points. As at 30 June 2015 the Parent Company's share in capital and votes of Elektromontaż of Krakow is 77.4%.

### **5. Adopted accounting principles**

#### **Statement of compliance and principles of presentation**

##### *The basis of drawing up*

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

The interim condensed consolidated financial statements of PROCHEM S.A. Capital Group has been prepared assuming a going concern in the foreseeable future.

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.

##### *Seasonality*

Operational activities of the Parent Entity and the companies belonging to the Group neither have seasonal character nor is subject to cyclic trends, except for the segment of the general contracting and rental of construction equipment, which are characterized by seasonality, which in large extent is caused by the weather conditions. Weather conditions have an impact on the volume of the revenue generated in these segments. Lower revenues are achieved during the winter season, when the weather conditions do not allow for execution of some construction work.

##### *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.

##### *Significant accounting policies and changes in IFRS*

The interim condensed consolidated financial statements have been prepared using the same accounting principles and the same calculation methods which were applied in the consolidated financial statements of PROCHEM S.A. Capital Group for the year ended 31 December 2014.

The Group 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 of the Group is being analyzed.

**Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group as at and for the period ended 30 June 2015**

***Changes in estimates***

In the first half of 2015 there were no significant changes in estimates.

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

Consolidated financial statements of the Group is presented in Polish Zloty („zloty” or ”PLN”), which are the reporting currency of the Group and the functional currency of the Parent Company.

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 set as the arithmetic mean of average exchange rates for the whole reporting period, and
- arisen exchange differences are recognized in the statement of comprehensive income as the foreign exchange differences of the translation of entity operating abroad.

## 5. Explanatory notes to interim condensed consolidated financial statements as at and for the period ended 30 June 2015

### Note No. 1 – Property, plant and equipment

	As at 30 June 2015	As at 31 December 2014
<b>Property, plant and equipment, including:</b>	<b>24 136</b>	<b>25 222</b>
- land,	4 787	4 841
- buildings, premises and civil engineering projects	16 737	17 280
- machinery and equipment	995	1 090
- vehicles	809	1 081
- other PPE	808	930
- PPE under construction	23	16
<b>Total property, plant and equipment</b>	<b>24 159</b>	<b>25 238</b>

<b>Property, plant and equipment - ownership structure</b>	As at 30 June 2015	As at 31 December 2014
a) own	11 379	11 735
b) used under lease or other agreement, including:	12 780	13 503
- lease	419	834
- outlays on extraneous tangible fixed assets	11 809	12 117
- the value of perpetual usufruct right	552	552
<b>Total balance sheet PPE</b>	<b>24 159</b>	<b>25 238</b>

Pursuant to an agreement dated July 23, 2004, the Group leases the property consisting of three buildings with a total area of 6 227.5 m<sup>2</sup> on a plot of 3 311 m<sup>2</sup>, which is located in Warsaw at Emilia Plater Street 18, and at Hoża Street 76/78. The duration of the agreement is 30 years since the date of the signing of the lease agreement.

Land, buildings and constructions are carried at revalued amount, being its fair value at the date of the revaluation set by experts less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value as at 30 June 2015 which was recognized in the books remained at the level of valuation at the date of 31 December 2014, which was set based on valuation made by independent experts, not associated with the Group. The experts have the right qualifications to carry out valuations of land, buildings and structures, as well as current experience in such valuations carried out in locations where there are assets of the Group. The valuation was performed by reference to the market transaction prices concerning the similar assets.

**Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group as at and for the period ended 30 June 2015**

**Change in property, plant and equipment**

	Change in PPE for the period from 1 January 2015 to 30 June 2015	Change in PPE for the period from 1 January 2014 to 30 June 2014
<b>Gross value - As at opening balance sheet</b>	<b>44 012</b>	<b>42 613</b>
increase (due to)	484	3 946
- acquisition	478	1 635
- other changes, including revaluation of non-current assets to fair value	6	2 311
decrease (due to)	-1 322	-2 547
- sale of PPE	-68	-500
- liquidation of PPE	-22	-1 993
- sale of a subsidiary	-1 176	-
- other changes	-56	-54
<b>Gross value as at closing balance sheet</b>	<b>43 174</b>	<b>44 012</b>
<b>Depreciation and impairment</b>		
<b>Accumulated depreciation – as at opening balance sheet</b>	<b>18 774</b>	<b>17 269</b>
- increase (accumulated depreciation)	1 146	2 153
- decrease due to sale	-68	-484
- decrease due to liquidation	-22	-1 806
- decrease due to sale of a subsidiary	-815	-
- other changes, including revaluation of non-current assets to fair value	-	-1 642
<b>Accumulated depreciation – as at closing balance sheet</b>	<b>19 015</b>	<b>18 774</b>
<b>Net property, plant and equipment - as at closing balance sheet</b>	<b>24 159</b>	<b>25 238</b>

**Note No. 2 – Investment properties**

	As at 30 June 2015	As at 31 December 2014
Construction-in-progress	1 122	9 125
Buildings and constructions	6 892	6 594
Vale of a land	4 690	17 241
<b>Total investment properties</b>	<b>12 704</b>	<b>32 960</b>

**Investment properties by types**

	Change in investment properties for the period from 1 January 2015 to 30 June 2015	Change in investment properties for the period from 1 January 2014 to 30 June 2014
<b>Investment properties - land</b>		
As at opening balance sheet	17 241	17 533
- net decrease under revaluation to fair value	-	-292
- decrease due to sale of real estate	-12 551	-
<b>As at closing balance sheet</b>	<b>4 690</b>	<b>17 241</b>
<b>Investment properties in-progress</b>		
As at opening balance sheet	9 125	9 478
- change due to:		
a) decrease due to sale of real estate	-8 003	-
b) decrease under revaluation to fair value	-	-353
<b>As at closing balance sheet</b>	<b>1 122</b>	<b>9 125</b>

**Investment properties – buildings and constructions**

**Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group as at and for the period ended 30 June 2015**

As at opening balance sheet	6 594	6 592
- change due to:		
a) increase due to revaluation to fair value	-	2
b) increase due to acquisition	298	-
<b>As at closing balance sheet</b>	<b>6 892</b>	<b>6 594</b>
<b>Total investment properties by types – net as at balance sheet day</b>	<b>12 704</b>	<b>32 360</b>

The fair value of investment properties as at 30 June 2015 remained at the level of valuation at the date of 31 December 2014, which was set based on valuation made by independent experts, not associated with the Group. The experts have the right qualifications to carry out valuations of land, buildings and structures, as well as current experience in such valuations carried out in locations where there are assets of the Group. The valuation was performed by reference to the market transaction prices concerning the similar assets.

Details concerning investment properties, as well as information about the hierarchy of fair values as at 30 June 2015.

	Level 1	Level 2	Level 3	Fair value as at 30 June 2015
	In PLN thousands	In PLN thousands	In PLN thousands	In PLN thousands
Investment properties	-	-	12 704	12 704

In the first half of the year there was no displacements between the levels Nos. 1, 2 and 3.

In the first half of 2015 the Group sold an investment property, which is situated in Krakow, at a price payable PLN 16,378 thousand (EUR 4,000 thousand), along with a commission, which will be paid by the buyer after obtaining the replacing building permit in the amount of PLN 4 110 thousand (EUR 1,000 thousand). Details of the transaction are as follows:

	Period ended 30/06/2015 (in PLN thousands)
Payment in cash	16 378
Deferred proceeds from the sale (Note No. 7 Other receivables)	4 110
Total	20 488

**Note No. 3 – Shares valued using equity method**

Shares in entities valued using equity method	As at 30 June 2015	As at 31 December 2014
- Shares – net value	24 858	25 136
- Write-down of shares	-	2 073
<b>Shares, gross value</b>	<b>24 858</b>	<b>27 209</b>
Change in shares valued using equity method	As at 30 June 2015	As at 31 December 2014
a) as at the beginning of the period	25 136	23 970
- shares at cost	25 136	23 970
b) increase/decrease (due to)	-278	1 166
- share in the result of current period	-278	1 166
<b>As at the end of the period, net</b>	<b>24 858</b>	<b>25 136</b>
d) write-down *	-	2 073
<b>As at the end of the period, gross</b>	<b>24 858</b>	<b>27 209</b>

\*) Write-down relates entirely to the shares of Teoma SA in liquidation which were sold in the first half of 2015 years - more point 4 of the explanatory notes.

**Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group as at and for the period ended 30 June 2015**

**Note No. 4 – Deferred income tax**

Changes in the values of reserves, and deferred tax assets for the first half of 2015 are presented in the table below.

	As at 30 June 2015	As at 31 December 2014
<b>Deferred tax assets</b>		
As at the beginning of the period	6 051	5 708
Increase	3 343	3 154
Decrease	-3 930	-2 811
<b>As at the end of the period</b>	<b>5 464</b>	<b>6 051</b>

	As at 30 June 2015	As at 31 December 2014
<b>Provisions for deferred income tax</b>		
As at the beginning of the period	6 709	6 513
Increase	2 659	2 790
Decrease	-3 275	-2 594
<b>As at the end of the period</b>	<b>6 093</b>	<b>6 709</b>

	As at 30 June 2015	As at 31 December 2014
<b>Presentation in statement of financial position</b>		
Deferred tax assets	5 464	6 051
Compensations in the separate financial statements	-3 284	-4 053
<b>Deferred tax assets disclosed in statement of financial position</b>	<b>2 180</b>	<b>1 998</b>

	As at 30 June 2015	As at 31 December 2014
<b>Presentation in statement of financial position</b>		
Provisions for deferred income tax	6 093	6 709
Compensations in the separate financial statements	-3 284	-4 053
<b>Provision for deferred income tax disclosed in statement of financial position</b>	<b>2 809</b>	<b>2 656</b>

	Period ended 30 June 2015	Period ended 30 June 2014
<b>Establishing of effective tax rate</b>		
(in PLN thousands)		
Profit for the period	972	3 146
Income tax	1 638	746
Before tax profit	2 610	3 892
Income tax at the applicable rate of 19 %	636	739
Revenues exempt from taxation	-	-7
Expenses not tax deductible expenses	143	22
Tax losses for which no tax asset was recognized	707	-
Other adjustments	61	-32
The difference of the rate of income tax for the territory of Poland and outside Poland	91	24
<b>Income tax</b>	<b>1 638</b>	<b>746</b>



**Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group as at and for the period ended 30 June 2015**

**Note No. 5 – Other non-current financial assets**

<b>Other financial assets</b>	<b>As at 30 June 2015</b>	<b>As at 31 December 2014</b>
a) from jointly-controlled entities	17 767	11 525
- loans	17 767	11 525
b) other non-current financial assets – discounted security deposit constituting the collateral of bank guarantee of repayment of advance payment	-	2 084
<b>Total other financial assets</b>	<b>17 767</b>	<b>13 609</b>

**Loans granted – as at 30 June 2015**

- Loans granted to jointly-controlled company Irydion sp. z o.o. seated in Warsaw:
  - In the amount of PLN 11 623 thousand, including: amount of the loan PLN 11 000 thousand, accrued interest as at balance sheet date amounts to PLN 623 thousand. Interest rate is set annually according to WIBOR 6M, repayment date 22 September 2031;
  - In the amount of PLN 6 144 thousand, including: amount of loans PLN 6 000 thousand, accrued interest as at balance sheet date amounts to PLN 144 thousand. Interest rate is set annually at 3% , repayment date 22 September 2031.

**Increase:**

- Accrued interest on loans in the amount of PLN 187 thousand
- Reclassification of current loans for non-current loans granted to jointly-controlled company IRYDION Sp. z o.o. seated in Warsaw in the amount of PLN 6 055 thousand, including amount of the loan PLN 6 000 thousand, accrued interest PLN 55 thousand, interest rate is set annually at 3%, repayment date 22 September 2031.

**Loans granted – as at 31 December 2014**

- Loan granted to company IRYDION Sp. z o.o. seated in Warsaw PLN 11 525 thousand, including amount of the loan PLN 11 000 thousand, accrued interest PLN 525 thousand. Interest rate is set annually according to WIBOR 6M, repayment date 31 September 2018.

**Note No. 6 – Inventories**

<b>Inventories</b>	<b>As at 30 June 2015</b>	<b>As at 31 December 2014</b>
Materials	5 796	3 368
Semi-finished goods and work-in-progress	743	350
Goods	941	765
<b>Total inventories</b>	<b>7 480</b>	<b>4 483</b>
Write-down of inventories	285	285

**Note No. 7 – Trade and other receivables**

<b>Trade and other receivables</b>	<b>As at 30 June 2015</b>	<b>As at 31 December 2014</b>
Trade receivables, including:	73 510	72 608
- granted advance payments for future deliveries	10 356	1 371
Write-down of trade receivables	-7 218	-6 943
<b>Net trade receivables, including:</b>	<b>66 292</b>	<b>65 665</b>
- with repayment period up to 12 months	62 744	61 447
- with repayment period more than 12 months	3 548	4 218

**Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group as at and for the period ended 30 June 2015**

<b>Receivables from taxes, subsidies, social security and health insurance and other benefits</b>	<b>23</b>	<b>290</b>
Other receivables	5 668	585
Write-down of other receivables	-402	-6
<b>Net other receivables</b>	<b>5 266</b>	<b>579</b>
<b>Total receivables, net</b>	<b>71 581</b>	<b>66 534</b>

<b>Trade and other receivables from related entities</b>	<b>As at 30 June 2015</b>	<b>As at 31 December 2014</b>
Trade receivables, including:	1 654	105
- from jointly-controlled entities	1 654	105
<b>Total current trade and other receivables from related entities, net</b>	<b>1 654</b>	<b>105</b>
Write-down of receivables from related entities	-	-
<b>Total current trade and other receivables from related entities, gross</b>	<b>1 654</b>	<b>105</b>

<b>Change in write-down of trade and other receivables</b>	<b>As at 30 June 2015</b>	<b>As at 31 December 2014</b>
<b>As at the beginning of the period</b>	<b>6 949</b>	<b>9 504</b>
a) increase (due to)	863	1 143
- write-down of receivables	863	1 143
b) decrease (due to)	192	3 698
- payment received	148	299
- use of write-downs created in previous periods	6	3 397
- other excluding of the company from consolidation (sale of shares in subsidiary)	37	-
- release of write-down	1	2
<b>Write-down of trade and other receivables</b>	<b>7 620</b>	<b>6 949</b>

In majority of the contracts signed by the Group term of payment for services is determined in the range from 14 to 60 days.

As at 30 June 2015 the outstanding balance of receivables from supplies and services includes receivables overdue of the carrying amount of PLN 17 364 thousand as a security deposit under the statutory warranty, for which the Issuer has not created write-down, since no significant change in the quality of the debt compared to previous accounting periods, thus they are considered as to be recovered. The Issuer has collateral in the form of guarantee deposits under statutory warranty from the subcontractors which were seized in the amount of PLN 2 928 thousand. More information is presented in Notes Nos. 26 and 29.

**Note No. 8 – Other financial assets**

<b>Other financial assets</b>	<b>As at 30 June 2015</b>	<b>As at 31 December 2014</b>
a) from jointly-controlled entities :	-	6 054
- current loans granted	-	6 054
b) from other entities :	499	198
- current loans granted	499	198
c) other financial assets - discounted security deposit constituting the collateral of bank guarantee of repayment of advance payment	5 302	4 957
<b>Total other financial assets</b>	<b>5 801</b>	<b>11 209</b>

**Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group as at and for the period ended 30 June 2015**

***Loans granted - as at 30 June 2015***

- Loan granted to the Civil Committee of Building of the Cardiologic Hospital of the name of Marshal Józef Piłsudski in Warsaw PLN 198 thousand, including: amount of the loan PLN 133 thousand, accrued interest PLN 65 thousand, interest rate set at the statutory rate, repayment date 30 June 2008. Receivables secured by a mortgage on the right of perpetual usufruct of the land under land register – KW No. 136324.
- Loan granted to Prochem Serwis sp. z o.o. seated in Warsaw in the amount of PLN 301 thousand, including amount of the loan PLN 300 thousand, accrued interest PLN 1 thousand, interest rate set at 2% annually, repayment date 31 December 2016.

***Increase***

- the charging of interest on loan granted to Prochem Service Sp. z oo in the amount of PLN 1 thousand.

***Decrease***

- Reclassification of loans granted to jointly-controlled company Irydion sp. z o.o. in the amount of PLN 6 055 thousand, from current loans to non-current loans.

***Loans granted - as at 31 December 2014***

- Loan granted to the Civil Committee of Building of the Cardiologic Hospital of the name of Marshal Józef Piłsudski in Warsaw PLN 198 thousand, including: amount of the loan PLN 133 thousand, accrued interest PLN 65 thousand, interest rate set at the statutory rate, repayment date 30 June 2008. Receivables secured by a mortgage on the right of perpetual usufruct of the land under land register – KW No. 136324.
- Loans granted to jointly-controlled company Irydion sp. z o.o. seated in Warsaw:
  - In the amount5 of PLN 2 040 thousand, including amount of the loan PLN 2 000 thousand, accrued interest PLN 40 thousand, interest rate set annually at 3%, repayment date 31 December 2015;
  - In the amount of PLN 1 009 thousand, including amount of the loan PLN 1 000 thousand, accrued interest PLN 9 thousand, interest rate set annually at 3%, repayment date 31 December 2015;
  - In the amount of PLN 503 thousand, including amount of the loan PLN 500 thousand, accrued interest PLN 3 thousand, interest rate set annually at 3%, repayment date 31 December 2015;
  - In the amount of PLN 2 502 thousand, including amount of the loan PLN 2 000 thousand, accrued interest PLN 502 thousand, interest rate set annually at 3%, repayment date 31 December 2015.

***Note No. 9 – Other assets***

<b>Other assets by types :</b>	<b>As at 30 June 2015</b>	<b>As at 31 December 2014</b>
a) prepayments	1 166	958
- cost of property and personal insurance	409	282
- software maintenance costs	526	459
- subscriptions	30	39
- deferred costs	65	49
- other	136	129
b) other prepayments	16 449	12 586
- amounts due from ordering parties under long-term contracts	16 449	12 586

**Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group as at and for the period ended 30 June 2015**

**Total other assets**

**17 615**

**13 544**

In item - *other prepayments* - are included the valuation of construction contracts that are in progress at the balance sheet date.

**Note No. 10 – Share capital**

<b>SHARE CAPITAL (STRUCTURE)</b>							
Series / emission	Type of share	Type of share preference	Number of shares	Value of series / issue at nominal value	Method of coverage of capital	Registration date	Right to dividend (since)
Founding	inscribed	3 votes per 1 share	830	830	cash	23July1991	1October1991
Founding	inscribed	-	10 004	10 004	cash	23-07-1991	1October1991
Founding	to bearer	-	1 806 666	1 806 666	cash	23-07-1991	1October1991
B	inscribed	-	4 750	4 750	cash	29-07-1993	1January1993
B	to bearer	-	677 750	677 750	cash	29-07-1993	1January1993
C	to bearer	-	530 000	530 000	cash	20-04-1994	1January1994
D	to bearer	-	865 000	865 000	cash	05-09-1994	1January1994
<b>Total number of shares</b>			<b>3 895 000</b>				
<b>Total share capital</b>				<b>3 895 000</b>			
<b>Nominal value of one share = PLN 1.00</b>							

The company's share capital amounts to PLN 3 895 thousand and is divided into 3 895 000 shares with the nominal value of PLN 1 each. Total number of votes from all shares is 3 896 660.

The capital structure of the company Prochem SA is as follows:

- Founding series – 1 817 500
- series B – 682 500
- series C – 530 000
- series D – 865 000

Total share capital 3 895 000.

In the first half of there were no changes in the share capital of the Issuer.

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

Since the submission of the annual report for 2014, there were no changes in ownership structure of large blocks of Issuer's shares.

**Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group as at and for the period ended 30 June 2015**

**Note No. 11 – Current bank loans**

	As at 30 June 2015	As at 31 December 2014
- loans	13 075	14 050

**Bank loans**

Name of the bank	Seat	Amount of a loan according to agreement (in PLN thousands)	The amount of the loan to be repaid (in PLN thousands)	Terms of interest	Repayment date	Collateral
By Prochem SA						
mBank SA	Warsaw	6 000 Credit in overdraft on bank account	0	WIBOR for O/N deposits in PLN + margin	30 June 2016	Promissory note in blank
mBank SA	Warsaw	6 000 Revolving working capital loan	6 000	WIBOR for one month deposits in PLN + margin	30 June 2016	Promissory note in blank
ING Bank Śląski S.A.	Katowice	3,000 Credit in overdraft on bank account	2 872	WIBOR for one month deposits in PLN + margin	16 November 2015	Declaration of submission to enforcement
By company PROORGANIKA Sp. z o.o.						
Bank BZWBK	Wrocław	300 Credit in overdraft on bank account	300	for O/N deposits in PLN + margin	23 April 2016	lack
mBank SA	Warsaw	100 Credit on account	68	WIBOR for one month deposits in PLN + margin	30 August 2015	No collateral
mBank SA	Warsaw	130 Working capital loan	130	WIBOR for one month deposits in PLN + margin	30 June 2015	No collateral
By company Elektromontaż Kraków SA						
ING Bank Śląski	Kraków	2 500	2 431	WIBOR for one month deposits in PLN + margin	20 October 2015	mortgage
Deutsche Bank	Kraków	1 500	1 000	WIBOR for one month deposits in PLN + margin	15 July 2015	mortgage
By Atutor Integracja Cyfrowa Sp. z o.o.						
Bank Millennium S.A.	Warsaw	100	64	WIBOR 1 month plus margin	Credit on account	No collateral
By Pro-Inhut Sp. z o.o.						
ING Bank Śląski	Dąbrowa Górnicza	262	210	WIBOR 1 month plus margin	30 April 2016.	No collateral

**Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group as at and for the period ended 30 June 2015**

***Note No. 12 – Trade payables***

	As at 30 June 2015	As at 31 December 2014
a) to jointly-controlled entities	7	12
- for supplies and services with maturity:	7	12
- up to 12 months	7	12
b) to other entities -	35 880	31 217
- for supplies and services with maturity:	35 880	31 217
- up to 12 months	33 728	29 386
- more than 12 months	2 152	1 831
<b>Total trade payables</b>	<b>35 887</b>	<b>31 229</b>

***Note No. 13 – Deferred income***

	As at 30 June 2015	As at 31 December 2014
Advance payments received	14 805	18 632
Amounts due to ordering parties under long-term contracts	3 144	1 684
Other	324	770
<b>Deferred income as at the end of the period, including:</b>	<b>18 273</b>	<b>21 086</b>
<b>Non-current liabilities</b>	<b>-</b>	<b>1 867</b>
<b>Current liabilities</b>	<b>18 273</b>	<b>19 219</b>

In the first half of 2013 the Group received an advance payment of 15 % (EUR 7 230 thousand i.e. PLN 30 767 thousand) of the value of the contract signed with Belarusian company for the implementation of investment project „Turnkey construction of system for the production of highly purified paraffin, oils and greases, and pattern masses with the expansion of the power complex”. The amount of the advance payment was recognized in deferred income and is settled against invoices issued for the completed services and deliveries. At 30 June 2015 the amount of unsettled advances amounted to PLN 14 395 thousand i.e. EUR 3 459 thousands.

***Note No. 14 - Revenues from sale of services***

Revenues from sale of services (type of service and type of activity)	Period ended 30 June 2015	Period ended 30 June 2014
Revenues from sale of services, including:	<b>82 164</b>	<b>63 652</b>
- from jointly-controlled entity	9 543	9 113
<b>Revenues from sale (territorial structure)</b>	<b>Period ended 30 June 2015</b>	<b>Period ended 30 June 2014</b>
Domestic sale	46 430	44 109
- including from jointly-controlled entities	9 543	9 113
Exports	35 734	19 543

Revenues under contracts for construction services (general contracting) and other services were presented in note 21.

Gross amount due from the ordering parties for work under the contracts was presented in Note No. 9.

Information on major customers, which total value of revenues from sale of services exceeds 10% of the total entity revenue for the first half 2015 are provided in note 21.

**Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group as at and for the period ended 30 June 2015**

Information on major customers, which total value of revenues from sale of services exceeds 10% of the total entity revenue for the first half 2015 are provided in Note No. 21.

**Note No. 15 – Cost of services sold**

	Period ended 30 June 2015	Period ended 30 June 2014
a) amortization and depreciation	1 204	1 181
b) consumption of Energy and materials	8 606	6 731
c) outsourcing	45 701	29 421
d) taxes and levies	548	813
e) remuneration	17 339	17 628
f) social security and other benefits	3 440	3 313
g) other costs by type, including:	3 263	2 633
- property and personal insurance	602	570
- business trips	807	497
- State Fund for Rehabilitation of Disabled Persons PFRON	140	147
- other	1 714	1 419
<b>Total costs by type</b>	<b>80 101</b>	<b>61 720</b>
Change in inventories, goods and accruals and prepayments	-2 652	-1 115
General and administrative expenses (negative value)	-7 217	-7 420
<b>Cost of services sold</b>	<b>70 232</b>	<b>53 185</b>

**Note No. 16- Other operating income**

	Period ended 30 June 2015	Period ended 30 June 2014
a) gain on disposal of non-financial non-current assets	8	70
b) subsidies	70	-
c) reversal of write-down (due to)	154	59
- of receivables	154	59
d) other, including:	93	97
- reimbursement of the costs of legal proceedings	4	33
- revenues from cars rental	4	45
- other	85	19
<b>Total other operating income</b>	<b>325</b>	<b>226</b>

**Note No. 17 – Other operating expenses**

	Period ended 30 June 2015	Period ended 30 June 2014
a) loss on disposal of non-financial non-current assets	66	-
b) write-downs (due to):	862	4
- of receivables	862	4
c) other, including:	138	140
- cost of legal proceeding	51	61
- penalties, fines and compensation paid	28	1
- other	59	78
<b>Total other operating expense</b>	<b>1 066</b>	<b>144</b>

**Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group as at and for the period ended 30 June 2015**

**Note No 18 – Financial income**

	Period ended 30 June 2015	Period ended 30 June 2014
a) interest on loans granted	187	158
- from jointly-controlled entities	187	158
b) other interest	24	36
- from other entities	24	36
c) surplus of foreign exchange gains	717	-
d) other, including:	100	105
- gain on disposal of shares	-	70
- other	100	35
<b>Total financial income</b>	<b>1 028</b>	<b>299</b>

**Note No. 19 – Finance costs**

	Period ended 30 June 2015	Period ended 30 June 2014
a) interest on bank loans	267	215
b) other interest	40	9
- for other entities	40	9
c) surplus of foreign exchange losses	119	91
d) other, due to :	506	323
- commission on bank guarantees	145	239
- commission on loans	78	18
- other	283	66
<b>Total finance costs</b>	<b>932</b>	<b>638</b>

**Note No. 20 – Additional disclosures to the statement of cash flows**

Operating activities include basic activity and turnover from other operating activity.

Investing activities include the turnover in the scope of investments in Plant, property and equipment, intangible assets, equity investments and securities held for trading.

Dividends received are recognized in cash flows from investing activities. Loans granted and repaid together with accrued interest are presented in cash flows - investing activities.

Paid interest and commission under borrowings, loans and leases are recognized in cash flows - financing activities. Financial activity include also received and repaid bank loans and borrowings.

The differences between the amounts directly from the statements and presented in the statement of cash flows result from a transfer of specified amounts from operating activity to investing activity and financing activity.

These relate to the following balance sheet items (in PLN thousands):

<b>Change in current receivables</b>	<b>-7 029</b>
Receivables at 1 January 2015	66 534
Other assets at 1 January 2015	13 544
Receivables from fixed assets sold	-49
Adjustment of receivables in the subsidiary in 2013	360
Receivables from sale of assets	-396
<b>Opening balance sheet after adjustments</b>	<b>79 993</b>
Exclusion of receivables and other assets of a subsidiary sold in 2015, as at opening balance sheet	-1 990



**Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group as at and for the period ended 30 June 2015**

<b>Opening balance sheet after exclusions</b>	<b>78 003</b>
Receivables at 30 June 2015	71 581
Other assets at 30 June 2015	17 615
Receivables from fixed assets sold	-54
Receivables from sale of real estate	-4 110
<b>Closing balance sheet after adjustments</b>	<b>85 032</b>

<b>Change in current liabilities except for loans, borrowings and special purpose funds</b>	<b>3 070</b>
---	--------------

Trade payables at 1 January 2015	31 229
Other liabilities at 1 January 2015	7 809
Provision for current retirement benefits	-383
Provision for annual leaves	-1 402
Provision for audit	-96
Provision for current other costs	-471
Other differences under discount of liabilities	250
The adjustment of liabilities in the subsidiary for the year 2013	-34
Liabilities under lease	-184
Liabilities to shareholders	-2

<b>Opening balance sheet after adjustments</b>	<b>36 716</b>
--	---------------

Exclusion of liabilities of a subsidiary sold in 2015, as at opening balance sheet	-1 086
--	--------

<b>Opening balance sheet after exclusions</b>	<b>35 630</b>
---	---------------

Trade payables at 30 June 2015	35 887
Other liabilities at 30 June 2015	5 968
Provision for current retirement benefits	-348
Provision for annual leaves	-1 233
Provision for audit	-40
Investment liabilities	-193
Provision for current other costs	-187
Other differences under discount of liabilities	250
Liabilities under lease	-40
Liabilities to shareholders	-1 364

<b>Closing balance sheet after adjustments</b>	<b>38 700</b>
--	---------------

<b>Change in other adjustments at 30 June 2015</b>	<b>-1 062</b>
--	---------------

Change in deferred income - advances received	- 3 366
Change in deferred income in respect to amounts due to the ordering party under long-term contracts	1 739
Change in - security deposit constituting the securing of bank guarantee of refund of advance payment *)	1 461
Elimination of sold subsidiary	-212
Change in other deferred income	-137
Other adjustments	- 547

\*) In connection with the implementation of the investment project in Belarus, the Group in order to secure the return of the received advance payment, has granted a bank guarantee of refund of advance payment in the amount of EURO 7 230 thousand. As the security of guarantee, the Group under the contract on the cash security deposit, has placed a security deposit in the bank in the amount of EUR 2 191 thousand. The deposit shall be reduced by the amounts settled during implementation of the project. Date of completion of the contract of security deposit was set at 12 April 2016. At 30 June 2015 the

**Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group as at and for the period ended 30 June 2015**

unsettled and discounted part of the security deposit was presented in the statement of financial position in item of other non-current financial assets in the amount of PLN 5 302 thousand (Note No. 8).

***Note No. 21 - Operating segments***

Operating segment is a component part of the entity:

- that engages in business activity in connection with which it can obtain income and incur expenses,
- whose operating results are regularly reviewed by the body responsible for making operating decisions in the Company;
- in case of which is available a separate financial information.

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

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

Segment result is determined on the level of operating income.

The activity of the Capital Group for the managing purposes was divided into eleven basic operating divisions such as: construction services presented in the section of general contracting, design services and other engineering services (supervisions along with the service of project engineer), the rental of the construction equipment, and other operations covering revenues from rental of office space, sale of services of photocopying, and other.

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

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

Assets of Representation Office in Belarus at balance sheet date do not exceed 10% of total balance sheet.

Income from operations achieved abroad (export) for the period from 1 January 2015 to 30 June 2015 amounted to PLN 35 734 thousand (i.e. 42.4% of revenue from sales) in the analogous period of the previous year income amounted to PLN 19 543 thousand (i.e. 29.3% revenues from sales).

Information on major customers, whose share in the sales revenue for the first half of 2015 has exceeded 10% of total sales revenue:

- Belarusian client – 42.4 of revenues from sale, which were disclosed in the segment „General contracting” and „Design and other engineering services”
- Irydion Sp. z o.o. jointly controlled company – 11.2% of revenues from sale, which were disclosed in the segment “General contracting” and „Design and other engineering services”

Unallocated assets to segments are the primarily shares in the jointly controlled entities and associated entities, and loans granted. With respect to the above-mentioned assets don't exist any premises indicating of the possible loss of value as at 30 June 2015. In addition, as at the balance sheet date the Group has carried out the analysis of contracts on construction works in the light of the results which were 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 different segments are shown in the following tables.

Śródroczne skrócone skonsolidowane sprawozdanie finansowe Grupy Kapitałowej PROCHEM S.A. na dzień i za okres kończący się 30 czerwca 2015 roku

For the period from 1 January 2015 to 30 June 2015 .	General contracting	Design services and other engineering services	Rental of the construction equipment	Electrical installations	Rental of office space and real estate	Property management	Maintenance	Commercial activity	Other IT services	Other	Items not assigned	Total
Revenues for the benefit of external clients	49 374	13 143	766	13 298	2 501	2 069	281	2 150	100	632	-	84 314
<b>Total segment revenues</b>	<b>49 374</b>	<b>13 143</b>	<b>766</b>	<b>13 298</b>	<b>2 501</b>	<b>2 069</b>	<b>281</b>	<b>2 150</b>	<b>100</b>	<b>632</b>	<b>-</b>	<b>84 314</b>
Results of the segment	<b>3 856</b>	<b>-1 554</b>	<b>16</b>	<b>539</b>	<b>409</b>	<b>193</b>	<b>57</b>	<b>33</b>	<b>0</b>	<b>-206</b>	<b>-</b>	<b>3 343</b>
Financial income											1 218	1 218
Finance costs											-932	-932
Net financial income/costs											286	286
Share in profit of associated entities											-278	-278
<b>Loss on other operating activity</b>											<b>-741</b>	<b>-741</b>
<b>Before tax profit</b>											<b>2 610</b>	<b>2 610</b>
Income tax											1 638	1 638
<b>Profit for the current period</b>											<b>972</b>	<b>972</b>
<b>Profit assigned to non-controlling interest</b>											<b>19</b>	<b>19</b>
<b>Profit for the period assigned to shareholders of parent entity</b>											<b>953</b>	<b>953</b>
<b>Assets at 30 June 2015 .</b>												
Segment assets ( related to activity)	57 867	8 064	527	12 497	26 374	-	-	1 641	-	2 648	-	109 618
Assets unallocated (among others shares, other financial assets)											92 017	92 017
<b>Total assets</b>	<b>57 867</b>	<b>8 064</b>	<b>527</b>	<b>12 497</b>	<b>26 374</b>	<b>-</b>	<b>-</b>	<b>1 641</b>	<b>-</b>	<b>2 648</b>	<b>92 017</b>	<b>201 635</b>
<b>Other information related to segment for the period from 1 January 2015 to 30 June 2015</b>												
Depreciation of property, plant and equipment	46	239	44	206	338	50	22	20	-	163	18	1 146
Amortization of intangible assets	-	3	-	7	-	-	-	1	-	-	47	58

Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group as at and for the period ended 30 June 2015

*Note operating segments continuation*

For the period from 1 January 2014 to 30 June 2014	General contracting	Design services and other engineering services	Rental of the construction equipment	Electrical installations	Rental of office space and real estate	Property management	Maintenance	Commercial activity	Other IT services	Other	Items not assigned	Total
Revenues for the benefit of external clients	27 762	17 385	2 341	9 761	2 567	2 699	475	3 054	116	546	-	66 706
<b>Total segment revenues</b>	<b>27 762</b>	<b>17 385</b>	<b>2 341</b>	<b>9 761</b>	<b>2 567</b>	<b>2 699</b>	<b>475</b>	<b>3 054</b>	<b>116</b>	<b>546</b>	-	<b>66 706</b>
Results of the segment	2 776	-894	847	298	546	82	8	187	-119	-236	-	3 495
Financial income											299	299
Finance costs											-638	-638
Net financial income/costs											-339	-339
<b>Share in profit of associated entities</b>											-92	-92
<b>Profit on other operating activity</b>											82	82
<b>Before tax profit</b>											3 146	3 146
Income tax											746	746
<b>Profit for the current period</b>											2 400	2 400
<b>Profit assigned to non- controlling interest</b>											26	26
<b>Profit for the period assigned to shareholders of parent entity</b>											2 374	2 374
<b>Assets at 30 June 2014</b>												
Segment assets ( related to activity)	42 968	10 246	1 558	8 415	18 192	3 228	60	1 822	-	1 236	-	87 725
Assets unallocated (among others shares, other financial assets)											108 707	108 707
<b>Total assets</b>	<b>42 968</b>	<b>10 246</b>	<b>1 558</b>	<b>8 415</b>	<b>18 192</b>	<b>3 228</b>	<b>60</b>	<b>1 822</b>	<b>-</b>	<b>1 236</b>	<b>108 707</b>	<b>196 432</b>
<b>Other information related to segment for the period from 1 January 2014 to 30 June 2014</b>												
Depreciation of property, plant and equipment	38	58	68	152	326	59	41	21	-	-	313	1 076
Amortization of intangible assets	-	48	-	4	-	-	2	1	-	-	50	105

**Śródroczne skrócone skonsolidowane sprawozdanie finansowe Grupy Kapitałowej PROCHEM S.A. na dzień i za okres kończący się 30 czerwca 2015 roku**

***Information about the geographical areas***

Geographical breakdown of sales revenue which were disclosed in profit and loss account has been shown in accordance with the country of the seat of the ordering party.

	<b>1 January-30 June 2015</b>	<b>1 January - 30 June 2014</b>
Poland	48 580	47 163
Belarus	35 734	19 543
<b>Total sales revenue</b>	<b>84 314</b>	<b>66 706</b>

Geographical breakdown of property, plant and equipment and intangible assets

	<b>30 June 2015</b>	<b>31 December 2014</b>
Poland	24 382	25 401
Belarus	185	27
<b>Total property, plant and equipment</b>	<b>24 567</b>	<b>25 428</b>

***Note No. 22 - Profit per one share***

Basic and diluted net profit per 1 share remaining in trading on the balance sheet date 30 June 2015 amounted to PLN 0.24 and for the analogous period of 2014 PLN 0.61

***Note No. 23 - Distribution of profit***

Net profit of the Group is not subject to distribution.

Issuer's net profit for the year 2014 in the amount of PLN 5 009 143.39 according to the Resolution No. 13 of the Annual General Meeting of June 13, 2015 was distributed as follows:

- for a dividend the amount of PLN 1 363 250 ;
- for a capital reserve the amount of PLN 3 645 893.39

***Note No. 24 - Dividends***

Pursuant to Resolution No. 13 of the General Meeting of Shareholders of PROCHEM S.A. of 13 June 2015 the Group will pay a dividend from the profit for 2014 in the amount of PLN 1 363 thousand. The dividend payment date was set at 17 July 2015.

Subsidiary PKI Predom Sp. z o o. seated in Wroclaw adopted a resolution on allocation of profit for the year 2014 for a dividend in the amount of PLN 59 thousand.

***Note No. 25- Financial instruments and financial risk management***

**Financial assets**

<b>As at 30 June 2015</b> (in PLN thousands)	<b>Categories of financial instruments</b>		
	<b>Note No.</b>	<b>Loans, receivables and other</b>	<b>Total</b>
<b>Classes of financial instruments</b>			
Receivables from supplies and services	7	66 292	66 292
Cash		16 252	16 252
Other financial assets discounted security deposit constituting the securing of bank guarantee of refund of advance payment	8	5 302	5 302
Loans granted	5,8	18 266	18 266
<b>Total</b>		<b>106 112</b>	<b>106 112</b>

**Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group as at and for the period ended 30 June 2015**

As at 31 December 2014	Categories of financial instruments		
(in PLN thousand)	Note No.	Loans, receivables and other	Total
<b>Classes of financial instruments</b>			
Receivables from supplies and services	7	65 665	65 665
Cash		6 606	6 606
Other financial assets discounted security deposit constituting the securing of bank guarantee of refund of advance payment	8	7 041	7 041
Loans granted	5,8	17 777	17 777
<b>Total</b>		<b>97 089</b>	<b>97 089</b>

**Financial liabilities**

As at 30 June 2015	Categories of financial instruments			
(in PLN thousand)	Note No.	Financial liabilities measured at amortized cost	Liabilities excluded from IAS 39	Total
<b>Classes of financial instruments</b>				
Loans	11	13 075	-	13 075
Finance lease		-	419	419
Liabilities under deliveries and services	12	35 887	-	35 887
<b>Total</b>		<b>48 962</b>	<b>419</b>	<b>49 381</b>

As at 31 December 2014	Categories of financial instruments			
(in PLN thousand)	Note No.	Financial liabilities measured at amortized cost	Liabilities excluded from IAS 39	Total
<b>Classes of financial instruments</b>				
Loans	11	14 050	-	14 050
Borrowings		60	-	60
Finance lease		-	590	590
Liabilities under deliveries and services	12	31 229	-	31 229
<b>Total</b>		<b>45 339</b>	<b>590</b>	<b>45 929</b>

**Impairment allowances of financial assets by classes of financial assets**

(in PLN thousands)	Period ended	
	30 June 2015	31 December 2014
<b>Classes of financial instruments</b>		
Receivables from supplies and services	-7 218	-6 943
Other receivables	-402	-6
<b>Total</b>	<b>-7 620</b>	<b>-6 949</b>

Impairment allowances of financial assets are presented in Notes Nos. 8 and 9.

**The fair value of financial instruments** - does not differ from the book value.

**Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group as at and for the period ended 30 June 2015**

***Liquidity risk associated with the concentration of sales revenues***

In the first half of 2015 the Group realized sales revenues in the amount of PLN 84 314 thousand, including PLN 35 734 thousand (42.4%) concerned Belarusian Client. Accordingly, the Group disclosed in the statement of financial position the following financial instruments related to the above Client.

<b>Classes of financial instruments</b>	<b>As at 30 June 2015</b>	<b>% share in total assets</b>
<b>Financial assets</b>		
Receivables from supplies and services	25 282	12.5%
Other financial assets (discounted security deposit constituting the collateral for bank guarantee of refund of advance payment)	5 302	2.6%
<b>Total financial assets</b>	<b>30 584</b>	<b>15.1%</b>
<b>Financial liabilities</b>		
Payables	10 396	5.2%
<b>Total financial liabilities</b>	<b>10 396</b>	<b>5.2%</b>

The Management Board of the Parent Company constantly monitors the progress of work on the contract, including the cash flows generated by 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 work schedule which were agreed with the Client - The Management Board of the Group considers that the risk associated with realization of the financial instruments which were recognized in the statement of financial position as at 30 June 2015 is low.

***Note No. 26 - The risk of disadvantageous settling the litigation with PERN SA***

In view of the substantial prolongation of legal proceeding in a dispute with PERN SA which was begun in 2006, and currently is pending before the District Court in Warsaw on the accounting for the contract in the formula GRI for investment project under the name of "Rurociąg w relacji ST-1 Adamowo - Baza Surowcowa Plebanka" which was interrupted on 10 of November 2005, the risk exists of the need of fulfilment of the commitments by PROCHEM in 2014 in relation to seized guarantee deposits of subcontractors, before they are recovered from PERN S.A. At 30 June 2015 amount of such liabilities amounts to PLN 2,928 thousands. Detailed description of the Dispute in Note No. 29.

***Note No. 27 - Related party transactions***

In the first half of 2015 the Members of the Supervisory Board and the Management Board have not concluded transactions with companies from PROCHEM S.A. Capital Group.

Related party transactions, as below, were concluded on market conditions and relate to sale and purchase of services among others - construction services and assembly services and rental, as well as loans granted mutually.

Settlements with related entities include trade settlements and under loans.

Guarantees and sureties granted to related entities are presented in Note No. 28.

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

**Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group as at and for the period ended 30 June 2015**

**The reporting period**

From 1 January 2015 to 30 June 2015 there were the following transactions with entities valued using the equity method under:

- Revenues from sale of services in the amount of PLN 9 543 thousands,
- Financial revenues (interest on loans) in the amount of PLN 187 thousands.

Revenues from sale of services totally relate to revenues from jointly-controlled entity IRYDION Sp. z o.o. in Warsaw, for the benefit of whose is implemented investment project under the name of "Astrum Business Park" in Warsaw.

Share in net profit (loss), in the first half of 2015 of entities valued under the equity method amounts to PLN (278) thousands.

As at 30 June 2015 transactions with entities valued using the equity method are as follows:

- Trade and other receivables - PLN 1 681 thousands,
- Receivables from non-current loans – PLN 17 767 thousand (including interest PLN 767 thousands),
- Trade payables - PLN 7 thousands.

**Comparative data**

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

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

- Revenues from sale of services in the amount OF PLN 9 113 thousands,
- Financial revenues (interest on loan) in the amount of PLN 158 thousands.

Share in net profit (loss), in the first half of 2013 of entities valued under the equity method amounts to PLN (92) thousands.

As at 30 June 2014 transactions with entities valued using the equity method are as follows:

- Settlements under supplies and services - PLN 105 thousands,
- Non-current loans granted – PLN 11 446 thousands,
- Current loans granted – PLN 2 011 thousands.

**Note No. 28 – Contingent liabilities and contingent assets and other collateral**

**Collateral granted**

	As at 30 June 2015	As at 31 December 2014
Bank guarantee of good performance and statutory warranty	16 908	16 845
Guarantee of payment	852	997
Guarantee of return of advance payment	18 178	24 668
<b>Total granted collateral</b>	<b>35 938</b>	<b>42 510</b>
<b>Contingent liabilities</b>		
- Letters of Credit	2 230	-
- surety of promissory notes issued by a subsidiary Pro-Inhut sp. z o.o. seated in Dąbrowa Górnicza in favour of investor in order to secure the claims of the good performance	247	247
<b>Total granted collateral and contingent liabilities</b>	<b>38 415</b>	<b>42 757</b>
<b>Received collateral</b>	<b>As at 30 June 2014</b>	<b>As at 31 December 2014</b>



**Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group as at and for the period ended 30 June 2015**

Bank guarantee of good performance	4	656	1 547
Bill of exchange for securing terms of contract		77	77
<b>Total received collateral</b>		<b>4 733</b>	<b>1 624</b>

Received collaterals relate only to the Issuer.

Contingent liabilities from PERN are described in Note 29.

***Note No. 29 – Information on significant proceedings pending before the court***

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

**Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group as at and for the period ended 30 June 2015**

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

On 24 October 2014 the court suspended of its own motion the hearing until the removal of formal obstacles that have now been removed and on February 6, 2015, a request was made to continue the proceedings and set a date for the next meeting.

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

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

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

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

At the end of June 2015 the Group presents the receivables from PERN SA under seized during the execution of the contract of guarantee deposits worth PLN 17,364 thousand, which are the subject of a final settlement of the contract and the proceedings pending before the Court. These receivables are not covered by write-down because of the high probability of their recovery, according the opinion of the Board, which was also confirmed in the opinion on the settlement of a contract drawn up by an expert appointed by court. The remaining amount of the claim of PROCHEM S.A. in the amount of PLN 23,798 thousand was recognized as a contingent asset, because of the reporting date, still did not meet all the criteria for recognition as an asset in accordance with IAS 37.

In response to the claim of PROCHEM S.A. PERN SA filed a counterclaim against the Company in February 2007, demanding payment of the amount of PLN 129,444 thousand with statutory interest, as reimbursement for of remuneration, which in the opinion of PERN SA, was unduly paid to the defendant for the execution of the contract. The claim as above is also the subject of the proceedings which was described above. As at 30 June 2015 the Group did not create a provision in connection with a counterclaim from PERN SA, because the Management Board believes the risk of an adverse decision for the Group in proceedings with PERN SA is negligible.

The value of this procedure exceeds 10% of the equity of the Issuer.

Furthermore, the total value of other proceedings separately for group of liabilities and as well as for group of receivables does not exceed 10% of the equity of the Issuer.

***Note No. 30 – Events after reporting date***

Such events did not occur.

***Nota 31 – Other explanatory notes to interim condensed consolidated financial statements***

***Factors and events having a significant impact on financial results in the current reporting period***

During the six months of 2015, there were no events having a significant impact on the financial result.

**Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group as at and for the period ended 30 June 2015**

**The Management Board's comment concerning the possibilities of accomplishment of previously published results forecasts for the given year, in the light of the results presented in the quarterly report in relation to forecasted results**

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

**Information on granting surety of loan or borrowing or guarantee by the company or by its subsidiary, to one entity or to its subsidiary, if the total value of existing surety or guarantee is equivalent to at least 10% of the equity**

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

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

On April 20, 2015, the company PROCHEM S.A. entered into an agreement of registered pledge of 4 500 shares with a nominal value of PLN 1 000 each, with a total nominal value of PLN 4 500 thousand. These shares represent 50% of the share capital of the jointly controlled entity and give the right to 4,500 votes at the company's shareholders' meeting. Registered pledge on the shares is to constitute the collateral of the loan as above.

Loans granted by the Group in the first half of 2015 are presented in Notes 5 and 8 of these financial statements.

**Statement of changes in the ownership of the issuer's shares or rights to them (options) by the Management Board and the Supervisory Board, in accordance with the knowledge of the issuer, in the period since submission of the previous quarterly report**

At the date of the separate financial statements 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 – 86,400 units;
- Steven Tappan – 510,000 units.

In the period from the annual report for 2014 there was no change in the number of shares held by the members of the Management Board and the Supervisory Board.

**Factors that in the issuer's opinion will affect achieved results over at least the next quarter**

The results in subsequent quarters will depend mainly on the possibility of gaining of new contracts on sale of its services by the companies from the Capital Group. A large impact on the results of the Capital Group

**Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group as at and for the period ended 30 June 2015**

will have the continuation of projects already underway: the contract in Belarus and the Center Astrum Business Park in Warsaw.

***Remuneration of key management personnel***

In the first half of 2015 in enterprise of the Issuer was paid:

1. remuneration of the Members of the Management Board in a total amount of PLN 638.9 thousand, including remuneration fixed on profit PLN 155.3 thousand;
2. remuneration of the Members of the Supervisory Board in a total amount of PLN 333.6 thousand, including remuneration fixed on profit PLN 200.3 thousand.

The remuneration paid to the Members of the Management Board in the first half of 2015 for performing their functions in the Management Boards and in the Supervisory Boards of companies belonging to the Capital Group amounted to PLN 238.3 thousand.

***Note No. 32 – Approval of financial statements***

Interim condensed separate financial statements of PROCHEM S.A. Capital Group for the period from 1 January 2015 to 30 June 2015 was approved by the Management Board of PROCHEM S.A. on 28 August 2015.

**Signatures of the Members of the Management Board**

28 August 2015 date	Jarosław Stępniewski first name and surname	Chairman of the Board position	..... signature
------------------------	--	-----------------------------------	--------------------

28 August 2015 date	Marek Kiersznicki first name and surname	Vice Chairman position	..... signature
------------------------	---	---------------------------	--------------------

28 August 2015 date	Krzysztof Marczak first name and surname	Vice Chairman position	..... signature
------------------------	---	---------------------------	--------------------

**Signature of the person responsible for bookkeeping**

28 August 2015 date	Barbara Auguścińska-Sawicka first name and surname	Chief Accountant position	..... signature
------------------------	---	------------------------------	--------------------