SEPARATE FINANCIAL STATEMENTS OF PROCHEM S.A.

As at and for the period ended 31 December 2012

PROCHEM S.A.
44C Powązkowska Street.
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Statement of financial position as at 31 December 2012

(all amounts in PLN thousands if not stated otherwise)

	Note No.	As at 31 December 2012	As at 31 December 2011
A s s e t s			
Non-current assets			
Property, plant and equipment	1	2 015	2 249
Intangible assets	2	140	126
Shares in subsidiaries	3	15 026	10 626
Shares in equity-accounted investees	4	708	1 288
Deferred tax assets	5	1 986	841
Other financial assets	6	26 985	18 923
Total non-current assets		**46 860**	**34 053**
Current assets			
Inventories	7	2 359	3 335
Trade and other receivables	8	45 745	67 602
Other financial assets	9	751	1 438
Other assets	10	10 768	19 131
Cash and cash equivalents	28	3 164	16 006
Total current assets		**62 787**	**107 512**
Total assets		**109 647**	**141 565**
E q u i t y a n d l i a b i l i t i e s			
Equity			
Share capital	11	3 895	3 895
Revaluation reserve		1 086	951
Retained earnings	12	65 049	61 993
Total equity		**70 030**	**66 839**
Non-current liabilities			
Provisions for retirement and similar benefits	13	415	384
Other non-current liabilities	14	27	-
Total non-current liabilities		**442**	**384**
Current liabilities			
Current bank loans	15	6 347	-
Trade payables	16	29 083	69 995
Other liabilties	17	3 734	1 948
Deferred income	18	11	2 399
Total current liabilities		**39 175**	**74 342**
Total liabilities		**39 617**	**74 726**
Total equity and liabilities		**109 647**	**141 565**
Weighted average number of ordinary shares (units)		3 895 000	3 895 000
Book value per share (in PLN)		17.98	17.16

Statement of comprehensive income
for the period from 1 January 2012 to 31 December 2012

(all amounts in PLN thousands if not stated otherwise)

	Note No.	Period ended 31 December 2012	Period ended 31 December 2011
Revenues including :		85 406	127 630
Revenues from sale of services	19	84 296	127 448
Revenue from sale of goods and materials	20	1 110	182
Cost of sales including :		-82 618	-119 725
Cost of services sold	21	-81 593	-119 577
Cost of merchandise and raw materials sold		-1 025	-148
Gross profit on sales		**2 788**	**7 905**
General and administrative expenses		-7 200	-7 517
Other operating income	22	671	2 200
Other operating expenses	23	-1 673	-1 138
Results from operating activities		**-5 414**	**1 450**
Financial income	24	1 082	1 570
Profit on the disposal of shares in subsidiaries		7 545	2 056
Finance expenses	25	-1 335	-1 169
Profit before tax		**1 878**	**3 907**
Income tax expense :	26	-1 178	697
- deferred tax		-1 178	697
Profit for the period		**3 056**	**3 210**
Other comprehensive income			
Revaluation of property, plant and equipment		167	-
Income tax on other comprehensive income		32	-
Other comprehensive income net		**135**	**-**
Total comprehensive income		**3 191**	**3 210**
Weighted average number of ordinary shares (units)		3 895 000	3 895 000
Profit / diluted profit per share (in PLN per share)		0.78	0.82
Total comprehensive income per ordinary share (in PLN per share))		0.82	0.82

Statement of Changes in Equity
for the period from 1 January 2012 to 31 December 2012
(all amounts in PLN thousands if not stated otherwise)

	Share capital	Revaluation reserve	Retained earnings	Total equity
The reporting period from 1 January 2012 to 31 December 2012				
As at the beginning of the period	**3 895**	**951**	**61 993**	**66 839**
Net profit of the given period	-	-	3 056	**3 056**
Net other comprehensive income	-	*135*	-	*135*
Total comprehensive income	***-***	***135***	***3 056***	***3 191***
As at the end of the period	**3 895**	**1 086**	**65 049**	**70 030**

The reporting period from 1 January 2011 to 31 December 2011				
As at the beginning of the period (restated)	**3 895**	**951**	**58 783**	**63 629**
Net profit of the given period	-	-	3 210	**3 210**
Net other comprehensive income	-	-	-	-
Total comprehensive income	***-***	***-***	***3 210***	***3 210***
As at the end of the period	**3 895**	**951**	**61 993**	**66 839**

Statement of cash flows
for the period from 1 January 2012 to 31 December 2012
(all amounts in thousands of PLN if not marked otherwise)

	Note No.	Period ended on 31 December 2012	Period ended on 31 December 2011
Cash flows – operating activities			
Profit before tax		1 878	3 907
Total adjustments		-20 252	5 759
Amortization and depreciation	21	825	1 393
Interest and profit sharing (dividends)		246	-955
(Profit) loss on disposal of property, plant and equipment		-143	-310
(Profit) loss on investing activities recognized in the statement of comprehensive income		-7 545	-2 056
Change in provisions		365	-11
Change in inventories		976	-410
Change in receivables and other assets	28	30 660	-25 651
Change in current liabilities, except for loans and borrowings	28	-41 947	33 759
Other adjustments	28	-3 689	-
Net cash provided by (used in) operating activities		**-18 374**	**9 666**
Cash flows – investing activities			
Inflows		8 480	6 960
Disposal of intangible assets and property, plant and equipment		331	619
Inflows from financial assets in related entities, including:		8 149	6 341
- dividend received		3	3
- disposal of financial assets (shares)		8 145	5 450
- repayment of loans granted		1	694
- repayment of interest on loans granted		-	194
Outflows		-8 887	-1 889
Acquisition of intangible assets and property, plant and equipment		-489	-355
Investment in real estate (prepayments)		-396	-
For financial assets in related entities including:		-8 001	-1 534
- acquisition of financial assets		-	-634
- loans granted		-8 001	-900
For financial assets in other entities- loans granted		-1	-
Net cash provided by (used in) investing activities		**-407**	**5 071**
Cash flows – financing activities			
Proceeds from credits received		6 347	-
Outflows		-408	-805
Repayment of bank loans		-	-277
Payment of liabilities under finance lease agreements		-	-253
Commission and interest on loans		-408	-275
Net cash provided by (used in) financing activities		**5 939**	**-805**
Total cash flow, net		-12 842	13 932
Net increase/(decrease) in cash and cash equivalents	28	-12 842	13 932
Cash and cash equivalents at the beginning of the period		**16 006**	**2 074**
Cash and cash equivalents at the end of the period		**3 164**	**16 006**

Notes on adopted accounting principles (policy) and other explanatory notes to financial statements

1. Establishment of the company and principal activity

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

2. Managing and supervising bodies of the Issuer

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

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

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

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

3. Employment

In 2012 average employment was 197 FTEs and in 2011 561 FTEs. Level of employment in persons as at 31 December 2012 was 204 and as at 31 December 2011 571.

4. Adopted accounting policies

Principals of presentation

The separate financial statements of Prochem S.A. for the period from 1 January to 31December 2012 and analogous period of the comparable year was prepared according to International Accounting Standards and International Financial Reporting Standards, which

were adopted by European Union (EU) and were effective as at 31 December 2012. The scope of separate financial statements is compliant with Minister of Finance Regulation of 19 February 2009 on current and periodic information provided by issuers of securities and conditions for recognition as equivalent required by the law of a non-Member State (Official Journal no. 33, item 259 with further amendments).
Presented separate financial statements are compliant with all requirements of IFRS adopted by EU and present true and fair view of the Company's financial position as at 31 December 2012 and comparable data as at 31 December 2012, as well as results of operations for the year ended 31 December 2012 and comparable data for the year ended 31 December 2011.
Separate financial statements of Prochem S.A. was prepared assuming that the Company will continue to operate as a going concern in foreseeable future and it is stated that there is no evidence indicating that the Company will not be able to continue its operations as a going concern.

The financial statement was prepared based on the principle of the historical cost, apart from:

- land buildings and construction measured at revalued amount.

Changes in accounting estimates and accounting policies

The preparation of financial statements under IFRS adopted by EU requires using certain accounting estimates and adoption of assumptions concerning future events. Items of the consolidated financial statements set under the estimation are subject to verification if circumstances being base of estimates are changing or as a result of obtaining new information or of progressing course of events or of acquiring greater experience. In 2012, the group did not changed the adopted principles of estimates .
Adopted accounting principle (policy) are changed in case of:

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

In case of changes in accounting policies it is assumed that new accounting policies were always applied, except for the ones which aren't anticipating the retrospective change. Adjustments associated with it are recognized as changes in entity. For ensuring the comparability the transformations of financial statements for the period presented earlier are done in such way that the financial statements also include introduced changes, except for situations, when establishing the influence of the change on individual periods or its total influence is in practice impossible.
In 2012, there was no change in the principles and methods of calculation used to establish estimates.

Transactions in foreign currencies

Transactions in foreign currencies initially are recognized at the rate of exchange of the National Bank of Poland being in effect on the day of the conclusion of a transaction. Monetary balance sheet items of assets and liabilities denominated in foreign currencies are valued at the average exchange rate of NBP binding as at the balance sheet date. Profits and losses arising from the settlement of such transactions and measurement of assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income, except for exchange differences relating to assets under construction, which are included in the cost of these assets and are treated as adjustment to interest costs of loans in foreign currencies.

New standards, interpretations and changes in published IFRS

Standards and interpretations adopted by EU, not yet effective

The Company will apply changes in announced IFRS, not yet effective as at 31 December 2012 in accordance with their effective date. In current reporting period the Company did not make a decision about early adoption of changes in standards and interpretations.

Amendments to IAS 1 – Presentation of Financial Statements. Presentation of Items of Other Comprehensive Income.
The amendmends:

- require that an entity presents separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. If items of other comprehensive income are presented before related tax effects, then the aggregated tax should be allocated between these sections.
- Change the title of the „Statement of Comprehensive Income" to „Statement of Profit or Loss and Other Comprehensive Income", however, other titles are also allowed to be used.

The amendments are effective for periods on or after 1 July 2012. It is not expected that above this amendment will have a significant impact on the Company's financial statements.

Amendments to IAS 19 (2011) – Employee Benefits
Amendments require that the actuarial gains and losses were recognized directly in other comprehensive income:

- amendments require that the actuarial gains and losses were recognized directly in other comprehensive income,
- amendments remove the corridor method previously applicable to recognizing actuarial gains and losses, and
- will eliminate the possibility of recognition of all changes in liabilities from defined benefit obligations and in employee benefit plan assets in financial result, which currently is allowed under the requirements of IAS 19. Amendments also require that the expected return on plan assets recognized in the profit and loss was calculated based on the rate used to discount liabilities from defined benefit obligation.

Amendments to IAS are effective for periods beginning on 1 January 2013.
It is not expected that above change will have significant impact on the financial statement of the Company as the provision of retirement benefits is about 0.5% balance-sheet total.

Amendments to IFRS 7 – Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments include new disclosure requirements for financial assets and liabilities that:

- are offseted in the statement of financial position or
- are subject to master setting agreements.

Amendment is effective for beginning on 1 January 2013. The Company does not expect that the amendment to IFRS 7 will have the significant impact on the financial statements, due to the nature of Company's activities and type of held financial assets.
Offsetting of financial assets and liabilities carried at the end of 2012 were one – offs and will not be repeated in subsequent years.

Amendments to IFRS 13 – Fair Value Measurement
IFRS 13 replaces the fair value measurement guidance contained in individual IFRS with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains „how" to measure fair value when it is required or permitted by other IFRS. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value nor does it eliminate the impracticability exceptions to fair value measurements that currently exist in certain standards.
The standard contains an extensive disclosure framework that provides additional disclosures to existing requirements to provide information that enables financial statements users to assess the methods and topics used to develop fair value measurements and for recurring fair value measurements that use significant unobservable inputs, the effect of measurements on profit or loss or other comprehensive income. Standard is applicable for periods beginning on or after 1 January 2013.
The Company does not expect IFRS 13 to have material impact on the financial statements since management considers the methods and assumptions currently used to measure the fair value of assets to be consistent with IFRS 13.

IFRIC 20: Stripping costs in the Production Phase of a Surface Mine
The interpretation sets all requirements relating to the recognition of production stripping costs, initial and subsequent measurement of stripping activity assets. To the extent that benefits from production stripping are realized in the form of inventories produced, the related production stripping costs are accounted for in accordance with IAS 2 *Inventories*. Production stripping costs that improve access to ore to be mined in the future are recognized as a non-current asset if, and only if, all of the following criteria are met:

- it is probable that future economic benefits will flow to the entity;
- the entity is able to identify the component of the ore body to which access has been improved;
- costs relating to the stripping activity associated with that component can be measured reliably.

The stripping activity asset shall be accounted for as an addition to, or as an enhancement of an existing asset. The stripping activity asset shall initially be recognized at cost while after initial recognition, while subsequently it shall be carried either at its cost or of its revalued amount less depreciation or amortization and impairment losses in the same way as the existing asset of which it is a part.

The interpretation also requires that when the costs of the stripping activity asset and of the manufactured product are not separately identifiable the entity allocates production stripping costs between the two based on a relevant production measure.

Effective date of interpretation for periods beginning on 1 January and later.

The entity does not expect the interpretation to have any impact on the financial statements since it does not have any stripping activities.

Amendments to IFRS 1– Severe Hyperinflation and Removal of Fixed Dates for First Time Adopters Amendments add an exemption to IFRS 1 that an entity can apply at the date of transition to IFRS after being subject to severe hyperinflation. The exemption allows an entity to measure assets and liabilities held before the functional currency normalization date at fair value and use that fair value as the assumed cost of those assets and liabilities in the opening IFRS statement of financial position. Amendments are effective for periods beginning on or after 1 January 2013. Amendments are not applicable to the Company's financial statements.

Amendments to IFRS 1 – First–time Adopters. Government Loans.
The amendments add new exception to retrospective application of IFRS. A first-time adopter of IFRS now applies the measurement requirements of financial instruments standards (IAS 39 or IFRS 9) to a government loan with below-market rate of interest prospectively from the date of transition to IFRS. Alternatively a first-time adopter may elect to apply the measurement valuation requirements retrospectively to government loan, if the information needed was obtained when it is first accounted for that loan. This election is available on a loan-by loan basis.
The amendments are effective for periods beginning on or after 1 January 2013.
The amendments are not relevant to the Company's financial statements.

Amendments to IAS 12- Income Taxes – Deferred Tax: Recovery of Underlying Assets.
The amendments introduce a presumption that the carrying value of investment property measured using the fair value model would be recovered entirely by sale. Management's intention would not be relevant unless the investment property *is depreciable* and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. This is the only instance in which the presumption can be rebutted. Amendments are effective for periods beginning on or after 1 January 2013. It is not expected that above amendments will have a significant impact on the Company's financial statements since they do not result in a change to the Company's existing accounting policy. The measurement of deferred tax assets and liabilities relating to investment properties measured using the fair value model in IAS 40, will not change.

Amendments to IFRS 11 – Joint arrangements
IFRS 11 *Joint arrangements* supersedes and replaces IAS 31 *Interest in Joint Ventures* . *IFRS* 11 does not introduce substantive changes to the overall definition of an agreement subject to joint control, although the definition of control and therefore indirectly joint control, has changed due to IFRS 10. Under the new standard , joint arrangements are divide into 2 types, each having its own accounting model defined as follows:

- a joint operation is one whereby the jointly controlled parties, known as the joint operators have rights to the assets and obligations for the liabilities, relating to the arrangement
- a joint venture is one whereby the jointly controlling parties, known as joint venturers, have rights to the net assets of the arrangement.

IFRS 11 effectively carries out from IAS 31 those cases in which, although there is a separate subject for the joint arrangement, separation is ineffective in certain ways. Such arrangements

are treated similarly to jointly controlled asset/operations in accordance with IAS 31 and are now called common operations. The remainder of IAS 31 jointly controlled entities now called joint ventures, must be accounted for using the equity method. Application of proportionate consolidation is no longer possible. Standard is effective for periods beginning on or after 1 January 2014.
The Company does not expect that IFRS 11 will have a significant impact on the financial statements as the Company as at the balance sheet date is not a party to any joint agreements.

Amendments to 12 – Disclosure of the Interests in Other Entities
IFRS 12 requires additional disclosures relating to significant judgments and assumptions made in determining the type and nature of interests in other entities, joint arrangements, associates and/or unconsolidated structured entities. Standard is effective for periods beginning on or after 1 January 2014.
It is expected that the new standard, when initially applied, will have a significant impact on the level of disclosure in the financial investments. However, until the date of initial application of this Standard, the Company is not able to prepare all analysis of the impact this will have on the financial statements.

Amendments to IAS 27 (2011) – Separate Financial Statements
IAS 27 (2011) carries forward the existing accounting and disclosure requirements of IAS 27 (2008) for the separate financial statements with some minor clarifications. Also, the existing requirements of IAS 28 (2008) and IAS 31 for the separate financial statements have been incorporated into IAS 27 (2011). The standard no longer addresses the principle of control and requirements relating to the preparation of consolidated financial statements, which have been carried over into IFRS 10 Consolidated Financial Statements. Amendments are effective for periods beginning on or after 1 January 2014. The entity does not expect the above amendments to have material impact on the financial statements, since it does not result in a change in the entity's accounting policy.

Amendments to IAS 28 (2011) – Investment in Associates and Joint Ventures
Limited changes made to IAS 28:

- *Associates and joint ventures held for sale. IFRS* 5 *Non-current Assets Held for Sale and Discontinued Operations* applies to an investment, or a portion of an investment in an associate or joint venture that meets the criteria to be classified as held for sale. For any retained portion of the investment that has not been classified as held for sale the equity method is applied until disposal of the portion held for sale. After disposal, any retained interest is accounted for using the equity method if the retained interest continues to be an associate or a joint venture.
- *Changes in interests held in associates and joint ventures.* . Previously, IAS 28 (2008) and IAS 31 specified that the cessation of significant influence or joint control triggered re-measurement of any retained stake in all cases, even if significant influence was succeeded by joint control. IAS 28 (2011) requires that in such scenarios the retained interest in the investment is not re-measured.

Amendments are effective for periods beginning on or after 1 January 2014.

The entitydoes not expect the amendments to standard to have significant impact on the financial statements, since it does not have any investments in associates or joint ventures that will be impacted by these amendments.

Amendments to IAS 32 –Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities

The Amendments do not introduce new rules for offsetting financial assets and liabilities; rather they clarify the offsetting criteria to address inconsistencies in their application. The amendments clarify that an entity currently has a legal enforceable right to set-off if that right is:

- not contingent on a future event, and
- enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

Amendments are effective for periods beginning on or after 1 January 2014.

It is not expected that the above amendments will have a significant impact on the Company's financial statements.

Above amendments to the standards have been adopted by the European Union until the date of publication of the foregoing financial statements.

Standards and interpretations not yet endorsed by the EU.

Amendments to International Financial Reporting Standards 2009-2011

Amendments to International Financial Reporting Standards (2009-2011) contain seven amendments to five standards, with consequential amendments to other standards and interpretations. The main changes are:

- repeated application of IFRS 1 – a repeated adopter that elects not to apply IFRS 1 has to apply IFRS retrospectively in accordance with IAS 8, as if the entity had never stopped applying IFRS;
- clarification that first-time adopter of IFRS choosing to apply borrowing costs exemptions should not restate the borrowing cost component capitalized under previously applied accounting principles and should account for borrowing cost incurred on or after the date of transition to IFRS (or an earlier date as permitted by IAS 23) in accordance with IAS 23;
- clarification that only one comparative period, which is the preceding period is required to a complete set of financial statements , however, if additional comparative information is prepared it should be accompanied by related Notes and in accordance with IFRS;
- clarification that the opening statement of financial position is required only if a change in accounting policy, a retrospective restatement or reclassification have a material effect upon the information in that statement of financial position, and except for the disclosures required under IAS 8, other Notes related to the opening statement of financial position are no longer required;
- clarification on classification and accounting of spare parts, stand-by equipment and servicing equipment;
- removal of inconsistencies between IAS 32 and IAS 12 in respect of distributions to holders of an equity instrument and transaction costs of an equity transaction, by

clarification that IAS 12 applies to the accounting for income taxes relating to those transactions;

- additional disclose required of a measure of total assets and liabilities for a particular reportable segment for interim financial reporting.

The amendments are effective for periods beginning on or after 1 January 2013. The entity does not expect many of above amendments to have a significant impact on its financial statements.

Amendments to IFRS 10, IFRS 11 and IFRS 12: Consolidated Financial Statements, Joint Arrangements, Disclosures of the Interests in Other Entities

Amendments:

- define the date of initial application of IFRS 10 as the beginning of the annual reporting period in which the standard is applied for the first time (i.e. 1 January 2013 unless early adopted). At that date an entity tests whether there is a change in the consolidation conclusion for its investees;
- limit the restatement of comparatives to the period immediately preceding the date of initial application; this applies to the full suite of standards. Entities that provide comparatives for more than one period have the option of leaving additional comparative periods unchanged;
- require disclosure of the impact of the change in accounting policy only for the period immediately preceding the date of initial application (i.e. disclosure of impact on the current period is not required);
- will remove the requirement to present comparative information related to unconsolidated structured entities for any periods before the first annual period for which IFRS 12 is applied.

Amendments are effective for periods beginning on 1 January 2013..

It is not expected that the amendments will have a significant impact on the Company's financial statements.

The new standard and its amendments – IFRS 9 Financial Instruments

The new standard replaces the guidance in IAS 39 *Financial Instruments:* Recognition and Measurements, about classification and measurement of financial assets. The Standard eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivables. On initial recognition financial assets will be classified into one of two categories: financial assets measured at amortized cost or financial assets measured at fair value. Component of financial assets is measured at amortized cost if the following two conditions are met: the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Gains and loses on measurement of financial assets measured at fair value are recognized in profit or loss, except that for an investment in an equity instrument which is not held for trading, IFRS 9 provides as initial recognition, an election to present all fair value changes through the investment in other comprehensive income. Such decision is irrevocable. This election is available on an individual share-by-share basis. No amounts recognized in other comprehensive income is ever reclassified to profit and loss at a later date.

Amendments to IFRS 9 (2010) replace the guidance in IAS 39 *Financial Instruments:* Recognition and Measurement about classification and measurement of financial liabilities and the derecognition of financial assets and liabilities. The Standard retains almost all of the existing requirements from IAS 39 on the classification and measurement, of financial liabilities and derecognition of financial assets and financial liabilities. The Standard requires the amount of change in fair value attributable to changes in the credit risk of a financial liability designated at initial recognition as fair value through profit or loss to be presented in other comprehensive income. Remaining amount of the total gain or loss from revaluation at fair value is recognized in financial results in the current period. However, they may be transferred within equity.
Derivative financial instruments that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, are required to be measured at fair value under IFRS 9.
These Amendments to IFRS 9 Financial instruments and IFRS 7 Financial instruments: Disclosures change the disclosure and restatement requirements relating to the initial application of IFRS 9 Financial instruments (2009) and IFRS 9 (2010).
The amended IFRS 7 require to disclose more details about the effect of the initial application of IFRS 9, in a situation when an entity does not restate comparative information in accordance with the requirements of IFRS 9.
Standard is effective for periods beginning on or after 1 January 2015.
The entity does not expect the amendments to IFRS 9 to have a significant impact on the Company's financial statements.

Functional currency and presentation currency of financial statements

The separate financial statements is presented in Polish Zloty („zloty" or „PLN") which is the functional currency and presentation currency.

Applied accounting principles followed by the Company are introduced below

Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets

Property, plant and equipment are presented in accordance with IAS 16.
Property, plant and equipment include fixed assets and expenditures on construction in progress which the entity intends to use in their business operations in a period longer than one year, and which will result in future economic benefits to the entity.
Expenditures on property, plant and equipment include incurred investment expenditures as well as incurred expenses on future supply of machinery, equipment and services relating to production of PPE (transferred advance payments).
PPE are initially stated at cost. Measurement after initial recognition:

- land, buildings and construction are carried at revalued amount, being its fair value at the date of revaluation, set by experts, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Fair value will be set by experts regularly every two years.

- Other PPE are carried at their cost increased by possible improvement costs, less any accumulated depreciation and any accumulated impairment losses.

Increase in value resulting from the revaluation of land, buildings and constructions is recognized in other comprehensive income and accumulated in total amount in equity as revaluation surplus unless it represents the reversal of a revaluation decrease previously recognized in the statement of other comprehensive income. A decrease arising as a result of a revaluation of land, buildings and constructions is recognized as an expense to the extent that it exceeds any amount previously credited to the revaluation surplus relating to the same asset and recognized in other comprehensive income. A decrease resulting from revaluation included in other comprehensive income decreases the amount of total surplus arising from the revaluation recognized in the equity.

Value of PPE designated to liquidation, withdrawn from use as a result of the change of technology or other reasons, is being revalued by write down. Write down is recognized in other operating costs.

Expenditures on PPE incurred at a later date are recognized at their carrying amount when it is probable that future economic benefits associated with them will flow to the entity, and this cost could be reliably measured. All other repair and maintenance costs of PPE are recognized in the cost of the period, in which they were incurred.

Profit and loss on sale of PPE are set by comparing the revenue from sales with the carrying amount of the given component of fixed assets and recognized in the statement of comprehensive income. PPE are subject to depreciation since they are available for use. Depreciation allowances on fixed assets are provided by systematic, scheduled allocation of the initial value over established useful life of the component. A straight line depreciation method is applied.

In the financial statements for the current period and comparative periods the following useful lives are used for PPE:

- Buildings and constructions 10-40 years
- Machinery and equipment 5-12 years
- Vehicles 5 years
- Tools, devices, movables and equipping 5-10 years.

The applied useful lives, depreciation methods are verified at the end of each reporting year and, when necessary, adjusted.

Own land is not subject to depreciation.

PPE in progress arising for the operating activity, as well as for purposes not yet identified, are presented in the financial statements at their cost less recognized impairment losses. The cost of all items comprises all fees and borrowing costs capitalized in accordance with the applied accounting principles. Depreciation of such components of PPE shall begin at the start of their use.

PPE are subject to the impairment tests. If premises for impairment exist, in addition for the construction-in-progress in the period of the realization, possible impairment is determined at each balance sheet day. The effects of the impairment are recognized in other operating costs.

The component of intangible assets is measured at cost less any accumulated depreciation and any accumulated impairment losses.

Intangible assets, except for the goodwill are being amortized. Amortization allowances of intangible assets is made by systematic, planned allocation of the initial value in the established useful life of the component. A straight line of depreciation method is applied.

In the financial statements for the current period and comparative periods the Company applied useful life period of 3-10 years for amortization of intangible assets.
The applied useful lives, amortization methods are verified at the end of each reporting year and when necessary adjusted in the current and in subsequent periods.

Intangible assets are subject to the impairment tests if premises for impairment exist. The effects of the impairment are recognized in other operating costs.

Lease

The company as the lessee

Lease, by which substantially all the risks and rewards incidental to ownership of an asset falls to the Company Prochem S.A. constitutes the financial lease.
Assets under this lease are measured in the financial statements at the lower amount of fixed commencement of use: fair value or present value of minimum lease payments. Each lease payment is divided into the part constituting the liability and the financial part. The liability is presented in statement of financial situation in the position „Other liabilities" with the division into the short-term part (payable up to one year) and long term (payable in the period longer than one year). Finance costs are recognized in the statement of comprehensive income. Principles of the amortization and depreciation of assets being a subject of the financial lease and the principles of determining impairment allowances by assets under finance lease are consistent with principles applied for the Company's assets. PPE held under lease agreements are depreciated over the economic life of assets. Straight-line method of depreciation is used.

Lease payments under an operating lease and subsequent lease installments are recognized in current costs using straight-line method over the lease term.

Company as lessor

Lease agreements, such as rent agreements according to which the Company retains substantially all the risks and all rewards resulting from having a leased object, are classified as operating lease. Leasing costs are recognized in current costs while income from the leased object are recognized in income of the period.

Borrowing costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except for costs that are directly attributable to the acquisition, construction or production of an asset (PPE, intangible assets).

Capitalization of borrowing costs commences when:

1. borrowing costs are incurred,
2. expenditures are incurred for the asset,
3. the activities necessary to prepare the asset for its intended use or sale are undertaken.

Capitalization of borrowing costs shall be suspended during extended periods in which the entity suspends active development of a qualifying asset. Borrowing costs are capitalized until the designation of the asset for use or sale.

Investments in subsidiaries, associates or in joint arrangements

The Company measures the value of shares at cost, i.e. at the price of the purchase reduced by any impairment loss.

The carrying amount of investment on the date when it ceases to be a subsidiary is measured at fair value.

Current assets

Inventory – in the item of inventory - materials, goods, semi-finished products and work-in-process are shown.

Inventories are measured initially at cost. As at the balance sheet day the measurement is done with the principles of prudence, that is categories are valued at the lower of purchase price, the production cost or the net realizable value.

Stock of goods and materials slowly-rotating is covered by the write-down set by individual evaluation of the net realizable value as at the balance sheet day.

The cost of inventories shall be shall be assigned by using the first-in, first out (FIFO) method.

Write-downs concerning inventory and their reversals are recognized in the other operating expenses and revenues.

Loans granted - arise when the entity is transferring financial means directly to the debtor, not intending to enter the receivable into trade. They are classified as current assets, provided the date if their maturity does not exceed 12 months from the balance sheet day. Loans with the maturity date exceeding 12 months starting from the balance sheet day are classified as non-current assets. Loans are initially recognized at their fair value. The measurement of loans after initial recognition is at amortized cost, using the effective interest rate method, less impairment losses.

Receivables are recognized initially at fair value, and subsequently measured at amortized cost using the effective interest rate method less impairment allowances. Impairment allowance of receivables is identified when there is objective evidence that the entity will not receive all amounts due according to the original terms of receivables and it is recognized in other operating expenses. The amount of write-down is a difference between the carrying amount due and present value of estimated future cash flows, discounted using the effective interest rate.

Cash and cash equivalents include cash in hand and on bank accounts, bank deposits with the original maturity date up to three months and financial assets measured at fair value through profit or loss and meeting the requirements of the definition of the cash equivalent. Cash is measured at nominal value. Cash equivalents classified as financial assets are measured at fair value through financial result (profit or loss).

Fixed assets held for sale

Fixed assets held for sale are assets meeting the following criteria:

- is committed to a plan to sell,
- an active program to locate a buyer is initiated,
- an asset is available for immediate sale,
- the sale is highly probable within 12 months from classification as held for sale,
- the selling price is rational in relation to the current fair value,
- it is unlikely that the sales plan will be significantly changed.

Change of classification is reflected in the reporting period in which the criteria are met.

Immediately prior to reclassification to the group held for the sale or the disposal, these assets are measured according to accounting principles. Non-current assets held for the sale (excluding financial assets and investment properties) are recognized in the financial statements in lower of two values: the carrying amount of the fair value less costs to sell.
In case of increase of value, at a later date, of fair value less costs to sell, the income is recognized, however, at the value not higher than previously recognized impairment allowance.

Upon allocating the given component of assets as held for sale, the calculation of depreciation allowances is stopped.

Measurement of assets and liabilities - at initial recognition the entity shall measure component of assets or liabilities at fair value, in case of the component of assets or financial liabilities not classified as measured at fair value through profit or loss, increased by transaction costs, which should be directly attributable to the purchase or issue of the component of financial asset such as: fees and commissions paid to advisers or agents, payments imposed by regulatory agencies and the stock exchange and taxes. Transaction costs does not include premium or discount on debt instruments, financing costs or internal administrative or holding costs.
For measurement at the end of the reporting period or any other date after initial recognition the Company classifies financial assets into one of four categories:

1. measured at fair value through profit or loss,
2. investments held to maturity date,
3. loans and receivables,
4. available for sale financial assets.

Component of assets measured at fair value through profit or loss means such component of financial assets which was destined at initial recognition as measured at fair value through profit or loss or was classified as held for trading since:

- was purchased or contracted mainly for sale or repurchase in short term,
- is a part of portfolio of determined financial instruments jointly managed and for which there is evidence of a recent actual pattern of short-term profits, or
- is a derivative instrument (except for derivatives that are effective hedging instruments).

Held-to-maturity investments are non-derivative financial assets with fixed or determinable terms of payment or maturity which the Company intends and is able to held to its maturity.

Loans and receivables are non-derivative financial assets with fixed or determinable payments which aren't quoted on the active market.

Available-for-sale financial assets are non-derivative financial assets which were classified as available for the sale or not being loans or other receivables, or investments held-to-maturity and financial assets measured at fair value through profit or loss.

Measurement of financial assets at fair value

The Company measures financial assets measured at fair value through the profit or loss, including derivatives being assets and financial assets available-for-sale, not reducing by the transaction costs which can be incurred in relation to the sale or in other way of disposal of assets. Fair value of financial assets is measured as follows:

- for instruments quoted on the active market based on the last quotes available at the end of the reporting period,
- for debt instruments unquoted on the active market based on discounted cash flows analysis,
- for futures derivatives (forward) and swap contracts based on discounted cash flows analysis.

Investments in equity instruments (shares) that do not have quoted market price on active market and which fair value cannot be measured credibly, are valued at cost by the Company, i.e. at purchase price less possible impairment losses.

Financial assets designated as hedged items are valued in accordance with principles of hedge accounting.

Profits or losses arising from the measurement of the component of financial assets, classified as measured at fair value through profit or loss, are recognized in financial result (profit or loss).

Profit or loss arising from measurement of the component of financial assets classified as available - for - sale is recognized in other comprehensive income, except for impairment losses and exchange differences which are recognized in profit or loss. For debt financial instruments, interest calculated using the effective interest rate method is recognized in profit or loss.

Measurement of financial assets at amortized cost

The company measures loans and other receivables including trade receivables and held-to-maturity assets at amortized cost and using the effective interest rate method. The company used simplified methods of the measurement of financial assets measured at amortized cost if it doesn't cause distortions of information included in the statement of financial position in particular when the period up to the moment of repayment of amount due isn't long. Financial assets measured at amortized cost and to which the company applies simplifications are measured at initial recognition in the amount due, and later at the end of the reporting period in the amount due less impairment losses.

Measurement of financial liabilities at fair value

The company measures financial liabilities classified as measured at fair value through profit or loss (in particular including derivatives which are not hedging instruments), as at the last day of the reporting period or any time after the initial recognition at fair value. Irrespectively of the nature and purpose of the purchase, the Company, at the initial recognition, classifies selected financial liabilities as measured at fair value through profit or loss, if it leads to obtaining more useful information. The fair value of the obligation is based on the current selling price for instruments quoted on the active market.
In the absence of the active market, the fair value of financial liabilities is measured:

- using the last market transactions conducted directly between well informed, willing parties, or
- reference to the current fair value of the other instrument which is almost the same, or
- discounted cash flows analysis .

Measurement of financial liabilities at amortized cost

The Company measures other financial liabilities at amortized cost using the effective interest rate method. Financial guarantee contracts, i.e. contracts under which the Company (issuer) is obliged to make specified payments to reimburse the holder for the loss incurred since the specified debtor failed to make payment due under the original or modified terms of a debt instrument and that is not classified as liability measured at fair value through financial result, are measured at the higher of:
- the amount determined according to the principles of valuation of reserves,
- initial value less, when appropriate, accumulated depreciation allowances.

Reclassifications

The company:
- shall not reclassify a derivative from the category measured at fair value through profit or loss from the acquisition or issue;

- shall not reclassify financial instrument from the category measured at fair value through profit or loss if at initial recognition financial instrument was designed by Group to be measured at fair value through profit or loss and
- may, if the financial asset is no longer held for sale or repurchase in the near time (notwithstanding that the financial asset may have been acquired or incurred mainly for the purpose of selling or repurchasing in the near time), reclassify that financial asset from the category of measured at fair value through profit or loss only in exceptional circumstances, and in the case of loans and receivables (if at initial recognition of the financial asset does not have to be classified as held for trading) if the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity,
- shall not reclassify any financial instrument as measured at fair value through profit or loss upon initial recognition.

Impairment of financial assets

At the end of the reporting period, the Group assesses if there is objective evidence of impairment of a financial asset or group of financial assets.
If there is objective evidence of an impairment of loans and other receivables as well as investments held to maturity which are measured at amortized cost, then Group will recognize impairment loss of value of estimated future cash flows discounted using the original effective interest rate of a financial instrument.
If in a subsequent period, the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss will be reversed and recognized in profit or loss as revenue.

If there is objective evidence of an impairment of an unquoted equity instrument not measured at fair value since its fair value cannot be reliably measured, the amount of impairment losses is determined as the difference between the book value of financial assets and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

If there is objective evidence of an impairment of financial assets available for sale, then accumulated losses arising from valuation recognized in the statement of comprehensive income, in accordance with the principles of measurement of financial assets, will be derecognised from equity and recognized in profit or loss. If, in a subsequent period, the fair value of a debt instrument available for sale increases and the increase can be objectively related to an event occurring after the recognition of impairment loss in profit or loss, the reversal will be recognized in profit or loss.
The impairment loss for an investment in an equity instrument classified as available for sale is not reversed in profit or loss.

Payment of dividends for shareholders of the Company is recognized as liability in the financial statement of the Company, when the appropriate resolution was passed at the General Meeting of Shareholders of the Company.

Reserves - are established in the justified, credibly assessed value. Reserves are created when an existing obligation is resting with the company (legal or customary) resulting from past events and when it is probable, that fulfilling this duty will result in the necessity of the outflow of financial means and the credible estimation of this obligation is possible .

Employee Benefits - Group makes contributions to the obligatory pension scheme depending on the amount of gross wages paid in accordance with applicable law**.** The Group has no other pension programs. In order to determine the present value of future retirement obligations and the related current employment cost shall be used the actuarial valuation.
Accrued liabilities are equal to discounted payments to be made in the future, including among other staff turnover, planned increase of salaries and relate to the period up to the date ending the reporting year.
The provision for pension and retirement gratuity shall be established in order to allocate costs to the periods to which they relate.

Equity

Owners equity is recognized in the accounting records by type, in accordance with the legal regulations and the Statutes of the Company. Equity comprises:

- Share capital – shown in the nominal value of the issued and registered shares.
- Revaluation reserve comprises the difference between the fair value and the acquisition cost less deferred tax concerning among others buildings and constructions and land measured at fair value.
- Retained earnings which include:
  - Spare capital that is created from the surplus of sale of shares above its nominal value, the annual net profit allowance and impairment of property, plant and equipment in the previous years.
  - Reserve capital which arose from the profit allocated to equity.
  - Undistributed profit/loss brought forward and profit(loss) for the current year,
  - Payments on account of dividends.

Revenue from sale includes the fair value of revenue from sale of services, goods and materials.
Revenues from contracts for construction services (construction management) and design and engineering services is determined in proportion to the degree of completion of the service. The completion of the service is measured by the share of costs incurred from the date of the contract to the date of recognition of income in the total cost of the service.
The correctness of the degree of the progress of service calculations and expected total expenses and revenues relating to the service performed is verified at the end of each quarter.
Revenue from sale of goods and materials is recognized in the statement of comprehensive income when the Company has transferred to the buyer the significant rewards of ownership of these assets and ceased to be permanently involved in the management of the transferred assets and does not exercise effective control over them.

Income tax - fiscal charges comprise the current taxation by corporate income tax and the change in reserves or assets from the deferred income tax.
Current tax liabilities are established on the basis of current tax regulations and the set taxable income.

Current tax liabilities in the current period and previous periods are included as the liability in the amount, in which it wasn't paid.
Provision to deferred income tax is recognized using the liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates in force on the balance sheet date. Temporary differences are differences in measurement of assets and liabilities for tax purposes and balance sheet purposes.
Deferred tax assets are recognized if it is probable that in future the taxable income will be achieved that enables the using of temporary differences. Deferred tax assets are also recognized from tax losses that can be deducted in the next years.

5. Explanatory notes to financial statements as at and for the period ended 31 December 2012

Note No. 1 – Property, plant and equipment

	As at 31 December 2012	As at 31 December 2011
Fixed assets including:	2 013	2 247
- land	145	102
- buildings, premises and water and civil engineering objects	482	456
- machinery and equipment	970	898
- vehicles	36	384
- other fixed assets	380	407
Construction under progress	2	2
Total property, plant and equipment	**2 015**	**2 249**

Property, plant and equipment – ownership structure		
a) own	2 015	2 147
b) used under rental, lease agreement or other agreement including:	-	102
- value of the right of the perpetual usufruct	-	102
Total carrying amount of property, plant and equipment	**2 015**	**2 249**

Changes in property, plant and equipment – in 2012

	Land including the right of the perpetual usufruct of land	Buildings, premises and water and civil engineering objects	Machinery and equipment	Vehicles	Other fixed assets	Construction under progress	Total PPE
Gross value							
As at 1 December 2012	**292**	**1 142**	**4 844**	**1 680**	**4 341**	**2**	**12 301**
Increase (due to)	32	443	300	-	210	-	985
- purchase of fixed assets	-	-	300	-	210	-	510
-other changes including:	32	443	-	-	-	-	475
revaluation of property, plant and equipment	32	443	-	-	-	-	475
Decrease (due to)	-179	-	-1	-1 178	-1 384	-	-2 742
- disposal of fixed assets	-	-	-	-1 178	-90	-	-1 268
- liquidation of fixed assets	-	-	-1	-	-1 294	-	-1 295

- other changes including:	-179	-	-	-	-	-	-179
Change of the right of perpetual usufruct for right of property	-179	-	-	-	-	-	-179
As at 31 December 2012	**145**	**1 585**	**5 143**	**502**	**3 167**	**2**	**10 544**
Depreciation							
As at 1 January 2012 – accumulated depreciation	**190**	**686**	**3 946**	**1 296**	**3 934**	**-**	**10 052**
Depreciation for the period (due to)	-190	417	227	-830	-1 147	-	-1 523
- increase (accrued depreciation)	23	109	228	180	220	-	760
- decrease due to sale of fixed assets	-	-	-	-1 010	-89	-	-1 099
- decrease due to liquidation of fixed assets	-	-	-1	-	-1 231	-	-1 232
- other changes including:	-213	308	-	-	-47	-	48
Revaluation of property, plant and equipment	-	308	-	-	-	-	308
As at 31 December 2012 - accumulated depreciation	**-**	**1 103**	**4 173**	**466**	**2 787**	**-**	**8 529**
Net value of property, plant and equipment as at 31 December 2012	**145**	**482**	**970**	**36**	**380**	**2**	**2 015**

Comparative data

Change in property, plant and equipment – in 2011

	Land including the right of the perpetual usufruct of land	**Buildings, premises and water and civil engineering objects**	**Technical equipment and machinery**	**Means of transport**	**Other fixed assets**	**Fixed assets under construction**	**Total PPE**
Gross value							
As at 1 Jnauary 2011	**292**	**1 142**	**4 985**	**3 836**	**4 291**	**6**	**14 552**
Increase (due to)	-	-	101	-	123	-4	220
- purchase of fixed assets	-	-	97	-	123	-	220
- other changes	-	-	4	-	-	-4	-
Decrease (due to)	-	-	-242	-2 156	-73	-	-2 471
- sale of fixed assets	-	-	-	-2 156	-53	-	-2 209
- liquidation of fixed assets	-	-	-242	-	-20	-	-262
As at 31 December 2011	**292**	**1 142**	**4 844**	**1 680**	**4 341**	**2**	**12 301**
Depreciation and impairment							
Accumulated depreciation as at 1 January 2011	**162**	**577**	**3 951**	**2 762**	**3 496**	**-**	**10 948**
Depreciation for the period (due to)	28	109	-5	-1 466	438	-	-896
- increase (depreciation)	28	109	237	418	511	-	1 303
- decrease due to disposal of fixed assets	-	-	-	-1 884	-53	-	-1 937
- decrease due to liquidation of fixed assets	-	-	-242	-	-20	-	-262
As at 31 December 2011 - accumulated depreciation	**190**	**686**	**3 946**	**1 296**	**3 934**	**-**	**10 052**
Net value of property, plant and equipment as at 31 December 2011	**102**	**456**	**898**	**384**	**407**	**2**	**2 249**

In 2012, based on the decision of the Mayor of Świecie of 25 September 2012 the right of perpetual usufruct of land owned by the State Treasury, located in the village Tleń, municipality Osie was transformed into ownership.

Group	The net value in the statement before revaluation (in PLN thousands)	Net value after revaluation (in PLN thousands)	Revaluation surplus (w PLN thousands)
Land	113	145	32
Buildings and constructions	348	483	135
Total	**461**	**628**	**167**
Revaluation surplus recognized in other comprehensive income			**167**

Note No. 2 – intangible assets

	As at 31 December 2012	As at 31 December 2011
Concessions, patents, licenses and similar assets including computer software	140	126
Total intangible assets	**140**	**126**

Intangible assets – ownership structure		
own	140	126
Total intangible assets	**140**	**126**

Changes in intangible assets – in 2012

	Concessions, patents, licenses and similar assets including computer software	Total intangible assets
Gross value		
As at 1 January 2012	**3 311**	**3 311**
Increase (due to)	79	79
- purchase	79	79
As at 31 December 2012	**3 390**	**3 390**
Amortization		
As at 1 January 2012 – accumulated amortization	**3 185**	**3 185**
Amortization for the period (due to)	65	65
- increase (accrued amortization)	65	65
Accumulated amortization as at 31 December 2012	**3 250**	**3 250**
Net value of intangible assets as at 31 December 2012	**140**	**140**

Comparative data

Changes in intangible assets – in 2011

	Concessions, patents, licenses and similar assets including computer software	Total intangible assets
Gross value		
As at 1 January 2011	**3 206**	**3 206**
Increase (due to)	105	105
- purchase	105	105
As at 31 December 2011	**3 311**	**3 311**
Amortization and impairment		
As at 1 January 2011 - accumulated amortization	**3 095**	**3 095**
Amortization for the period (due to)	90	90
- increase (calculated amortization)	90	90
As at 31 December 2011 - accumulated amortization	**3 185**	**3 185**
Net value of intangible assets as at 31 December 2011	**126**	**126**

Note No. 3 – shares in subsidiaries

Shares in subsidiaries	**As at 31 December 2012**	**As at 31 December 2011**
In subsidiaries	15 026	10 626
Net value of shares	15 026	10 626
Impairment of long-term investment	160	160
Shares and stocks, gross value	**15 186**	**10 786**

Changes in shares in subsidiaries	**As at 31 December 2012**	**As at 31 December 2011**
a) as at the beginning of period	10 626	10 605
b) increase (due to)	5 000	54
- purchase of shares of subsidiaries	5 000	21
- taking up of shares in subsidiaries	-	33
c) decrease (due to)	600	33
- sale of shares in subsidiaries	600	33
d) at the end of period	**15 026**	**10 626**

Change in impairment of shares in subsidiaries	**As at 31 December 2012**	**As at 31 December 2011**
At the beginning of period	160	160
At the end of period	160	160

On 25 June 2012 on the basis of contract of sale, Prochem S.A. sold shares of subsidiary Elektromontaż Kraków seated in Krakow. Subject of the transaction was 81 455 shares with

the nominal value of PLN 5 each, for a total amount of PLN 8 145 500 which acquired company Prochem Inwestycje Sp. z o.o. seated in Warsaw, 100% subsidiary of the Issuer. The book value of these assets in the accounting books of the Issuer as at the date of sale amounted to PLN 600 thousand.

On 21 December 2012 company Prochem S.A. purchased from company IRYDION Sp. z o.o., 100% subsidiary of the Issuer, 40 shares of company Elmont- Inwestycje Sp. z o.o. based in Krakow with the nominal value of PLN 100 thousand each, for a total amount of PLN 5 000 thousand.

Note No. 4 – shares in associated entities

Shares in associated entities	**As at 31 December 2012**	**As at 31 December 2011**
- Net value of shares	708	1 288
- write-down for shares	1 498	918
Gross value of shares	2 206	2 206

Change in write-down for shares in associated entities	**As at 31 December 2012**	**As at 31 December 2011**
As at the beginning of the period	918	918
Increases, write-down for shares in associates	580	-
As at the end of the period	1 498	918

In 2012 the Issuer established write-down for shares of associated company Teoma S.A. for a total amount of PLN 580 thousand.

Shares in subordinated entities

Item No	a	b	c	d	e	f	g	h	i	j	k
	Name of the entity and legal form	Registered office	Scope of company's activity	Type of relationship (subsidiary, interdependent, associated with details of direct or indirect)	Applied consolidation method	Date of obtaining control/joint control/significant influence	Value of shares at cost	Revaluation adjustments	Carrying amount of shares	Share capital held directly and indirectly	Participation in total number of votes at the General Assembly direct and indirect
1	IRYDION Sp. z o.o.	Warsaw	Lease of real estate on own account	subsidiary	full	24 March 2000	4 500	-	4 500	100.%	100.%
2	PROCHEM INWESTYCJE Sp. z o. o.	Warsaw	Consulting on business activity and management	subsidiary	full	22 June 1992	2 999	-	2 999	100.0%	100.%
3	PRO-ORGANIKA S.A.	Warszawa	Commercial activity	subsidiary	full	28 June 1996	320	160	160	91.4%	91.4%
4	PREDOM Sp. z o.o.	Wrocław	Construction designing, urban planning, process engineering	Indirect subsidiary (company Prochem Inwestycje Sp. z o.o. holds 75% of capital)	full	19 July.2002	177	-	177	81.1%	69.4%
5	PROCHEM ZACHÓD Sp. z o.o.	Warsaw	Marketing activities, construction works, design services, commercial activity and forwarding	subsidiary	full	18 March 1998	960	-	960	60.0%	60.0%
6	ELEKTROMONTAŻ KRAKÓW S.A. *	Kraków	Assembly of electrical installations and equipment	Indirect subsidiary (company Prochem Inwestycje Sp. z o.o. holds 31.4%)	full	10 December .2001	737	-	737	70.0%	70.0%
7	PROCHEM RPI Sp. z o.o.	Warsaw	Development activities	Indirect subsidiary (company Prochem Inwestycje Sp. z o.o. holds 3.3%)	full	08 April 1998	493	-	493	100.0%	100.0%

8	PRO-PLM Sp. z o.o.	Warszawa	Management and maintenance services	Indirect subsidiary (company Prochem Inwestycje Sp. z o.o. holds 50%) (4 November 2010 change of status from associate to subsidiary	full	07 January 2000	0	-	0	100.0%	100.0%
9	Elmont- Iwestycje Sp. z o.o.	Kraków	Development activities	Indirect subsidiary (company Elektromontaż Kraków S.A.. holds 50%)	full	05 April 2007	5 000	-	5 000	85.0%	85.0%

Shares in subordinated entities - continuation

Item No.	a	b						c			d			e	f
	Name of the entity	Equity including:	Share capital	Own shares (negative valur)	Retained earinings including	profit (lossa) brought forward	Net profit (loss)	Liabilities and provision to liabilities including:	Non-current liabilities	Current liabilities	Receivables including:	Non-current receivables	Current receivables	Total assets	Revenues from sale
1	IRYDION Sp. z o.o.	23 065	4 500	-	18 565	-	-339	14 459	13 334	1 125	878	-	878	37 524	15
2	PROCHEM INWESTYCJE Sp. z o. o.	4 671	3 000	-	1 671	-	229	20 240	12 683	7 557	85	-	85	24 911	3 932
3	PRO-ORGANIKA S.A.	401	350	-	51	-67	118	1 207	-	1 207	793	-	793	1 608	3 600
4	PREDOM Sp. z o.o.	9 082	600	-	8 482	-	101	2 388	1 698	690	1 162	-	1 162	11 470	4 675
5	PROCHEM ZACHÓD Sp. z o.o.	1 947	1 600	-	347	-326	673	755	209	546	1 875	-	1 875	2 702	-
6	ELEKTROMONTAŻ KRAKÓW S.A.**	30 993	1 342	-47	29 698	4 393	1 284	13 743	1 690	12 053	19 606	-	19 606	44 736	35 730
7	PROCHEM RPI Sp. z o.o.	458	600	-	-142	-141	-1	1	-	1	20	-	20	459	-
8	PRO PLM Sp. z o.o.	1	50	-	-49	-48	-1	2	-	2	-	-	-	3	-

9	Elmont- Iwestycje Sp. z o.o.	11 171	8 000	-	3 171	-	-375	10 180	9 932	248	1	-	1	21 351	33

** Participation in total number of votes at the general assembly and percentage of the capital held in the subsidiary Elektromontaż Kraków S.A. set as at 31 December 2012 after the settlement of the shares purchased with the aim of redemption by company Elektromontaż Kraków SA.*
*** Data from the consolidated financial statements of Elektromontaż Kraków S.A.* ***Capital Group***

Shares in associated entities

Item No.	a	b	C	d	e	f	g	h	i	j	k
	Name of the entity and legal form	Registered office	Scope of company's activity	Type of relationship (subsidiary, interdependent, associated with details of direct or indirect)	Applied consolidation method	Date of obtaining control/joint control/significant influence	Value of shares at cost	Revaluation adjustments)	The carrying amount shares	Percentage of share capital held directly and indirectly	Participation in total number of votes at the General Assembly direct and indirect
1	TEOMA S.A.	Warsaw	Sale and assembly of air conditioning, ventilation and cooling systems	Indirectly associated (Prochem Inwestycje Sp. z o.o. holds 4% of capital and 4.4% of voting rights)	Equity method	30 Sept. .2000	1 498	1 498	0	19.5%	16.6%
2	ITEL Sp. z o.o.	Gdynia	Electrical installations	associated	Equity method	13 Sept..2005	708	-	708	42.0%	42.0%

Shares in associated entities – continuation

Item No	a	b						c			d			e	f
	Name of entity and legal form	Equity, including:	Share capital		Retained earnings including	profit (loss) brought forward	Net profit (loss)	Liabilities and provisions to liabilities including:	Non-current liabilities	Current liabilities	Receivables including:	Non-current receivables	Current receivables	Total assets	Revenues from sale
1	TEOMA S.A.	lack of data, value of the shares covered by write-downs in 100%													
2	ITEL Sp. z o.o.	1 315	1 292		23	-411	339	1 930	122	1 808	1 551	-	1 551	3 245	5 950

Note No. 5 – deferred income tax

- deferred tax assets

Changes in deferred tax assets	As at 31 December 2012	As at 31 December 2011
1. Deferred tax assets as at the beginning of the period, recognized in the financial result	**2 311**	**3 021**
- provisions for future costs	11	10
- write-down for receivables	-	27
- unpaid remuneration under contract of mandate and specific task contract	25	28
- provision for retirement benefit	85	76
- provision for holiday benefits	164	177
- unpaid employee benefits	56	5
- write-down for inventories	54	97
- provision for costs – revenue adjustment	-	38
- tax loss	1 900	2 563
- the difference between the depreciation expense and tax depreciation	16	-
2. Increase	**1 382**	**122**
- provisions for future costs	32	16
- write-down for receivables	246	-
- unpaid remuneration under contract of mandate and specific task contract	41	25
- provision for retirement benefit	8	9
- provision for holiday benefits	14	-
- deferred tax on losses brought forward	694	-
- deferred tax on write-down for financial assets	300	-
- unpaid employee benefits	47	56
- the difference between the depreciation expense and tax depreciation	-	16
3. Decrease	**1 025**	**832**
- the use of the provision for future costs	15	15
- the use of provision for receivables	-	27
- paid remuneration under contracts of mandate and specific task contract	25	28
- payment of pension benefits accrued in the previous period costs	11	-
- payment of holiday benefits accrued in the previous periods costs	37	13
- paid employee benefits	55	5
- the use of assets created for tax loss	866	663
- impairment of inventories	-	43
- provision for costs – revenue adjustment	-	38
- the difference between the depreciation expense and tax depreciation	16	-
4. Total deferred tax assets at the end of the period, including:	**2 668**	**2 311**
- provisions for future costs	28	11
- write-down for receivables	246	-
- unpaid remuneration under contract of mandate and specific task contract	41	25
- provision for retirement benefit	82	85
- provision for holiday benefits	141	164
- unpaid employee benefits	48	56
- write-down for financial assets	300	-
- tax loss	1 728	1 900
- write-down for inventories	54	54
- the difference between the depreciation expense and tax depreciation	-	16

The date of expiry of temporary differences is determined at 31 December 2013 except for provision for retirement benefits and tax losses brought forward, its expiry date shall be laid down respectively for 2030 and for 2014.

- provision for deferred income tax

Change in provision for deferred income tax	As at 31 December 2012	As at 31 December 2011
1. Provision for deferred income tax at the beginning of the period including:	**1 470**	**1 483**
a) in financial result	**1 426**	**1 439**
- interest on loan	594	443
- revaluation of non-current financial assets	136	136
- accrued income from not completed service	675	718
- the difference between operating lease installment and depreciation of leased fixed assets included in costs	21	142
b) in equity	**44**	**44**
- revaluation at fair value of non-current investments	44	44
2. Increase	**340**	**831**
a) in financial result of the period due to positive temporary differences (due to)	**309**	**831**
- interest on loan	30	156
- accrued income from not completed service	279	675
b) in equity due to positive temporary differences (due to)	**31**	**-**
- revaluation at fair value of property, plant and equipment	31	-
3. Decrease	**1 128**	**844**
a) in financial result of the period due to positive temporary differences (due to)	**1 128**	**844**
- paid interest on loan	433	4
- accrued income from not completed service	675	718
- the difference between operating lease installment and depreciation of leased fixed assets included in the costs	20	122
4. Total provision for deferred income tax at the end of the period	**682**	**1 470**
a) in financial result	**607**	**1 426**
- interest on loan	191	594
- revaluation of non-current financial assets	136	136
- accrued income from not completed service	279	675
- the difference between operating lease installment and depreciation of leased fixed assets included in the costs	1	21
b) in equity	**75**	**44**
- revaluation to fair value of long-term investments	75	44

Total amount of temporary differences associated with investments in subsidiaries which are covered by the tax provisions amounted to PLN 178 thousand and include:

- Interest on non-current loans to subsidiaries – PLN 148 thousand,
- Interest on current loans to subsidiaries and associates - PLN 30 thousand.

The presentation in the statement of financial position

	As at 31 December 2012	As at 31 December 2011
Deferred tax assets	2 668	2 311
Provision for deferred income tax	-682	-1 470
Deferred tax assets	**1 986**	**841**

Note No. 6 – other financial assets

Other financial assets	As at 31 December 2012	As at 31 December 2011
Other financial assets from subsidiaries indirectly and directly :	26 985	18 923
- loans granted	26 985	18 923
Total other financial assets	**26 985**	**18 923**

Loans - as at 31 Dec. 2012

- Loan granted to subsidiary IRYDION Sp. z o.o. with registered office in Warsaw in the amount of PLN 11 000 thousand. The interest rate is set annually at WIBOR 6M, time for payment 31 December 2015 ,
- Loans granted to subsidiary Prochem Inwestycje Sp. z o.o. in the amount of PLN 11 773 thousand covering: amount of the loan PLN 11 000 thousand, accrued interest PLN 773 thousand. The interest rate is set annually at WIBOR 6M in force at the end of each calendar year time for payment 31 December 2015.
- Loans granted to subsidiary Elmont Inwestycje Sp. z o.o. in the amount of PLN 4 212 thousand covering: amount of the loan PLN 3 650 thousand., accrued interest PLN 562 thousand. The interest rate is set annually at WIBOR 6M in force at the end of each calendar year time for payment 31 December 2015.

Increase:

- Accrued interest on loan to subsidiary Irydion Sp. z o.o. – PLN 545 thousand,
- Accrued interest on loan to Prochem Iwestycje Sp. z o.o. – PLN 142 thousand,
- Acquisition from subsidiary Irydon Sp. z o.o. in exchange for a loan granted , of the loan to company Elmont Inwestycje Sp. z o.o. in the amount of PLN 3 650 thousand and due interest in the amount of PLN 557 thousand,
- Accrued interest on loan to Elmont- Inwestycje Sp. z o.o. – PLN 5 thousand,
- Loan to subsidiary Prochem Inwestycje Sp. o.o. in the amount of 8 000 thousand.

Decrease:

- Settlement in the compensation with amounts due, of loan to subsidiary Irydion Sp. z o.o. along with interest in the amount of PLN 4 837 thousand.

Loans – as at 31 December 2011

- Loans to subsidiary IRYDION Sp. z o.o. with registered office in Warsaw PLN 15 292 thousand including: amount of loan PLN 13 050 thousand. The interest rate is set annually at WIBOR 6M, time for payment 31 December 2015. Amount of accrued interest as at the balance sheet day amounts to PLN 2 242 thousand,

- Loan to subsidiary Prochem Inwestycje Sp. z o.o. PLN 3 631 thousand including: amount of loan PLN 3 000 thousand, accrued interest PLN 631 thousand. The interest rate is set annually at WIBOR 6M in force at the end of each calendar year time for payment 31 December 2015.

Note No. 7 – inventories

Inventories	**As at 31 December 2012**	**As at 31 December 2011**
Materials	2 359	3 335
Total inventories	**2 359**	**3 335**
Impairment of inventory	285	285

Value of materials charged to costs of the period amounted to PLN 976 thousand, in the corresponding period of the previous year in the amount of PLN 410 thousand.

Note No. 8 – trade and other receivables

Trade and other receivables	**As at 31 December 2012**	**As at 31 December 2011**
Trade receivables	48 923	68 349
Impairment of trade receivables	-3 632	-2 974
Net trade receivables including:	**45 291**	**65 375**
- due within 12 months	36 741	55 933
- due in more than 12 months	8 550	9 442
Receivables from taxes, subsidies, social security and health insurance and other benefits	**-**	**519**
Other receivables	2 731	3 985
Impairment of other receivables	-2 277	-2 277
Net other receivables	**454**	**1 708**
Total net receivables	**45 745**	**67 602**

Trade other receivables from affiliated entities	**As at 31 December 2012**	**As at 31 December11**
Trade receivables including:	9 004	8 465
- from subsidiaries	9 004	8 465
Total net current trade and other receivables from affiliated entities	***9 004***	***8 465***
Write-down for receivables from affiliated entities	116	111
Total gross current trade and other receivables from affiliated entities	**9 120**	**8 576**

Change in write-down for trade and other receivables	As at 31 December 2012	As at 31 December 2011
As at the beginning of period:	5 251	4 797
a) increase (due to)	1 378	923
- write-downs for receivables	1 378	645
- reclassification of write-downs for other receivables	-	278
b) decrease (due to)	720	469
- received payment	90	458
- the use of write-downs created in previous periods	213	5
- dissolution	417	6
Write-downs for current trade and other receivables at the end of the period	**5 909**	**5 251**

Trade receivables with a repayment period remaining from the balance-sheet date :	As at 31 December 2012	As at 31 December 2011
a) up to 1 month	9 018	11 030
b) above 1 month up to 3 months	2 111	12 150
c) above 3 months up to 6 months	400	1 212
d) above 6 months up to 1 year	3 410	7 737
e) more than 1 year	8 550	9 433
f) overdue receivables	25 434	26 787
Total receivables from supplies and services(gross value)	48 923	68 349
g) impairment of receivables from supplies and services	3 632	2 974
Total receivables from supplies and services (net value)	**45 291**	**65 375**

In the majority of contracts signed by the Company time for the payment for services is ranging from 14 to 60 days.

The aging analysis of trade receivables overdue (gross)	As at 31 Dec.ember 2012	As at 31 December 2011
a) up to 1 month	1 843	2 903
b) above 1 month up to 3 months	1 258	1 254
c) above 3 months up to 6 months	472	855
d) above 6 months up to 1 year	707	1 074
e) more than 1 year	21 154	20 701
Total receivables from supplies and services overdue (gross value)	25 434	26 787
f) impairment of receivables from supplies and services, overdue	3 632	2 974
Total receivables from supplies and services, overdue (net value)	**21 802**	**23 813**

As at 31 December 2012 and 31 December 2011 trade receivables include deposits under the guarantee provided for construction and assembly works respectively in the amounts of PLN 23 132 thousand and PLN 30 774 thousand.

The outstanding balance of trade receivables includes receivables overdue with the carrying amount of PLN 17 364 thousand for deposit due to statutory warranty for which the Company did not create provisions, because there has been no significant change in the quality of the debt in relation to previous accounting periods, and thus it is considered as recoverable. The Company is secured by the seized guarantee deposits under statutory warranty from subcontractors in the amount of PLN 6 586 thousand. For more information see *The significant proceedings pending before the court*.
In other receivables were presented charges for the purchase resulting from the preliminary sale agreement in the form of a authenticated deed Repertory A No 4628/2012, of two apartments for a total net amount of PLN 396 thousand. The agreement was concluded with „Eurobudownictwo" limited liability company seated in Wrocław.

Note No. 9 – other financial assets

Other financial assets	**As at 31 December 2012**	**As at 31 December 2011**
From subsidiaries indirectly and directly :	553	1 240
- current loans	553	1 240
From other entities :	198	198
- current loans	198	198
Total net other financial assets	**751**	**1 438**
Write-downs for other financial assets	-	-
Gross other financial assets	**751**	**1 438**

Loans granted - as at 31 December 2012

- Loans granted to subsidiary Prochem Zachód Sp. z o.o. seated in Słubice :
  1. Loan in the amount of PLN 80 thousand, including amount of a loan PLN 50 thousand, amount of the accrued interest as at the balance sheet day PLN 30 thousand, interest on a loan set according to the rate of the rediscount credit on an annual basis, maturity date - 30 April 2013.
  2. Loan in the amount of PLN 52 thousand, including amount of a loan PLN 30 thousand, amount of the accrued interest as at the balance sheet day PLN 22 thousand, interest on a loan set according to the rate of the rediscount credit on an annual basis, maturity date - 30 April 2013.
  3. Loan in the amount of PLN 12 thousand, including amount of a loan PLN 10 thousand, amount of the accrued interest as at the balance sheet day PLN 2 thousand, interest on a loan set according to the rate of the rediscount credit on an annual basis, maturity date - 30 April 2013.
  4. Loan in the amount of PLN 1 thousand, including amount of a loan PLN 1 thousand, interest on a loan set according to the rate of the rediscount credit on an annual basis, maturity date - 30 April 2013.
- Loan to subsidiary Pro-Organika Sp. z o.o. PLN 201 thousand, including: amount of a loan PLN 95 thousand, amount of the accrued interest as at the balance sheet day PLN 106 thousand, interest set annually at 7 % , maturity date 31 December 2013.

- Loan to the Civil Committee of Building of the Cardiological Hospital of the name of Marshal Józef Piłsudski in Warsaw PLN 198 thousand, including: amount of a loan PLN 133 thousand, amount of the accrued interest PLN 65 thousand, interest rate set at the statutory rate, maturity date 30 June 2008. Receivables secured by a mortgage on the right of perpetual usufruct of the land under land register – KW No 136324.
- Acquisition through compensation from the subsidiary Irydion Sp. z o.o. of interest on loan granted to company IRYD Sp. z o.o. in the amount of PLN 207 thousand.

Increase

- Accrued interest on loan to company Irydion Sp. z o.o. – PLN 36 thousand.
- Accrued interest on loan to company Pro Organika Sp. z o.o. – PLN 7 thousand
- Accrued interest on loan to company Prochem Zachód Sp. z o.o. – PLN 5 thousand.
- Loan to subsidiary Prochem Zachód Sp. o.o. in the amount of PLN 1 thousand.
- Loan to Foundation Czysta Woda seated in Warsaw in the amount of PLN 1 thousand,
- Acquisition through compensation from the company Irydion Sp. z o.o. of interest on loan granted to company IRYD Sp. z o.o. in the amount of PLN 207 thousand.

Decrease

- Settlement in the compensation, of loan to subsidiary Irydion Sp. z o.o. with interest in the amount of PLN 942 thousand,
- Repayment of loan with accrued interest in the amount of PLN 1 thousand by Foundation Czysta Woda

Loans granted - as at 31 December 2011

- Loans to subsidiary Prochem Zachód Sp. z o.o. seated in Słubice :
  1. Loan in the amount of PLN 79 thousand, including amount of a loan PLN 50 thousand, amount of the accrued interest as at the balance sheet day PLN 29 thousand, interest on a loan set according to the rate of the rediscount credit on an annual basis, maturity date 31 October 2012.
  2. Loan in the amount of PLN 50 thousand, including amount of a loan PLN 30 thousand, amount of the accrued interest as at the balance sheet day PLN 20 thousand, interest on a loan set according to the rate of the rediscount credit on an annual basis, maturity date 31 October 2012.
  3. Loan in the amount of PLN 11 thousand, including amount of a loan PLN 10 thousand, amount of the accrued interest as at the balance sheet day PLN 1 thousand, interest on a loan set according to the rate of the rediscount credit on an annual basis, maturity date 31 October 2012.
- Loan to subsidiary Pro-Organika Sp. z o.o. PLN 194 thousand, including: amount of a loan PLN 95 thousand, amount of the accrued interest as at the balance sheet day PLN 99 thousand, interest set annually at 7 % , maturity date 31 December 2013..
- Loan to the Civil Committee of Building of the Cardiological Hospital of the name of Marshal Józef Piłsudski in Warsaw PLN 198 thousand, including: amount of a loan PLN 133 thousand, amount of the accrued interest PLN 65 thousand, interest rate set at the statutory rate, maturity 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 to subsidiary Irydion Sp. z o.o. in Warsaw PLN 906 thousand, including:

amount of a loanPLN 900 thousand, amount of the accrued interest as at the balance sheet day PLN 6 thousand, interest set annually according to the WIBOR 6M in force at the end of every calendar year, maturity date 31 December 2012.

Note No. 10 – other assets

Other assets by types :	**As at 31 December 2012**	**As at 31 December 2011**
a) prepayments	483	545
- cost of property and personal insurance	184	159
- software maintenance costs	260	322
- subscriptions,	26	29
- deferred costs	11	13
- other	2	22
b) other accrued costs and prepayments	10 285	18 586
- surplus of receivables from work-in-progress over advances	10 285	18 586
Total other assets	**10 768**	**19 131**

In item – *other accrued costs and prepayments* – recognized valuation of contracts for construction services that are in progress at the balance sheet date.

Note No. 11 – share capital

SHARE CAPITAL (THE STRUCTURE)							
Series / emission	Type of the share	Type of preference of shares	Number of shares	Value of series / issue in nominal value	Coverage of capital	Registration date	Right to dividend (from)
Founding	inscribed	3 votes for 1 share	830	830	cash	23July1991	01 October.1991
Founding	inscribed	-	1 004	1 004	cash	23July1991	01 October.1991
Founding	bearer	-	1 815 666	1 815 666	cash	23July1991	01 October.1991
B	inscribed	-	4 750	4 750	cash	29July1993	01 January1993
B	bearer	-	677 750	677 750	cash	29July1993	01 January1993
C	bearer	-	530 000	530 000	cash	20April1994	01 January1994
D	bearer	-	865 000	865 000	cash	05September1994	01 January1994
Total number of shares			3 895 000				
Total share capital				3 895 000			
Nominal value of 1 share = PLN 1.00							

The share capital of the Company 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 is as follows:

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

Total equity 3 895 000

On 20 February 2012, 6 250 common inscribed shares of PROCHEM S.A., and 1 010 preference inscribed shares of PROCHEM S.A. were converted to bearer shares.

After changing the amount of the share capital is PLN 3 895 thousand and has not changed. The total number of votes from all shares of PROCHEM S.A. at the General Meeting of Shareholders after the change is 3 896 660.

According to information in the Company's possession as at the day of the statements the following shareholders have more than 5% of the votes at the General Meeting of Shareholders.

Description	**Number of shares (units)**	**% of votes in total number of votes**	**% of share capital**
1. Prochem Holding M. Garliński Spółka Komandytowa	941 213	24.15	24.17
2. Steve Tappan	382 751	9.82	9.83
3. Otwarty Fundusz Emerytalny PZU „Złota Jesień"	369 000	9.47	9.46
4. Legg Mason Parasol Fundusz Inwestycyjny Otwarty („Legg Mason Parasol FIO") i Fundusz Własności Pracowniczej PKP Specjalistyczny Fundusz Inwestycyjny Otwarty ora Leeg Mason Akcji Skoncentrowany Fundusz Inwestycyjny Zamknięty - total, including:	610 138	15.66	15.67
- Legg Mason Parasol FIO"	284 054	7.29	7.29

In the period from the last annual financial statement a change in the ownership structure concern:

- At the General Meeting of Shareholders the Issuer was informed about the change in shares by Otwarty Fundusz Emerytalny PZU „Złota Jesień". The Fund increased its number of shares held by 43 479 units and as at the date of financial statement holds 369 000 shares, representing 9.47% of the total number of votes at the General Meeting of Shareholders and 9.46% of the share capital.
- Issuer received notice from Legg Mason Towarzystwo Funduszy Inwestycyjnych S.A. the legal successor of Legg Mason Zarządzanie Aktywami S.A. that on 2 January 2013 expired agreement for the management of investment portfolios entitling to exercise the right to vote attached to company's shares at the General Meeting of Shareholders on behalf of customers. As a result of changes the above mentioned funds (item 5 of the statement) are entitled to exercise voting rights attached to

shares held by them. The notice indicates that Funds Legg Mason increased number of shares of the Issuer by 6 456 shares and as at the date of this report hold 610 138 shares, representing 15.66% of the total number of votes at the General Meeting of Shareholders and 15.67% of share capital.

- Issuer received from Prochem Holding M. Garliński Spółka Komandytowa the notice of resignation of one of the limited partners, who received 21 128 shares of company Prochem S.A. at price PLN 16,14 by way of dismissal from the obligation laid down in the Art. 65§3 of the Commercial Companies Code. The total amount of the transaction was PLN 341 thousand. After the transaction company Prochem Holding holds 941 213 shares of the Issuer, representing 24.14% of total number of votes at the General Meeting of Shareholders and 24.17% of the share capital.
- On 12 March 2013 the Issuer received a notice from ING Towarzystwo Funduszy Inwestycyjnych S.A. acting on behalf on ING Parasol Funduszu Inwestycyjnego Otwartego about decrease of less than 5% of the total number of votes at the General Meeting of Shareholders. The reason for the change in share was the sale of 4 500 shares. As at the date of the statement ING Parasol Fundusz Inwestycyjny holds 190 515 shares, representing 4.89% of total number of votes and 4.89% of the share capital.

Note No 12 – retained earnings

	As at 31 December 2012	As at 31 December 2011
Spare capital	15 723	15 723
Other capital reserves	46 270	43 060
Net profit of the period	3 056	3 210
Total	**65 049**	**61 993**

Note No. 13 – provision for retirement and similar benefits

The Company operates a post-employment benefits plan, which include retirement gratuity for employees. Provisions for retirement gratuity payments are calculated on an individual basis for every employee. The basis for calculating provision for the employee is the expected amount of the benefit that the Company is obligated to pay under the current remuneration policy. Retirement gratuity is paid once at the time of retirement or disability pension. Current value of these obligations is determined by an independent actuary and revalued. The level of provisions corresponds to discounted payments to be made in the future, taking into account staff turnover, and relate to the period until the date ending the reporting year. The financial discount rate to calculate the current value of retirement benefit obligations has been determined based on market yields on government bonds on government bonds, whose currency and maturity are similar to currency and estimated term of employee benefit obligations.
The principal actuarial assumptions at the end of the reporting period:

Data in percentage (%)	in 2012	in 2011
Discount rate	4.8%	5.8%
Average annual increase in the assumed basis for the calculation of retirement gratuity in the years 2013-2022; the year 2011 in the years 2012-2021	2.0%	2.3%
Weighted average rate of employee mobility	6.4%	6.5%
The increase in retirement gratuity basis:		
- in the years 2013 and 2012	2.0%	5.0%
- in the years 2013-2022; the year 2011 in the years 2013-2021	2.0%	2.0%
- in other years	2.5%	2.5%

Post-employment benefits retirement gratuity

(in PLN thousands)		in 2012	in 2011
Liabilities at the beginning of the period		**445**	**397**
Current employment costs		23	24
Cost of interest		25	22
Net actuarial gain and loss		-8	13
Benefits paid		-53	-11
Liabilities at the end of the period, including:		**432**	**445**
- current liabilities	Note No. 17	17	61
- non-current liabilities		415	384

Book value of employee benefit obligations as at 31 December 2012 and 31 December 2011 is the same as current value.

Historical information

As at	Current liabilities arising from above benefits
31 December 2012	432
31 December 2011	445
31 December 2010	397
31 December 2009	395
31 December 2008	641

Employee benefit costs are included in general and administrative expenses. In 2012 the provision for employee benefits have changed as a result of updated assumptions, primarily the discount rate and change in planned salary increase index.
Total amount of expenses recognized in the financial result for the year 2012 amounts to PLN 42 thousand.

In PLN thousands	Year ended 31 December 2012	Year ended 31 December 2011
Current employment costs	23	24
Cost of interest	25	22
Actuarial gain (loss)	-8	13
Total costs	**42**	**59**

Note No. 14- other non-current liabilities

	As at 31 December 2012	As at 31 December 2011
- liability arising from transformation of the right of perpetual usufruct for right of property against payment	27	-

Note No. 15 – current bank loans

	As at 31 December 2012	As at 31 December 2011
- credits in overdraft on current account	6 347	-

As at 31 December 2012 the Company has three lines of credit totaling PLN 15 million. The involvement as at the balance sheet date amounted to PLN 6 347 thousand.

Information on bank loans

Name of the unit	Registered office	Amount of the credit acc. To the agreement (in PLN thousands)	Amount of the credit for repayment (in PLN thousand)	Interest	Time of payment	Hedging
BRE Bank Polska SA	Warsaw	6,000 Credit in overdraft on current account	347	WIBOR for O/N deposits in PLN + margin	28 June 2013	Promissory note in blank
BRE Bank Polska SA	Warsaw	6,000 Operating credit	6 000	WIBOR for O/N deposits in PLN + margin	28 June 2013	Promissory note in blank
ING Bank Śląski S.A.	Katowice	3,000 Credit in overdraft on current account	-	WIBOR for 1 month deposits in PLN + margin	15 November .2013	Statement on submission to execution

Note N. 16 – trade payables

	As at 31 December 2012	As at 31 December 2011
a) to subsidiaries	1 920	12 746
- for supplies and services with a maturity of :	1 920	12 746
- up to 12 months	1 687	11 618
- more than 12 months	233	1 128
b) to other entities	27 163	57 249
- for supplies and services with a maturity of:	27 163	57 249
- up to 12 months	19 961	52 092
- more than 12 months	7 202	5 157
Total trade payables	**29 083**	**69 995**

Note N. 17 – other liabilities

	As at 31 December 2012	As at 31 December 2011
a) to other entities	1 980	639
- due to taxes, duties, insurance and other benefits	1 948	483
- due to remuneration	-	114
- other (by type)	32	42
liabilities to employees	27	27
to shareholders	1	2
other	4	13
b) other short-term provisions	1 748	1 298
- provision for cost accrued for the current year on the basis of invoices received in the following year	-	57
- provision for cost accrued in the current period and related to future periods	495	-
- provision for bonus	434	260
- audit costs	55	55
- short-term provision for retirement benefits	17	61
- provision for unused annual leaves	747	865
c) special funds	6	11
Total other liabilities	**3 734**	**1 948**

Note No. 18 – deferred income

	As at 31 December 2012	As at 31 December 2011
Accrued income, including :	11	2 399
- deferred income – received downpayments	11	2 399
Total deferred income	**11**	**2 399**

Note No. 19 - revenue from sale of services

revenue from sale of services (type of service and type of activity)	**Period ended 31 December 2012**	**Period ended 31 December 2011**
- revenue from sale of services including :	**84 296**	**127 448**
- from affiliated entities	4 286	1 006

Income from sale of services (territorial structure)	**Period ended 31 December 2012**	**Period ended 31 December 2011**
Home	84 296	127 448
- including from affiliated entities	4 286	1 006

Revenues from contracts for construction services (construction management) and other services are presented in Note No 29.

The gross amount due from ordering/customers for the work under the contract is presented in Note No 10.

Note No. 20 - revenue from sales of goods and materials

revenue from sale of services (type of service and type of activity)	Period ended 31 December 2012	Period ended 31 December 2011
- revenue from sales of goods and materials	1 110	182
Total revenue from sale of goods and materials	**1 110**	**182**

Revenues from sales of goods and materials (territorial structure)	Period ended 31 December 2012	Period ended 31 December 2011
Domestic	1 110	182

Note No. 21 – costs of services

Costs by type	Period ended 31 December 2012	Period ended 31 December 2011
a) depreciation and amortization	825	1 393
b) materials and energy consumption	1 249	1 080
c) outsorcing	65 498	103 897
d) taxes and charges	94	78
e) remunerations	15 848	15 923
f) social security and other benefits	2 700	2 578
g) other types of costs (by category)	2 136	1 923
- property and personal insurance	585	657
- business trips	341	366
- State Fund for Rehabilitation of Disabled Persons (PFRON)	176	166
- other	1 034	734
Total costs by type	**88 350**	**126 872**
Change in inventory, goods and accruals and prepayments	443	222
General and administrative expense (negative value)	-7 200	-7 517
Costs of services	**81 593**	**119 577**

Note No. 22 – other operating income

	Period ended 31 December 2012	Period ended 31 December 2011
a) income from sale of non-financial non-current assets	143	310
b) grants	22	40
c) write-up (for)	229	686
- amounts due	229	463
- other	-	223
d) other, including:	277	1 164
- reimbursement of costs of legal proceedings	16	100
- received compensation, fines and penalties	34	-
- revenues from rental of cars	94	100
- write-off of overdue obligations	-	894
- other	133	70
Total other operating income	**671**	**2 200**

Note No. 23 – other operating expenses

	Period ended 31 December 2012	Period ended 31 December. 2011
a) impairment allowances (due to)	1 378	645
- value of receivables	1 378	645
b) other, including:	295	493
- costs of legal proceedings	102	312
- liquidation of non-financial non-current assets	-	166
- paid penalties, fines and compensation	7	10
- restatement of materials/inventory accounting	23	-
- write-off of receivables past due	19	-
- provision for future costs	143	-
- other	1	5
Total other operating costs	**1 673**	**1 138**

Note No.24 – financial income

	Period ended 31 December 2012	Period ended 31 December 2011
a) revenues from dividends and profit sharing	3	3
- from other entities	3	3
b) interest on granted loans	739	839
- from subsidiaries	739	822
- from associated entities	-	17
c)other interest	122	134
- from other entities	122	134
d) release of provision (for)	-	402
- write-up for financial operations	-	402
e) other, including:	218	192
- valorisation	215	187
- revenue from the credit hedging	3	5
Total financial income	**1 082**	**1 570**

Note No. 25 – finance costs

	Period ended 31 December 2012	Period ended 31 December 2011
a) interest on loans and borrowings	263	104
- for other entities	263	104
b) remaining interest	126	535
- for other entities	126	535
c) surplus of foreign exchange losses	79	86
d) other, due to :	867	444
- commission on bank guarantees	128	89
- commissions on loanscredits	145	171
- commissions on letters of credit	12	168
- impairment of shares	580	-
- impairment of interest	-	14
- other	2	2
Total finance costs	**1 335**	**1 169**

Note No. 26 – income tax

Current income tax	Period ended 31 December 2012	Period ended 31 December 2011
1. Gross profit	**1 878**	**3 907**
2. Difference between gross profit and taxable income base (by category)	**-1 878**	**-3 907**
a) income not classified in the tax revenue	**-10 675**	**-20 582**
- accrued interest on loans and bank deposits	-158	-821
- received and accrued revenues from the work- in- progress	-10 285	-18 587
- release of provisions for receivables not being tax deductible expenses in previous periods	-229	-1 089
- income relating to a branch in Hungary in 2010	-	-42
- other expenses not being tax deductible expenses in previous periods	-	-40
- received dividends	-3	-3
b) tax revenues included in the books as income in prior periods	**20 835**	**9 679**
- received interest accrued in income in the previous years	2 248	172
- income from contracts – in progress not being income last year	18 587	9 507
c) costs not being tax deductible expenses	**-4 094**	**10 489**
- Depreciation and amortization of fixed assets not classified as tax deductible expenses such as amortization of revalued amount, amortization of right of perpetual usufruct, depreciation and amortization of fixed assets co-financed from the EU funds	199	254
- State Fund for Rehabilitation of Disabled Persons (PFRON)	176	166
- membership fees	27	26
- car insurance in excess of the limit	14	13
- impairment of receivables	83	232
- other costs not classified as income tax expenses	201	199
- inventory shortages	23	-
- other costs of supplementary payroll (BFP) – paid in next month	214	133
- impairment of receivables	-	-
- difference between depreciation expense and tax depreciation	12	82
- provision for balance sheet audit	55	55
- provision to employee benefits (retirement, unused annual leaves)	115	48
- provision to future costs	715	273
- the difference between the accrued depreciation of fixed assets used under the lease agreement and the lease installment paid	-	-10
- write-downs for receivables	1 296	-
- write-downs for financial assets (value of shares)	580	-
- work-in-progress in the country taxed in the previous year	-15 295	-6 017
- work-in-progress in the country as at the end of period – is not tax deductible expense in the current year	8 231	15 295
- costs not being tax deductible expenses in previous periods	-767	-262
- costs of not paid benefits to employees	27	2
d) income deductions	**-7 944**	**3 493**
loss brought forward	-7 944	3 493
3. Tax base	**0**	**0**
4. Income tax at the rate of 19% in Poland	**0**	**0**

Deferred income tax recognized in the statement of comprehensive income	Period ended 31 December 2012	Period ended 31 December 2011
- decrease (increase) due to the arising and reversal of temporary differences	- 1 178	697
Total deferred income tax	**-1 178**	**697**

Tthe effective tax rate

(in PLN thousands)	tax rate	31 December 2012	31 Deember 2011
Net profit		3 056	3 210
Income tax		-1 178	697
Profit before tax		1 878	3 907
Income tax at the applicable rate	19%	357	742
Revenues not being income tax revenues		-44	177
Costs not being tax deductible expense		79	-240
Utilization of tax losses in the current period for which deferred tax was not established		-643	-
Deferred tax asset for tax losses which were not included in previous years		-694	-
Deferred tax asset on write-downs for shares created in the previous years		-174	-
other		-59	18
Income tax		**- 1 178**	**697**

Note No 27 – factors and events which have a significant impact on the financial results in the current reporting period

In 2012, a significant impact on the performance of the Issuer has the result of the sale of shares of company Elektromontaż Kraków S.A. to subsidiary Prochem Inwestycje Sp. z o.o. (100% subsidiary). Result on transaction recognized as profit from the sale of shares in subsidiaries amounted to PLN 7 545 thousand.

Note No. 28 – additional disclosures to the statement of cash flows

As cash and cash equivalents recognized in the cash flow statement is classified cash recognized in the balance sheet in item – Cash and cash equivalents.
Structure of cash shows the table below (in PLN thousand)

	Period ended 31 December 2012	Period ended 31 December. 2011	Change
Cash in hand	72	90	-18
Cash on bank accounts	3 092	15 916	-12 824
Total	**3 164**	**16 006**	**-12 842**

Operating activities include basic and turnover of other operating activity.
Investing activities include the turnover in the scope of investments in plant, property and equipment, intangible assets, equity investments and security 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 on borrowings, loans and leases are recognized in cash flows - financing activities. Financial activity include also received and repaid bank loans and borrowings.

Differences between the amounts directly from the statement 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)

Change in current receivables	**30 660**
Receivables as at 1 January 2012	67 602
Other assets as at 1January 2012	19 131
Receivables from disposal of fixed assets	-79
Opening balance sheet after adjustments	**86 654**
Receivables as at 31 December2012	45 745
Other assets as at 31December 2012	10 768
Receivables from disposal of fixed assets	-123
Prepayment for purchase of apartments - investment	-396
Closing balance sheet after adjustments	**55 994**
Change in current liabilities (except for borrowings, loans and special purpose funds)	**-41 947**
Liabilities as at 1 January 2012	69 995
Other liabilities as at 1 January 2012	1 948
Deferred income as at 1January 2012	2 399
Provision to retirement benefit obligations	-61
Provision to unused annual leaves	-865
Provision to audit of statement	-55
Investment liabilities	-10
Liabilities to shareholders	-1
Opening balance sheet after adjustments	**73 350**
Liabilities as at 31December 2012	29 083
Other liabilities as at 31 December 2012	3 734
Deferred income as at 31 December 2012	11
Provision to retirement benefit obligations	-17
Provision to unused annual leaves	-747
Provision to audit of statement	-55
Provision to other costs	-496
Investment committments	-109
Liabilities to shareholders	-1
Closing balance sheet after adjustments	**31 403**

Amounts due to subsidiary Irydion from purchase of shares were compensated against amounts of loans granted by Prochem S.A., and trade receivables covering tender documentation and investment project and other receivables. Offsetting/deduction of investment commitments from receivables were recognized in the statement of cash flows in item

Other adjustment :

I Other adjustments, compensation		
Purchase of financial assets	-	5 000
Repayment of granted lond with interest		5 778
Granted loans with interest	-	4 413
Total compensation/deduction	**-**	**3 635**
II Other adjustments	**-**	**54**
Total other adjustments	**-**	**3 689**

Note No. 29 – operating segments

Operating segment is a component part of the entity:
• that engages in business activity from which it can obtain income and incur expenses,
• whose operating results are regularly reviewed by the body responsible for making operating decisions of the company,
• for which are available separate financial information.
Income of the segment is income from sale to external customers.
Segment expenses are expenses that include costs relating to the sale to external customers.

Segment result is determined on the level of as operating income
For the purpose of managing the company's activity was divided into four main operating divisions such as: construction management(general contracting), engineering and design and other engineering services (supervisions along with project management), the lease of the construction equipment and other activity including among others the income from the sublet, sale of photocopy services and other.
As assets of the segment are classified assets used by the segment which comprise mainly receivables, inventories and property, plant and equipment less provisions and impairment losses.
Some of the assets in the common use are assigned to the segments based on reasonable weights.

There were neither income from activity outside Polish borders in the period from 1 January 2012 to 31 December 2012 nor income from sales of goods and service in corresponding period of the previous year.
Detailed information on the activities of Prochem S.A. in the individual sections are shown in the following tables.

An analysis of income and results of the Company's reportable segments as below.

Current period from 1 January to 31 December 2012

For the period from 1 January to 31 December 2012	General contracting	Design and engineering services	Rental of construction equipment	Other	Items not assigned	Total
Revenue on behalf of external customers	59 263	19 034	4 036	3 073	-	85 406
Total income of the segment	**59 263**	**19 034**	**4 036**	**3 073**	**-**	**85 406**
Result						
Profit (loss) of the segment	**29**	**-6 595**	**1 792**	**362**	**-**	**-4 412**
Financial income	-	-	-	-	8 627	8 627
Finance costs	-	-	-	-	-1 335	-1 335
Net financial income	-	-	-	-	7 292	7 292
Profit from other operations	-	-	-	-	-1 002	-1 002
Profit before tax	-	-	-	-	1 878	1 878
Income tax	-	-	-	-	-1 178	-1 178
Profit for the current period	-	-	-	-	**3 056**	**3 056**
Assets and liabilities						
Assets of the segment (associated with activity)	36 572	4 554	3 117	1 049	-	45 292
Assets not assigned/not allocated (among others shares, stocks and other financial assets)	-	-	-	-	64 355	64 355
Total assets	**36 572**	**4 554**	**3 117**	**1 049**	**64 355**	**109 647**
Liabilities of the segment (associated with activity)	24 648	3 270	101	1 237	-	29 256
Liabilities not assigned	-	-	-	-	10 361	10 361
Equity	-	-	-	-	70 030	70 030
Total equity and liabilities	**24 648**	**3 270**	**101**	**1 237**	**80 391**	**109 647**
Depreciation of tangible fixed assets	111	70	263	-	316	760
Amortization of intangible fixed assets	-	-	-	-	65	65
Impairment of assets of the segment (receivables from supplies and services)	-66	-21	-2 973	-572	-	-3 632

Comparative period from 1January to 31 December 2011

For the period from 1 January to 31 Dec. 2011	General contracting	Design and engineering services	Rental of construction equipment	Other	Items not assigned	Total
Revenue on behalf of external customers	97 537	20 562	7 432	2 099	-	127 630
Total income of the segment	**97 537**	**20 562**	**7 432**	**2 099**	**-**	**127 630**
Result						
Profit (loss) of the segment	**2 592**	**-6 529**	**4 325**	**-**	**-**	**388**
Financial income	-	-	-	-	3 626	3 626
Finance costs	-	-	-	-	1 169	1 169
Net financial income	-	-	-	-	2 457	2 457
Profit from other operations	**-**	**-**	**-**	**-**	**1 062**	**1 062**
Profit before tax	-	-	-	-	3 907	3 907
Income tax	-	-	-	-	697	697
Profit for the current period	**-**	**-**	**-**	**-**	**3 210**	**3 210**

Assets and liabilities						
Assets of the segment (associated with activity)	56 928	5 343	4 062	350	-	66 683
Assets not assigned/not allocated (among others shares, stocks and other financial assets)	-	-	-	-	74 882	74 882
Total assets	**56 928**	**5 343**	**4 062**	**350**	**74 882**	**141 565**
Liabilities of the segment (associated with activity)	68 537	406	398	654	-	69 995
Liabilities not assigned	-	-	-	-	4 731	4 731
Equity	-	-	-	-	66 839	66 839
Total equity and liabilities	**68 537**	**406**	**398**	**654**	**71 570**	**141 565**
Depreciation of tangible fixed assets	101	105	512		585	1 303
Amortization of intangible fixed assets	-	-	-	-	90	90
Impairment of assets of the segment (receivables from supplies and services)	-482	-309	-1 926	-257	-	-2 974

As a result of realized losses on the basic operations (segments) in the amount of PLN 4 412 thousand the Company analyzed its assets for any impairments. Property, plant and equipment and intangible assets are only 2% of the Company's assets – contracts from a general contractor segment are executed by means of subcontractors' assets.
Assets allocated to individual segments are mainly trade and other receivables and other current assets, including gross amounts due from orderers for work arising from construction contracts which are in progress at the balance sheet date. The Company analyzed the assets as at balance sheet date and for all doubtful receivables write-downs were created what was presented and described in Note No 8.
Unallocated assets are primarily shares in subsidiaries, associates and loans to subsidiaries. With respect to above mentioned assets there is no evidence of the possible loss of value as at the balance sheet date except for shares in companies PRO-ORGANIKA Sp. z o.o. and TEOMA S.A., for which write-downs have been created (see Note 4).
In addition, the Company has carried out the analysis as at the balance sheet date of all contracts for construction work for the budgeted results. For all contracts in which the budgeted cost exceeded budgeted income, the Company created provisions to losses as at balance sheet date (see Note No 17).

Note No. 30 - profit per one share

Net profit per 1 share in trading as at balance sheet date 31 December 2012 amounts to PLN 0.78; in 2011 profit was PLN 0.82.

Note No. 31 - distribution of profit

Issuer's net profit for 2011 in the amount of PLN 3 209 886.28 pursuant to Resolution No 5 of the Ordinary General Meeting on June 2, 2012 was allocated to capital reserves.

Proposed distribution of profit for 2012

Net profit for the year 2012 in the amount of PLN 3 056 thousand is proposed to allocate for:

- the dividend (0.78 PLN per share) - PLN 3 038 thousand,
- the capital reserve - PLN 18 thousand.

Note No. 32 - dividends

For the year 2012 Issuer did not pay any dividend.

Note No.33 - financial instruments and financial risk management

33.1 Categories and classes of financial instruments

Financial assets

As at 31 December 2012		**Categories of financial instruments**	
(in PLN thousands)		**Loans, receivables and other**	**Total**
Classes of financial instruments	**Note No.**		
Receivables from supplies and services	8	45 291	45 291
Cash	28	3 164	3 164
Loans granted	6 and 9	27 736	27 736
Total		**76 191**	**76 191**

As at 31 December 2011		**Categories of financial instruments**	
(in PLN thousands)		**Loans, receivables and other**	**Total**
Classes of financial instruments	**Note No**		
Receivables from supplies and services	8	65 375	65 375
Cash	28	16 006	16 006
Loans granted	6 and 9	20 361	20 361
Total		**101 742**	**101 742**

Financial liabilities

As at 31 December 2012		**Categories of financial instruments**		
(in PLN thousands)		**Financial liabilities measured at amortized costs**	**Liabilities excluded from IAS 39**	**Total**
Classes of financial instruments	**Note No**			
Credits	15	6 347	-	6 347
Liabilities from supplies and services	16	29 083	-	29 083
Total		**35 430**	**-**	**35 430**

As at 31 December 2011

(in PLN thousands)		Categories of financial instruments: Financial liabilities measured at amortized costs	Liabilities excluded from IAS 39	Total
Classes of financial instruments	**Note No.**			
Liabilities from supplies and services	16	69 995	-	69 995
Total		**69 995**	**-**	**69 995**

Impairment of financial assets by class of financial instruments

(in PLN thousands)	As at 31 December 2012	As at 31 December 2011
Receivables from supplies and services	(3 632)	(2 974)

Impairment of financial assets were presented in Notes 8 and 9.

Fair value of financial instruments

(in PLN thousands)	As at 31 December 2012 Fair value	As at 31 December 2012 Book value	As at 31 December 2011 Fair value	As at 31 December 2011 Book value
Financial assets				
Receivables from supplies and services	45 291	45 291	65 375	65 375
Cash	3 164	3 164	16 006	16 006
Other financial assets	27 736	27 736	20 361	20 361
Total	**76 191**	**76 191**	**101 742**	**101 742**
Financial liabilities				
Loans	6 347	6 347	-	-
Liabilities from supplies and services	29 083	29 083	69 995	69 995
Total	**35 430**	**35 430**	**69 995**	**69 995**

As at 31 December 2012 the Company owns shares in companies which are not listed on the stock exchange (active markets), for which it is not possible to determine a reliable fair value. The value of shares is included in statement of financial position at cost less impairment losses in the amount of PLN 15 734 thousand. In the comparative period the value of shares was PLN 11 914 thousand. These shares are valued at cost, which is lower than the expected fair value at the date of sale.

Granted loans, financial liabilities from loans and other financial instruments are measured at fair value using discounted cash flows. Determined fair value of these financial instruments is approximate to the book value.

The fair value of receivable from supplies and services is estimated as the present value of future cash flows discounted using a market interest rate as at the reporting date. Book value is the fair value of these values.

Operating lease

The company is a party to the lease of office space. This agreement has been classified as operating lease. It has been concluded for a period of 10 years. It includes additional fees for additional services that are settled once a year. Rent under the contract once a year is indexed by the Harmonized Index of Growth of Consumer Goods Price in the European Union (index), published two months before the date of indexation.
Part of leased office space is subleased. The lease and sublease agreements expire in 2015.
During the year in the statement of comprehensive income for 2012 was recognized the amount of PLN 2 852 thousand as the cost of fees, in 2011 this amount was PLN 3 483 thousand.
Revenue from sublease is recognized in operating income.

During the year 2012 in statement of comprehensive income was recognized the amount of PLN 769 thousand as income from the sublease, in the year 2011 the amount was PLN 665 thousand.
As of January 18, 2011 the company is a party to an agreement with Toyota Leasing Polska sp. z o.o., on the rental of passenger cars. As at 31 December 2012 lease agreements cover 46 company cars.
During the year in the statement of comprehensive income for 2012 was recognized the amount of PLN 688 thousand as the cost relating to rental of cars, and in 2011 the amount of PLN 439 thousand.

Minimal payments under non-cancellable operating leases are as follows:

Operating lease agreement in which the Company is the lessee

In PLN thousands	**2012**	**2011**
Up to 1 year	3 502	3 881
1-5 years	5 478	8 341
More than 5 years	-	-

Operating lease agreement in which the Company is the lessor

In PLN thousands	**2012**	**2011**
Up to 1 year	774	626
1-5 years	1 225	1 617
More than 5 years	-	-

33.2. Financial Risk Management

The Company's operations are exposed to the following financial risks:
- credit risk;
- liquidity risk;
- market risk (including currency risk, interest rate risk).

Credit risk

The Company conducts its commercial activity, through selling its services to economic subjects with deferred payments what may result in the risk of non-payment from customers for the provided services. The company, in order to minimize the credit risk manages the risk by obligatory procedure of gaining hedging .
The accepted period of the repayment of amount due associated with the normal course of the sale is 14 - 60 days.
Amounts due from contracting parties are being regularly monitored by financial services. In case of overdue amounts due procedures of the vindication are started.
The aging analysis of trade receivables that are past due at the end of the reporting period but for which no impairment has been stated are presented in Note No. 8
In order to lower the risk of not recovering receivables for supplies and services the Company receives security from its clients in the form among others: bank and insurance guarantees, of mortgages and bills of exchange and the security deposits.
For the improvement of current liquidity, with the objective of the release the receivables which were seized by investors on account of the proper securing of implemented agreements and the statutory warranty for construction and assembly work, the Company grants bank guarantees and guarantees insurance within frames of guarantee lines which were launched for that purpose.
The credit risk associated with cash and bank deposits is considered by the Company as low.
All entities in which the Company invests available funds operate in the financial sector. These include domestic banks and branches of foreign banks with current loan credibility of the highest quality.

The credit risk, resulting from loans granted inside the group is regarded by the Company as low, due to the fact that the loans are designed for a specific purpose such as the purchase of investment property. In some cases when the subordinated entity is not fulfilling its obligations under bank loans in the long period, the Issuer shall make write-down for impairment of loans and accrued interest on the loan. Changes in write-downs for impairment of loans were presented in Note No 9.
The Management Board believes that the risk of impaired financial assets is reflected by making impairment allowance. Information on impairment allowances for financial assets is presented in Note 32.1.

Liquidity risk

The Group is exposed to the liquidity risk resulting from the relation of current liabilities to current assets.
As at 31 December 2012 and 31 December 2011, the index of ratio of current assets to current liabilities (current liquidity ratio) was respectively 1.64 and 1.44.
Detailed information regarding loans is disclosed in Note 14
Analysis of liabilities by maturity in Notes 13, 14 and 15.

Exchange rate risk

Part of contracts for sale of services is concluded with foreign companies in foreign currencies (EUR, US$). In case of a significant strengthening of the domestic currency it may adversely affect the performance of the Company. Partly, this risk is eliminated in the natural way through the purchase of equipment and services necessary for the accomplishment of these contracts abroad, as well as through the purchase of relevant financial instruments.

Exposure to currency risk as at 31 December 2012

(in PLN thousands)	EUR	USD	NOK	Total converted to PLN
Financial assets				
Receivables from supplies and services	67	-	-	274
Cash	286	2	88	1 232
Total	**353**	**2**	**88**	**1 506**
Financial liabilities				
Liabilities from supplies and services	92	-	-	376
Total	**92**	**-**	**-**	**376**

Exposure to currency risk as at 31 December 2011

(in PLN thousands)	EUR	USD	NOK	Total converted to PLN
Financial assets				
Receivables from supplies and services	13	-	-	51
Cash	94	24	88	556
Total	**107**	**24**	**88**	**607**
Financial liabilities				
Liabilities from supplies and services	344	-	-	1 521
Total	**344**	**-**	**-**	**1 521**

Analysis of sensitivity to currency risk as at 31 December 2012

(in PLN thousands)	Increase in exchange rate	Total impact on profit before tax	Drop in the exchange rate	Total impact on profit before tax
EUR/PLN	15%	160	15%	-160
USD/PLN	15%	1	15%	-1
NOK/PLN	15%	7	15%	-7
Total impact		**168**		**-168**

Analysis of sensitivity to currency risk as at 31 December 2011

(in PLN thousands)	Increse in exchange rate	Total impact on profit before tax	Drop in the exchange rate	Total impact on profit before tax
EUR/PLN	15%	-157	15%	157
USD/PLN	15%	12	15%	-12
NOK	15%	7	15%	-7
Total impact		**-138**		**138**

Exposure to currency risk of revenues and expenses during the reporting period

Revenues and expenses of Prochem SA are primarily expressed in Polish currency. Income in foreign currency achieved in the currency in 2012 and 2011 were as follows:

currency	**income**		**Average exchange rate for sales**		**expenses**		**Average exchange rate for purchases**	
(in PLN thousands)	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
EUR	2 230	3 170	4.2211	4.2656	1 243	2 374	4.1964	4.1317
USD	-	-	-	-	5	5	3 2094	2.9984

The main foreign currency in the reporting period is EUR.
Analysis of the impact of the possible change in value of financial instruments as at 31 December 2012, on the gross profit in relation to hypothetical changes in foreign currency exchange rates in relation to Polish Zloty/functional currency.
These deviations were measured based on historical volatility of various currencies and forecasts.
Sensitivity of financial instruments to currency risk is measured as the difference between the initial book value of financial instruments and its possible book value measured at using assumed increases / decreases in exchange rates.
For other currencies the sensitivity of financial instruments is unessential.

Interest rate risk

The Company is exposed to the risk of volatility of cash flows arising from interest rate resulting from bank loans based on floating interest rate WIBOR ON (overnight) and granted loans based on variable rate WIBOR 6M and rediscount rate. The Company does not consider in its analysis the decline in interest rates.

Analysis of financial instruments with variable interest rates

	WIBOR		**rediscount of bills of exchange**	
(in PLN thousands)	**As at 31 December 2012**	**As at 31 December 2011**	**As at 31 December 2012**	**As at 31 December 2011**
Financial assets				
Loans granted	27 192	19 830	145	139
Financial liabilities				
loans	6 347	-	-	-

Analysis of cash flow sensitivity of financial instruments with variable interest rates on profit before tax

	Assumed deviations		**inflows (in PLN thousands)**	
	As at 31 December 2012	**As at 31 December 2011**	**As at 31 December 2012**	**As at 31 December 2011**
Financial assets				
WIBOR	+50 base point	+50 base point	136	80
Rediscount rate	+50 base point	+50 base point	1	1
Financial liabilities				
loans	+50 base point	+50 base point	(32)	-

Liquidity risk associated with litigation with PERN S.A.

In view of the substantial extension of legal proceeding in a dispute with PERN SA which began in 2006, and currently is conducted before the District Court in Warsaw on the accounting for the contract interrupted on 10 November 2005 for the general implementation of an investment project t under the name "Pipeline in a section from the ST-1 Adamowo - to Plebanka raw material base", exists the need to fulfill in 2013 by Prochem the commitments concerning seized guarantee deposits of subcontractors, which as at the balance sheet date amount to PLN 6 586 thousand, before recovery of the security deposit retained by PERN SA. Amounts due under the deposit of Prochem SA from PERN SA as at 31 December 2012 amount to PLN 17 364 thousand.
Board of Prochem SA considers the need to accumulate adequate funds for this purpose. A detailed description of the litigation was presented in Note 38.

Note No. 34 - related party transactions

In 2012 members of the Supervisory Board and Management Board didn't conclude contracts with companies belonging to PROCHEM SA Capital Group.

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

Settlements with affiliated entities include receivables and trade and financial liabilities.

Guarantees and sureties granted to affiliated entities are presented in Note No 35.

Transactions with subsidiaries

Data for the reporting period

As at 31 December 2012 the settlement of accounts of the Issuer with subsidiaries directly or indirectly developed as follows:

Receivables from non-current loans with interest - PLN 26 985 thousand,
Receivables from current loans with interest - PLN 553 thousand,
Trade and other receivables - PLN 9 004 thousand
Trade payables - PLN 1 920 thousand.

In period from 1 January 2012 to 31 December 2012 the following transactions of the Issuer with
subsidiaries directly or indirectly took place:
sale and purchase of construction services,
sale of other services (rental of space),
Total income from these transactions amounted to – PLN 4 286 thousand,
Income from accrued interest on loans amounted to - PLN 739 thousand,
The remuneration due to valorization of the contract value – PLN 215 thousand,
Financial income – profit on disposal of shares of the company Elektromontaż Kraków S.A. – PLN 7 545 thousand
(see Note No. 27)
Other operating income – PLN 79 thousand,
Received dividends – PLN 3 thousand,
Cost of services sold – PLN 4 286 thousand

Comparative data

As at 31 December 2011 the settlement of accounts of the Issuer with subsidiaries directly or indirectly developed as follows:
Receivables from non-currentloans with interest - PLN 18 923 thousand,
Receivables from currentloans with interest – PLN 1 240 thousand,
Trade other receivables - PLN 8 463 thousand
Trade payables - PLN 12 746 thousand.

In period from 1 January 2011 to 31 December 2011 the following transactions of the Issuer with subsidiaries directly or indirectly took place:
- sale and purchase of construction services,
- sale of other services (rental of space),

Total income from these transactions amounted to – PLN 1 006 thousand
Income from accrued interest on loans amounted to - PLN 822 thousand
The remuneration due to valorization of the contract value - PLN 187 thousa
Received dividends – PLN 3 thousand,
Cost of services sold – PLN 10 424 thousand.

Transactions with associated entities

Reporting period

In the period from 1 January 2012 to 31 December 2012 transactions with associated entities

under financial income took place – guarantee fee - in the amount of PLN 3 thousand.
As at 31 December 2012 the settlement of accounts of the Issuer with subsidiaries directly or indirectly under trade payables and trade receivables did not occur.

Comparative data

In period from 1 January 2011 to 31 December 2011 the following transactions of the Issuer with subsidiaries directly or indirectly took place:

- sale of construction services

Total income from these transactions amounted to – PLN 10 thousand,
Income from accrued interest on loans amounted to – PLN 4 thousand.

As at 31 December 2011 the settlements with associated entities directly and indirectly under trade payables and receivables did not occur.

Note No. 35-contingent liabilities and contingent assets

Contingent liabilities include - bank guarantee of good performance, of repayment of the advance, of payment, tender guarantee, as well as bill of exchange surety of good performance of contract, which as at the balance sheet date are as follows:

Contingent liabilities

	As at	
Title	**31 December 2012**	**31 December 2011**
Bank guarantee of good performance	12 774	8 353
Guarantee of payment	1 035	832
Tender guarantee	-	450
Warranty protecting obligations under the warranty and guarantee – given on behalf of associate	286	-
Total guarantees	**14 095**	**9 635**
L/C for deliveries	-	1 719
Total contingent liabilities	**14 095**	**11 354**

In the year 2012 Issuer has recorded an increase in contingent liabilities by the amount of PLN 2 741 thousand.

Contingent assets

Contingent assets include bank guarantees of good performance which as at the balance sheet date amount to:

	As at	
Title	**31 December 2012**	**31 December 2012**
Bank guarantee of good performance	2 078	3 768
Guarantees of bills of exchange securing terms of the agreement	577	4 198
Total contingent assets	**2 655**	**7 966**

In 2012 Issuer recorded decline in contingent assets by the amount of PLN 5 311 thousand.

Note No. 36 – events after the reporting date

On 28 February 2013 a resolution was adopted on the dissolution and the liquidation of the company PRO-PLM Sp. of o.o. subsidiary directly and indirectly 100%. Liquidation of the company will have no impact on the financial results of the Issuer.

On 3 April 2013 the shareholders of the subsidiary IRYDION Sp. o.o. adopted the resolution on increase the share capital by PLN 4 500 thousand through the issue of 4 500 of new shares with a nominal value of PLN 1 000 each. New shares were subscribed as follows:

- 4 499 shares at the issue price of PLN 14 996.5 thousand were purchased by Look Finansowanie Inwestycji S.A. based in Wrocław,
- 1 share at the issue price of PLN 3.5 thousand was purchased by Prochem S.A.

After the increase, the share capital of IRIDION Ltd. amounts to PLN 9 000 thousand. After changes in the Statutes of the company the Issuer's participation in share capital and the voting rights decreased to 50%.

On 3 April 2013 company Irydion Sp. z o.o. concluded agreement on loan with shareholder Look Finansowanie Inwestycji S.A. based in Wrocław under which Look Finansowanie Inwestycji S.A. up to 30 September 2013 will grant a loan in the amount of PLN 15 000 thousand, with time of repayment till 30 September 2018. Interest on loan does not differ from market conditions. Cash gained from issue of new shares as well as loan will be earmarked for implementation of common investment project of partners of company Irydion Sp. z o.o., i.e. development project under the name - Astrum Biznes Park w Warszawie. The project covers construction, in two stages, of office building on land being property of company Irydion.

Note No. 37 – information on significant proceedings pending before the court

PROCHEM S.A. is still a party to the proceedings before the court for settlement of the interrupted on 10 November 2005 contract for 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 for a final settlement of contract, of which PLN 17 364 thousand were presented in the statement of financial position as receivable from the seized deposits, and remaining amount as contingent receivables. 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 ordered the District Court to make accounting for the mentioned above contract 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 ultimately settle 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, as to which the defendant PERN lodged a complaint.

According PERN SA the opinion could not be the basis of the facts of the Court, because it is contrary to the thesis of the Court, which indicated the basis and scope of the opinion.
The Court of Appeal in Warsaw, I Civil Division annulled the decision of the District Court claimed by PERN S.A. and request for remuneration of an expert for 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 require the parties to submit the pleadings clarifying the final conclusions of evidence to complement the expert opinions and postponed the hearing until 16 May 2013.
By order dated February 25, 2013, the District Court in Warsaw XXVI Economic Department upheld the previous decision of the Court, and finally 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 carefully explained the methodology that has been adopted for the preparation of the legal opinion and is not inconsistent with the thesis of the Court, and there are no legitimate grounds to complain that the methodology adopted by the experts is wrong.

Total value of this proceeding exceeds 10% of the equity of the Issuer.
In addition, the total value of the other proceedings separately for the liabilities and for the debts does not exceed 10% of the equity of the Issuer.

Note No. 38 – approval of the financial statements

Separate financial statements of Prochem S.A. for 2012 were approved by the Management Board of Prochem S.A. on 24 April 2013.

Other supplementary data to financial statements

Remuneration of the Members of Management Board and Supervisory Board

The amount of remuneration paid 2012 in the Issuer's enterprise to the Members of Management Board:

1. Jarosław Stępniewski	PLN 427 thousand: including remuneration established on profit achieved in 2011.-PLN 37 thousand,
2. Marek Kiersznicki	PLN 247 thousand : including remuneration established on profit achieved in 2011.- PLN 29 thousand,
3. Krzysztof Marczak	PLN 247 thousand : including remuneration established on profit achieved in 2011.- PLN 29 thousand.

The amount of remuneration paid in 2012 in the Issuer's enterprise to the Members of Supervisory Board :

1. Karczykowski Andrzej	PLN 56 thousand : including remuneration established on profit achieved in 2011 – PLN 26 thousand,
2. Marek Garliński	PLN 128 thousand: including remuneration established on profit achieved in 2011 – PLN 26 thousand,
3. Dariusz Krajowski-Kukiel	PLN 56 thousand : including remuneration established on profit achieved in 2011 – PLN 26 thousand,
4. Krzysztof Obłój	PLN 56 thousand : including remuneration established on profit achieved in 2011 – PLN 26 thousand

5. Adam Parzydeł PLN 56 thousand : including remuneration established on profit achieved in 2011 – PLN 26 thousand.

The amount of remuneration paid to members of Management Board in 2012 for performing the function in the Management and Supervisory Boards of companies belonging to the Capital Group :

1. Jarosław Stępniewski PLN 59 thousand
2. Marek Kiersznicki PLN 152 thousand
3. Krzysztof Marczak PLN 175 thousand

Signatures of the Members of the Management Board

24 April 2013	Jarosław Stępniewski	Chairman of the Board	....
date	first name and surname	position	signature
24 April 2013	Marek Kiersznicki	Vice Chairman of the Board	....
date	first name and surname	position	signature
24 April 2013	Krzysztof Marczak	Vice Chairman of the Board	....
date	first name and surname	position	signature

Signature of the person responsible for bookkeping

24 April 2013	Barbara Auguścińska-Sawicka	Chief Accountant	....
date	first name and surname	position	signature