

## **REPORT FOR THE FIRST HALF OF 2013**

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- Interim condensed consolidated financial statements of Prochem S.A. Capital Group as at and for the period of six months ended 30 June 2013

and

- Selected financial data
- Statement of the Management Board
- Report of Management Board on activities of Prochem S.A. Capital Group in the first half of 2013

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

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

## Selected financial data

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

- for the first half of 2013 - 4.2140 PLN/EUR
- for the first half of 2012 - 4.2246 PLN/EUR

Balance sheet data were converted at the average exchange rate announced by the Chairman of the National Bank of Poland as at the date of financial statements, which as at the balance sheet date amounted to:

- 4.3292 PLN/EUR as at 30 June 2013
- 4.0882 PLN/EUR as at 31 December 2012

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

Description	Reporting period ended 30 June		Reporting period ended 30 June	
	2013	2012	2013	2012
	in PLN thousands		In EUR thousands	
<b>Consolidated profit and loss account</b>				
Revenues from sales	62 109	76 933	14 739	18 211
Gross profit on sales	7 021	8 790	1 666	2 081
Results from operating activities	2 156	-2 307	512	-546
Profit (loss) before tax	1 839	-1 028	436	-243
Profit for the period, assigned to:	1 426	-2 181	338	-516
Shareholders of parent entity	1 342	-2 576	318	-610
Minority interest	84	395	20	93
Profit/diluted profit per share (in PLN/EUR) – assigned to shareholders of parent entity	0.34	-0.66	0.08	-0.16
<b>Consolidated statement of cash flows</b>				
Net cash provided by (used in) operating activities	20 817	-16 555	4 940	-3 919
Net cash provided by (used in) investing activities	1 226	-308	291	-73
Net cash provided by (used in) financing activities	-69	2 214	-16	524
Total cash flow, net	21 974	-14 649	5 215	-3 468

Description	Reporting period ended		Reporting period ended	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012
	in PLN thousands		in EUR thousands	
<b>Consolidated statement of financial position</b>				
Total assets	206 254	186 106	47 643	45 523
Total non-current assets	97 488	100 721	22 519	24 637
Total current assets	108 766	85 385	25 124	20 886
Owners' equity	108 598	110 410	25 085	27 007
Minority interest	13 438	13 678	3 104	3 346
Total equity	122 036	124 088	28 189	30 353
Total non-current liabilities	5 342	7 751	1 234	1 896
Total current liabilities	78 876	54 267	18 220	13 274
Book value per share (in PLN/EUR) – attributable to owners of parent entity	27.88	28.35	6.44	6.93
Weighted average number of ordinary shares (units)	3 895 000	3 895 000	3 895 000	3 895 000

## **Statement of the Management Board**

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

As required under the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Journal of Laws No. 3, item 259 with amendments) Prochem S.A. Management Board declares hereby that according to their best knowledge:

- interim condensed consolidated financial statements of Prochem S.A Capital Group for the first half of 2013 and comparable data have been prepared in accordance with International Accounting Standard 34 „Interim Reporting” as adopted by the European Union and presents a true and fair view of financial position and financial performance;

- Report of the Management Boards on Activities of Prochem S.A. Capital Group in the first half of 2013 presents a true picture of the development, achievements and financial position of the Group, including a description of the main risks and threats.

### **Statement by the Management Board on the entity authorized to audit the interim condensed consolidated financial statements**

Management Board of Prochem S.A. states that KPMG Audyt Sp. z o. o. Sp. k., entity authorized to audit financial statements has been selected in accordance with legal regulations and that the entity and the certified auditors conducting the review of the interim condensed consolidated financial statements of Prochem SA Capital Group met the conditions for issuing of an impartial and independent report from audit in accordance with relevant legal regulations.

Vice Chairman  
Krzysztof Marczak

Vice Chairman  
Marek Kiersznicki

Chairman  
Jarosław Stępniewski

Warsaw, 30 August 2013

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF  
PROCHEM S.A. CAPITAL GROUP**

**As at and for the period ended 30 June 2013**

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

## Consolidated statement of financial position as at 30 June 2013

(all amounts in PLN thousands if not stated otherwise)

	Note No	As at 30 June 2013	As at 31 December 2012
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	1	26 165	26 275
Intangible assets		331	296
Investment properties	2	33 603	70 178
Shares		843	843
Shares in equity accounted investees	3	23 731	1 116
Deferred tax assets	4	1 667	2 013
Other financial assets		11 148	-
<b>Total non-current assets</b>		<b>97 488</b>	<b>100 721</b>
<b>Current assets</b>			
Inventories	5	8 312	4 512
Trade and other receivables	6	56 038	59 597
Other financial assets		299	198
Other assets	7	15 347	14 282
Cash and cash equivalents		28 770	6 796
<b>Total current assets</b>		<b>108 766</b>	<b>85 385</b>
<b>Total assets</b>		<b>206 254</b>	<b>186 106</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	8	3 895	3 895
Revaluation reserve		10 998	11 063
Retained earnings		93 705	95 452
<b>Owners' equity</b>		<b>108 598</b>	<b>110 410</b>
<b>Minority interest</b>		<b>13 438</b>	<b>13 678</b>
<b>Total equity</b>		<b>122 036</b>	<b>124 088</b>
<b>Non-current liabilities</b>			
Provision for deferred income tax	4	2 922	5 467
Provisions for retirement and similar benefits		1 937	1 876
Other provisions		21	41
Other non-current liabilities		462	367
<b>Total non-current liabilities</b>		<b>5 342</b>	<b>7 751</b>
<b>Current liabilities</b>			
Current bank loans	9	7 948	7 526
Current borrowings		61	29
Trade payables	10	31 266	34 983
Liabilities for current income tax		37	101
Other liabilities		9 013	8 065
Deferred income	11	30 551	3 563
<b>Total current liabilities</b>		<b>78 876</b>	<b>54 267</b>
<b>Total liabilities</b>		<b>84 218</b>	<b>62 018</b>
<b>Total equity and liabilities</b>		<b>206 254</b>	<b>186 106</b>
Weighted average number of ordinary shares (units)		3 895 000	3 895 000
Book value per share (in PLN) – attributable to shareholders of parent entity		27.88	28.35

**Consolidated profit and loss account for the period from  
1 January 2013 to 30 June 2013**

(all amounts in PLN thousands if not stated otherwise)

	Note No	Period ended 30 June 2013	Period ended 30 June 2012
Revenues from sale, including:		62 109	76 933
Revenues from sale of services		58 599	73 978
Revenue from sale of goods and materials		3 510	2 955
Cost of sales, including :		-55 088	-68 143
Cost of services sold	12	-52 123	-65 516
Cost of merchandise and raw materials		-2 965	-2 627
<b>Gross profit on sales</b>		<b>7 021</b>	<b>8 790</b>
General and administrative expenses		-7 607	-7 764
Other operating income	13	3 022	391
Other operating expenses	14	-280	-3 724
<b>Results from operating activities</b>		<b>2 156</b>	<b>-2 307</b>
Financial income	15	730	1 293
Loss on disposal of shares in subsidiaries		-290	-
Finance expenses	16	-864	-334
Share of profit of entities valued with equity method		107	320
<b>Profit (loss) before tax</b>		<b>1 839</b>	<b>-1 028</b>
Income tax expense:		413	1 153
- current tax		267	176
- deferred tax		146	977
<b>Profit for the period</b>		<b>1 426</b>	<b>-2 181</b>

Profit (loss) for the period attributable to :

Shareholders of parent entity	1 342	-2 576
Minority interest	84	395
Profit (loss)/diluted profit per share (in PLN per share) attributable to owners of parent entity	0.34	-0.66

**Consolidated statement of comprehensive income**

<b>Profit for the period</b>	<b>1 426</b>	<b>-2 181</b>
<b>Other comprehensive income (net):</b>	<b>-97</b>	<b>-</b>
<b>Other comprehensive income that will not be reclassified to profit or loss:</b>	<b>-97</b>	<b>-</b>
Actuarial losses on valuation of provisions for employee benefits	-108	-
Income tax on other comprehensive income	11	
<b>Total other comprehensive income</b>	<b>1 329</b>	<b>-2 181</b>

Total comprehensive income attributable to :

Shareholders of parent entity	1 256	-2 576
Minority interest	73	395
Weighted average number of ordinary shares (units)	3 895 000	3 895 000
Total comprehensive income per ordinary share (in PLN per share) attributable to owners of parent entity	0.32	-0.66

**Consolidated statement of changes in equity  
for the period from 1 January 2013 to 30 June 2013**

(all amounts in PLN thousands if not stated otherwise)

	Share capital	Rvaluation reserve	Retained earnings	Equity assigned to shareholders of parent entity	Equity assigned to non-controlling interest	Total equity
<b>The reporting period from 1 January 2013 to 30 June 2013</b>						
<b>As at the beginning of the period</b>	<b>3 895</b>	<b>11 063</b>	<b>95 452</b>	<b>110 410</b>	<b>13 678</b>	<b>124 088</b>
Net profit of the given period	-	-	1 342	<b>1 342</b>	84	<b>1 426</b>
<b>Net other comprehensive income</b>	-	<b>-86</b>	-	<b>-86</b>	<b>-11</b>	<b>-97</b>
<b>Total comprehensive income</b>	-	<b>-86</b>	<b>1 342</b>	<b>1 256</b>	<b>73</b>	<b>1 329</b>
Payment of dividend	-	-	-3 038	<b>-3 038</b>	-242	<b>-3 280</b>
Repurchase of own shares for redemption (Elektromontaż)- change in the structure of participation	-	21	68	<b>89</b>	-112	<b>-23</b>
Other changes – among others the sale of shares of subsidiaries	-	-	-119	<b>-119</b>	41	<b>-78</b>
<b>As at the end of the period</b>	<b>3 895</b>	<b>10 998</b>	<b>93 705</b>	<b>108 598</b>	<b>13 438</b>	<b>122 036</b>

	Share capital	Rvaluation reserve	Retained earnings	Equity assigned to shareholders of parent entity	Equity assigned to non-controlling interest	Total equity
<b>The reporting period from 1 January 2012 to 30 June 2012.</b>						
<b>As at the beginning of the period</b>	<b>3 895</b>	<b>10 371</b>	<b>98 620</b>	<b>112 886</b>	<b>14 206</b>	<b>127 092</b>
Net profit (loss) of the given period	-	-	-2 576	<b>-2 576</b>	395	<b>-2 181</b>
<b>Net other comprehensive income</b>	-	-	-	-	-	-
<b>Total comprehensive income</b>	-	-	<b>-2 576</b>	<b>-2 576</b>	<b>395</b>	<b>-2 181</b>
Payment of dividend	-	-	-	-	-12	<b>-12</b>
Change in the structure of non-controlling interest (shares repurchased by Elektromontaż for redemption)	-	-	805	<b>805</b>	-805	-
Repurchase of own shares for redemption (Elektromontaż)	-	-	-155	<b>-155</b>	-71	<b>-226</b>
Other changes – among others the sale of shares of subsidiaries	-	-	113	<b>113</b>	8	<b>121</b>
<b>As at the end of the period</b>	<b>3 895</b>	<b>10 371</b>	<b>96 807</b>	<b>111 073</b>	<b>13 721</b>	<b>124 794</b>

**Consolidated statement of cash flows for the period from 1 January 2013 to 30 June 2013**

(all amounts in PLN thousands if not stated otherwise)

	<b>Note No</b>	<b>Period ended 30 June 2013</b>	<b>Period ended 30 June 2012</b>
<b>Cash flows – operating activities</b>			
Profit/(Loss) before tax		1 839	-1 028
Total adjustments		19 309	-15 109
Share in profit of entities valued under equity method		-107	-320
Amortisation and depreciation		1 157	1 228
Interest and profit sharing (dividends)		195	114
(Profit) on disposal of property, plant and equipment		-105	-74
(Profit)/loss from investments		408	-1 189
Change in provisions		-844	25
Change in inventories		-3 800	1 137
Change in receivables and other assets		606	8 593
Change in current liabilities, except for loans and borrowings		-5 281	-22 636
Other adjustments (including deferred income)	11	27 080	-1 987
<b>Cash provided by (used in) operating activities</b>		<b>21 148</b>	<b>-16 137</b>
Paid income tax		331	418
<b>Net cash provided by (used in) operating activities</b>		<b>20 817</b>	<b>-16 555</b>
<b>Cash flows – investing activities</b>			
<b>Inflows</b>		<b>2 267</b>	<b>178</b>
Disposal of intangible assets and property, plant and equipment		79	178
Inflows from financial assets, including:		2 188	-
a) in related entities:		332	-
- disposal of financial assets		272	-
- borrowings		60	-
b) in remaining entities :		1 856	-
- disposal of financial assets		1 856	-
<b>Outflows</b>		<b>-1 041</b>	<b>-486</b>
Acquisition of intangible assets and property, plant and equipment		-862	-485
For financial assets, including:		-129	-1
a) in related entities		-100	-
- loans granted		-100	-
- other outflows		-	-1
b) in other entities:		-29	-
- repayment of borrowings		-29	-
Other investment expenses		-50	-
<b>Net cash provided by (used in) investing activities</b>		<b>1 226</b>	<b>-308</b>
<b>Cash flows – financing activities</b>			
<b>Inflows</b>		<b>6 557</b>	<b>4 893</b>
Bank loans		6 521	4 649
Other financial inflows		36	244
<b>Outflows</b>		<b>-6 626</b>	<b>-2 679</b>



<b>Consolidated statement of cash flows cont.</b>	<b>Period ended 30 June 2013</b>	<b>Period ended 30 June 2012</b>
Other, than payments to shareholders, expenses related to distribution of profit	-235	-226
Repayment of loans	-6 098	-2 270
Payment of liabilities under finance lease agreement	-44	-9
Interest	-249	-174
<b>Net cash provided by (used in) financing activities</b>	<b>-69</b>	<b>2 214</b>
Total cash flow, net	21 974	-14 649
Net increase/(decrease) in cash and cash equivalents	21 974	-14 649
<b>Cash and cash equivalents at the beginning of the period</b>	<b>6 796</b>	<b>19 350</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>28 770</b>	<b>4 701</b>

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

### **1. Establishment of the parent company and principal**

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. Management Board and Supervisory authorities of the Parent Company**

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

In the first half of 2013 in the composition of the Management Board and the Supervisory Board have been no changes.

### **3. Employment**

In the first half of 2013 average employment in Prochem Capital Group was 532 FTEs and in the first half of 2012 547 FTEs.

Level of employment in Prochem Capital Group in persons as at 30 June 2013 was 560 and as at 30 June 2012 571.

### **4. Organization of the Capital Group with indication of consolidated entities**

Prochem S.A. Capital Group (hereinafter referred to as „Capital Group”, „Group”), apart from data of parent company comprises the following subsidiaries directly or indirectly:

#### Subsidiaries covered by full consolidation:

- Prochem Inwestycje Sp. z o.o. seated in Warsaw – subsidiary directly (100.0%);
- PRO-INHUT Sp. z o.o. seated in Dąbrowa Górnicza – subsidiary indirectly (93.4%);
- Pro-Organika Sp. z o.o. seated in Warsaw – subsidiary directly (91.4%);
- Prochem Serwis Sp. z o.o. seated in Warsaw – subsidiary indirectly (89.1%);
- PREDOM Sp. z o.o. seated in Wrocław – subsidiary indirectly (81.1% of the capital and profit, 69.4% of the votes);
- Prochem Zachód Sp. z o.o. seated in Słubice – subsidiary directly (60.0%);
- ELPRO Sp. z o.o. Kraków – subsidiary indirectly (85.1%, including 70.3% share in the 50% share of Elektromontaż Kraków);
- Elmont Inwestycje Sp. z o.o. Kraków – subsidiary indirectly (85.1%, including 70.3% share in the 50% share of Elektromontaż Kraków);
- Elektromontaż Kraków S.A. – subsidiary indirectly (70.3%), including 31.6% of the capital and the votes belong to company Prochem Inwestycje subsidiary 100%. Elektromontaż Kraków S.A. prepares consolidated financial report, which contains data of a 100% subsidiary: ELMONT-POMIARY Sp. z o.o. seated in Kraków and two associates ELPRO Sp. z o.o. and Elmont-Inwestycje Sp. z o.o.;
- IRYD Sp. z o.o. seated in Warsaw – subsidiary indirectly 100%;
- ATUTOR Integracja Cyfrowa Sp. z o.o. seated in Warsaw – subsidiary indirectly (87.3% of the share belongs to Prochem Inwestycje Sp. z o.o. 100% subsidiary);
- Prochem RPI Sp. z o.o. seated in Warsaw – 100% subsidiary directly and indirectly;
- PRO PLM Sp. z o.o. in liquidation seated in Warsaw – 100% subsidiary directly and indirectly (50% belongs to Prochem Inwestycje Sp. z o.o. 100% subsidiary).

#### Jointly-controlled entities and associates measured using the equity method:

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

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

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

On 7 January 2013 the company PRO-INHUT sp. z o.o. (subsidiary indirectly) based on the resolution of the Extraordinary Meeting of Shareholders has increased the company's capital by PLN 3 thousand by creating new 6 shares, which were subscribed by minority shareholders. As a result of changes in the articles of association the Issuer's indirect share decreased by 5.6% and is 93.4%.

On 13 February 2013 the company Prochem Inwestycje sp. z o.o. (100% subsidiary of the Issuer) on the basis of the contract of sale of part of the share for redemption, has sold part of its shares in PROMIS for redemption for the amount of PLN 270 thousand. The nominal value of the share was PLN 110 thousand. Associated company ZI Promis Sp. z o.o. was excluded from consolidation with the day of sale.

On 28 February 2013, the Assembly of Partners adopted a resolution on the dissolution and opening the liquidation of the company PRO-PLM Sp. of o.o. 100% subsidiary directly and indirectly.

On April 3, 2013, the General Meeting of Shareholders of IRYDION Sp. of o.o. resolved to increase the share capital by PLN 4 500 thousand, through the issue of 4 500 new shares with a nominal value of PLN 1,000 each. The new shares were subscribed as follows:

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

After the increase the share capital of Irydion sp. z o.o. amounts to PLN 9 000 thousand. After changing the articles of association of the Issuer's share in the capital and the voting rights decreased to 50%

On April 3, 2013 loan agreement was concluded between Irydion Sp. z o.o and shareholder Look Finansowanie Inwestycji S.A. seated in Wrocław under which Look Finansowanie Inwestycji S.A. will grant a loan of PLN 15,000 until 30 September 2013 with the date of repayment till September 30, 2018. The interest rate does not differ from market conditions. The means gained both through the issue of new shares and the borrowing will be used for the implementation of a joint project by the shareholders of company IRYDION Sp. z oo, i.e. a development project - under the name Astrum Business Park in Warsaw. This project involves the construction in two phases, of an office building on the land property, which is owned by the Company IRYDION.

## **5. Adopted accounting policies**

### **Statement of compliance and base for presentation**

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

Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group for the first half of 2013 was prepared according to IAS 34 "Interim Reporting" and Minister of Finance Regulation of 19 February 2009 on current and periodic information provided by issuers of securities and conditions for recognition as equivalent required by the law of a non-Member State (Official Journal no. 33, item 259 ). These interim condensed consolidated financial statements do not contain the information and disclosures required for complete financial statements and should be read together with the financial statements for the year ended December 31, 2012.

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

The duration of each company belonging to Prochem SA Capital Group is not limited.

Financial statements of subsidiaries are prepared for the same reporting period as the financial statements of the parent company, using consistent accounting policies.

The fiscal year of the parent company and the companies belonging to the Group is the calendar year.

The operations of the parent company and the companies belonging to the Group is not seasonal or not subject to cyclical trends except for the segment of the general contracting and rental of construction equipment, which are characterized by seasonality, which is caused to a large extent by atmospheric conditions.

Atmospheric factors have an impact on volume of the revenue achieved in these segments. Lower revenues are achieved during the winter, when the weather conditions do not allow you to perform some construction work.

### ***Principles of preparation of the consolidated financial statements***

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

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

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

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

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

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

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

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

In preparing the interim condensed consolidated financial statements for the first half of 2013 were applied the same accounting principles and the same calculation methods which were applied in the consolidated financial statements of Prochem S.A. Capital Group for the year ended 31 December 2012, with the exception of IAS 1 and IAS 19, with adjustment of the period comparable to the changes in accounting policies and presentation that:

1. had no impact on the financial data presented in the report for the current period and comparable, and were related to:
  - change in the presentation of the statement of comprehensive income resulting from the amendment to IAS 1. Bearing in mind the clarity and readability of the data presented financial Group has decided to present the income and expenses of the reporting period in two statements: a statement which is presenting components in the consolidated profit and loss account and in the statement that begins with profit or loss for the period and presents components of other comprehensive income (consolidated statement of comprehensive income).

- changes in the presentation of other comprehensive income is carried out in two groups, which in accordance with other IFRS:
    - will be reclassified to profit or loss under certain conditions,
    - will not be reclassified to profit or loss,
2. had an impact on amounts presented in prior periods related to amendments to IAS 19 *Employee Benefits* The changes introduced were related to the recognition and presentation of actuarial gains/losses from the valuation of the program of defined post-employment benefits in other comprehensive income and not as yet in profit or loss. Amount of actuarial gains / losses that should be recognized in the revaluation reserve is not a significant therefore data for previous periods were not restated (for the year 2012 PLN 37 thousand).

The Group intends to adopt changes in IFRS which were issued but not yet effective until the date of publication of the interim condensed consolidated financial statements, in accordance with the date of its entry into force. The possible impact of these changes on the future consolidated financial statements of the Group is being analyzed. It is estimated that the amendments to IFRS will not have a significant impact on these financial statements.

#### *Changes in estimates*

In the period of six months of 2013 there were no significant changes in principles and methods of calculation that were used to determine the estimates and in estimates

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

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

## **5. Explanatory notes to interim condensed consolidated financial statements as at and for the period ended 30 June 2013**

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

	<b>As at 30 June 2013</b>	<b>As at 31 December 2012</b>
<b>Property, plant and equipment, including:</b>	<b>26 149</b>	<b>26 260</b>
- land	4 926	4 978
- buildings, premises and civil engineering objects	18 017	18 405
- machinery and equipment	1 778	1 333
- vehicles	846	851
- inne rzeczowe aktywa trwałe	582	693
Construction in progress	16	15
<b>Total property, plant and equipment</b>	<b>26 165</b>	<b>26 275</b>

	<b>As at 30 June 2013</b>	<b>As at 31 December 2012</b>
<b>Property, plant and equipment – ownership structure</b>		
a) own	11 980	11 966
b) used under rental, lease or other agreement , including:	14 185	14 309
- lease	540	356
- lease and rental	13 042	13 350
- the value of perpetual usufruct	603	603
<b>Total carrying amount of property, plant and equipment</b>	<b>26 165</b>	<b>26 275</b>

## Changes in property, plant and equipment

	Change in property, plant and equipment for the period from 1 January 2013 to 30 June 2013	Change in property, plant and equipment for the period from 1 January 2012 to 31 December 2012
<b>Gross value - as at the opening balance sheet</b>	<b>42 983</b>	<b>43 998</b>
Increase (due to)	895	2 071
- purchase	969	1 267
- other changes, including:	-74	804
• revaluation of property, plant and equipment	-	804
decrease (due to)	-627	-3 086
- disposal	-620	-1 529
- liquidation	-7	-1 378
- other changes (including transformation of perpetual usufruct into right of ownership)	-	-179
<b>Gross value as at the closing balance sheet</b>	<b>43 251</b>	<b>42 983</b>
<b>Depreciation and impairment</b>		
<b>Accumulated depreciation – as at the opening balance sheet</b>	<b>16 708</b>	<b>17 367</b>
Depreciation for the period due to:	378	-659
- increase (accrued depreciation)	1 076	2 196
- decrease due to disposal	-619	-1 331
- decrease due to liquidation	-7	-1 317
- other changes (including revaluation of property, plant and equipment)	-72	-207
<b>Accumulated depreciation – as at the closing balance sheet</b>	<b>17 086</b>	<b>16 708</b>
<b>Net value of property, plant and equipment – as at the closing balance sheet</b>	<b>26 165</b>	<b>26 275</b>

## Note No. 2 - Investment properties

	As at 30 June 2013	As at 31 December 2012
Construction in progress	11 316	16 587
Buildings and constructions	4 754	4 754
Value of the land	17 533	48 837
<b>Total investment properties</b>	<b>33 603</b>	<b>70 178</b>

## Investment properties by types

	Change in investment properties for the period from 1 January 2013 to 30 June 2013	Change in investment properties for the period from 1 January 2012 to 31 December 2012
<b>Investment properties - land</b>		
As at the opening balance sheet	48 837	48 740
- net increase due to revaluation of fair value	-	97
- the exclusion due to change in the status of the company from a subsidiary for jointly controlled	-31 304	-
<b>As at the closing balance sheet</b>	<b>17 533</b>	<b>48 837</b>

**Investment properties under construction**

As at the opening balance sheet	16 587	12 303
- change due to:		
a) purchase of the project	-	3 250
b) revaluation up to the fair value	-	-15
c) reclassification of the property building and construction	-	1 049
d) the exclusion due to change in the status of the company from a subsidiary for jointly controlled	-5 271	-
<b>Total increase</b>	<b>-</b>	<b>4 284</b>
<b>As at the closing balance sheet</b>	<b>11 316</b>	<b>16 587</b>
<b>Real estate - buildings and structures</b>		
As at the opening balance sheet	4 754	5 861
- change due to:		
a) revaluation up to the fair value	-	-58
b) reclassification of the property building and construction	-	-1 049
As at the closing balance	4 754	4 754
<b>Total investment properties by types – net value as at the balance sheet date</b>	<b>33 603</b>	<b>70 178</b>

In the first half of 2013 due to the change in the status of the company IRYDION Sp. z o.o. from subsidiary to jointly controlled entity, the Group has made an exclusion from investment properties of this part of the property that were in possession of the company IRYDION Sp. z o.o.

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

<b>Shares in entities valued using equity method</b>	<b>As at 30 June 2013</b>	<b>As at 31 December 2012</b>
- Shares – net value	23 731	1 116
- Write-downs of shares	2 073	2 073
<b>Gross value of shares</b>	<b>25 804</b>	<b>3 189</b>

<b>Change in write-down of shares valued using equity method</b>	<b>As at 30 June 2013</b>	<b>As at 31 December 2012</b>
a) as at the beginning of the period	1 116	1 344
- shares at cost	1 116	1 344
b) increase (due to)	23 149	384
- share in profit or loss of the current year	84	384
- change in the status of the company from subsidiary to jointly controlled	23 065	-
c) decrease (due to)	534	612
- limitation of the losses to the value of the acquired shares	-	14
- payment of dividend	-	18
- disposal of shares in associated entity	534	-
- write-down of shares	-	580
d) net value as at the end of the period	23 731	1 116
e) write-down	2 073	2 073
f) gross value as at the end of the period	25 804	3 189

On April 3, 2013, the General Meeting of Shareholders of IRYDION Sp. of o.o. resolved to increase the share capital by PLN 4 500 thousand, through the issue of 4 500 new shares with a nominal value of PLN 1,000 each. The new shares were subscribed as follows:

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

After the increase the share capital of Irydion sp. z o.o. amounts to PLN 9 000 thousand. After changing the articles of association of the Issuer's share in the capital and the voting rights decreased to 50% and the company Irydion was recognized as jointly controlled entity.

#### **Note No. 4 – Deferred income tax**

Change in provision and deferred tax assets for the first half of 2013 are presented in the following table.

	<b>For the period from 1 January 2013 to 30 June 2013</b>	<b>For the period from 1 January 2012 to 31 December 2012</b>
<b>Deferred tax assets</b>		
As at the beginning of the period	4 496	3 675
Increase	391	2 316
Decrease	-555	-1 495
<b>As at the end of the period</b>	<b>4 332</b>	<b>4 496</b>
<b>Provision to deferred income tax</b>		
As at the beginning of the period	7 950	7 945
Increase	1 221	1 541
Decrease	-3 584	-1 536
<b>As at the end of the period</b>	<b>5 587</b>	<b>7 950</b>
<b>Presentation in the statement of financial position</b>		
	<b>As at 30 June 2013</b>	<b>As at 31 December 2012</b>
Deferred tax assets	1 667	2 013
Provision to deferred income tax	2 922	5 467

#### **Note No. 5 – Inventories**

<b>Inventories</b>	<b>As at 30 June 2013</b>	<b>As at 31 December 2012</b>
Materials	7 595	3 598
Semi-finished goods and products in progress	173	297
Merchandise	544	617
<b>Total inventories</b>	<b>8 312</b>	<b>4 512</b>
Write-down for inventories	285	285



**Note No. 6 – Trade and other receivables**

<b>Trade and other receivables</b>	<b>As at 30 June 2013</b>	<b>As at 31 December 2012</b>
Trade receivables	57 850	59 844
Impairment of trade receivables	-3 847	-4 003
<b>Net trade receivables</b>	<b>54 003</b>	<b>55 841</b>
including:		
- due within 12 months	43 418	42 547
- due in more than 12 months	10 585	13 294
<b>Receivables from taxes, subsidies, duties, social security and health insurance and other benefits</b>	<b>1 144</b>	<b>1 048</b>
Other receivables	3 174	4 985
Impairment of other receivables	-2 283	-2 277
<b>Net other receivables</b>	<b>891</b>	<b>2 708</b>
<b>Total receivables, net</b>	<b>56 038</b>	<b>59 597</b>

<b>Trade and other receivables from related entities</b>	<b>As at 30 June 2013</b>	<b>As at 31 December 2012</b>
Trade, including	2 994	-
- from jointly controlled entities	2 994	-
<b>Total current trade and other receivables from related entities, net</b>	<b>2 994</b>	<b>-</b>
Impairment of receivables from related entities	-	-
	2 994	-
Current trade and other receivables from related entities, gross		

<b>Change in write-down for trade and other receivables</b>	<b>As at 30 June 2013</b>	<b>As at 31 December 2012</b>
<b>As at the beginning of the period</b>		<b>6 280 5 413</b>
a) increase (due to)		33 1 588
- creation of write down for receivables		33 1 588
b) decrease (due to)		183 721
- received payment		21 91
- the use of write-downs created in prior periods		9 213
- other exclusion of company from consolidation (change of status the subsidiary for jointly controlled entity)		153 417
		<b>6 6</b>
		<b>13 280</b>
<b>Write down for current trade and other receivables at the end of period</b>		<b>0</b>

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

As at June 30, 2013, the balance of trade receivables for supplies and services includes overdue receivables with carrying amount of PLN 17 364 thousand as deposit securing statutory warranty, to which the Issuer has not created write-downs, because there has been no significant change in the quality of the debt in relation to previous accounting periods, and therefore shall be considered as recoverable. The issuer has a security in the form of seized deposits under statutory warranty from subcontractors in the amount of PLN 2 928 thousand. For more information, see Note-*Information about significant legal proceedings pending before the court.*

In other receivables is presented an advance towards the purchase, resulting from the preliminary sale agreement concluded as a notarial deed Repertorium A nr 4628/2012, of two apartments for a total net amount of PLN 396 thousand. The agreement was concluded with „Eurobudownictwo” Sp. z o. o. seated in Wrocław.

### **Note No. 7 – other assets**

#### **Other assets by type :**

	<b>As at 30 June 2013</b>	<b>As at 31 December 2012</b>
a) prepayments	924	824
- cost of property and personal insurance	449	376
- software maintenance costs	284	268
- subscriptions	17	34
- deferred costs	89	128
- initial rent under lease agreement	20	11
- other	59	7
- annual fee for stock quotes	6	-
b) other accrued costs and prepayments	14 423	13 458
- amounts due from the ordering parties under of long-term contracts	14 423	13 458
<b>Total other assets</b>	<b>15 347</b>	<b>14 282</b>

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

### **Note No. 8 – Share capital**

<b>SHARE CAPITAL (THE STRUCTURE)</b>							
Series / issue	Type of the share	Type of preference of share	Number of shares	Value of series / issue in nominal value	Coverage of capital	Registration date	Right to dividend (from)
Founding	inscribed	3 votes per 1 share	830	830	cash	23 July 1991	1 October 1991
Founding	inscribed		10 004	10 004	cash	23 July 1991	1 October 1991
Founding	bearer		1 806 666	1 806 666	cash	23 July 1991	1 October 1991
B	inscribed		4 750	4 750	cash	29 July 1993	1 January 1993
B	bearer		677 750	677 750	cash	29 July 1993	1 January 1993
C	bearer		530 000	530 000	cash	20 April 1994	1 January 1994
D	bearer		865 000	865 000	cash	5 September 1994	1 January 1994
<b>Total number of shares</b>			3 895 000				

<b>Total share capital</b>				3 895 000			
<b>Nominal value of 1 share = PLN 1.00ł</b>							

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.

In the first half of 2013 there was no change in the value of the share capital of the Issuer.

According to information in the Company's possession as at the date of the report the following shareholders have at least 5% of the votes at the General Meeting of Shareholders:

<b>Description</b>	<b>Number of shares (units)</b>	<b>% of votes in total number of votes</b>	<b>% of share capital</b>
1. Prochem Holding M. Garliński Spółka Komandytowa	941 213	24.15	24.17
2. Steve Tappan	382 751	9.82	9.83
3. ING Towarzystwo Funduszy Inwestycyjnych SA, including:	358 312	9.19	9.20
- ING Parasol Specjalistyczny Fundusz Inwestycyjny Otwarty	228 950	5.87	5.88
4. Otwarty Fundusz Emerytalny PZU „Złota Jesień”	387 000	9.93	9.94
5. Legg Mason Zarządzanie Aktywami S.A, including:	603 682	15.48	15.50
- Legg Mason Akcji Fundusz Inwestycyjny Otwarty	284 054	7.29	7.29
- Legg Mason akcji Skoncentrowany Fundusz Inwestycyjny Zamknięty	261 769	6.71	

In the period since the previous annual report, the change in the ownership of large blocks of shares concerns OFE PZU "Złota Jesień". On the General Meeting of Shareholder on June 8, 2013 the Issuer was notified about the increasing of the number of shares held by OFE PZU "Golden Autumn" by 18 000 shares.

#### **Note No. 9 – Current bank loans**

	<b>As at 30 June 2013</b>	<b>As at 31 December 2012</b>
- loans	7 948	7 526

#### **Bank loans**

<b>Name of the bank</b>	<b>Registered office</b>	<b>Amount of the loan acc. To agreement (in PLN thousands)</b>	<b>Amount of loan to be repaid (in PLN thousands)</b>	<b>Terms of interest</b>	<b>Repayment date</b>	<b>Security</b>
By Prochem SA						
BRE Bank Polska SA	Warsaw	6 000 Credit in overdraft on current account	3 533	WIBOR for O/N deposits in PLN + margin	30 June 2014	Blank promissory note
ING Bank Śląski S.A.	Katowice	3 000 Credit in overdraft	387	WIBOR for 1-month deposits in PLN + margin	16 November 2013	Statement on submission to execution

		on current account				
By PROORGANIKA Sp. z o.o.						
BRE Bank Polska SA	Warsaw	100 Credit in overdraft on current account	-	WIBOR for 1-month deposits in PLN + margin	27 June 2014	Assignment of a debt
BRE Bank Polska SA	Warsaw	65 Working capital credit	65	WIBOR for 1-month deposits in PLN + margin	16 August 2013	Without security
BRE Bank Polska SA	Warsaw	100 Working capital credit	100	WIBOR for 1-month deposits in PLN + margin	30 September 2013	Without security
By Elektromontaż Kraków SA						
ING Bank Śląski	Kraków	2 500	2 425	WIBOR for 1-month deposits in PLN + margin	21 July 2013	Mortgage
Deutsche Bank	Kraków	500	433	WIBOR for 1-month deposits in PLN + margin	30 August 2013	Mortgage
WBK BZ	Wrocław	1 000	994	WIBOR for 1-month deposits in PLN + margin	22 June 2014	Assignment of a debt
By Atutor Integracja Cyfrowa Sp. z o.o.						
Kredyt Bank SA	Warsaw	6	0	12.91%	Credit in overdraft on current account	Without security
Bank Millennium	Warsaw	100	11	Reference rate 7.93 plus a margin	Credit in overdraft on current account	Without security

### Note No. 10 – Trade payables

	As at 30 June 2013	As at 31 December 2012
a) to other entities	31 266	34 983
- for supplies and services with period of maturity:	31 266	34 983
- up to 12 months	25 456	27 770
- more than 12 months	5 810	7 213
<b>Total trade payables</b>	<b>31 266</b>	<b>34 983</b>

### Note No. 11 – Deferred income

	As at 30 June 2013	As at 31 December 2012
a) Accrued income, including:	29 574	2 902
- received and accrued deferred income	28	18
- advance payments received and prepayments	28 985	2 884
- amounts due to ordering parties under long-term contracts	561	-
b) other	977	661
<b>Total deferred income</b>	<b>30 551</b>	<b>3 563</b>

In the first half of 2013 the Group received advanced payment in the amount of 15% ( EUR 7 230 thousand) of the value of contract signed with Belorussian company for implementation of investment project under the name „Turnkey construction of system for the production of highly purified paraffin, oils and greases with the expansion of the power complex“. The amount of advances recognized in deferred income as at June 30, 2013 is PLN 28 985 thousand.

**Note No. 12 – Cost of services**

	Period ended 30 June 2013	Period ended 30 June 2012
a) amortization and depreciation	1 157	1 228
b) power and material consumption	11 396	7 460
c) outsourcing	25 756	44 398
d) taxes and charges	459	448
e) remunerations	16 605	15 519
f) social security and other benefits	3 108	2 871
g) other costs by type, including:	2 177	2 130
- property and personal insurance	534	575
- business trips	453	514
- PFRON (State Fund for Rehabilitation of Disabled Persons)	124	104
- other	1 066	937
<b>Total costs by type</b>	<b>60 658</b>	<b>74 054</b>
Change in inventories, goods and accruals and prepayments	-928	-774
General and administrative expense (negative value)	- 7 607	-7 764
<b>Cost of services</b>	<b>52 123</b>	<b>65 516</b>

**Note No. 13- Other operating income**

	Period ended 30 June 2013	Period ended 30 June 2012
a) gain on disposal of non-financial non-current assets	105	141
b) subsidies	-	22
c) reversal of write-down (of)	43	126
- receivables	43	79
- other	-	47
d) other, including:	2 874	102
- received compensation, fines and penalties	5	28
- revenues from rental of cars	45	47
- write-off of overdue liabilities	2 665	3
- other	159	24
<b>Total operating income</b>	<b>3 022</b>	<b>391</b>

**Note No. 14 – other operating expenses**

	Period ended 30 June 2013	Period ended 30 June 2012
a) creation of write-down of:	32	3 008
- receivables	32	3 008
b) other, including:	130	716
- donations	5	5
- costs of legal proceedings	35	80
- paid penalties, fines and compensation	7	4
- expenses under rent of office space	72	499

- other	11	128
change in the status of a subsidiary to a valued using the equity method (Irydion) – loss of control/joint venture	118	-
<b>Total other operating expenses</b>	<b>280</b>	<b>3 724</b>

As a result of the capital increase in the company Irydion Sp. z o.o. and the acquisition of shares by a shareholder, the company changed its status from a subsidiary to a jointly controlled valued using the equity method. After the change of the articles of association the Issuer's share in the share capital and the voting rights decreased to 50%. As a result of settlement of the transaction the Group incurred a loss in the amount of PLN 118 thousand, which is recognized in the consolidated profit and loss account in item *other operating expenses*.

**Note No. 15 – Financial income**

	Period ended 30 June 2013	Period ended 30 June 2012
a) interest on loans granted	148	-
- from jointly controlled entities	148	-
b) other interest	74	87
- from other entities	74	87
c) surplus of foreign exchange gains	507	10
d) other, including:	1	1 196
- gain on disposal of shares	-	1 187
- other	1	9
<b>Total financial income</b>	<b>730</b>	<b>1 293</b>

**Note No. 16 – finance costs**

	Period ended 30 June 2013	Period ended 30 June 2012
a) interest on bank loans	267	173
b) other interest	172	12
- for other entities	172	12
c) surplus of foreign exchange losses	25	28
d) other, by types :	400	121
- commission on bank guarantees	227	54
- commission on loans	19	24
- commission on letter of credit	130	11
- other	24	32
<b>Total finance costs</b>	<b>864</b>	<b>334</b>

**Note No. 17 - Factors and events which have a significant impact on the financial result achieved in the current reporting period**

In the period of six months of 2013 significant impact on the Group's financial result had write-off of overdue liabilities in the amount of PLN 2 665 thousand.

**Note No. 18 – Operating segments**

Operating segment is a component part of the entity:

- that engages in business activity in relation to which it can obtain income and incur expenses,
- whose operating results are regularly reviewed by the body responsible for making operating decisions of the company,
- in case of which are available separate financial information.

Revenues of the segment constitute revenues 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 operating income.

For the managing purpose the activity of the Group is divided into eleven main operating divisions such as: contracting services (general contractor), engineering and design (supervisions along with the function of contract engineer), rental of construction equipment, electrical installations, rental of office space and real estate, property management, maintenance, commercial activity, IT services and other activities. 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.

As a result of realized losses on the underlying operations (segments) in the amount of PLN 586 thousand, a large impact on the loss incurred on basic operations, had the performance of the parent company, the parent company has analyzed its assets for any indications of impairment.

Assets unallocated to segments are primarily shares in jointly controlled entities, associates and loans granted. With respect to the above-mentioned assets there is no evidence of the possible loss of value as at 30 June 2013 except for shares in the company TEOMA SA, for which write-downs have been created (see Note No. 3)

In addition, the Group has carried out the analysis as at the balance sheet date of contracts on construction works for the budgeted results. For all contracts in which the budgeted costs exceeded the budgeted income, as at the balance sheet date the Group has recognized provisions to cover losses.

Detailed information on the activities of the companies belonging to the Group in the various sections are shown in the following tables.

<b>For the period from 1 January 2013 to 30 June 2013</b>	<b>General contracting</b>	<b>Design and engineering services</b>	<b>Rental of construction equipment</b>	<b>Assembly of electrical installations</b>	<b>Rental of office space and real estates</b>	<b>Property management</b>	<b>Maintenance</b>	<b>Commercial activity</b>	<b>Development activity</b>	<b>Other IT services</b>	<b>Other</b>	<b>Unallocated items</b>	<b>Total</b>	
Revenues from external customers	15 862	15 812	753	19 778	2 605	2 600	440	3 510	-	145	604	-	62 109	
<b>Total revenue of the segment</b>	<b>15 862</b>	<b>15 812</b>	<b>753</b>	<b>19 778</b>	<b>2 605</b>	<b>2 600</b>	<b>440</b>	<b>3 510</b>	<b>-</b>	<b>145</b>	<b>604</b>	<b>-</b>	<b>62 109</b>	
Results of the segment	<b>987</b>	<b>-1 748</b>	<b>-62</b>	<b>254</b>	<b>346</b>	<b>-31</b>	<b>-7</b>	<b>298</b>	<b>-</b>	<b>-</b>	<b>-623</b>	<b>-</b>	<b>-586</b>	
Financial income													440	440
Finance expenses													864	864
Net income/finance expenses													-424	-424
Profit sharing in associated entities													107	107
<b>Profit on other operating activities</b>													<b>2 156</b>	<b>2 156</b>
<b>Profit before tax</b>													<b>1 839</b>	<b>1 839</b>
Income tax													413	<b>413</b>
<b>Profit for the period</b>													<b>1 426</b>	<b>1 426</b>
<b>Profit assigned to non-controlling interest</b>													<b>84</b>	<b>84</b>
<b>Profit for the period assigned to shareholders of parent entity</b>													<b>1 342</b>	<b>1 342</b>
<b>Assets</b>														
Segment assets (related to activity)	24 734	11 381	3 252	16 239	15 282	3 340	170	1 775	-	161	1 110	-	77 444	
Unallocated assets (among other shares and other financial assets)												128 810	128 810	
<b>Total assets</b>	<b>24 734</b>	<b>11 381</b>	<b>3 252</b>	<b>16 239</b>	<b>15 282</b>	<b>3 340</b>	<b>170</b>	<b>1 775</b>	<b>-</b>	<b>161</b>	<b>1 110</b>	<b>128 810</b>	<b>206 254</b>	
<b>Other information related to segment</b>														
Depreciation of property, plant and equipment	37	83	95	177	325	69	42	-	-	-	-	249	1 077	
Amortization of intangible assets	-	31	-	5	-	1	1	-	-	-	-	42	80	



Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group as at and for the period ended 30 June 2013

**Operating segments continuation**

For the period from 1 January 2012 to 30 June 2012	General contracting	Design and engineering services	Rental of construction equipment	Assembly of electrical installations	Rental of office space and real estates	Property management	Maintenance	Commercial activity	Development activity	Other IT services	Other	Unallocated items	Total
Revenues from external customers	40 740	10 735	2 580	12 465	2 563	2 821	567	2 955	-	268	1 239	-	76 933
<b>Total revenue of the segment</b>	<b>40 740</b>	<b>10 735</b>	<b>2 580</b>	<b>12 465</b>	<b>2 563</b>	<b>2 821</b>	<b>567</b>	<b>2 955</b>	<b>-</b>	<b>268</b>	<b>1 239</b>	<b>-</b>	<b>76 933</b>
Results of the segment	2 812	-4 016	1 256	675	384	148	20	128	-	-20	-361	-	1 026
Financial income												1 293	1 293
Finance expenses												334	334
Net income/finance expenses												959	959
Profit sharing in associated entities												320	320
<b>Loss on other operating activity</b>												<b>-3 333</b>	<b>-3 333</b>
<b>Loss before tax</b>												<b>-1 028</b>	<b>-1 028</b>
Income tax												1 153	1 153
<b>Loss for the period</b>												<b>-2 181</b>	<b>-2 181</b>
<b>Profit assigned to non-controlling interest</b>												<b>395</b>	<b>395</b>
<b>Loss for the period assigned to shareholders of parent entity</b>												<b>-2 576</b>	<b>-2 576</b>
<b>Assets</b>													
Segment assets (related to activity)	43 891	6 283	1 506	13 516	5 860	2 159	112	2 408	33 678	-4	1 543	-	110 952
Unallocated assets (among other shares and other financial assets)												83 116	83 116
<b>Total assets</b>	<b>43 821</b>	<b>6 283</b>	<b>1 506</b>	<b>13 516</b>	<b>5 860</b>	<b>2 159</b>	<b>112</b>	<b>2 408</b>	<b>33 678</b>	<b>-4</b>	<b>1 543</b>	<b>83 116</b>	<b>194 068</b>
<b>Other information related to segment</b>													

**Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group as at and for the period ended 30 June 2013**

Depreciation of property, plant and equipment	69	95	163	165	11	381	33	-	-	-	196	69	1 182
Amortization of intangible assets	-	7	-	7	1	1	1	-	-	-	-	29	46

**Note No. 19 - Profit per one share**

Profit for the period per one share remaining in trading as at balance sheet date amounts to PLN 0.34 and for the analogous period of 2012 loss per one share amounted to PLN (0.66).

**Note No. 20 - Allocation of profit**

Profit for the period of the Group is not subject to distribution.

Profit for the period of the Issuer for 2012 in the amount of PLN 3 055 759.39 on the basis of resolution No. 5 of the Ordinary General Meeting of Shareholders of 8 June 2013 was allocated as follows:

- PLN 3 038 100.00 dividend for shareholders,
- PLN 17 65939 capital reserve

The dividend payment date was set for 30 September 2013.

**Note No. 21 - Dividends**

For the year 2012, the Issuer allocated for payment of dividend the amount of PLN 3 038 thousand, which gives PLN 0.78 per share.

The subsidiary Predom Sp. z o.o. seated in Wrocław adopted a resolution on allocation of profit for the year 2012 for the dividend in the amount of PLN 48 thousand. The amount of the dividend attributable to non-controlling interests is PLN 9 thousand.

Elektromontaż Kraków S.A. seated in Kraków adopted a resolution on allocation of profit for the year 2012 for the dividend in the amount of PLN 518 thousand, with this on the company Prochem and Prochem Inwestycje Sp. z o.o. (subsidiary of the Issuer at 100%) falls amount of PLN 364 thousand. The amount of the dividend attributable to non-controlling interests is PLN 154 thousand.

The subsidiary Prochem Serwis Sp. z o.o. seated in Warsaw adopted a resolution on allocation of profit for the year 2012 for the dividend in the amount of PLN 104 thousand. The amount of the dividend attributable to non-controlling interests is PLN 11 thousand.

The subsidiary Prochem Zachód Sp. z o.o. seated in Warsaw adopted a resolution on allocation of profit for the year 2012 for the dividend in the amount of PLN 168 thousand. The amount of the dividend attributable to non-controlling interests is PLN 68 thousand.

**Note No. 22- Financial instruments and financial risk management****Fair value of financial instruments**

(in PLN thousands)	As at 30 June 2013		As at 31 December 2012	
	Fair value	Book value	Fair value	Book value
<b>Financial assets</b>				
Receivables for supplies and services	54 003	54 003	55 841	55 841
Cash	28 770	28 770	6 796	6 796
Other financial assets	11 447	11 447	198	198

**Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group as at and for the period ended 30 June 2013**

Other assets - amounts due from ordering parties under long-term contracts	14 423	14 423	13 458	13 458
<b>Total</b>	<b>108 643</b>	<b>108 643</b>	<b>76 293</b>	<b>76 293</b>

**Financial liabilities**

Loans	7 948	7 948	7 526	7 526
Borrowings received	61	61	29	29
Leases	452	452	323	323
Liabilities for supplies and services	31 266	31 266	34 983	34 983
Advances received	28 985	28 985	11	11
Amounts due to ordering parties under long-term contracts	561	561	-	-
<b>Total</b>	<b>69 273</b>	<b>69 273</b>	<b>42 872</b>	<b>42 872</b>

Loans granted, financial liabilities from loans and other financial instruments are measured at fair value using discounted cash flows. The determined fair value of the financial instruments is approximate to the book value.

The fair value of receivables 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.

**Note No. 23 - Risk of adverse settlement of litigation with PERN SA**

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 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, before recovery from PERN SA. As at 30 June 2013 the amount of such liabilities is PLN 2 928 thousand.

**Note No. 24 - Related party transactions**

In the first half of 2013 members of the Supervisory Board and Management Board didn't conclude contracts with companies belonging to Prochem S.A. Capital Group. Transactions with related 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 loans granted mutually.

Settlements with related parties include trade settlements and loans..  
Guarantees and sureties granted to related parties are presented in note No. 25.

**Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group as at and for the period ended 30 June 2013**

**Transactions of Capital Group with entities valued using equity method**

**Reporting period**

In the period from 1 January 2013 to 30 June 2013 there were transactions with entities valued using equity method under :

- Revenue from sale of services in the amount of PLN 2 300 thousand,
- Financial revenue (interest on loans) in the amount of PLN 148 thousand..

Share in net profit (loss) in the first half of 2013 of entities valued using equity method amounted to PLN 107 thousand.

As at 30 June 2013 transactions with entities valued using equity method were as follows:

- Settlement of trade payables - PLN 2 994 thousand,
- Non-current loans granted – PLN 11 148 thousand,
- Current loans granted – PLN 101 thousand..

**Comparative data**

**Transactions of Capital Group with entities valued using equity method**

In the period from 1 January 2012 to 30 June 2012 there were no transactions with entities valued using equity method.

Share in net profit (loss) in the first half of 2012 of entities valued using equity method amounted to PLN 320 thousand.

As at 31 December 2012 the settlement of trade payables with entities valued using equity method did not occur.

**Note No. 25 – Information on contingent liabilities and contingent assets**

**Contingent liabilities**

	<b>As at 30 June 2013</b>	<b>As at 31 December 2012</b>
Bank guarantee of good performance and statutory warranty	19 776	18 542
Guarantee of payment	1 035	1 035
Tender guarantee	1 191	-
Guarantees of bill of exchange for good performance of contract	35	35
Advance payment guarantee	31 300	-
<b>Total contingent liabilities</b>	<b>53 337</b>	<b>19 612</b>
<b>Contingent liabilities granted for third parties:</b>		
Warranty securing obligations under the statutory warranty and guarantee – given on behalf of Z.I. Promis	303	286
<b>Total contingent liabilities</b>	<b>53 640</b>	<b>19 898</b>

Contingent assets – are guarantees of good performance, which as at the balance sheet date amount to:

**Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group as at and for the period ended 30 June 2013**

	<b>As at 30 June 2013</b>	<b>As at 31 December 2012</b>
Bank guarantee of good performance	2 910	2 078
Guarantees of bill of exchange for securing terms of contract	577	577
<b>Total contingent assets</b>	<b>3 487</b>	<b>2 655</b>

Contingent assets relate only to the Issuer.

Contingent liabilities of PERN are presented in Note No. 26.

**Note No. 26 – 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 receivables 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 to PERN SA the prepared 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 annuls the decision of the District Court contested by PERN SA and the request for remuneration of an expert for the drafting of an opinion has submitted to the District Court for reconsideration.

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

By order dated February 25, 2013, the District Court in Warsaw XXVI Economic Department upheld the previous decision of the Court, and finally 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 it is not inconsistent with the thesis of the Court, and there are no legitimate grounds to complaints that the methodology adopted by the experts is not correct.

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

**Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group as at and for the period ended 30 June 2013**

On 9 August 2013, the Issuer received from the District Court in Warsaw, the decision of 1 August 2013, from the closed session of the Court. At the meeting, the Court decided to admit evidence of a supplementary opinion of research institute - Warsaw University of Technology in Warsaw, concerning the findings relating to the value of made by the Prochem SA services, supplies, and other liabilities directly related to the implementation of the agreement that have been made after the date of withdrawal from the contract on the basis of commitments made prior to the withdrawal taking into consideration the invoices mentioned in the writings of the plaintiffs.

This is in accordance with the request made to the Court by Prochem S.A.

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

**Note No. 27 – Events after the reporting date**

Did not occur.

**Note No. 28 – Other explanatory notes to the interim condensed consolidated financial statements**

**Position of Management Board regarding the feasibility of the previously published forecasts for the year, in the light of the results presented in quarterly report in relation to forecasted results**

Prochem S.A. did not publish any financial forecasts for the company or Prochem SA Capital Group for 2013

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

Did not occur.

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

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

- Jarosław Stępniewski – 37,787 units
- Marek Kiersznicki – 17, 500 units
- Krzysztof Marczak – 9,030 units.
- Andrzej Karczykowski – 20,000 units
- Marek Garliński – 35,548 units.

In the period since the previous report, there was no change in the ownership of the shares of the issuer.

**Factors that in the Issuer's assessment will have an impact on its financial performance in the prospects for at least the next quarter**

In the next quarter, the Group's performance will depend mainly on the results obtained in the implementation of the contracts acquired by the Group, as well as on the result of decisions concerning offers made by the Group for sale of its services. Also will be important the success of development projects that have been already launched by the Capital Group.

**Remuneration of Management Board and Supervisory Board**

In the first half of 2013, in enterprise of the Issuer were paid:

1. remuneration of members of the Management Board in the total amount of PLN 499 thousand, including remuneration determined by profit amounting to PLN 88 thousand,
2. remuneration to the members of Supervisory Board in the total amount of PLN 234 thousand, including remuneration determined by profit amounting to PLN 120 thousand.

Remuneration paid to members of the Board in the first half of 2013, due to performing the function in the Management and the Supervisory Boards of companies belonging to the Group amounted to PLN 201 thousand.

**Note No. 29 – Approval of the financial statements**

Interim condensed consolidated financial statements of Prochem S.A. Capital Group for the period from 1 January 2013 to 30 June 2013 were approved by the Management Board of Prochem S.A. on 30 August 2013.

**Signatures of the Members of Management Board**

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

**Signature of person responsible for bookkeeping**

30 August 2013 date	Barbara Auguścińska-Sawicka first name and surname	Chief Accountant position	..... signature
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