

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

### **Contents:**

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

and

- Selected financial data
- Statements of the Management Board

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**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.

Description	Reporting period ended 30 June		Reporting period ended 30 June	
	2013	2012	2013	2012
	In PLN thousands		In EUR thousands	
<b>Profit and loss account</b>				
Revenues from sales	31 356	53 347	7 441	12 628
Gross profit on sales	2 742	3 963	651	938
Results from operating activities	1 498	-2 525	355	-598
Profit before tax	2 053	5 549	487	1 313
Profit for the period	1 708	4 767	405	1 132
Profit/diluted profit per share (in PLN/EUR)	0.44	1.22	0.10	0.29
<b>Statement of cash flows</b>				
Net cash provided by (used in) operating activities	23 382	-19 009	5 549	-4 500
Net cash provided by (used in) investing activities	-479	-205	-114	-49
Net cash provided by (used in) financing activities	-2 652	4 368	-629	1 034
Total cash flow, net	20 251	-14 846	4 806	-3 514
<b>Statement of financial position</b>				
	Reporting period ended		Reporting period ended	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012
	In PLN thousands		In EUR thousands	
Total assets	128 763	109 647	29 743	26 820
Total non-current assets	47 416	46 860	10 953	11 462
Total current assets	81 347	62 787	18 790	15 358
Total equity	68 655	70 030	15 859	17 130
Total non-current liabilities	517	442	119	108
Total current liabilities	59 591	39 175	13 765	9 582
Book value per share (in PLN/EUR)	17.63	17.98	4.07	4.40
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 separate 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) Management Board of Prochem SA declares hereby that according to their best knowledge:

- interim condensed separate financial statements of Prochem S.A 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;

### **Statement by the Management Board on the entity authorized to audit the interim condensed separate 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 separate financial statements of Prochem SA met the conditions for issuing of an impartial and independent report from audit in accordance with relevant legal regulations.

Vice Chairman  
Krzysztof Marczak

Vive Chairman  
Marek Kiersznicki

Chairman  
Jarosław Stępniewski

Warsaw, 30 August 2013

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

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

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

## Separate 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>A s s e t s</b>			
<b>Non-current assets</b>			
Property, plant and equipment	1	2 322	2 015
Intangible assets		205	140
Shares in subsidiaries	2	10 576	15 026
Shares in equity-accounted investees	3	5 210	708
Deferred tax assets	4	1 642	1 986
Other financial assets	5	27 461	26 985
<b>Total non-current assets</b>		<b>47 416</b>	<b>46 860</b>
<b>Current assets</b>			
Inventories	6	2 310	2 359
Trade and other receivables	7	43 590	45 745
Other financial assets		668	751
Other assets	8	11 364	10 768
Cash and cash equivalents		23 415	3 164
<b>Total current assets</b>		<b>81 347</b>	<b>62 787</b>
<b>Total assets</b>		<b>128 763</b>	<b>109 647</b>
<b>E q u i t y a n d l i a b i l i t i e s</b>			
<b>Equity</b>			
Share capital		3 895	3 895
Revaluation reserve		1 041	1 086
Retained earnings		63 719	65 049
<b>Total equity</b>		<b>68 655</b>	<b>70 030</b>
<b>Non-current liabilities</b>			
Provisions for retirement and similar benefits		490	415
Other non-current liabilities		27	27
<b>Total non-current liabilities</b>		<b>517</b>	<b>442</b>
<b>Current liabilities</b>			
Current bank loans	9	3 920	6 347
Trade payables	10	20 371	29 083
Other liabilities		5 754	3 734
Deferred income	11	29 546	11
<b>Total current liabilities</b>		<b>59 591</b>	<b>39 175</b>
<b>Total liabilities</b>		<b>60 108</b>	<b>39 617</b>
<b>Total equity and liabilities</b>		<b>128 763</b>	<b>109 647</b>
Weighted average number of ordinary shares (units.)		3 895 000	3 895 000
Book value per share (in PLN)		17.63	17.98

**Separate 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
<b>Revenues from sales, including:</b>		<b>31 356</b>	<b>53 347</b>
Revenues from sale of services		31 144	52 714
Revenues from sale of goods and materials		212	633
<b>Cost of sales including:</b>		<b>-28 614</b>	<b>-49 384</b>
Cost of services sold	12	-28 403	-48 757
Cost of merchandise and raw materials		-211	-627
<b>Gross profit on sales</b>		<b>2 742</b>	<b>3 963</b>
General and administrative expenses		-3 929	-3 893
Other operating income	13	2 820	351
Other operating expenses	14	-135	-2 946
<b>Results from operating activities</b>		<b>1 498</b>	<b>-2 525</b>
Financial income	15	1 288	715
Profit on disposal of shares in subsidiaries		2	7 545
Finance expenses	16	-735	-186
<b>Profit before tax</b>		<b>2 053</b>	<b>5 549</b>
Income tax expense :		345	782
- deferred tax		345	782
<b>Profit for the period</b>		<b>1 708</b>	<b>4 767</b>

Weighted average number of ordinary shares (units.)	3 895 000	3 895 000
Profit/diluted profit per share (in PLN per share)	0.44	1.22

**Separate statement of comprehensive income**

<b>Profit for the period</b>	<b>1 708</b>	<b>-</b>
<b>Other comprehensive income (net):</b>	<b>-45</b>	<b>-</b>
<b>Other comprehensive income that will not be reclassified to profit or loss:</b>	<b>-45</b>	<b>-</b>
Actuarial losses on valuation of provisions for employee benefits	-45	-
<b>Total other comprehensive income</b>	<b>1 663</b>	<b>4 767</b>

Weighted average number of ordinary shares (units)	3 895 000	3 895 000
Total comprehensive income per ordinary share (in PLN per share)	0.43	1.22

**Separate 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	Revaluation reserve	Retained earnings	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>1 086</b>	<b>65 049</b>	<b>70 030</b>
Net profit of the given period	-	-	1 708	1 708
Net other comprehensive income	-	-45	-	-45
<b>Total comprehensive income</b>	<b>-</b>	<b>-45</b>	<b>1 708</b>	<b>1 663</b>
Payment of dividend	-	-	-3 038	-3 038
<b>As at the end of the period</b>	<b>3 895</b>	<b>1 041</b>	<b>63 719</b>	<b>68 655</b>

**The reporting period from 1 January 2012 to 30 June 2012**

<b>As at the beginning of the period</b>	<b>3 895</b>	<b>951</b>	<b>61 993</b>	<b>66 839</b>
Net profit of the given period	-	-	4 767	4 767
Net other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>4 767</b>	<b>4 767</b>
<b>As at the end of the period</b>	<b>3 895</b>	<b>951</b>	<b>66 760</b>	<b>71 606</b>

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

(all amounts in PLN thousands if not stated otherwise)

	Period ended 30 June 2013	Period ended 30 June 2012
<b>Cash flows – operating activities</b>		
Profit before tax	2 053	5 549
Total adjustments	21 329	-24 558
Amortization and depreciation	398	495
Interest and profit sharing (dividends)	-427	-348
(Profit) on disposal property, plant and equipment	-23	-49
(Profit) from investments recognized in statement of comprehensive income	-2	-7 545
Change in provisions	-133	-7
Change in inventories	49	1 011
Change in receivables and other assets	1 527	11 882
Change in current liabilities, except for loans and borrowings	-9 597	-27 763
Other adjustments (including deferred income)	11	29 537
<b>Cash provided by (used in) operating activities</b>	<b>23 382</b>	<b>-19 009</b>
Paid income tax	-	-
<b>Net cash provided by (used in) operating activities</b>	<b>23 382</b>	<b>-19 009</b>

<b>Cash flows – investing activities</b>		
<b>Inflows</b>	<b>551</b>	<b>150</b>
Disposal of intangible assets and property, plant and equipment	56	150
Inflows from financial assets, including:	495	-
a) in related entities	495	-
- dividend received	303	-
- disposal of financial assets	4	-
- repayment of loans granted	132	-
- repayment of interest on loans granted	56	-
<b>Outflows</b>	<b>-1 030</b>	<b>-355</b>
Acquisition of intangible assets and property, plant and equipment	-746	-353
For financial assets, including:	-284	-2
a) in related entities	-284	-1
- acquisition of financial assets	-54	-
- loans granted	-230	-1
b) in other entities	-	-1
- loans granted	-	-1
<b>Net cash provided by (used in) investing activities</b>	<b>-479</b>	<b>-205</b>
<hr/>		
<b>Cash flows – financing activities</b>		
Proceeds from loans	3 574	4 463
Repayment of loans	-6 000	-
Paid interest and commission	-226	-95
<b>Net cash provided by (used in) financing activities</b>	<b>-2 652</b>	<b>4 368</b>
Total cash flows, net	20 251	-14 846
Net increase/(decrease) in cash and cash equivalents	20 251	-14 846
<b>Cash and cash equivalents at the beginning of the period</b>	<b>3 164</b>	<b>16 006</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>23 415</b>	<b>1 160</b>
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## **Explanatory notes to interim condensed separate financial statements as at and for the period ended 30 June 2013**

### **1. Notes on adopted accounting principles (policy) and other explanatory notes**

#### **1.1 Adopted accounting policies**

##### ***Principles of presentation and statement of compliance***

Interim condensed separate financial statements of PROCHEM S.A. for the period from 1 January to 30 June 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 of 2009 no. 33, item 259). The 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 separate financial statements includes a statement of financial position, profit and loss account, statement of comprehensive income, statement of changes in equity, statement of cash flows and selected explanatory notes.

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

The operations of the Company 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 weather 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 to perform some construction work.

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

When preparing the interim condensed separate financial statements were applied the same accounting principles and the same calculation methods which were applied in the financial statements of Prochem S.A. 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 Company has decided to present the income and expenses of the reporting period in two statements: a statement which is presenting components in the profit and loss account and in the statement that begins with profit or loss for the period and presents components of other comprehensive income (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 on 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 7 thousand).

The Company intends to adopt changes in IFRS which were issued but not yet effective until the date of publication of the interim condensed 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.

### **1.3 Changes in estimates**

In the first half of 2013 there were no significant changes in principles and methods of calculation that were used to determine the estimates and in estimates.

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

Financial statements is presented in Polish Zloty („zloty” or “PLN”), which is the functional currency and the presentation currency.

## **2. Other explanatory notes**

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

	As at 30 June 2013	As at 31 December 2012
Property, plant and equipment including:	2 320	2 013
- land	145	145
- buildings, premises and civil engineering objects	474	482
- machinery and equipment	1 380	970
- vehicles	24	36
- other property, plant and equipment	297	380
Construction in progress	2	2
<b>Total property, plant and equipment</b>	<b>2 322</b>	<b>2 015</b>
<b>Property, plant and equipment – ownership structure</b>	<b>As at 30 June 2013</b>	<b>As at 31 December 2012</b>
a) own	2 322	2 015
<b>Total property, plant and equipment</b>	<b>2 322</b>	<b>2 015</b>

	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</b>		
<b>As at the opening balance sheet</b>	<b>10 544</b>	<b>12 301</b>
Increase (due to)	666	985

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

- purchas	666	510
- other changes, including :	-	475
revaluation of property, plant and equipment	-	475
decrease (due to)	-387	-2 742
- disposal	-387	-1 268
- liquidation	-	-1 295
- other changes including:	-	-179
Transformation of perpetual usufruct into right of ownership	-	-179
<b>Gross value as at the closing balance sheet</b>	<b>10 823</b>	<b>10 544</b>
<b>Depreciation and impairment</b>		
<b>Accumulated depreciation – as at the opening balance sheet</b>	<b>8 529</b>	<b>10 052</b>
Depreciation for the period (due to)	-28	-1 523
- increase (accrued depreciation)	358	760
- decrease due to disposal	-386	-1 099
- decrease due to liquidation	-	-1 232
- other changes, including:	-	48
Revaluation of property, plant and equipment	-	308
<b>Accumulated depreciation – as at the closing balance sheet</b>	<b>8 501</b>	<b>8 529</b>
<b>Net value of property, plant and equipment - as at the closing balance sheet</b>	<b>2 322</b>	<b>2 015</b>

**Note No. 2 – Shares in subordinated entities**

<b>Shares in subordinated entities</b>	<b>As at 30 June 2013</b>	<b>As at 31 December 2012</b>
In subsidiaries	10 576	15 026
<b>Shares, net value</b>	<b>10 576</b>	<b>15 026</b>
write-downs of financial fixed assets	160	160
Gross value of shares	10 736	15 186

<b>Change in shares in subordinated entities</b>	<b>As at 30 June 2013</b>	<b>As at 31 December 2012</b>
As at the beginning of the period	15 026	10 626
increase (due to)	50	5 000
- purchase of shares in subsidiaries	50	5 000
- acquisition of shares in subsidiaries	-	-
decrease (due to)	4 500	600
- sale of shares in subsidiaries	-	600
- other including change in the structure of the shareholding in the subsidiary for a jointly controlled	4 500	-
<b>As at the end of the period</b>	<b>10 576</b>	<b>15 026</b>

<b>Change in write-down of shares in subsidiaries</b>	<b>As at 30 June 2013</b>	<b>As at 31 December 2012</b>
As at the beginning of the period	160	160
<b>As at the end of the period</b>	<b>160</b>	<b>160</b>

**Note No. 3 – shares and stocks in jointly controlled entities and in associates**

**shares and stocks in jointly controlled entities and in associates**

	<b>As at 30 June 2013</b>	<b>As at 31 December 2012</b>
- Shares and stocks - net value	5 210	708
- write-downs of shares or stocks	1 498	1 498
Shares and stocks, gross value	6 708	2 206

**Change in write-downs of shares and stocks in jointly controlled entities and in associates**

	<b>As at 30 June 2013</b>	<b>As at 31 December 2012</b>
As at the beginning of the period	1 498	918
Increases, write-downs of shares or stocks	-	580
As at the end of the period	1 498	1 498

On April 3, 2013 the General Meeting of Shareholders of the subsidiary IRYDION Sp. z 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. New shares were subscribed as follows:

- 4 499 shares at the issue price 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 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 the change of the articles of association the Issuer's share in the capital and in voting rights decreased to 50%, and Irydion Sp. z o.o. was deemed jointly controlled entity.

**Note No. 4 – deferred tax assets**

Changes in provision and deferred tax assets are presented in the following table.

<b>Change in provision and deferred tax assets</b>	<b>As at 30 June 2013</b>	<b>As at 31 December 2012</b>
<b>Deferred tax assets</b>		
As at the beginning of the period	2 668	2 311
Increase	51	1 382
Decrease	-260	-1 025
<b>As at the end of period</b>	<b>2 459</b>	<b>2 668</b>

**Provision to deferred income tax**

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

As at the beginning of the period	682	1 470
Increase	425	340
Decrease	-290	-1 128
<b>As at the end of the period</b>	<b>817</b>	<b>682</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	2 459	2 668
Provision to deferred income tax	-817	-682
<b>Deferred tax assets</b>	<b>1 642</b>	<b>1 986</b>

**Note No. 5 – other financial assets**

	<b>As at 30 June 2013</b>	<b>As at 31 December 2012</b>
Other financial asset		
In subsidiaries, jointly controlled entities and associates	27 461	26 985
- loans granted	27 461	26 985
<b>Total other financial assets</b>	<b>27 461</b>	<b>26 985</b>

Granted loans – as at 30 June 2013:

- Loan granted to jointly controlled entity IRYDION Sp. z o.o. seated in Warsaw in the amount of PLN 11 000 thousand, amount of the accrued interest as at the balance sheet date is PLN 148 thousand. Interest is set annually according to rate WIBOR 6M, time of repayment is 31 December 2015.
- Loans granted to subsidiary Prochem Inwestycje Sp. z o.o. in the amount of PLN 11 000 thousand, amount of the accrued interest as at the balance sheet date is PLN 921 thousand. Interest is set annually according to rate WIBOR 6M as at the end of each calendar year, time of repayment is 31 December 2015.
- Loans granted to subsidiary Elmont Inwestycje Sp. z o.o. in the amount of PLN 3 780 thousand, amount of the accrued interest as at the balance sheet date is PLN 612 thousand. Interest is set annually according to rate WIBOR 6M as at the end of each calendar year, time for repayment is 31 December 2015.

**Note No. 6 – inventories**

	<b>As at 30 June 2013</b>	<b>As at 31 December 2012</b>
Materials	2 310	2 359
<b>Total inventories, net</b>	<b>2 310</b>	<b>2 359</b>
Write-down	285	285

**Note No. 7 - trade and other receivables**

	<b>As at 30 June 2013</b>	<b>As at 31 December 2012</b>
Trade and other receivables		
Trade receivables	46 730	48 923
Impairment of trade receivables	-3 612	-3 632
<b>Net trade receivables, including:</b>	<b>43 118</b>	<b>45 291</b>
- with time of repayment up to 12 months	37 879	36 741
- with time of repayment more than 12 months	5 239	8 550

<b>Receivables due to taxes, subsidies, custom duties, social security and health insurance and other benefits</b>	-	-
Other receivables	2 749	2 731
Impairment of other receivables	-2 277	-2 277
<b>Net other receivables</b>	<b>472</b>	<b>454</b>
<b>Total receivables, net</b>	<b>43 590</b>	<b>45 745</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 receivables, including:	9 863	9 004
- from subsidiaries	6 869	9 004
- from jointly controlled entities	2 994	-
<b>Total current trade and other receivables from related entities, net</b>	<b>9 863</b>	<b>9 004</b>
Impairment of receivables from related entities	99	116
<b>Total current trade and other receivables from related entities, gross</b>	<b>9 962</b>	<b>9 120</b>
<b>Change in impairment losses on trade and other receivables</b>	<b>As at 30 June 2013</b>	<b>As at 31 December 2012</b>
As at the beginning of the period	5 909	5 251
a) increase (due to)	34	1 378
- provisions to receivables	34	1 378
b) decrease (due to)	54	720
- received payments	45	90
- the use of write-downs which were created in prior periods	9	213
- release	-	417
<b>Impairment of current trade and other receivables as at the end of the period</b>	<b>5 889</b>	<b>5 909</b>

As at 30 June 2013 and 31 December 2012 receivables include deposits under statutory warranty granted for construction and assembly works, respectively, in the amount of PLN 19 116 thousand and PLN 23 132 thousand.

Balance of trade receivables includes receivables past due in the carrying amount of PLN 17 364 thousand from the guarantee deposit for statutory warranty, to which the company did not establish provisions, because there has been no significant change in the quality of the debt in relation to previous accounting periods, and therefore they are considered as recoverable. The Company holds collateral in the form of seized guarantee 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 was presented an advance on the purchase resulting from the preliminary sale agreement as a notarial deed Rep. A No. 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. 8 – other assets**

<b>Other assets (by type)</b>	<b>As at 30 June 2013</b>	<b>As at 31 December 2012</b>
a) prepayments	648	483
- cost of property and personal insurance	341	184
- software maintenance costs	282	260
- subscriptions	14	26
- deferred costs	5	11
- other	-	2
- annual fee for stock quotes	6	-
b) other accrued costs and prepayments	10 716	10 285
- amounts due from ordering parties under long-term contracts	10 716	10 285
<b>Total other assets</b>	<b>11 364</b>	<b>10 768</b>

**Note No. 9 – current bank loans**

	<b>As at 30 June 2013</b>	<b>As at 31 December 2012</b>
Loans	3 920	6 347

As at 30 June 2013 the company has three lines of credit totaling PLN 9 million. The involvement as at the balance sheet date amounts to PLN 3 920 thousand.

Information on bank loans

Name of the bank	Registered office	Amount of the loan acc. to agreement (in PLN thousands)	Amount of the loan for repayment (in PLN thousands)	Interest	Repayment date	Security
BRE Bank Polska SA	Warsaw	6 000 Overdraft on current account	3 533	WIBOR for O/N deposits in PLN + the margin	30 June 2014	Blank promisory note
ING Bank Śląski S.A.	Katowice	3 000 Overdraft on current account	387	WIBOR for 1-month deposits in PLN + the margin	15 November 2013	Statement on submission to execution

**Note No. 10 - trade payables**

	<b>As at 30 June 2013</b>	<b>As at 31 December 2012</b>
a) to subsidiaries	1 717	1 920
- for supplies and services with maturity:	1 717	1 920
- up to do 12 months	1 067	1 687
- more than 12 months	650	233
b) to other entities	18 654	27 163
- for supplies and services with maturity:	18 654	27 163
- up to 12 months	12 850	19 961
- more than 12 months	5 804	7 202
<b>Total trade payables</b>	<b>20 371</b>	<b>29 083</b>

**Note No. 11 – deferred income**

	<b>As at 30 June 2013</b>	<b>As at 31 December 2012</b>
Accrued income, including:	29 546	11
- accrued income – advances received	28 985	11
- amounts due to contracting parties under long-term contracts	561	-
<b>Total deferred income</b>	<b>29 546</b>	<b>11</b>

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

**Note No. 12 – cost of services**

	<b>Period ended 30 June 2013</b>	<b>Period ended 30 June 2012</b>
a) amortization and depreciation	398	495
b) power and material consumption	365	766
c) outsourcing	19 989	40 934
d) taxes and charges	44	45
e) remuneration	9 266	8 067
f) social security and other benefits	1 710	1 482
g) other costs by type including:	1 372	1 232
- property and personal insurance	426	483
- business trips	195	161
- PFRON (State Fund for Rehabilitation of Disabled Persons)	99	82
- other	652	506
<b>Total costs by type</b>	<b>33 144</b>	<b>53 021</b>
Change in inventories, goods and accruals and prepayments	-812	-371
General and administrative expense (negative value)	-3 929	-3 893
<b>Cost of services</b>	<b>28 403</b>	<b>48 757</b>

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

	<b>Period ended 30 June 2013</b>	<b>Period ended 30 June 2012</b>
a) gain on disposal of non-financial non-current assets	23	100
b) subsidies	-	22
c) write up	43	78
- of receivables	43	78
d) other, including:	2 754	151
- received compensation, fines and penalties	-	22
- revenues from rental of cars	45	47
- write-off of overdue liabilities	2 659	-
- other	50	82
<b>Total operating income</b>	<b>2 820</b>	<b>351</b>



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

	<b>Period ended 30 June 2013</b>	<b>Period ended 30 June 2012</b>
a) write-down of	32	2 817
- receivables	32	2 817
b) other, including:	103	129
- costs of legal proceedings	35	78
- paid penalties, fines and compensation	68	-
- other	-	51
<b>Total operating costs</b>	<b>135</b>	<b>2 946</b>

**Note No. 15 – financial income**

	<b>Period ended 30 June 2013</b>	<b>Period ended 30 June 2012</b>
a) revenues from dividends and profit sharing	303	3
- from subsidiaries	303	3
b) interest on loans granted	350	439
- from subsidiaries	350	439
c) other interest	35	58
- from other entities	35	58
d) surplus of foreign exchange gains	507	-
e) other, including:	93	215
- salary valorisation	93	215
<b>Total financial income</b>	<b>1 288</b>	<b>715</b>

**Note No. 16 – finance costs**

	<b>Period ended 30 June 2013</b>	<b>Period ended 30 June 2012</b>
a) interest on bank loans	208	71
b) other interest	151	2
- for other entities	151	2
c) surplus of foreign exchange losses	-	23
d) other, by types :	376	90
- commission on bank guarantees	227	54
- commission on loans	19	24
- commission on letter of credit	130	11
- other	-	1
<b>Total finance costs</b>	<b>735</b>	<b>186</b>

**Note No. 17– 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 is available separate financial information.

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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 at the level of the operating result.

The company's operations for management purpose have been divided into four main operating divisions, such as: implementation (general contracting), design and engineering services (supervisions along with the function of contract engineer), rental of construction equipment and other activities, that include among others income from sublease, sale of photocopy service and others.

Segment assets include all assets used by a segment, that comprise mainly receivables, inventories and property, plant and equipment after deduction of provisions and write-offs.

Some of the assets in the common use are assigned to the segments based on reasonable weights.

Detailed information on the activities of Prochem S.A. in the individual segments are presented in the following table.

For the period from 1 January 2013 to 30 June 2013	General contracting	Design and engineering services	Rental of construction equipment	Other	Unallocated items	Total
Revenues from external customers	15 252	14 080	753	1 271	-	31 356
<b>Total revenue of the segment</b>	<b>15 252</b>	<b>14 080</b>	<b>753</b>	<b>1 271</b>	<b>-</b>	<b>31 356</b>
<b>Segment result</b>	<b>952</b>	<b>-1 822</b>	<b>-62</b>	<b>-255</b>	<b>-</b>	<b>-1 187</b>
Financial income	-	-	-	-	1 290	1 290
Finance expenses	-	-	-	-	735	735
Net financial income	-	-	-	-	555	555
Profit on the other operating activity	-	-	-	-	2 685	2 685
Profit before tax	-	-	-	-	2 053	2 053
Income tax	-	-	-	-	345	345
<b>Profit for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 708</b>	<b>1 708</b>
<b>Assets</b>						
Segment assets (related to activities)	30 419	7 936	3 252	1 511	-	43 118
Unallocated assets (among others shares and other financial assets)	-	-	-	-	85 645	85 645
<b>Total assets</b>	<b>30 419</b>	<b>7 936</b>	<b>3 252</b>	<b>1 511</b>	<b>85 645</b>	<b>128 763</b>
Depreciation of property, plant and equipment	22	49	95	-	191	357
Amortization of intangible assets	-	-	-	-	41	41
Write-down of segment assets value(receivables from deliveries and services)	54	12	3 000	546	-	3 612
For the period from 1 January 2012 to 30 June 2012	General contracting	Design and engineering services	Rental of construction equipment	Other	Unallocated items	Total
Revenues from external customers	40 653	8 576	2 580	1 538	-	53 347
<b>Total revenue of the segment</b>	<b>40 653</b>	<b>8 576</b>	<b>2 580</b>	<b>1 538</b>	<b>-</b>	<b>53 347</b>
<b>Segment result</b>	<b>2 798</b>	<b>-4 027</b>	<b>1 256</b>	<b>43</b>	<b>-</b>	<b>70</b>
Financial income	-	-	-	-	8 260	8 260
Finance expenses	-	-	-	-	186	186
Net financial income	-	-	-	-	8 074	8 074

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Loss on other operating activities	-	-	-	-	-2 595	-2 595
Profit before tax	-	-	-	-	5 549	5 549
Income tax	-	-	-	-	782	782
<b>Profit for the period</b>	-	-	-	-	<b>4 767</b>	<b>4 767</b>
<b>Assets</b>						
Segment assets (related to activities)	50 801	2 823	1 506	1 043	-	56 173
Unallocated assets (among others shares and other financial assets)	-	-	-	-	64 703	64 703
<b>Total assets</b>	<b>50 801</b>	<b>2 823</b>	<b>1 506</b>	<b>1 043</b>	<b>64 703</b>	<b>120 876</b>
Depreciation of property, plant and equipment	52	67	163	184	-	466
Amortization of intangible assets	-	-	-	-	29	29
Write-down of segment assets value(receivables from deliveries and services)	-416	-309	-4 448	-262	-	-5 435

**Note No. 18 - contingent liabilities and contingent assets**

Contingent liabilities - are bank and insurance guarantees of a good performance, repayment of advance, payment, and tendering and bill of exchange guarantee of the good performance of the contract, which as at the day are amounting to:

Description	As at 30 June 2013	As at 31 December 2012
Bank guarantee of a good performance and statutory warranty	14 008	12 774
Guarantee of payment	1 035	1 035
Tendering guarantee	1 191	-
Repayment of advance guarantee	31 300	-
<b>Total contingent liabilities</b>	<b>47 534</b>	<b>13 809</b>
<b>Contingent liabilities granted for third parties:</b>		
Warranty securing obligations under the statutory warranty and guarantee –given on behalf of company Z.I. Promis	303	286
<b>Total contingent liabilities</b>	<b>47 837</b>	<b>14 095</b>

Contingent assets - are guarantees of a good performance which as the balance sheet date amount to:

Description	As at 30 June 2013	As at 31 December 2012
Bank guarantee of a good performance	2 610	2 078
Bill of exchange guarantee of the good performance of the contract	577	577
<b>Total contingent assets</b>	<b>3 187</b>	<b>2 655</b>

Contingent receivables from PERN are described in Note 24.

**Note No. 19 - allocation of profit**

Net profit for 2012 of the Issuer in the amount of PLN 3 055 759.39 by the Resolution No. 5 of the Ordinary General Meeting of Shareholders as of 8 June 2013 was allocated as follows:

- PLN 3 038 100.00 for dividend for shareholders,

- PLN 17 659.39 to capital reserve.

The dividend payment date was set for 30 September 2013.

### **Note No. 20 - dividends**

In the year 2012, the Issuer had allocated the amount of PLN 3 038100 to payment of dividend, which gives PLN 0.78 per share.

### **Note No. 21 - 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	43 118	43 118	45 291	45 291
Cash	23 415	23 415	3 164	3 164
Other financial assets	28 129	28 129	27 736	27 736
Other assets - amounts due from ordering parties under long-term contracts	10 716	10 716	10 285	10 285
<b>Total</b>	<b>105 378</b>	<b>105 378</b>	<b>86 476</b>	<b>86 476</b>
<b>Financial liabilities</b>				
Loans	3 920	3 920	6 347	6 347
Trade payables	20 371	20 371	29 083	29 083
Advances received	28 985	28 985	11	11
Amounts due to ordering parties under long-term contracts	561	561	-	-
<b>Total</b>	<b>53 837</b>	<b>53 837</b>	<b>35 441</b>	<b>35 441</b>

As at 30 June 2013 Company holds shares in companies which are not quoted on the stock exchange (active market) and for which it is not possible to determine reliably the fair value. The value of shares is included in the financial statement of financial position at cost less accumulated impairment losses in the amount of PLN 15 786 thousand. As at 31 December 2012 the value of shares was PLN 15 734 thousand. These shares were valued at the purchase price, which is lower than the fair value of the expected sale transaction.

Loans granted, financial liabilities under loans and other financial instruments are measured at fair value using discounted cash flows. The determined fair value of these financial instruments approximates book value.

Fair value of trade is estimated as the present value of future cash flows discounted using a market interest rate as at the reporting date.

### **Note No. 22 - related party transactions**

In the first half of 2013 members of the Supervisory Board and Management Board did not conclude transactions with companies belonging to PROCHEM S.A. Capital Group.

Related party transactions as below were concluded on market conditions and relate to sale and

purchase of services among others construction services, assembly services and rent agreements as well as loans granted mutually.

Settlements with related parties include trade and financial receivables and payables. Guarantees and sureties granted to related parties are presented in Note No. 18.

### **Data for the reporting period**

#### **Transactions with subsidiaries**

As at 30 June 2013 the settlements of the Issuer with subsidiaries directly and indirectly developed as follows:

Receivables under long-term loans – PLN 16 313 thousand (including accrued interest PLN 1 533 thousand),  
Receivables under short-term loans - PLN 369 thousand (including accrued interest PLN 107 thousand),  
Trade and other receivables – PLN 6 869 thousand,  
Trade payables – PLN 1 717 thousand.

In the period from 1 January 2013 to 30 June 2013 there were following transactions of the Issuer with subsidiaries directly and indirectly:

- sale and purchase of construction services,
- sale of goods and materials,
- sale of other services (lease of space) to subsidiaries.

Total revenues from these transactions amounted to – PLN 405 thousand.

- Revenues from interest on loans amounted to – PLN 203 thousand.
- Revenues from received dividends amounted to - PLN 303 thousand.
- Contract valorization – PLN 93 thousand.

#### **Transactions with jointly controlled entities and associates**

As at 30 June 2013 the settlement of the Issuer with associates directly or indirectly developed as follows:

Receivables under non-current loans PLN 11 148 thousand (including accrued interest PLN 148 thousand),  
Receivables under current loans – PLN 101 thousand (including accrued interest PLN 1 thousand),  
Trade and other receivables – PLN 2 994 thousand.

In the period from 1 January 2013 to 30 June 2013 there were the following transactions with associates:

- revenues from sale of services – PLN 2 300 thousand
- financial revenues from interest on loan – PLN 148 thousand

## **Comparable data**

### **Transactions with subsidiaries**

As at 30 June 2012 the settlement of the Issuer with subsidiaries directly or indirectly developed as follows Receivables from non-current loans along with interest – PLN 26 985 thousand, Receivables from current loans along with interest – PLN 553 thousand, Trade and other receivables – PLN 9 004 thousand, Trade payables – PLN 1 920 thousand.

In the period from 1 January 2012 to 30 June 2012 there were the following transactions of the Issuer with subsidiaries directly and indirectly:

- Sale and purchase of construction services,
- Sale of other services (lease of space) to subsidiaries,

Total revenues from those transactions amounted to – PLN 880 thousand.

- Revenues from interest on loans amounted to – PLN 440 thousand.
- Gain on sale of subsidiary's share amounted to PLN 7 545 thousand.
- Contract valorization – PLN 215 thousand.

### **Transactions with jointly controlled entities and associates**

In the period from 1 January 2012 to 30 June 2012 there were no transactions with jointly controlled entities and associates.

### **Note No. 23 – events after the reporting date**

Did not occur.

### **Note No. 24 – risk of adverse settlement of litigation with PERN S.A.**

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.

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.

### **Note No. 25 – approval of the financial statements**

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

### **Note No. 26 - 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.

**Signatures of the Members of Management Board**

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