CONSOLIDATED FINANCIAL STATEMENTS OF PROCHEM S.A. CAPITAL GROUP

As at and for the period ended 31 December 2014

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

Table of content to the consolidated financial statements of PROCHEM S.A. Capital Group

Consolidated financial statements of PROCHEM S.A. Capital Group

1. Consolidated statement of financial position
2. Consolidated profit and loss account
3. Consolidated statement of comprehensive income
4. Consolidated statement of changes in equity
5. Consolidated statement of cash flows

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

1. Establishment of the Parent Company and principal activity
2. Management Board and Supervisory authorities of the Issuer
3. Employment
4. Description of the Group including specification of entities subject to consolidation
5. Adopted accounting principles
6. Explanatory notes to financial statements prepared as at and for the period ended 31 December 2014
7. Remuneration of the Members of the Management Board and the Supervisory Board

Consolidated statement of financial position as at 31 December 2014

(all amounts in PLN thousands if not stated otherwise)

	Note No.	As at 31 December 2014	As at 31 December 2013
A s s e t s			
Non-current assets			
Property, plant and equipment	1	25 238	25 344
Intangible assets	2	190	300
Investment properties	3	32 960	33 603
Shares	4	830	843
Shares valued using equity method	5	25 136	23 970
Deferred tax assets	6	1 998	1 913
Other financial assets	7	13 609	18 383
Total non-current assets		**99 961**	**104 356**
Current assets			
Inventories	8	4 483	8 962
Trade and other receivables	9	66 534	49 095
Other financial assets	10	11 209	1 877
Other assets	11	13 544	17 033
Cash and cash equivalents	31	6 606	8 249
Total current assets		**102 376**	**85 216**
Total assets		**202 337**	**189 572**
E q u i t y a n d l i a b i l i t i e s			
Equity			
Share capital	12	3 895	3 895
Revaluation reserve	13	11 973	10 954
Retained earnings	14	97 568	92 573
Parent entity owners' equity		**113 436**	**107 422**
Minority interest		**9 243**	**12 337**
Total equity		**122 679**	**119 759**
Non-current liabilities			
Provision for deferred income tax	6	2 656	2 718
Provision for retirement and similar benefits	15	1 985	1 844
Deferred income	21	1 867	19 338
Other liabilities	16	376	377
Total non-current liabilities		**6 884**	**24 277**
Current liabilities			
Bank loans	17	14 050	4 411
Borrowings	18	60	60
Trade payables	19	31 229	26 799
Liabilities under current income tax		407	588
Other liabilities	20	7 809	6 594
Deferred income	21	19 219	7 084
Total current liabilities		**72 774**	**45 536**
Total liabilities		**79 658**	**69 813**
Total equity and liabilities		**202 337**	**189 572**

Book value – equity assigned to shareholders of parent entity	113 436	107 422
Weighted average number of ordinary shares (units)	3 895 000	3 895 000
Book value per share assigned to shareholders of parent entity (in PLN)	29.12	27.58

Consolidated profit and loss account for the period from 1 January 2014 to 31 December 2014

(all amounts in PLN thousands if not stated otherwise)

	Note No.	Period ended 31 December 2014	Period ended 31 December 2013
Revenues from sales, including:		176 048	140 489
Revenues from sale of services	22	166 370	134 428
Revenues from sale of goods and materials	23	9 678	6 061
Cost of sales, including:		-153 158	-125 560
Cost of services sold	24	-144 309	-120 373
Cost of merchandise and raw materials		-8 849	-5 187
Gross profit on sales		**22 890**	**14 929**
General and administrative expenses	24	-16 209	-15 157
Other operating income	25	1 496	4 139
Other operating expenses	26	-2 305	-4 648
Results from operating activities		**5 872**	**-737**
Financial income	27	582	2 097
Loss on disposal of shares		-	-296
Finance expenses	28	-2 657	-1 815
Profit sharing in entities values using equity method		1 166	357
Profit (loss) before tax		**4 963**	**-394**
Income tax expense:	29	1 685	619
- current tax		1 879	903
- deferred tax		-194	-284
Profit for the period		**3 278**	**-1 013**
Profit for the period assigned to:			
Shareholders of Parent Entity		3 751	-34
Non-controlling interest		-473	-979
Weighted average number of ordinary shares (units)		3 895 000	3 895 000
Profit (loss) per one share assigned to shareholders of Parent Entity (in PLN)		0.96	-0.01

Consolidated statement of comprehensive income
For the period from 1 January 2014 to 31 December 2014
(all amounts in PLN thousands if not stated otherwise)

Profit for the period	**3 278**	**-1 013**
Other comprehensive income, net	**603**	**-132**
Other comprehensive income that will be reclassified to profit or loss under certain conditions:	**744**	**-56**
Revaluation of PPE	623	-
Deferred income tax on revaluation of PPE	-108	-
Exchange differences from translation of foreign operation	229	-56
Other comprehensive income that will not be reclassified to profit and loss:	**-141**	**-76**
Actuarial losses on valuation of provisions for employee benefits	-174	-103
Income tax on other comprehensive income	33	27
Total comprehensive income	**3 881**	**-1 145**
Total comprehensive income assigned to:		
Shareholders of Parent Entity	4 292	-163
Minority interest	-411	-982
Weighted average number of ordinary shares (units)	3 895 000	3 895 000
Total comprehensive income per one share assigned to shareholders of Parent Entity (in PLN)	1.10	-0.04

Consolidated statement of changes in equity for the period from 1 January 2014 to 31 December 2014

(all amounts in PLN thousands if not stated otherwise)

The reporting period from 1 January 2014 to 31 December 2014

	Share capital	Revaluation reserve	Retained earnings	Equity assigned to shareholders of parent entity	Equity assigned to non-controlling interest	Total equity
As at the beginning of the period	**3 895**	**10 954**	**92 573**	**107 422**	**12 337**	**119 759**
Net profit (loss) of the given period	-	-	3 751	**3 751**	-473	**3 278**
Net other comprehensive income	-	541	-	**541**	62	**603**
Total comprehensive income	**-**	**541**	**3 751**	**4 292**	**-411**	**3 881**
Transactions with shareholders						
Payment of dividend	-	-	-	-	-30	**-30**
Acquisition of shares in the companies e Elektromontaż Kraków S.A. and Prochem Zachód sp. z o.o.	-	408	968	**1 376**	-2 098	**-722**
Repurchase of own shares for redemption (Elektromontaż) – change in the structure of participation	-	95	348	**443**	-525	**-82**
Other changes – among others sale of shares in subsidiaries	-	-25	-72	**-97**	-30	**-127**
As at the end of the period	**3 895**	**11 973**	**97 568**	**113 436**	**9 243**	**122 679**

The reporting period from 1 January 2014 to 31 December 2013

	Share capital	Revaluation reserve	Retained earnings	Equity assigned to shareholders of parent entity	Equity assigned to non-controlling interest	Total equity
As at the beginning of the period	**3 895**	**11 063**	**95 452**	**110 410**	**13 678**	**124 088**
Net profit (loss) of the given period	-	-	-34	**-34**	-979	**-1 013**
Net other comprehensive income	-	-129	-	**-129**	-3	**-132**
Total comprehensive income	**-**	**-129**	**-34**	**-163**	**-982**	**-1 145**
Transactions with shareholders						
Payment of dividend	-	-	-3 038	**-3 038**	-242	**-3 280**
Repurchase of own shares for redemption (Elektromontaż) – change in the structure of participation	-	32	84	**116**	-146	**-30**
Other changes – among others sale of shares in subsidiaries	-	-12	109	**97**	29	**126**
As at the end of the period	**3 895**	**10 954**	**92 573**	**107 422**	**12 337**	**119 759**

Consolidated statement of cash flows
For the period from 1 January 2014 to 31 December 2014

(all amounts in PLN thousands if not stated otherwise)

	Note No.	Period ended 31 December 2014	Period ended 31 December 2013
Cash flows – operating activities			
Profit before tax		4 963	-394
Total adjustments		-5 708	8 345
Share in net profit of entities valued using equity method		-1 166	-357
Amortization and depreciation	24	2 336	2 339
Interest and profit sharing (dividends)		375	304
(Profit) on disposal of property, plant and equipment		-177	-232
Loss on investing activities		417	296
Changes in provision		332	-424
Change in inventories		4 479	-4 450
Change in receivables	31	-14 338	5 849
Change in current liabilities except for borrowings and loans	31	5 446	-9 036
Other adjustments (including change in deferred income)	31	-3 412	14 056
Cash provided by (used in) operating activities		-745	7 951
Income tax paid		2 060	412
Net cash provided by (used in) operating activities		**-2 805**	**7 539**
Cash flows – investing activities			
Inflows		**586**	**2 707**
Disposal of intangible assets and property, plant and equipment		348	474
Inflows from financial assets, including:		238	2 233
a) in related entities		211	377
- disposal of financial assets		211	276
- repayment of loan granted with interest		-	101
b) in other entities		27	1 856
- disposal of financial assets		-	1 856
- other proceeds from financial assets		27	-
Outflows		**-8 297**	**-1 723**
Acquisition of intangible assets and property, plant and equipment		-1 575	-1 513
For financial assets, including:		-6 722	-210
a) in related entities		-6 722	-210
- acquisition of financial assets		-722	-110
- loans granted		-6 000	-100
Net cash provided by (used in) investing activities		**-7 711**	**984**

Cash flows – financing activities			
Inflows		**9 816**	**3 339**
Bank loan		9 771	3 232
Borrowings received		-	60
Other financial inflows		45	47
Outflows		**-943**	**-10 409**
Dividends paid		-	-3 038
Other than payments to shareholders, expenses under profit distribution		-112	-272
Repayment of bank loans		-193	-6 347
Repayment of borrowings		-	-29
Payment of liabilities under finance lease agreement		-64	-90
Commission and interest paid		-549	-513
Other financial outflows		-25	-120
Net cash provided by (used in) financing activities		**8 873**	**-7 070**
Total cash flows (net)		-1 643	1 453
Net increase/(decrease) in cash and cash equivalents		-1 643	1 453
Cash and cash equivalents at the beginning of the period		**8 249**	**6 796**
Cash and cash equivalents disclosed in the statement of financial position	**31**	**6 606**	**8 249**

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

1. Establishment of the Parent Company and principal activity

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

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

2. Management Board and Supervising authorities of the Issuer

As at the date of preparation hereby financial statements the Management Board of PROCHEM S.A. comprises of:
Jarosław Stępniewski - President of the Management Board
Marek Kiersznicki - Vice President of the Management Board
Krzysztof Marczak - Vice President of the Management Board

There were no changes in composition of the Management Board in 2014.

The Supervisory Board of the 9th term of office, that was elected by the Annual General Meeting on 7 June 2014 by the Resolution No. 7, comprises of:

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

The above composition of the Supervisory Board is current as at the date of preparation of these financial statements.

3. Employment

In 2014 average employment was 503 FTEs, and in 2013 544 FTEs. Level of employment in persons as at 31December 2014 was 524, and in 2013 567.

4. Description of the Capital Group with indication of the consolidated entities

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

Subsidiaries covered by full consolidation:

- Prochem Inwestycje Sp. z o.o. seated in Warsaw – subsidiary directly (100.0%);
- PRO-INHUT Sp. z o.o. seated in Dąbrowa Górnicza – subsidiary indirectly (93.2%);
- Pro-Organika Sp. z o.o. seated in Warsaw – subsidiary directly (91.4%);
- Prochem Serwis Sp. z o.o. seated in Warsaw – subsidiary indirectly (89.1%);
- Przedsiębiorstwo Konsultingowo-Inżynieryjne PREDOM Sp. z o.o. seated in Wrocław – subsidiary indirectly (81.1% of capital and profit, 71.4% of votes);
- Prochem Zachód Sp. z o.o. seated in Słubice - subsidiary directly (80.0%);
- ELPRO Sp. z o.o. seated in Krakow – subsidiary indirectly (88.7%, including 77.3% in the 50% share of Elektromontaż Kraków);
- Elmont Inwestycje Sp. z o.o. seated in Krakow – subsidiary indirectly (87.7%, including 77 .3% in the 50% share of Elektromontaż Kraków);
- Elektromontaż Kraków S.A. – subsidiary indirectly (77.3%), including 65.5% of capital and votes belongs to Prochem Inwestycje a 100% subsidiary. Company Elektromontaż Kraków S.A. prepares consolidated financial statements, which contains data of a 100% subsidiary: ELMONT-POMIARY Sp. z o.o. seated in Krakow and two associated companies ELPRO Sp. z o.o. and Elmont-Inwestycje Sp. z o.o.;
- IRYD Sp. z o.o. seated in Warsaw – subsidiary indirectly in 100%;
- ATUTOR Integracja Cyfrowa Sp. z o.o. seated in Warsaw – subsidiary indirectly (87.3% share belongs to Prochem Inwestycje Sp. z o.o. a 100% subsidiary);
- Prochem RPI Sp. z o.o. seated in Warsaw – a 100% subsidiary directly and indirectly;

Jointly controlled entities and associates valued with equity method :

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

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

Company Predom Projektowanie Sp. z o.o. was excluded from consolidation. The Company has not started to operate.

On 4 January 2014 was completed the liquidation procedure of the subsidiary PRO-PLM Sp. z o.o. seated in Warsaw. Company PRO-PLM Sp. z o.o. was an indirect subsidiary in 100%.

On 7 January 2014 company Prochem Inwestycje Sp. z o.o. (a 100% subsidiary) on the basis of the contract of sale acquired 10,000 shares with nominal value of PLN 5 each, of the company Elektromontaż Kraków S.A. seated in Krakowie (subsidiary). The total sale price was set as PLN 500 thousand.

On 28 March 2014 on the basis of the contract of sale PROCHEM S.A. acquired 20% of shares in company Prochem Zachód Sp. z o.o. seated in Warsaw (subsidiary), i.e. 32 shares with nominal value of PLN 10 thousand each, with total value of PLN 320 thousand. The total sale price was set as PLN

100 thousand. After the transaction the Issuer has 80% of share capital and 80% in total number of votes of the company Prochem Zachód.

On 27 May 2014 company Prochem Inwestycje Sp. z o.o. seated in Warsaw (a 100% subsidiary) on the basis of contract of sale acquired 5,000 shares with nominal value of PLN 5 each, of Elektromontaż Kraków S.A. seated in Kraków (subsidiary). The total sale price was set as PLN 115 thousand.

In 2014 subsidiary Elektromontaż Kraków S.A. repurchased 3 576 of own shares with the aim of redemption for total amount of PLN 82 thousand. As a result of share buyback for redemption by the company Elektromontaż Kraków S.A. has been a change in the structure of shareholding. The share of the Parent Company increased by 6.9% percentage points and as at 31 December 2014 amounts to 77.3%.

5. Adopted accounting policies

Principles of presentation

The consolidated financial statements of PROCHEM S.A. Capital Group for the period from 1 January to 31 December 2014 and analogous period of the comparable year was prepared according to International Accounting Standards and International Financial Reporting Standards, which were adopted by European Union (EU) and were effective as at 31 December 2014. The scope of financial statements is compliant with Minister of Finance Regulation of 19 February 2009 on current and periodic information provided by issuers of securities and conditions for recognition as equivalent required by the law of a non-Member State (Official Journal no. 33, item 259 with further amendments).

Presented consolidated financial statements are compliant with all requirements of IFRS adopted by EU and present true and fair view of the Company's financial position as at 31 December 2014 and comparable data as at 31 December 2013, as well as results of operations for the year ended 31 December 2014 and comparable data for the year ended 31 December 2013.

The consolidated financial statements of PROCHEM S.A. Capital Group as at 31 December 2014 was prepared assuming that the Group will continue to operate as a going concern in foreseeable future and it is stated that there is no evidence indicating that the Issuer and companies belonging to the Capital Group will not be able to continue its operations as a going concern.

Operating activities of the Group neither have seasonal character nor are subject to cyclical trends, except for the segments of the general contracting and rental of construction equipment, that in large extent are characterized by seasonality, which is caused, to a large extent, by the weather conditions. Weather conditions have an impact on the volume of revenue achieved in these segments. Lower revenues are achieved in winter, when the weather conditions do not allow to perform certain construction work.

The financial statements were prepared based on the principle of the historical cost, apart from:

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

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 financial statements set under the estimation are subject to verification if circumstances being base of estimates are changing or as a result of obtaining new information or of progressing course of events or of acquiring greater experience. In preparing the consolidated financial statements 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 2013.

Accounting estimates
Information about the adopted assumptions and uncertainties relating to estimates made, are included in the following notes:

- Note 1 – Property, plant and equipment: key assumptions used in the prognosis of discounted cash flows;
- Note 3 – Investment properties: key assumptions used in the prognosis of discounted cash flows;
- Note 15 – Provisions for retirement and similar benefits: key actuarial assumptions;
- Note 38 – Information on significant proceedings pending before the court.

Changes in estimates
In 2014 there was no change in the principles and methods of calculation used to establish estimates and in estimates.

New standards, interpretations and changes in published IFRS

A number of new standards, amendments to standards and interpretations not yet effective for annual periods ended 31 December 2014 and have not been applied in the financial statements.

The following standards, amendments to standards and interpretations have not been adopted by the European Union or are not effective as at 1 January 2014:

Standard	Amendments	Effective from in EU
IFRS 9 Financial Instruments (with updates)	Changes in the scope of classification and valuation - the existing categories of financial instruments replaced by two categories: measured at amortized cost and at fair value. Changing in the hedging accounting	1 January 2018
IFRS 14 Regulatory Deferral Accounts	The recognition, measurement and disclosures for Regulatory Deferral Accounts	1 January 2016
MSSF 15 Revenue from Contracts with Customers	Standard applies to all contracts with customers except those that fall within the scope of other IFRSs (i.e. leases, insurance contracts and Financial instruments). MSSF 15 clarifies and unifies the principles for recognizing revenue from contracts with customers.	1 January 2017
Amendments to IFRS 11	Additional guidance related to the disclosure of acquisition in a joint operation.	1 January 2016
Amendments to IFRS 10 and IAS 28	Guidelines regarding the sale or contribution of assets by the investor to associated company or joint venture	1 January 2016
Amendments to IFRS 10 IFRS 12 and IAS 28	Clarification of the provisions concerning the recognition of investment entities in consolidation	1 January 2016
Amendments to IAS 1	Amendments concerning required disclosures in the financial statements	1 January 2016
Amendments to IAS 16 and IAS 38	Clarification of standards that the methods of amortization and depreciation cannot be based on revenues which are generated through the use of the asset.	1 January 2016

Amendments to IAS 16 and IAS 41	The accounting principles for the biological assets.	1 January 2016
Amendments to IAS 19	Simplification of the accounting principles applying to contributions from employees or third parties to defined benefit plans.	1 February 2015
Amendments to IAS 27	The application of the equity method in the separate financial statements	1 January 2016
Annual improvements to IFRSs (2010-2012 cycle)	A set of amendments on: - IFRS 2 – definition of vesting conditions; - IFRS 3 – accounting for contingent consideration; - IFRS 8 – presentation of operating segments; - IFRS 13 – short-term receivables and payables; - IAS 16 / IAS 38 – revaluation method – proportionate restatement of accumulated depreciation (not proportionate change of gross value and amortization and depreciation in the revalued value model); - IAS 24 – key management personnel	1 February 2015
Annual improvements to IFRSs (2011-2013 cycle)	A set of amendments on: - IFRS 3 – change in the scope of the use for joint ventures; - IFRS 13 – scope of paragraph 52 (portfolio exception); - IFRS 40 – clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.	1 January 2015
Annual improvements to IFRSs (2012-2014 cycle)	A set of amendments on: IFRS 5 – changes in methods of disposal; IFRS 7 – regulations concerning servicing contracts and applicability of the standard to condensed interim financial statements; IAS 19 – discount rate: regional market issue; IAS 34 – additional guidelines on disclosures in the interim financial report.	1 January 2016

PROCHEM S.A. Capital Group will apply new mentioned above standards, and changes in standards and interpretations of IFRS published by International Accounting Standards Committee, that are not effective as at the day of approval for the publication of the financial statements in accordance with their effective date.

The impact of new regulations on future consolidated financial statements

The new IFRS 9 Financial Instruments introduces fundamental changes in classification, presentation and measurement of financial instruments. These changes will possibly have material impact on future financial statements of the company PROCHEM SA. At the date of preparation of these financial statements have not yet been published all phases of IFRS 9 and have not been endorsed by the European Union. In view of the above, the analysis of its impact on the Company's future financial statements is not yet complete.

The new IFRS 15 aims to unify the rules determining income (except for specific regulated revenues in other IFRS / IAS) and to indicate the scope of required disclosures. Analysis of the impact of the standard on the Group's future financial statements is not yet complete.

Other standards and their changes should not have a significant impact on future consolidated financial statements of PROCHEM S.A. Capital Group. Changes in IFRS standards and interpretations, which came into effect from 1 January 2014 until the day of approval for the publication of the consolidated financial statements had no material impact on these financial statements.

Functional currency and presentation currency of financial statements

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

Transactions done in foreign currencies

Transactions in foreign currencies are initially recognized at the exchange rate of the NBP effective as at the transaction date. Balance sheet items of assets and liabilities expressed in foreign currencies are measured at the average NBP exchange rate in force at the balance sheet date. Gains and losses arising from the settlement of such transactions and carrying value of assets and liabilities expressed in foreign currencies are recognized in the consolidated profit and loss account, with the exception of exchange rate differences relating to assets under construction which are included in the cost of these assets and are treated as adjustments to interest costs of loans in foreign currencies.

Accounting principles applied by the Capital Group are described below

The principles of consolidation

1. When preparing the consolidated financial statements of PROCHEM Capital Group, the following procedures were applied:
    - the data of subsidiaries were recognized in financial statements using the full method, consisting in combining the financial statements of the parent company and its subsidiaries by adding together like items of assets, liabilities, equity, revenues and expenses
    - shares in associated entities valued in the consolidated financial statements using the equity method, and at initial recognition are recognized at cost. The purchase price include transaction costs.

2. The subsidiaries are entities controlled by the Parent Entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date of the obtaining the control until the date of its cessation.

3. Accounting policies applied by subsidiaries have been aligned with the principles adopted by the Group.

4. Goodwill of subsidiaries represents the excess of the purchase price of financial assets acquired by the parent company over the fair value of the net assets of the subsidiary, in proportion to the acquired share in the entity’s equity. If the purchase price is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in profit or loss (gain on bargain purchase). As at the date of acquisition of subsidiary and associated company (gaining control), assets, liabilities and contingent liabilities of a subsidiary are measured at fair value.

5. In case of cessation of the control (e.g. in the event of sale) the Group ceases to recognize assets and liabilities of the subsidiary, non-controlling interest and remaining components of the capitals related to the subsidiary. Any surplus or deficit arising from the loss of control is recognized in profit or loss of the current period. If the Group retains any interests in the former subsidiary, they are subsequently measured at fair value as at the date of the cessation of the control.

6. Shares of non-controlling interests are disclosed at assigned value, even if it results in arising of a negative balance of non-controlling interests.

7. The Group of PROCHEM S.A. treats the transactions with non-controlling interests as transactions with external entities.

8. Gains or losses arising from the sale of shares to non-controlling interests are recognized in equity.

9. As being associated entities are considered such entities in which PROCHEM has between 20% and 50% of the total number of votes in the decisive bodies or otherwise may exercise substantial influence over their financial and operating policies.

10. Investments in associates are accounted for using the equity method and are initially recognized at purchase price. Share in profit or loss of the associate is recognized in profit and loss account. If the share in losses of an associate equals or exceeds its interest of PROCHEM S.A. Capital Group in the entity, the Group does not recognize further losses, unless it is obliged. Unrealized gains between the Group and the associate are eliminated to the level of the Group's interest in the entity.

11. The purchase price of shares in associated companies is subject to adjustments by any changes in the fair value of the net assets, which are attributable to the value of the share held, from the moment of purchase until the date of the financial statements, and by the effects of a stated impairment.

12. At preparing the consolidated financial statements shall be done the following adjustments and exemptions:
    - In the scope of exemptions:
        - shares held by the parent company with the share capital of subsidiaries,
        - mutual receivables and liabilities and other settlements of a similar nature of consolidated entities,
        - income and expenses from mutual buying and selling operations in the capital group,
        - dividends accrued or paid by the subsidiaries to the parent company, and to other consolidated entities.
    - In the scope of adjustments:
        - gains or losses arising as a result of economic transactions between consolidated entities.

Property, plant and equipment and intangible assets

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

- land, buildings and construction are carried at revalued amount, being its fair value at the date of revaluation, set by experts, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.
- Other PPE are carried at their cost increased by possible improvement costs, less any accumulated depreciation and any accumulated impairment losses.

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

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

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

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

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

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

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

Own land is not subject to depreciation.

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

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

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

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

In the consolidated financial statements for the current period and comparative periods the Company applied useful life period of 3-10 years for amortization of intangible assets.

The applied useful lives, amortization methods are verified at the end of each reporting year and when necessary adjusted in the current and in subsequent periods.

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

Investment properties

Investment property is a property (land or a building or part of a building, or both), which the Group treats as a source of rental income or maintains due to the increase in value, or to benefit from both, and the property :

- is not used in operating activities,
- is not offered for sale in the ordinary course of investment activity.

Investment properties are also real estates under construction or development to be used in the future as investment properties. Gains or losses arising from the sale / liquidation of the investment property shall be determined as the difference between proceeds from sale and the carrying amount of these assets and are recognized in the profit and loss account.
Investment properties are initially measured at its cost, including transaction costs. After initial recognition, investment properties are measured at fair value as defined in the fair value model and IFRS 13 *Fair Value Measurement*. The method of valuation applies to all investment properties unless certain investment properties cannot be measured by this method - then the cost accounting is used until the sale of the investment properties. Investment properties, which are measured at cost are subject to the requirements of IAS 16 Property, plant and equipment.

Profit or loss from changes in the fair value of the property is recognized in the result for the period in which the change occurred.

The change in classification, i.e. the transfer to or from investment properties should be done only in case of change in use, e.g.:

- commencement of use by the owner - a transfer from investment property to property, plant and equipment
- completion of the use by the owner - the transfer from PPE to investment properties,
- commencement of development of investment property for the sale - transfer from investment properties to inventories
- while giving the property to a third party under an operating lease - for a transfer from inventories to investment property.

The cost of investment property transferred to property, plant and equipment or inventories equals to its fair value at the date of change in use.

The difference between the fair value and the carrying amount arising at the time of the transfer to investment properties measured at fair value:

- PPE- is accounted as a revaluation in accordance with IAS 16,
- inventories - is recognized as profit / loss for the period,
- completion of the construction or development in own scope of investment property - as the profit / loss for the period.

The fair value according to IFRS 13 is the price that would be received in the sale of an asset or paid for transfer of the liability in a transaction carried out in the usual terms between market participants at the measurement date. Measurement of fair value refers to a specific asset. Therefore, at measurement at fair value should be taken into account the characteristics of the asset, if market participants would consider such characteristics when determining the price of the asset at the measurement date. These characteristics include, for example:
- the condition and location,
- possible restrictions on the sale or use.
The impact of individual characteristics is to differ in depending on how these features will be taken into account by the market participants.

Fair value measurement is based on the assumption that the transaction on disposal of assets is held:
- on the main market for the asset,
- in case of the lack of a main market, on the most advantageous market for the asset. The most advantageous market is such a market that maximizes the amount that would be received on sale of an asset, after taking into account transaction costs and transportation costs.

Fair value measurement of investment property shall make an independent appraiser, who has qualifications relevant to carrying out valuations of real estate, as well as current experience in such valuations in locations where there are assets of the Group.

Lease

The company as the lessee

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

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

The Group as the lessor

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

Borrowing costs

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

Capitalization of borrowing costs commences when:

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

Capitalization of borrowing costs shall be suspended in the case of interruption for extended periods of active investing activity by the entity. Borrowing costs are capitalized until the designation of the asset for use or sale.

Current assets

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

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

Stock of goods and materials slowly-rotating is covered by the write-down set by individual evaluation of the net realizable value as at the balance sheet day.
The cost of inventories shall be shall be assigned by using the first-in, first out (FIFO) method.
Write-downs concerning inventory and their reversals are recognized in the other operating expenses and revenues.

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

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

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

Non-current assets held- for- sale

Non-current assets held for sale are assets meeting the following criteria:

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

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

Immediately prior to reclassification to the group held for the sale or the disposal, these assets are re-measured according to accounting principles. Non-current assets held for the sale (excluding financial assets and investment properties) are recognized in the financial statements in lower of two values: the carrying amount or the fair value less costs to sell.

In case of increase of value, at a later date, of fair value less costs to sell, the income is recognized, however, at the value not higher than previously recognized impairment allowance.

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

Measurement of assets and financial liabilities

At initial recognition the entity shall measure component of assets or liabilities at fair value, increased in case of the component of assets or financial liabilities not classified as measured at fair value through profit or loss by transaction costs, which could be directly attributable to the purchase or issue of the component of financial asset such as: fees and commissions paid to advisers or agents, payments imposed by regulatory agencies and the stock exchange and taxes. Transaction costs do not

include premium or discount from debt instruments, or financing costs, neither administrative costs nor costs of holding of the instruments. Purchase and sale transactions of financial instruments are recognized at the date of their conclusion.
For measurement at the end of the reporting period or any other date after initial recognition the Group classifies financial assets into one of four categories:

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

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

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

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payment or fixed maturity, which the Company is both able and intending to hold to its maturity.

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

Available-for-sale financial assets are non-derivative financial assets, which were classified as available for the sale or not being loans or other receivables, investments held-to-maturity nor the financial assets measured at fair value through profit or loss.

Measurement of financial assets at fair value

The Company measures financial assets measured at fair value through the profit or loss, including derivatives being assets and available-for-sale financial assets, without reduction by the transaction costs which can be incurred in relation to the sale or using other way of disposal of assets.
Fair value of financial assets is measured as follows:

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

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

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

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

Measurement of financial assets at amortized cost

Companies belonging to Capital Group measure loans and other receivables, including trade receivables and held-to-maturity investments according to amortized cost and using the effective interest rate method.

Measurement of financial liabilities at fair value

Companies belonging to Capital Group measure financial liabilities classified as measured at fair value through profit or loss (in particular including derivatives which are not being hedging instruments), as at the last day of the reporting period or any time after the initial recognition at fair value. Irrespective of the nature and purpose of the acquisition, the Group, at the initial recognition, classifies selected financial liabilities as measured at fair value through financial result if it leads to obtaining more useful information. The fair value of the obligation is based on the current selling price for instruments quoted on the active market.

In the absence of an active market, the fair value of financial liabilities is determined by:

- the use of recent market transactions conducted directly between the well knowledgeable, willing parties, or
- reference to the current fair value of another instrument that is almost the same, or
- discounted cash flows analysis.

Measurement of financial liabilities at amortized cost

The Group measures other financial liabilities according to amortized cost using the effective interest rate method.

Financial guarantee contracts, i.e. contracts that require the Group (issuer) to make specified payments to reimburse the holder for a loss it incurs because of not making payment by a specified debtor when due in accordance with the original or modified terms of a debt instrument, not classified as liabilities at fair value through profit or loss are measured at the higher of:

- the amount determined according to the principles of valuation of reserves,
- initial value less, when appropriate, accumulated depreciation allowances.

Reclassification

The Group:

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

The impairment of financial assets

At the end of the reporting period, the Group assesses if there is objective evidence of impairment of a financial asset or group of financial assets.

If there is objective evidence of impairment of loans and other receivables or investments held to maturity which are carried at amortized cost, then the Group shall recognize an impairment loss in the amount of the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at using the original effective interest rate of a financial instrument.

If in a subsequent period, the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss shall be reversed and recognized as revenue in profit in financial result.

If objective premises exist for an impairment of an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, impairment losses are set as the difference between the book value of the financial asset and the current value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset. Impairment losses set in such way are not subject to reversal.

If objective premises exist for impairment of financial asset available-for-sale, the cumulative losses arising from valuation recognized in the statement of comprehensive income, in accordance with the principles of valuation of financial assets, are derecognized from equity and recognized in financial result (profit or loss). If in a subsequent period fair value of an available-for-sale debt instrument rises and the increase can be objectively related to an event occurring after the recognition of impairment loss in financial result, the reversed impairment allowances shall be recognized in financial result (profit or loss).
Impairment loss of an investment in an equity instrument classified as available-for-sale is not reversed in financial result (profit or loss).

Dividend payments to shareholders of the Company is recognized as liability in the financial statements of the Company, at time when the appropriate resolution was passed at the General Meeting of Shareholders of the Company

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

Employee benefits **-** the Group pays the contributions to the obligatory retirement benefit plan, depending on the amount of gross wages paid in accordance with the applicable laws. The Group has no other retirement benefit plans. In order to determine the present value of future obligations relating to retirement benefits and the related current cost of employment is applied an actuarial valuation method.
Accrued liabilities are equal to discounted payments which will be made in future, taking into consideration among others staff turnover, planned increase of salaries and relate to the period to the date ending the reporting year. Provision for the retirement gratuity is created in order to allocate costs to the periods to which they relate. Provision for retirement gratuity are recognized in the profit or loss account, except for actuarial gains and losses arising from changes in actuarial assumptions (including due to changes in the discount rate) and the ex-post actuarial adjustments that are recognized in the statement of comprehensive income.

Equity

Equity is recognized in the accounting records by type, according to the principles set out by law and the Statutes of the Company. Equity includes:

- Share capital – shown in the nominal value of the issued and registered shares
- Revaluation reserve includes:
  - the revaluation difference arisen between the fair value and the purchase price, less deferred tax among others of buildings and land measured at fair value,
  - capital arising from the foreign exchange – translation of financial statements of foreign operations of the Representation Office.
- Retained earnings, which include:
  - Spare capital that is created from the surplus of sale of shares above its nominal value, and from the annual write-down for net profit and the write down of revaluation of property, plant and equipment in the previous years.
  - Reserve capital which arose from the profit allocated to equity
  - Undistributed profit/loss brought forward and profit(loss) for the current year
  - Advance payments on account of dividends.

Revenues from sales include the fair value of revenues from sale of services, goods and materials. Revenues from sales of services is recognized in accordance with IAS 18 *Revenue recognition.* They are recognized only when there is probability of the obtaining the economic benefits from the transaction. Revenues from sale of real estate are recognized upon the transfer of legal title to the purchaser.
Revenue from the contracts for construction services (general contracting) and design and engineering services is determined in proportion to the degree of completion of the service. Degree of completion of the service is measured by the share of costs incurred from the date of the contract to the date of recognition of income in the total cost of the service provided.
Correctness of calculations of the degree of the progress of service as well as expected total expenses and revenues from the service performed is verified at the end of each quarter.

Income tax - fiscal charges include the current taxation by corporate income tax and the change in provisions or deferred tax assets.
The Group is able to control the timing of the reversal of all temporary differences relating to investments in subsidiaries, branches and associates and investments in joint ventures, for which deferred tax was not recognized and it is likely that these temporary differences will not be reversed in the foreseeable future.
Current tax liabilities are established on the basis of current tax regulations and the established taxable income. Current tax liabilities for the current period and previous periods are included as the liability in the amount, in which it wasn't paid.
Provision to deferred income tax is recognized using the liability method, on transitional differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that are actually applicable as at the balance sheet date. Transitional differences relate to different measurement of assets and liabilities for tax purposes and balance sheet purposes.
Income tax assets are recognized when is probable that in future the taxable income is achieved that will enable the use of transitional differences.
Deferred tax assets are recognized separately from tax losses which can be possible to deduct in the next years.

6. Explanatory notes to financial statements as at and for the period ended 31 December 2014

Note No. 1 – Property, plant and equipment

	As at 31 December 2014	As at 31 December 2013
Property, plant and equipment, including:	**25 222**	**25 274**
- land	4 841	4 874
- buildings, premises and civil engineering objects	17 280	17 634
- machinery and equipment	1 090	1 430
- vehicles	1 081	668
- other fixed assets	930	668
- construction under progress	16	70
Total property, plant and equipment	**25 238**	**25 344**

Ownership structure	As at 31 December 2014	As at 31 December 2013
a) own	11 735	11 630
b) used under rental, lease or other agreement, including:	13 503	13 714
- lease	834	377
- the rental and lease	12 117	12 734

- the value of perpetual usufruct rights	552	603
Total property, plant and equipment	**25 238**	**25 344**

Pursuant to an agreement dated July 23, 2004, the Group leases the property consisting of three buildings with a total area of 6 227.5 m2 on a plot of 3 311 m 2, which is located in Warsaw at Emilia Plater Street 18, and at Hoża Street 76/78. The duration of the agreement is 30 years since the date of the signing of the lease agreement.
Land, buildings and constructions are carried at revalued amount, being its fair value at the date of the revaluation, set by experts, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value as at 31 December 2014 based on valuation made by independent experts, not associated with the Group. The experts have the right qualifications to carry out valuations of land, buildings and structures, as well as actual experience in such valuations carried out in locations where there are assets of the Group.

Methods of measurement	**Key, unobservable initial data**	**The relationship between key, unobservable initial data and fair value**
The comparative approach using the method of the adjusted average price: The model is based on determining the average transaction price per 1 m2 based on a representative sample of transactions concluded. The average price was adjusted for weight of characteristics of the market: the attractiveness of the location and the neighborhood, area and shape of the plot, destiny, the legal status of land, access to the plot.	• The average transaction price per 1 m^2. • Attractiveness of the location and neighborhood. • Area and shape of the plot • Purpose • Legal status • Access to the plot.	The estimated fair value of real estate would increase (or would decrease) if: • the average transaction price of the plot
The discounted cash flows: The model of measurement is based on the present value of future net cash flows that will be generated from the real estate taking into account: the level of occupancy. The expected net cash flows are discounted by the discount rates which take into account risk. Other factors included in the adopted average rent per square meter are: attractiveness of the location, technical condition of building, the standard and the functionality of the building, the possibilities of accessing and parking.	• Level of lease of space: reflecting the status of the currently leased space. • Discount rates adjusted for the risk: 7% .	The estimated fair value of real estate would increase (or would decrease) if: • the level of lease of space was higher (lower); • discount rates adjusted for the risk were lower (higher);

There was no change in a valuation technique during the year.

Property, plant and equipment covered by the mortgage which secures the repayment of loans were described in Note 18.

Details concerning land, buildings and constructions, as well as information about the hierarchy of fair values as at 31 December 2014

The Group	Fair value as at 31December 2013 (in PLN thousands)	Fair value as at 31December 2014 (in PLN thousands)
	Level 3	Level 3
Land, including right of perpetual usufruct	4 874	4 841
Buildings and constructions	17 634	17 280

Total	22 508	22 121

There was no displacement between levels 1, 2 and 3 during the fiscal year.

The Group	The net value, which would be revealed in the report in the amount before its revaluation as at 31 December 2014 (in PLN thousands)	Net value after revaluation as at 31 December 2014 (in PLN thousands)	Revaluation surplus recognized in other comprehensive income (in PLN thousands)
Land, including right of perpetual usufruct	4 770	4 841	71
Buildings and constructions	16 728	17 280	552
Total	**21 498**	**22 121**	**623**

Change in property, plant and equipment in 2014

	Land, including the right of perpetual usufruct of land	Buildings, premises, and civil engineering objects	Machinery and equipment	Vehicles	Other PPE	Construction under progress	Total PPE
Gross value							
As at 1 January 2014	**5 491**	**23 214**	**6 297**	**3 288**	**4 251**	**72**	**42 613**
Increase (due to)	123	2 188	480	703	503	-	3 946
- acquisition	-	-	480	703	452	-	1 635
- other changes, including revaluation of non-current assets at fair value	123	2 188	-	-	51	-	2 311
Decrease (due to)	-51	-	-1 739	-493	-261	-54	-2 547
- sale of PPE	-	-	-7	-489	-4	-	-500
- liquidation of PPE	-	-	-1 732	-8	-253	-	-1 993
- other changes	-51	-	-	4	-4	-54	-54
As at 31 December 2014	**5 563**	**25 402**	**5 038**	**3 498**	**4 493**	**18**	**44 012**
Depreciation and impairment							
As at 1 January 2014 - accumulated depreciation	**617**	**5 580**	**4 867**	**2 620**	**3 583**	**2**	**17 269**
- increase – depreciation for the period	105	905	626	276	241	-	2 153
- decrease due to disposal of PPE	-	-	-2	-475	-7	-	-484
- decrease due to liquidation of PPE	-	-	-1 544	-8	-254	-	-1 806
- other changes, including revaluation of non-current assets at fair value	-	1 637	1	4	-	-	1 642
As at 31 December 2014 - accumulated depreciation	**722**	**8 122**	**3 948**	**2 417**	**3 563**	**2**	**18 774**
Net value of PPE as at 31 December 2014	**4 841**	**17 280**	**1 090**	**1 081**	**930**	**16**	**25 238**

Comparative data

Change in property, plant and equipment in 2013

	Land, including the right of perpetual usufruct of land	Buildings, premises, and civil engineering objects	Machinery and equipment	Vehicles	Other PPE	Construction under progress	Total PPE
Gross value							
As at 1 January 2013	**5 491**	**23 081**	**6 707**	**3 508**	**4 179**	**17**	**42 983**
Increase (due to)	-	133	869	195	242	55	1 494
- purchase	-	133	869	195	242	55	1 494

Decrease (due to)	-	-	-1 279	-415	-170	-	-1 864
- sale of PPE	-	-	-943	-386	-40	-	-1 369
- liquidation of PPE	-	-	-324	-28	-70	-	-422
- other changes (including change in the structure of shareholding from a subsidiary for a jointly-controlled entity)	-	-	-12	-1	-60	-	-73
As at 31 December 2013	**5 491**	**23 214**	**6 297**	**3 288**	**4 251**	**72**	**42 613**
Depreciation and impairment							
As at 1 January 2013 - accumulated depreciation	**513**	**4 676**	**5 374**	**2 657**	**3 486**	**2**	**16 708**
- increase – depreciation for the period	104	903	510	377	268	-	2 162
- decrease due to sale of PPE	-	-	-680	-386	-40	-	-1 106
- decrease due to liquidation of PPE	-	-	-324	-28	-70	-	-422
- other changes (including change in the structure of shareholding from a subsidiary for a jointly-controlled entity)	-	1	-13	-	-61	-	-73
As at 31 December 2013 - accumulated depreciation	**617**	**5 580**	**4 867**	**2 620**	**3 583**	**2**	**17 269**
Net property, plant and equipment as at 31 December 2013	**4 874**	**17 634**	**1 430**	**668**	**668**	**70**	**25 344**

Note No. 2 – Intangible assets

	As at 31 December 2014	As at 31 December 2013
- Acquired concessions, patents, licenses and similar assets (including computer software)	190	300
Total intangible assets	**190**	**300**
Structure of ownership		
- own	190	300
Total intangible assets	**190**	**300**

Change in intangible assets in 2014

	Acquired concessions, patents, licenses and similar assets including computer software	Total intangible assets
Gross value		
As at 1 January 2014	**4 122**	**4 122**
Increase (due to)	70	70
- acquisition	70	70
Decrease (due to)	-966	-966
- liquidation	-966	-966
As at 31 December 2014	**3 226**	**3 226**
Amortization and impairment		
Asa at 1 January 2014 – accumulated amortization	**3 822**	**3 822**
- increase – amortization for the period	180	180
- decrease due to disposal	-966	-966
As at 31 December 2014 – accumulated amortization	**3 036**	**3 036**
Net intangible assets as at 31 December 2014	**190**	**190**

Comparative data

Change in intangible assets in 2013

	Acquired concessions, patents, licenses and similar assets including computer software	Total intangible assets
Gross value		
As at 1 January 2013	**4 014**	**4 014**
Increase (due to)	179	179
- acquisition	179	179
Decrease (due to)	-71	-71
- sale	-69	-69
- other changes	-2	-2
As at 31 December 2013	**4 122**	**4 122**
Amortization and impairment		
As at 1 January 2013 – accumulated amortization	**3 718**	**3 718**
Amortization for the period (due to)	104	104
- increase – amortization for the period	175	175
- decrease due to sale	-69	-69
- other decrease	-2	-2
As at 31 December 2013 – accumulated amortization	**3 822**	**3 822**
Net intangible assets as at 31 December 2013	**300**	**300**

Note No. 3 – Investment properties

	As at 31 December 2014	As at 31 December 2013
Construction in-progress	9 125	9 478
Buildings and constructions	6 594	6 592
Land	17 241	17 533
Total investment properties	**32 960**	**33 603**

Investment properties by types	Change in investment properties for the period from 1 January 2014 to 31 December 2014	Change in investment properties for the period from 1 January 2013 to 31 December 2013
Investment properties - land		
As at the opening balance sheet	17 533	48 837
- net decrease due to revaluation at fair value	-292	-
- decrease, including change in the structure of shareholding from a subsidiary for a jointly-controlled entity	-	-31 304
As at the closing balance sheet	17 241	17 533
Investment properties in- progress		
As at the opening balance sheet	9 478	16 587
- decrease due to:		
a) revaluation due to measurement at fair value	-353	-
b) reclassification from investment properties buildings and constructions	-	-1 838
c) exclusions due to change in the structure of shareholding from a subsidiary for a jointly-controlled company	-	-5 271
Total decrease	-353	-7 109
As at the closing balance sheet	9 125	9 478

Investment properties – buildings and constructions

As at the opening balance sheet	6 592	4 754
- increase:		
a) revaluation due to measurement at fair value	2	-
b) reclassification from investment property in-progress	-	1 838
Total increase	2	-
As at the closing balance sheet	6 594	6 592
Total investment properties	**32 960**	**33 603**

Fair value of investment properties as at 31 December 2014 was disclosed at fair value set on the basis of the measurement done by independent experts not associated with the Group. The experts have the right qualifications to carry out valuations of investment properties, as well as actual experience in such valuations carried out in locations where are assets of the Group. Methods of measurement, and unobservable key data are presented in the table below.

Method of measurement	**The key unobservable initial data**	**The relationship between key, unobservable initial data and fair value**
The comparative approach using the method of the adjusted average price: The model is based on determining the average transaction price per 1 m2 based on a representative sample of transactions concluded. The average price was adjusted for weight of characteristics of the market: the attractiveness of the location and the neighborhood, area and shape of the plot, destiny, the legal status of land, access to the plot.	• The average transaction price per 1 m^2. • Attractiveness of the location and neighborhood. • Area and shape of the plot • Purpose • Legal status • Access to the plot.	The estimated fair value of real estate would increase (or would decrease) if: • the average transaction price of m2 of the plot was higher or lower
The discounted cash flows: The model of measurement is based on the present value of future net cash flows that will be generated from the real estate taking into account: the level of occupancy, periods without rental charges. The expected net cash flows are discounted by the discount rates which take into account risk. Other factors included in the adopted average rent per square meter are: attractiveness of the location, technical condition of building, the standard and the functionality of the building, the possibilities of accessing and parking.	• Level of lease of space: reflecting the status of the currently leased space. • Discount rates adjusted for the risk: 7% -7.5%. • No periods without rental charges.	The estimated fair value of real estate would increase (or would decrease) if: • the level of lease of space was higher (lower); • discount rates adjusted for the risk were lower (higher); • periods without rental charges are shorter (longer).

There was no change in a valuation technique during the year.

Details concerning investment properties, as well as information about the hierarchy of fair values as at 31 December 2014

The Group	**Fair value as at 31December 2013 (in PLN thousands)**	**Fair value as at 31 December 2014. (in PLN thousands)**	**Revaluation surplus recognized in profit and loss account in 2014 (in PLN thousands)**
	Level 3	Level 3	Level 3
Land, including right of perpetual usufruct	17 533	17 241	-292
Buildings and constructions	16 070	15 719	-351
Total	**33 603**	**32 960**	**-643**

There was no displacement between levels 1, 2 and 3 during the year.

Note No. 4 – Stocks and shares

Stocks and shares	**As at 31 December 2014**	**As at 31 December 2013**
In other entities:		
Net stocks and shares	**830**	**843**
Write-downs of financial non-current assets	-	-
Stocks and shares, the gross value	**830**	**843**

Changes in stocks and shares	**As at 31 December 2014**	**As at 31 December 2013**
As at the beginning of the period	843	843
Decrease due to sale	-13	-
As at the end of the period	830	843

Note No. 5 – Shares and stocks in entities valued using equity method

Shares and stocks in entities valued using equity method	**As at 31 December 2014**	**As at 31 December 2013**
Shares and stocks, net value	25 136	23 970
Write-downs of shares and stocks	2 073	2 073
Shares and stocks, the gross value	**27 209**	**26 043**

Change in shares and stocks valued using equity method	**As at 31 December 2014**	**As at 31 December 2013**
As at the beginning of the period	**23 970**	**1 116**
- shares and stocks at cost	23 970	1 116
Increase (due to)	1 166	23 422
- share in the result of the current year	1 166	357
- change in the structure of shareholding from a subsidiary for a jointly-controlled entity	-	23 065
Decrease (due to)	-	568
- sale of shares in associated entity	-	568
Net value as at the end of the period	**25 136**	**23 970**
Write-down	2 073	2 073
Gross value as at the end of the period	**27 209**	**26 043**

In 2014 there were no changes in write-downs of shares valued using the equity method.

Irydion Sp. z o. o. constitutes the only common contractual arrangement (the jointly-controlled entity), in which PROCHEM S.A. participates. It is a company whose objective is to build an office building under the name of "Astrum Business Park" in Warsaw. The Company is not listed on WSE. The Company has classified its shares in Irydion Sp. z o.o. as a joint venture.
The Company exercises joint control together with the shareholder Look Finansowanie Inwestycji Łukasiewicz i Wspólnicy Sp. j. (hereinafter called Look), 50% belongs to each shareholder. Each partner has two representatives in the Supervisory Board.

The fair value of the joint venture - of investment property under construction - as at 31 December 2014 amounted to PLN 82,044 thousand, of which the amount of PLN 41,022 thousand falls on the Issuer, and as at 31 December 2013 it amounted to PLN 61,045 thousand, of which to the Issuer falls PLN 30,522.5 thousand.

The following table contains data from the financial statements of Irydion Sp. z o. o.

	2014	2013
Participation (in percentage)	**50%**	**50%**
Non-current assets	**82 044**	**61 045**
Current assets, including:	**2 589**	**9 644**
- cash and cash equivalents	1 446	6 330
Non-current liabilities, including:	-30 026	-28 785
- non-current financial liabilities (excluding liabilities from supplies and services and other liabilities and reserves)	-27 009	-26 377
Current liabilities, including:	-13 770	-3 622
- current liabilities (excluding liabilities from supplies and services and other liabilities and reserves)	-12 112	-
Net assets	**40 837**	**38 282**
Other operating income	3 222	296
Financial income from interest	36	132
Finance expenses under interest	-	-1
Income tax expense	-609	-74
Profit for the period	2 555	217
Total comprehensive income	2 555	217

Shares in subsidiaries

Lp.	a	b	c	d	e	f	g	h	i	j	K
	The name of the company and its legal form	Seat	Principal activity of the company	Type of relationship (subsidiary, jointly controlled entity or associated, details of direct and indirect relationship)	Consolidation methods applied/ valuation using equity method, or an indication that the entity is not subject to consolidation/ validation under equity method	Date of obtaining control /joint control/exertion of significant influence	Value of shares at cost	The revaluation adjustment (total value)	The carrying value of shares	Percentage of share capital held (directly and indirectly)	total number of votes at the General Assembly (directly and indirectly))
1	PROCHEM INWESTYCJE Sp. z o. o.	Warsaw	Consultancy on business activity and management	subsidiary	full	22 June1992	2 999	-	2 999	100.0%	100.0%
2	PROCHEM SERWIS Sp. z o.o.	Warsaw	Management and maintenance of technical installations, housing estates and office buildings	indirect subsidiary (company Prochem Inwestycje sp. z o.o. holds 89.1% shares)	full	24 June1999	196	-	196	89.1%	89.1%
3	PPZEDSIĘBIORSTWO KONSULTINGOWO-INŻYNIERYJNE PREDOM Sp. z o.o.	Wrocław	Construction deigning, urban planning, process engineering	Indirect subsidiary (company Prochem Inwestycje sp. z o.o. holds 75% of capital)	full	19 July 2002	764	-	764	81.1%	71.4%
4	PRO-INHUT Sp. z o. o.	Dąbrowa Górnicza	Construction deigning, urban planning, process engineering	Indirect subsidiary (company Prochem Inwestycje sp. z o.o. holds 93.2% shares)	full	04 October 2001	63	-	63	93.2%	93.2%
5	PRO-ORGANIKA Sp. z o.o.	Warsaw	Commercial activities	subsidiary	full	28 June1996	320	160	160	91.4%	91.4%
6	PROCHEM ZACHÓD Sp. z o.o.	Warsaw	Marketing activities, construction works, design services, commercial activity and forwarding	subsidiary	full	18 March 1998	1 061	-	1 061	80.0%	80.0%
7	ELEKTROMONTAŻ KRAKÓW S.A.***)**	Kraków	Assembly of electrical installations and equipment	Indirect subsidiary (company Prochem Inwestycje Sp. z o.o. holds 65.5% shares	full	10 December 2001	14 725	-	14 725	77.3%	77.3%.
8	ELMONT INWESTYCJE Sp. z o.o.	Kraków	Developr’s activity	Indirect subsidiary (Elektromontaż Kraków S.A. holds 50% shares)	full	05 April 2007	9 050	-	9 050	88.7%	88.7%

9	ELPRO Sp. z o.o.	Kraków	Development and sale of real estates and rental of properties on own account, management of non-residential real estates	Indirect subsidiary (Prochem Inwestycje Sp. z o.o. holds 50%, Elektromontaż Kraków S.A. holds 50% shares)	full	17 April 2002	3 234	-	3 234	88.7%	88.7%
10	IRYD Sp. z o.o.	Warsaw	Development and sale of real estates - on own account,	Indirect subsidiary (Prochem Inwestycje Sp. z o.o. holds 100% shares)	full	13 July 2000	150	150	-	100.0%	100.0%
11	ATUTOR INTEGRACJA CYFROWA Sp. z o.o.	Warsaw	Production and sale of computer software, computer system integration, IT services	Indirect subsidiary (Prochem Inwestycje holds 87.3%)	full	28 September 2000	308	-	308	87.3%	87.3%
12	PROCHEM RPI Sp. z o. o	Warsaw	Developer’s activity	subsidiary (Prochem Inwestycje holds 3.33% shares)	full	8 April 1998	513	-	513	100.0%	100.0%
13	ELMONT POMIARY Sp. z o.o.	Kraków	Developer’s activity	Indirect subsidiary (Elektromontaż Kraków S.A. holds 100% shares)	full	20 April 2004	190	-	190	77.3%	77.3%
14	PREDOM PROJEKTOWANIE Sp. z o.o.**)	Wrocław	Design services	Indirect subsidiary (company PKI Predom sp. z o.o.)	Not subject to consolidation	01 May 2002	53	53	-	81.0%	70.7%

**** participation in the capital and in the voting rights is given in the amount after the completion of the redemption of shares purchased by Elektomontaż Kraków SA for redemption***
***** the company has not commenced activities***

Shares in subsidiaries - continuation

	a	b						c			d			e	F
Item No.	The name of the company	Entity’s equity, including:						Liabilities and provisions for liabilities, including:			Trade and other receivables, including:			Total assets	Total revenues from sale
			Share capital	Own shares (negative value)	Retained earnings, including:										
						profit (loss) brought forward	Profit for the period		Non-current	current		Non-current	current		
1	PROCHEM INWESTYCJE Sp. z o. o.	5 793	3 000	-	2 793	-	564	24577	19 443	5 134	39	-	39	30 370	4 268
2	PROCHEM SERWIS Sp. z o.o.	891	220	-	671	-	76	2 253	251	2 002	1 975	-	1 975	3 144	6 526
3	P.K.I.PREDOM Sp. z o.o.	9 437	600	-	2 797	-153	176	2 154	1 744	410	785	-	785	11 591	4 138

4	PRO-INHUT Sp. z o .o.	829	53	-	776	-	57	1 531	-	1 531	1 989	-	1 989	2 360	2 758
5	PRO-ORGANIKA S.A.	510	350	-	160	-	103	1 343	-	1 343	930	-	930	1 853	4 088
6	PROCHEM ZACHÓD Sp. z o.o.	1 788	1 600	-	188	-	24	34	-	34	-	-	-	1 822	-
7	ELEKTROMONTAŻ KRAKÓW S.A.	24 552	1 281	-46	15 963	2 232	-2 378	18 965	1 215	17 750	9 856	-	9 856	43 517	30 318
8	ELMONT INWESTYCJE Sp. z o.o.	10 150	8 000	-	2 150	-	-618	10 967	10 700	267	8	-	8	21 117	-
9	ELPRO Sp. z o.o.	5 003	3 290	-	1 525	-	-184	378	356	22	19	-	19	5 381	194
10	IRYD Sp. z o.o.	-177	150	-	-327	-322	-5	208	-	208	10	-	10	31	-
11	ATUTOR Sp. z o.o.	186	355	-	-169	-210	41	465	50	415	346	-	346	651	1 187
12	PROCHEM RPI Sp. z o.o.	451	600	-	-149	-145	-4	-	-	-	1	-	1	451	-
13	ELMONT POMIARY Sp. z o.o.		Company consolidated by Elektromontaż Kraków S.A. – company's financial data are included in the financial statements of Elektromontaż Kraków S.A.												
14	PREDOM PROJEKTOWANIE Sp. z o.o.		Not subject to consolidation												

**** data from the consolidated financial statements of the Elektromontaż Kraków S.A. Capital Group presented after elimination of profits of associated entities, which are indirect subsidiaries of the Parent Company***

Shares in entities valued with equity method

Item No.	a	b	c	d	e	f	g	h	i	j	K
	The name of the company and legal form	Seat	Principal activity of the company	Type of relationship (subsidiary, jointly-controlled or associated entity, details of direct and indirect relationship)	Applied consolidation method/valued using equity method or information that the entity is not subject to consolidation/or is valued using equity method	Date of obtaining control/joint control/exertion of significant influence	Value of shares at cost	The revaluation adjustments (total value)	The carrying value of shares	Share capital held in percentage	Total number of votes at the General Assembly
1	ITEL Sp. z o.o.	Gdynia	Contracting of other electrical installations	Associated company	Valuation using the equity method	13 September 2005	708	-26	682	42.0%	42.0%

2	IRYDION Sp. z o.o.	Warsaw	rental of properties on own account	Jointly controlled	Valuation using the equity method	24 March 2000	4 503	19 951	24 454	50.0%	50.0%

Shares in entities valued with equity method - continuation

Item No.	a	b					c			d			E
	The name of the company	The equity, including:					Liabilities and provisions to liabilities, including:			Receivables, including:			Total assets of the company
			Share capital	Retained earnings, comprising of :									
					profit (loss) brought forward	profit for the period		Non-current liabilities	Current liabilities		Non-current receivables	Current receivables	
1	ITEL Sp. z o.o.	1 624	1 292	332	-	-215	1 836	119	1 717	1 899	-	1 899	3 460
2	IRYDION Sp. z o.o. ***)**	40 837	9 000	31 837	-	2 555	43 796	30 026	13 770	1 143	-	1 143	84 633

***) Detailed information concerning the data from the financial statements of the jointly controlled entity were disclosed in the supplementary note**

Note No. 6 – deferred income tax
Deferred tax assets

Change in deferred tax assets	As at 31 December 2014	As at 31 December 2013
1. Deferred tax assets as at the beginning of the period recognized in the financial result (profit or loss)	**5 708**	**4 496**
a) recognized in the financial result	**5 690**	**4 496**
- provisions for costs	448	449
- write-down of the receivables	860	277
- unpaid remuneration under contracts of mandate and specific task contracts	52	43
- deferred income	980	482
- interest on loan	543	431
- revaluation of the real estate	-	10
- provision for the retirement benefit	406	423
- provision for the holiday benefits	241	173
- deferred income tax on the write-down of the financial assets	977	-
- unpaid employee benefits	147	48
- write -down of the inventories	54	54
- tax loss	649	2 091
- the difference between balance sheet depreciation and tax depreciation	-	-
- other (including exchange differences)	333	15
b) recognized in the equity	**18**	-
- provision for the retirement benefit	17	-
- other	1	-
2. Increase	**3 154**	**3 460**
a) recognized in financial result	**3 120**	**3 442**
- provisions for costs	262	142
- write-down of the receivables	190	601
- unpaid remuneration under contracts of mandate and specific task contracts	37	52
- deferred income	2 029	980
- interest on loan	117	113
- provision for the retirement benefit	3	10
- provision for the holiday benefits	76	102
- deferred income tax on the write-down of the financial asset	-	993
- unpaid employee benefits	61	104
- provision for tax loss	6	12
- other (including exchange differences)	339	333
b) recognized in the equity	**34**	**18**
- provision for the retirement benefit	34	17
- other	-	1
3. Decrease	**2 811**	**2 248**
a) recognized in financial result	**2810**	**2 248**
- the use of provision for costs	83	143
- write-down of the receivables	5	18
- paid remuneration under contracts of mandate and specific task contracts	52	43
- deferred income	805	482
- interest on loan	13	1

- revaluation of the real estate	-	10
- the use of the provision for the retirement benefits	14	27
- the use of the provision for the holiday benefits	51	34
- paid employee benefits	147	5
- the use of the asset created for tax loss	355	1 454
- deferred income tax on the write-downof the financial asset	972	16
- other (including exchange differences)	313	15
b) recognized in the equity	**1**	**-**
- other	1	-
4. Total deferred tax assets at the end of the period, including:	**6 051**	**5 708**
a) recognized in the financial result	**6 000**	**5 690**
- provisions to costs	627	448
- write-down of the receivables	1 045	860
- unpaid remuneration under contracts of mandate and specific task contracts	37	52
- deferred income	2 204	980
- interest on loans	647	543
- provision for the retirement benefits	395	406
- provision for the holiday benefits	266	241
- unpaid employee benefits	61	147
- tax loss	300	649
- deferred tax on the write-down of financial assets	5	977
- write-down of the inventories	54	54
- other (including exchange differences)	359	333
b) recognized in the equity	**51**	**18**
- provision for the retirement benefits	51	17
- other	-	1

Provision for the deferred income tax

1. Provision for deferred income tax at the beginning of the period, including:	**6 513**	**7 950**
a) recognized in the financial result	**4 611**	**6 398**
- accrued interest on the loan	398	246
- revaluation of PPE to fair value	136	136
- interest accrued on the receivables	-	40
- accrued income from the uncompleted service	1 561	869
- estimation of the liability under income tax in Hungary	-	209
- the difference between an operating lease installment and depreciation of leased fixed assets recognized in the costs	6	8
- revaluation of non-financial investments	1 864	4 591
- surplus of balance sheet depreciation over tax depreciation	381	287
- other	265	12
b) recognized in the equity	**1 902**	**1 552**
- revaluation of PPE to fair value	1 902	1 547
- the difference between an operating lease installment and depreciation of leased fixed assets recognized in the costs	-	5
2. Increase	**2 790**	**3 644**
a) recognized in the financial result of the period due to positive transitional differences	**2 723**	**3 280**
- accrued interest on the loan,	170	167

- accrued revenues from uncompleted service	2 439	2 270
- the difference between an operating lease installment and depreciation of leased fixed assets recognized in the costs	1	13
- revaluation of non-financial investments	11	479
- difference between tax depreciation and balance sheet depreciation	91	94
- other	11	257
b) recognized in the equity due to positive transitional differences	**67**	**364**
- revaluation of PPE to fair value	67	364
3. Decrease	**2 594**	**5 081**
a) recognized in the financial result of the period due to positive transitional differences	**2 583**	**5 067**
- paid interest on the loan	10	15
- paid interest accrued on the receivables	-	40
- accrued revenues from uncompleted service	2 330	1 578
- unrealized revenues from sale of financial assets	-	209
- the difference between an operating lease installment and depreciation of leased fixed assets recognized in the costs	1	15
- the use of revaluation of non-financial investments	90	3 206
- other	152	4
b) recognized in the equity due to positive transitional differences	**11**	**14**
- revaluation of PPE to fair value	11	8
- other	-	1
- the difference between an operating lease installment and depreciation of leased fixed assets recognized in the costs	-	5
4. Total provision for deferred income tax at the end of the period	**6 709**	**6 513**
a) recognized in the financial result	**4 751**	**4 611**
- interest accrued on the loan	558	398
- revaluation of PPE to fair value	136	136
- accrued revenues from uncompleted service	1 670	1 561
- the difference between an operating lease installment and depreciation of leased fixed assets recognized in the costs	6	6
- revaluation of non-financial investments	1 785	1 864
- surplus of balance sheet depreciation over tax depreciation	472	381
- other	124	265
b) recognized in the equity	**1 958**	**1 902**
- revaluation of PPE to fair value	1 958	1 902

	As at 31 December 2014	**As at 31 December 2013**
Deferred tax assets	6 051	5 708
Provision to deferred income tax	-6 709	-6 513
Assets / (Provision) under deferred tax	**-658**	**-805**

Presentation in statement of financial position:

	As at 31 December 2014	**As at 31 December 2013**
Deferred tax assets	1 998	1 913
Provision to deferred income tax	-2 656	-2 718
Assets / (Provision) under deferred tax	**-658**	**-805**

Note No. 7 – other non-current financial assets

Other financial assets	**As at 31 December 2014**	**As at 31 December 2013**
a) from jointly-controlled entities	11 525	11 299
- loans	11 525	11 299
b) other non-current financial assets – discounted security deposits for securing bank guarantee of return of advance payment	2 084	7 084
Total other financial assets	**13 609**	**18 383**

Loans granted – as at 31 December 2014

- Loan granted to company IRYDION Sp. z o.o. seated in Warsaw PLN 11 525 thousand, including amount of the loan PLN 11 000 thousand, accrued interest PLN 525 thousand. Interest rate is set annually according to WIBOR 6M, repayment date 30 September 2018.

Increases

- Charging interest on a loan granted to a jointly controlled company Irydion sp. z o.o. – PLN 226 thousand.

Loans granted – as at 31 December 2013

- Loan granted to company IRYDION Sp. z o.o. seated in Warsaw PLN 11 299 thousand, including amount of the loan PLN 11 000 thousand, accrued interest PLN 299 thousand. Interest rate is set annually according to WIBOR 6M, repayment date 31 December 2015.

Note No. 8 – inventory

Inventory	**As at 31 December 2014**	**As at 31 December 2013**
Materials	3 368	7 936
Semi-finished goods and work-in-progress	350	145
Goods	765	881
Total inventory	**4 483**	**8 962**
Write-down of the inventory	285	285

Materials recognized in operating expenses of the given period – *material consumption* amount to PLN 15 546 thousand, and in the analogous period of the previous year was recognized an amount of PLN 16 808 thousand.

Note No. 9 – trade and other receivables

Trade and other receivables	**As at 31 December 2014**	**As at 31 December 2013**
Trade receivables	72 608	53 700
Write-down of trade receivables	6 943	7 221
Net trade receivables, including:	**65 665**	**46 479**
- with a repayment period up to 12 months,	61 447	41 564
- with a repayment period more than 12 months	4 218	4 915
Receivables from taxes, subsidies, social security and health insurance and other benefits	**290**	**1 067**
Other receivables	585	3 832
Write-down of other receivables	6	2 283
Net other receivables	**579**	**1 549**
Total net receivables	**66 534**	**49 095**

Trade and other receivables from related entities	As at 31 December 2014	As at 31 December 2013
Trade receivables, including:	105	722
- from jointly-controlled entities	105	722
Total net trade and other receivables from related entities	**105**	**722**
Write-down of receivables from related entities	-	-
Total gross trade and other receivables from related entities	**105**	**722**

Change in write-downs of trade and other receivables	As at 31 December 2014	As at 31 December 2013
As at the beginning of the period	**9 504**	**6 280**
a) increase (due to)	1 143	3 501
- provisions for receivables	1 143	3 501
b) decrease (due to)	3 698	277
- payment received	299	15
- the use of reserves created in the previous periods	3 397	79
- other exclusion of the company from the consolidation (change in the structure of the shareholding from a subsidiary to a jointly-controlled entity)	-	153
- release of the provision	2	30
Write-downs of trade and other receivables as at the end of the period	**6 949**	**9 504**

In majority of the contracts signed by the Group the term of payment for services is determined in the range from 14 to 60 days. As at 31 December 2014 and 31 December 2013 receivables include deposits under the statutory warranty for construction and assembly work, respectively, in the amount of PLN 19 909 thousand and PLN 18 543 thousand.

Trade receivables with remaining from the balance sheet day time of repayment	As at 31 December 2014	As at 31 December 2013
- up to 1 month	19 099	15 412
- more than 1 month up to 3 months	21 514	3 640
- more than 3 months up to 6 months	138	147
- more than 6 months up to 1 year	454	1 906
- more than 1 year	4 149	5 189
- receivables overdue	27 254	27 406
Total receivables from supplies and services (gross)	**72 608**	**53 700**
Write-down of receivables from supplies and services	6 943	7 221
Total receivables from supplies and services (net)	**65 665**	**46 479**

The aging analysis of trade receivables past due (gross value)	As at 31 December 2014	As at 31 December 2013
- up to 1 month	1 136	1 265
- more than 1 month up to 3 months	287	1 425
- more than 3 months up to 6 months	1 047	306
- more than 6 months up to 1 year	2 235	2 063
- more than 1 year	22 549	22 347
Total receivables from supplies and services, overdue (gross value)	**27 254**	**27 406**
Write-down of trade receivables past due	6 943	6 865
Total receivables from supplies and services, past due (net value)	**20 311**	**20 541**

The outstanding balance of receivables from supplies and services includes receivables overdue by the carrying amount of PLN 17 364 thousand as a security deposit under the statutory warranty, for which the Company did not create provisions, since there was no significant change in the quality of the debt compared to previous accounting periods, therefore is considered as to be recovered. The Company has collateral in the form of the seized guarantee deposits under statutory warranty from the subcontractors in the amount of PLN 2 928 thousand. For more information see Note No. 38 - *The significant proceedings pending before the court*

Note No. 10 – other financial assets

Other financial assets	**As at 31 December 2014**	**As at 31 December 2013**
a) from jointly-controlled entities	6 054	-
- current loans	6 054	-
b) from other entities:	5 155	1 877
- current loans	198	198
- other financial assets - discounted security deposit for securing bank guarantee advance refund	4 957	1 679
Total other financial assets	**11 209**	**1 877**
Write-down of other financial assets	-	-
Gross other financial assets	**11 209**	**1 877**

Loans granted - as at 31 December 2014

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

Increase

- Loan granted to a jointly-controlled company Irydion sp. z o.o. in Warsaw :
  - 24 April 2014 in the amount of PLN 2,000 thousand, fixed interest rate of 3% per annum, repayment date 31 December 2015,
  - 15 September 2014 in the amount of PLN 1,000 thousand, fixed interest rate of 3% per annum, repayment date 31 December 2015,
  - 20 October 2014 in the amount of PLN 500 thousand, fixed interest rate of 3% per annum, repayment date 31 December 2015,
  - 18 December 2014 in the amount of PLN 2,500 thousand, fixed interest rate of 3% per annum, repayment date 31 December 2015,

- Charging interest on loans granted to a company jointly-controlled Irydion sp. z o.o. in the amount of PLN 54 thousand.

Loans granted - as at 31 December 2013

- Loan granted to the Civil Committee of Building of the Cardiologic Hospital of the name of Marshal Józef Piłsudski in Warsaw PLN 198 thousand, including: amount of the loan PLN 133 thousand, accrued interest PLN 65 thousand, interest rate set at the statutory rate, repayment date 30 June 2008. Receivables secured by a mortgage on the right of perpetual usufruct of the land under land register – KW No. 136324.

Note No. 11 – other assets

Other assets by types:	**As at 31 December 2014**	**As at 31 December 2013**
a) prepayments	958	876
- cost of property and personal insurance,	282	288
- software maintenance costs,	459	478
- subscriptions,	39	10
- deferred costs,	49	84
- initial rent of lease agreements	-	8
- other	129	8
b) other accrued costs and prepayments	12 586	16 157
- amounts due from the ordering parties under long-term contracts	12 586	16 157
Total other assets	**13 544**	**17 033**

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

Note No. 12 – share capital

SHARE CAPITAL (THE STRUCTURE)							
Series / emission	Type of share	Type of share preference	Number of shares	Series/ emission at nominal value	Method of capital coverage	Registration date	Right to dividend (since)
Founding	inscribed	3 votes per 1 share	830	830	cash	23July1991	1October1991
Founding	inscribed	-	1 004	1 004	cash	23July1991	1October1991
Founding	bearer	-	1 815 666	1 815 666	cash	23July1991	1October1991
B	inscribed	-	4 750	4 750	cash	29July1993	1January1993
B	bearer	-	677 750	677 750	cash	29July1993	1January1993
C	bearer	-	530 000	530 000	cash	20April1994	1January19934
D	bearer	-	865 000	865 000	cash	5September1994	1January19934
Total number of shares			**3 895 000**				
Total share capital				**3 895 000**			
Nominal value of 1 share = PLN 1.00							

The share capital of the Company amounts to PLN 3 895 thousand and is divided into 3 895 000 shares with the nominal value of PLN 1 each. The number of shares remains unchanged as compared to as at 31 December 2013.
Total number of votes from all shares is 3 896 660.

According to the Company's knowledge at the date of this report, the following shareholders hold at least 5% of votes at the General Meeting of Shareholders:

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

Since the submission of the annual report for the year 2013, on 7 June 2014 of the General Meeting of Shareholders, the Group has been informed about the following change in shareholding:

- POROZUMIENIE PHC increase by 1 163 shares, including:
  - Steven Tappan by 203 shares.
- Otwarty Fundusz Emerytalny PZU „Złota Jesień” increase by 521 shares.
  In addition:
- On 21 August 2014 the Issuer was informed that in the result of the acquisition of shares of PROCHEM S.A. the shareholding of one of the funds managed by Noble Funds Towarzystwo Funduszy Inwestycyjnych S.A. i.e. Noble Funds Fundusz Inwestycyjny Otwarty exceeded 5% of the total number of votes in the company PROCHEM S.A. Prior to the transaction the Fund held 192,446 shares representing 4.94% of the share capital and 192,446 votes from those shares, what constitutes 4.94% of total number of votes. After the transaction the Fund holds 198,446 shares of the company PROCHEM S.A., representing 5.09% of the share capital and 198,446 votes from these shares, what constitutes 5.09% of the total number of votes.
- On 21 October 2014 the Issuer was informed that in the result of the transaction in regular market the investment funds (QUERCUS Parosolowy SFIO, QUERCUS Absolute Return FIZ and QUERCUS Absolutnego Zwrotu FIZ) manager by Quercus Towarzystwo Funduszy Inwestycyjnych S.A. exceeded 5% of total number of votes at the General Meeting. Prior to the transaction the Funds held a total of 193,994 shares of the company PROCHEM S.A., representing 4.98% of the share capital and 193 994 votes from those shares, what constitutes 4.98% of total number of votes. After the transaction the Funds hold a total of 204,198 shares, what constitutes 5.24% of the Company’s share capital and 204,198 votes from these shares, what constitutes 5.24% of total number of votes at the General Meeting.
- On 9 February 2015 the Issuer was informed that in the result of sale of shares by the fund Noble Funds Funduszu Inwestycyjnego Otwartego managed by Noble Funds Towarzystwo Funduszy Inwestycyjnych S.A. (hereinafter referred to as the Fund) share fell below the threshold of 5% of the total number of votes in the Company. Before the change the Fund held 199,908 shares of the Company, representing 5.13% of the share capital and 5.13% of total number of votes. After the change the Fund holds 193,595 of the Company’s shares, what constitutes 4.97% of the Company’s share capital and 4.97% of total number of votes.

Note No. 13 – revaluation reserve

	As at 31 December 2014	As at 31 December 2013
As at opening balance sheet	**10 954**	**11 063**
Revaluation of property, plant and equipment	462	-
Capital from foreign exchange differences of the translation of Representative Office abroad	205	-56
Actuarial loses on valuation of provisions for employee benefits	-126	-71
Transactions with shareholders, and other changes	478	18

As at closing balance sheet	11 973	10 954

Note No. 14 – retained earnings	As at 31 December 2014	As at 31 December 2013
Spare capital	43 077	44 323
Other capital reserve	49 544	47 150
Profit brought forward	1 196	1 134
Net profit /(loss) assigned to shareholders of parent entity	3 751	-34
Total	**97 568**	**92 573**

Note No. 15 – provision for retirement and similar benefits

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

The principal actuarial assumptions at the end of the reporting period:

Data in percentage (%)	**in 2014**	**in 2013**
Discount rate	2.6%	4.5%
Average anticipated annual increase in the base for the calculation of the retirement and pension benefits in the years 2015-2024, in 2013 in the years 2014-2023	from 0.0% to 2.1%	from 0.3% to 4.6%
Weighted average index of employee mobility	from 5.38% to 8.9%	from 6.0% to 9.91%
Increase of the base of retirement benefits:		
- the year 2014 in 2015, the year 2013 in 2014	from 0% to 3.0%	from 0% to 6.1%
- the year 2014 in the years 2016-2024, the year 2013 in the years 2015-2023	from 0% to 2.5%	from 0% to 2.5%
- in other years	2.5%	2.5%

	in 2014	**in 2013**
Provisions for retirement and similar benefits at the beginning of the period	**2 234**	**2 230**
Current employment costs	86	75
Cost of interest	97	100
Net actuarial gains and losses recognized in profit and loss account	167	-13
Net actuarial gains and losses recognized in other comprehensive income	225	116
Benefits paid	-441	-274
Provisions for retirement and similar benefits at the end of the period, including:	**2 368**	**2 234**
- current liabilities (note No. 20)	383	390
- non-current liabilities	1 985	1 844

Book value of liabilities for employee benefits as at 31 December 2014 and 31 December 2013 is the same as the current value.

Historical information

As at	Current value of liabilities arising from above benefits
31 December 2014	2 368
31 December 2013	2 234
31 December 2012	2 230
31 December 2011	1 904
31 December.2010	2 299

Employee benefit costs are included in general and administrative expenses. In 2014 the provision for employee benefits have changed as a result of updated assumptions, primarily in the discount rate and change in planned salary increase index.
Total amount of expenses is recognized in the financial result:

	Year ended 31December 2014	Year ended 31December 2013
Current employment costs	86	75
Cost of interest	97	100
Actuarial gains (losses)	167	-13
Past employment costs	-110	-
Total costs	**240**	**162**

Note No. 16 – other non-current liabilities

Other non-current liabilities	As at 31 December 2014	As at 31 December 2013
- principal outstanding	50	50
- financial lease agreements	232	256
- transformation of perpetual usufruct right to right of ownership	20	24
- retained security deposits	74	47
Total non-current liabilities	**376**	**377**

Note No. 17 – current bank loans

	As at 31 December 2014	As at 31 December 2013
- loans	14 050	4 411

Information on bank loans

Name of the bank	Seat	Limit of the loan	The amount engaged	Repayment date	Terms of interest	Security
By Prochem S.A.						
mBank S.A.	Warsaw	6,000 Credit in overdraft on current account	3 708	30 June 2015	WIBOR for O/N deposits in PLN + margin	Promissory note in blank
mBank S.A.	Warsaw	6,000 working capital loan	3 000	30 June 2015	WIBOR for O/N deposits in PLN + margin	Promissory note in blank
ING Bank Śląski S.A.	Katowice	3,000 Credit in overdraft on current account	2 740	16 November 2015	WIBOR for 1 month deposits in PLN + margin	Statement on submission to execution

By Elektromontaż Kraków S.A.						
Deutsche Bank	Kraków	1 500	1 462	15 July 2015	WIBOR for 1 month deposits in PLN + margin	Mortgage of up to PLN 750 thousand on real estate
ING BANK Śląski	Kraków	2 500	2 264	20 October 2015	WIBOR for 1 month deposits in PLN + margin	Mortgage of up to PLN 750 thousand on real estate
By Pro-Organika sp. z o.o.						
mBank S.A.	Warsaw	100 Credit in overdraft on current account	90	26 June 2015	WIBOR for O/N deposits in PLN + margin	lack
mBank S.A.	Warsaw	115 working capital loan	115	16 February 2015	WIBOR for 1 month deposits in PLN + margin	lack
mBank S.A.	Warsaw	115 working capital loan	115	10 March 2015	WIBOR for 1 month deposits in PLN + margin	lack
BZ WBK S.A..	Warsaw	200 working capital loan	198	23 April 2015	WIBOR for 1 month deposits in PLN + margin	lack
By Atutor Integracja Cyfrowa sp. z o.o.						
BZ WBK S.A.	Warsaw	6 Credit in overdraft on current account	0	Not applicable	12.91% at the time of account opening	lack
Bank Millenium S.A.	Warsaw	100	96	Not applicable	12.91% at the time of account opening	lack
By Pro-Inhut sp. z o.o.						
ING Bank Śląski S.A.	Dąbrowa Górnicza	262	262	30 April 2015	WIBOR for 1 month deposits in PLN + margin	lack

Note No. 18 – current loans

	As at 31 December 2014	As at 31 December 2013
- to other entities	60	60
Total liabilities under loans	**60**	**60**

The loan contracted by subsidiary Pro-Inhut Sp. z o.o. (a 93.4% subsidiary) from co-owner in the amount of PLN 60 thousand.

Note No. 19 – trade payables

	As at 31 December 2014	As at 31 December 2013
To jointly-controlled entities	12	16
- for supplies and services with maturity:	12	16
- up to 12 months	12	16
To other entities:	31 217	26 783
- for supplies and services with maturity:	31 217	26 783
- up to 12 months	29 386	24 056
- more than 12 months	1 831	2 727
Total trade payables	**31 229**	**26 799**

Note No. 20 – other liabilities

	As at 31 December 2014	As at 31 December 2013
a) to other entities	4 618	3 853
- due under taxes, duties, insurance and other entitlements	2 821	2 669
- under remuneration	265	259
- other (by type)	1 532	925
• liabilities to employees	56	75
• to shareholders	19	16
• under lease agreement	358	118
• other	1 099	716
b) other current provisions	3 191	2 735
- provision for costs accrued to the previous year connected with long-term contracts	468	435
- provision for costs (the moving portion of remuneration, contract of mandate)	842	512
- audit costs	96	125
- current provision for retirement benefits	383	390
- provision for unused annual leaves	1 402	1 273
c) special funds	-	6
Total other liablities	**7 809**	**6 594**

Liabilities under lease agreements

	Future minimum payments under lease	Interest	Current value	Future minimum payments under lease	Interest	Current value
In PLN thousands	**2014**	**2014**	**2014**	**2013**	**2013**	**2013**
up to 1 year	319	39	358	102	16	118
1 to 5 years	206	26	232	224	32	256
Total	**525**	**65**	**590**	**326**	**48**	**374**

Note No. 21 – deferred income

	As at 31 December 2014	As at 31 December 2013
- advance payments received	18 632	25 593
- amounts due to ordering parties under long-term contracts	1 684	152
- other	770	677
Deferred income at the end of the period, including:	**21 086**	**26 422**
Non-current liabilities	**1 867**	**19 338**
Current liabilities	**19 219**	**7 084**

Note No. 22 – revenues from sale of services

Type of service and type of activity	**Period ended 31 December 2014**	**Period ended 31 December 2013**
Revenues from sale of services, including:	**166 370**	**134 428**
- from related entities	18 008	21 283

Territorial structure	Period ended 31 December 2014	Period ended 31 December 2013
Domestic sales	106 111	125 309
- including from related entities	17 951	21 283
Export	60 259	9 119
Total revenues from sale of services	**166 370**	**134 428**

Revenues from contracts of contracting services (general contracting) and other services as Note No. 32.
The gross amount due from the ordering parties / customers for works resulting from the agreements as Note No. 11.
Information on the main customers of the total value of revenues from sales of services which exceeds 10% of the total revenue of the Group for 2014 in Note No. 32.

Note No. 23 – revenues from sale of goods and materials

Type of service and type of activity	Period ended 31 December 2014	Period ended 31 December 2013
Goods	9 678	6 061

Territorial structure	Period ended 31 December 2014	Period ended 31 December 2013
Domestic sales	9 678	6 061

Note No. 24 – cost of services

Costs by type:	Period ended 31 December 2014	Period ended 31 December 2013
Amortization and depreciation	2 336	2 339
Materials and energy consumption	20 283	19 390
Outsourcing	89 808	68 074
Taxes and levies	935	680
Remuneration	35 169	34 395
Social security and other benefits	6 194	6 140
Other costs by type:	5 480	3 815
- property and personal insurance	791	734
- business trips	1 105	938
- PFRON (State Fund for Rehabilitation of Disabled Persons)	292	268
- other	3 292	1 875
Total costs by type	160 205	134 833
Change in inventories, goods and accruals and prepayments	313	697
General and administrative expense (negative value)	-16 209	-15 157
Cost of services	**144 309**	**120 373**

Note No. 25 – other operating income

	Period ended 31 December 2014	Period ended 31 December 2013
Gain on disposal of non-financial non-current assets	177	232
Grants	112	-
Reversal of impairment allowance (due to)	321	197

- for receivables	320	156
- other	1	41
Other, including:	886	3 710
- reimbursement of the costs of legal proceedings	25	12
- received compensation, fines and penalties	123	416
- revenues from car rental	89	89
- revaluation of investment property	64	-
- revenues from sale of financial assets	211	-
- write-off of overdue liabilities	308	2 852
- other	66	341
Total other operating income	**1 496**	**4 139**

Note No. 26 – other operating expenses

	Period ended 31 December 2014	**Period ended 31 December 2013**
Write-downs of:	1 143	3 512
- receivables	1 143	3 512
Other, including:	1 162	1 136
- donations	7	5
- costs of legal proceedings	106	188
- write-down of overdue receivables	1	223
- actuarial valuation of pension benefits	-	24
- revaluation of investment properties	707	-
- paid compensation, fines and penalties	173	248
- revaluation of materials/accounting for inventory	-	42
- other, including the cost of guarantee for renting of office space arising from contract of sale of office building	168	406
Total other operating expenses	**2 305**	**4 648**

Note No. 27 – financial income

	Period ended 31 December 2014	**Period ended 31 December 2013**
Interest on loan granted	281	300
- from jointly-controlled entities	281	300
Other interest	48	140
- from other entities	48	140
Surplus of foreign exchange gains	-	382
Other, including:	253	1 275
- income from discounted non-current liabilities	195	1 195
- other	58	80
Total financial income	**582**	**2 097**

Note No. 28 – finance expenses

	Period ended 31 December 2014	**Period ended 31 December 2013**
Interest on loans	490	484
Other interest	62	201
- for other entities	62	201
Surplus of foreign exchange losses	536	24

Other, due to:	1 569	1 106
- commission on bank guarantees	454	534
- commission on loans	51	61
- commission on letter of credit	16	130
- initial rent from lease agreements	-	11
- costs under discount of non-current liabilities/receivables	642	338
- other costs of the Representation Office in Belarus	406	32
Total finance expenses	**2 657**	**1 815**

Note No. 29 – income tax

Current income tax	**Period ended 31 December 2014**	**Period ended 31 December 2013**
1. Gross profit (loss)	**4 963**	**-394**
2. The difference between gross profit (loss) and taxable income base (by category)	**-698**	**5 020**
a) income, not classified in the tax revenue	**-20 282**	**-15 062**
i) transitional		
- accrued interest on loans and bank deposits	-905	-876
- revenues from the sale of shares for redemption purposes	-	5 085
- received and accrued income from an uncompleted service	-17 533	-18 163
- revenue from revaluation of investment property	-64	-
- revenues under discount of non-current liabilities	-195	-1 196
ii) permanent		
- released reserves for receivables not being tax deductible expenses in the previous periods	-352	-156
- profit sharing in entities valued using equity method	-1 166	220
- other expenses not classified as tax deductible expenses in previous periods	-133	29
- foreign exchange gains from the valuation at the balance sheet date	-	-5
- Revenue for the previous period - reimbursement of costs recognized for nPurchase	-119	-
- other income related to the Representative Office (income tax revenues)	185	-
b) tax revenues recognized in books as revenues in the prior periods	**11 956**	**10 432**
i) transitional		
- received interest recognized in income in previous years	57	80
- revenue from contracts completed in part, which in the previous year did not constitute an income	11 890	10 386
- tax revenues	9	-
- revenues classified according to accounting principles to the revenues of current year and taxable in the previous year	-	-34
c) expenses not being tax deductible expenses	**15 744**	**17 361**
i) permanent		
- amortization and depreciation of non-current assets not classified as tax deductible expenses - amortization of right of perpetual usufruct, depreciation of property, plant and equipment co-financed from EU funds	485	384
- PFRON (State Fund for Rehabilitation of Disabled Persons)	447	363
- membership fees	32	25
- donations	-	5

- car insurance in the part which exceeds the limit established	4	10
- write-down of receivables	1	-
- other costs not classified as income tax expenses	372	2 053
- other costs not classified as income tax expenses - tax losses of consolidated companies	3 014	3 628
- cost of the Representative Office in Belarus	51	876
ii) transitional		
- other supplementary payroll expenses (BFP) paid in next month	192	273
- write-down of receivables	1 148	3 433
- the difference between balance sheet depreciation and tax depreciation	-474	-426
- provision for balance sheet audit	94	139
- provision for employee benefits (retirement, unused annual leaves)	242	612
- provision for costs	1 572	334
- costs under discount of liabilities	642	323
- work-in-progress in the country taxed in the previous years	-8 782	-8 231
- work-in-progress in the country at the end of the period - not constituting tax deductible expense in the current year,	15 114	13 939
- expenses not being tax deductible expenses in the previous periods	-800	-779
- expenses from revaluation of investment property	707	-
- accrued interest	446	353
- costs of unpaid invoices	1 210	-
- costs of not paid benefits to employees	27	47
e) deductions from income	**-8 116**	**-7 382**
Loss brought forward	-2 182	-7 706
income exempt from taxation on the territory of the Republic of Poland	-5 934	**-5**
3. Income tax basis on the territory of the Republic of Poland	**4 265**	**4 626**
4. Income tax at the rate of 19% on the territory of the Republic of Poland	**810**	**878**
5. Income tax at the rate of 18% - Representation Office in Belarus	**1 068**	**24**
6. Income tax - a lump sum from the dividend	**1**	**1**
7. Total income tax	**1 879**	**903**

Deferred income tax recognized in profit and loss account	**Period ended 31 December 2014**	**Period ended 31 December 2013**
- decrease (increase) due to the arising and reversal of transitional differences	-194	-284
Total deferred income tax	**-194**	**-284**

Establishment of the effective tax rate

	31 December 2014	**31 December 2013**
The rate of a tax	**19%**	**19%**
Profit for the period	3 278	-1 013
Income tax	1 685	619
Profit before tax	4 963	-394

income tax at the applicable rate of 19%	943	-75
an income exempt from taxation	-301	17
costs not being tax deductible expenses	264	706
utilization of tax losses in the current period, to which was not created deferred tax	-76	-
Tax losses for which no tax asset was recognized	573	-
The difference in rate of income tax on the territory of Poland and outside Poland	-59	-
Other adjustments	341	-29
Income tax recognized in profit and loss account, total	**1 685**	**619**

The Group has not recognized deferred tax from the titles presented in the table below in the consolidated financial statements.

Description	31 December 2014	31 December 2013
The accumulated tax losses for which no tax asset was recognized	-6 642	-3 628
Total	**- 6 642**	**-3 628**
The rate of a tax	**19%**	**19%**
Deferred tax not recognized in profit and loss account, total	**-1 262**	**-689**

The right to use the tax losses incurred in 2013 and 2014 shall expire respectively in the years 2018 and 2019. In relation to the above-mentioned item, the Group has not certainty that losses will be accounted for using achieved taxable income, and for this reason both in 2013 and 2014 deferred tax assets have not been recognized. The increase in accumulated tax loss in 2014 resulted from the loss incurred in 2014 in the amount of PLN 3 014 thousand.

The Group assumes that in the period in which will be sure that the profits earned by the subsidiary, will allow for the use of the arisen tax losses, the Group will recognize deferred tax assets in the amount of PLN 1 262 thousand which so far were unrecognized.

Note No. 30 – factors and events which have a significant impact on the financial results achieved in the current reporting period

In 2014 there were no significant events affecting the Group's financial result.

Note No. 31 – additional disclosures to the statement of cash flows

Cash in statement of cash flows include cash recognized in the balance sheet in item of Cash and cash equivalents. The structure of the cash illustrates the table below (in PLN thousands).

	Period ended 31 December 2014	Period ended 31 December 2013	change
Cash in hand	102	83	19
Cash on bank accounts	6 504	8 166	-1 662
Total cash in hand and on bank accounts	**6 606**	**8 249**	**-1 643**

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

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

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

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

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

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

The changes in current receivables	**-14 338**
Receivables as at 1 January 2014	49 095
Other assets as at 1 January 2014	17 033
Receivables from disposal of fixed assets	-77
Receivables from sale of assets	-396
Opening balance sheet after adjustments	**65 655**
Receivables as at 31 December 2014	66 534
Other assets as at 31 December 2014	13 544
Receivables from disposal of fixed assets	-49
Adjustment of receivables 2013 in subsidiary	360
Receivables from sale of assets	-396
Closing balance sheet after adjustments	**79 993**

Change in current liabilities except for borrowings and special funds	**5 411**
Trade payables as at 1 January 2014	26 799
Other liabilities as at 1 January 2014	6 594
Provision for current retirement benefits	-390
Provisions for the annual leaves	-1 273
Provision for the cost of audit	-125
Provision for current other costs	-372
Discount of non-current liabilities	286
Investment liabilities	-121
Liabilities from the operating lease	-126
Liabilities to shareholders	-2
Opening balance sheet after adjustments	**31 270**
Trade payables as at 1 January 2014	31 229
Other liabilities as at 1 January 2014	7 809
Provision for current retirement benefits	-383
Provisions for the annual leaves	-1 402
Provision for the cost of audit	-96
Provision for current other costs	-471
Discount of non-current liabilities	250
Adjustment of receivables 2013 in subsidiary	-34
Liabilities from the operating lease	-184
Liabilities to shareholders	-2
Closing balance sheet after adjustment	**36 716**

	Period ended 31 December 2014	**Period ended 31 December 2013**
Change in the other adjustments	**-3 412**	**14 056**
Change in deferred income – advanced payments received	-6 961	22 691
Security deposit for the securing of bank guarantee advance refund *	1 721	- 8 763
Change in the structure of the shareholding from a subsidiary to a jointly-controlled entity)	-	177
Amounts due to the ordering parties under long-term contracts	1 532	-
Other adjustments	296	-49

*) In connection with the implementation of the investment project in Belarus, in order to secure the return of the received advance payment, the Group has granted a bank guarantee refund of advance payment in the amount of EURO 7 230 thousand. As the security of guarantee, the Company under the contract of the cash security deposit, has placed a security deposit in the bank in the amount of EURO 2,191 thousand. The deposit shall be reduced by the amounts settled during the implementation of the project. Date of termination of the contract of security deposit was set on 12 April 2016. As at 31 December 2014 part of the security deposit - unsettled and discounted was presented in the statement of financial position - in other financial assets non-current and current, respectively in the amount of PLN 2 084 thousand and in the amount of PLN 4 957 thousand (notes Nos. 7 and 10), and for 31 December 2013 respectively in the amount of PLN 7 084 thousand and PLN 1 679 thousand.

Note No. 32 – operating segments

Operating segment is a component part of the entity:

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

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

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

Segment result is determined on the level of operating income.

The activity of the Capital Group and the Issuer, for the managing purposes was divided into the following operating divisions such as: general contracting (implementation), design services and other engineering services (supervisions along with the service of project engineer), the rental of the construction equipment, assembly of electrical installations, rental of office space and real estates, maintenance, commercial activity, and other activity covering among others income from sublet, sale of the photocopy services and other.
Segment assets include all assets used by a segment, consisting primarily of receivables, inventory and property, plant and equipment reduced by the value of provisions and impairment losses.
Some assets in the joint use are assigned to the segments based on reasonable weight.
In 2014 revenues from the activities achieved by the Parent Entity abroad (exports) and recognized in the consolidated profit and loss account amounted to PLN 60 259 thousand what constitutes 36.2% of the revenues from sale of services. In the analogous period of the previous year such revenues amounted to PLN 9 119 thousand, what constituted 6.8% of the revenues from sale of services.

Information on major customers of the Group, which share in the sales revenues recognized in in the consolidated profit and loss account for the 2014 exceeded 10% of total revenues from the sales:

- Belarussian client – revenues in the amount of PLN 60 259 thousand, what represents 34.2% share in the total revenues from the sale, which has been shown in the segment “General Contracting”” and “Design services and other engineering services”;
- Irydion Sp. z o.o. a jointly controlled company – revenues in the amount of PLN 17 951 thousand, what constitutes 10.2% share in the total revenues from sale, which has been shown in the segment “General Contracting” and “Design services and other engineering services”.
- Producer of rapeseed oil for technical purposes – revenues in the amount of PLN 19 566 thousand, what constitutes 11.1% of share in the revenues from sale, which has been presented in the segment “”General Contracting”” and “Design services and other engineering services”;

Assets of the Representation Office in Belarus as at 31 December 2014 do not exceed 10% of balance sheet amount disclosed in the separate statement of financial position.

Unallocated assets to segments are the primarily shares in the jointly controlled entities and associated entities and loans granted. With respect to the above-mentioned assets don't exist any premises indicating of the possible loss of value as at 31 December 2014. In addition, as at the balance sheet date the Group has carried out the analysis of contracts on construction works in light of the results budgeted. For all contracts in which the budgeted costs exceeded the budgeted income, the Group recognized provisions to cover losses at the balance sheet day.

Detailed data on the activities of the companies belonging to the Group in the different segment is presented in the following tables.

The reporting period from 1 January to 31 December 2014

For the period from 1 January to 31 December 2014	General contracting	Design services and other engineering services	Rental of the construction equipment	Electrical installations	Rental of office space and real estate	Property management	Maintenance	Commercial activity	Other IT services	Other	Items not assigned	Total
Revenues relating to external customers	91 044	37 462	4 016	20 154	4 928	5 445	1 577	9 678	418	1 326	-	176 048
Total segment revenues	**91 044**	**37 462**	**4 016**	**20 154**	**4 928**	**5 445**	**1 577**	**9 678**	**418**	**1 326**	**-**	**176 048**
Result												
Profit (loss) of the segment	**8 378**	**-1 348**	**1 417**	**-1 495**	**933**	**164**	**-732**	**139**	**-**	**-775**	**-**	**6 681**
Financial income											582	582
Finance costs											-2 657	-2 657
Net financial activities											**-2 075**	**-2 075**
Profit sharing in entities valued under equity method											1 166	**1 166**
Profit (loss) on other operating activities											-809	**-809**
Before tax profit (loss)											4 963	**4 963**
Income tax											1 685	**1 685**
Profit in the current period											3 278	**3 278**
Loss assigned to non-controlling interest											-473	**-473**
Profit for the period assigned to shareholders of parent entity											**3 751**	**3 751**
Segment assets (related to activity)	58 032	4 879	618	5 621	17 716	3 152	904	1 599	-	634	-	93 155
Assets unallocated (among others shares, other financial assets)											109 182	109 182
Total assets	**58 032**	**4 879**	**618**	**5 621**	**17 716**	**3 152**	**904**	**1 599**	**-**	**634**	**109 182**	**202 337**
Liabilities of the segment (related to activity)	40 121	404	88	6 872	196	1 007	-	1 016	-	899	29 055	79 658
Equity of the owners of the parent entity											113 436	113 436
Non-controlling interests											9 243	9 243
Total liabilities and equity	**40 121**	**404**	**88**	**6 872**	**196**	**1 007**	**-**	**1 016**	**-**	**899**	**151 734**	**202 337**
Depreciation of property, plant and equipment	108	88	122	318	651	123	84	44	-	-	618	2 156
Amortisation of intangible assets	-	73	-	9	-	2	3	2	-	-	91	180
Write-down of segment assets	-93	-570	-4 513	-1 129	-213	-	-	-116	-	-309	-	-6 943

The reporting period from 1 January to 31 December 2013

For the period from 1 January to 31 December 2013	General contracting	Design services and other engineering services	Rental of the construction equipment	Electrical installations	Rental of office space and real estate	Property management	Maintenance	Commercial activity	Other IT services	Other	Items not assigned	Total
Revenues relating to external customers	43 979	40 359	2 762	34 343	5 136	5 238	1 065	6 061	344	1 202	-	140 489
Total segment revenues	**43 979**	**40 359**	**2 762**	**34 343**	**5 136**	**5 238**	**1 065**	**6 061**	**344**	**1 202**	**-**	**140 489**
Result												
Profit (loss) of the segment	**767**	**453**	**283**	**-2 742**	**801**	**-37**	**80**	**306**	**-**	**-139**	**-**	**-228**
Financial income											2 097	2 097
Loss on sale of shares in subsidiaries											-296	-296
Finance costs											-1 815	-1 815
Net financial revenues											**-14**	**-14**
Profit sharing in associated entities											357	357
Loss on other operating activities											-509	-509
Before tax loss											**-394**	**-394**
Income tax											-619	-619
Loss for the current period											**-1 013**	**-1 013**
Loss assigned to non-controlling interest											**-979**	**-979**
Net loss assigned to shareholders of parent entity											**-34**	**-34**
Segment assets (related to activity)	21 049	14 991	3 844	8 860	19 023	2 968	320	1 744	106	230	-	73 135
Assets unallocated (among others shares and other financial assets)											116 437	116 437
Total assets	**21 049**	**14 991**	**3 844**	**8 860**	**19 023**	**2 968**	**320**	**1 744**	**106**	**230**	**116 437**	**189 572**
Liabilities of the segment	41 585	947	665	7 010	264	954	1	647	54	468	17 218	69 813
Equity											107 422	107 422
Non-controlling interest											12 337	12 337
Total equity and liabilities	**41 585**	**947**	**665**	**7 010**	**264**	**954**	**1**	**647**	**54**	**468**	**136 977**	**189 572**
Depreciation of property, plant and equipment	94	108	178	333	667	133	84	-	-	-	570	2 167
Amortisation of intangible assets	-	53	-	10	9	2	3	-	-	-	95	172
Write-down of segment assets	-54	-220	-4 967	-1 132	-	-231	-	-116	-	-501	-	-7 221

Information on geographical areas

The geographical breakdown of revenues from sales is presented according to country of registered office of the customer.

	Note No.	2014	2013
Poland		106 088	125 308
Belarus		60 259	9 119
Other countries		23	1
	22	**166 370**	**134 428**

The geographical breakdown of non-current assets

	Note No.	2014	2013
Poland		58 143	59 236
Belarus		245	11
	1, 2, 3	**58 388**	**59 247**

Note No. 33 – profit per one share

Net profit per one share remaining in trading on the balance sheet date 31 December 2014 amounts to PLN 0.96, in 2013 net loss per one share was PLN 0,01.

Note No. 34 – distribution of the profit

Net profit of the Group is not subject to the distribution.

Net profit of the Issuer in 2013 in the amount of PLN 6 643 123.89 by the Resolution No. 5 of the Annual General Meeting of June 7, 2014 was allocated to the capital reserve.

Proposed distribution of profit of the Issuer for 2014

Net profit for 2014 in the amount of PLN 5,009,143.39 is proposed to be divided as follows:

- for a dividend the amount of PLN 1,363,250 i.e. PLN 0.35 per share;
- for a capital reserve an amount of PLN 3,645,893.39

Note No. 35 – financial instruments and financial risk management

35.1 The categories and classes of financial instruments

Financial assets

As at 31 December 2014		**The categories of financial instruments**	
(in PLN thousands)		**Loans and receivables**	**Total**
The classes of financial instruments	**Notes nos.**		
Receivables from supplies and services	9	65 665	65 665
Cash	31	6 606	6 606
Other financial assets discounted security deposit for the securing of bank guarantee of refund of advance payment	7 and 10	7 041	7 041
Loans granted	7 and 10	17 777	17 777
Total		**97 089**	**97 089**

As at 31 December 2013		The categories of financial instruments	
(in PLN thousands)		Loans and receivables	Total
The classes of financial instruments	Notes Nos.		
Receivables from supplies and services	9	46 479	46 479
Cash	31	8 249	8 249
Other financial discounted security deposit for the securing of bank guarantee of refund of advance payment	7 and 10	8 763	8 763
Loans granted	7 and 10	11 497	11 497
Total		**74 988**	**74 988**

Financial liabilities

As at 31 December 2014		The categories of financial instruments		
(in PLN thousands)		Financial liabilities measured at amortized cost	Liabilities excluded from IAS 39	Total
The classes of financial instruments	Notes Nos.			
Loans	17	14 050	-	14 050
Borrowings received	18	60	-	60
Financial lease	16and 20	-	590	590
Trade payables	19	31 229	-	31 229
Total		**45 339**	**590**	**45 929**

As at 31 December 2013		The categories of financial instruments		
(in PLN thousands)		Financial liabilities measured at amortized cost	Liabilities excluded from IAS 39	Total
The classes of financial instruments	Notes Nos.			
Loans	17	4 411	-	4 411
Borrowings received	18	60	-	60
Financial lease	16 and20	-	374	374
Trade payables	19	26 799	-	26 799
Total		**31 270**	**374**	**31 644**

Impairment of financial assets by classes of financial instruments

(in PLN thousands)	As at	
The classes of financial instruments	31December 2014	31 December 2013
Receivables from supplies and services	6 943	7 221

Write-down of financial assets in Note No. 9.

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

Operating lease

The Group is a party in the lease agreement of office space and lease agreement of real estate.
The agreements have been classified as operating lease.
The agreement for the lease of office space, for conducting of economic activities , also includes extra fees for additional services, which are settled once a year. Rent under the agreement once a year is indexed by the Harmonized Index of Growth of Consumer Goods Price in the European Union (index), published two months before the date of indexation.
Part of leased office space is subleased. The lease and connected with it sublease agreements will expire in 2015.
The lease agreement of real estate expires in August 2034. Area of the property is rented for offices as part of business activities, based on lease agreements. Rent under the agreement once a year is indexed by the Harmonized Index of Growth of Consumer Goods Price in the European Union (index), published two months before the date of indexation or other index. The lease agreements also include extra fees for additional services, which are settled depending on the agreement once a year, or two months after the end of the quarter.
The lease agreements are included in the majority for a period of 5 years (until 2019) and for an indefinite period.
During the year, in the profit and loss account in 2014 was recognized amount of PLN 4 435 thousand as the costs arisen from the fees under the lease agreements of office space and leasing of real estate, in the year 2013 this amounted to PLN 4 963 thousand. Revenues from subleases are included in operating income.
During 2014 in the profit and loss account was recognized an amount of PLN 5 028 as the revenue from sublease and in the year 2013 this amounted to PLN 5 376 thousand.
Since 18 January 2011, the Group is a party to an agreement with Toyota Leasing Poland Sp. z o.o. on rental of passenger cars. On 31 December 2014 the lease agreements cover 48 company cars. During the year 2014 in profit and loss account was recognized amount of PLN 843 thousand being the cost of the rental of the cars and in the year 2013 PLN 816 thousand.
Minimum payments under non-cancellable agreements of operating leases are as follows:

Operating lease agreement when the Group is the lessee

in PLN thousands	2014	2013
up to one year	4 821	4 445
from 1 to 5 years	1 474	3 796
more than 5 years	4 530	4 178

Operating lease agreement when the Company is the lessor

In PLN thousands	In 2014	In 2013
up to one year	4 673	4 478
from 1 to 5 years	15 508	4 562
more than 5 years	3 357	3 586

35.2. Financial risks management

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

The credit risk
The Group during its commercial activity conducts sales to business entities with the deferred payment date, as a result of which may arise the risk of not receiving of amounts due from contractors for the

services provided. The Group, in order to mitigate the credit risk manages the risk through the obligatory procedure of gaining hedging.
The accepted period of the repayment of amount due associated with the normal course of the sale is 14 - 60 days.
Amounts due from contracting parties are regularly monitored by financial services. In case of overdue amounts due procedures of the vindication are started.
The age analysis of trade receivables that are past due at the end of the reporting period, but in case of which there is no impairment is presented in Note No. 9.

In order to reduce the risk of not recovering the receivables from deliveries and services, the Group accepts a collateral from its customers in the form of, among other: bank and insurance guarantees, mortgages, promissory notes and security deposit.
For the improvement of the current liquidity, in order to release the receivables retained by investors under the proper security for the implemented contracts and statutory warranty in relation to construction work and assembly work, the Group grants the bank guarantees and the insurance guarantee under guarantee lines which were launched for this purpose.

The credit risk connected with cash and with bank deposits is considered by the company to be low.
All entities in which the Group invests free funds operate in the financial sector. These include domestic banks and branches of the foreign banks of the first class of short-term credit credibility.
The risk of impaired financial assets is reflected by making write-downs.

The liquidity risk
The Group is exposed to the liquidity risk resulting from the relation of current liabilities to current assets.
On 31 December 2014 and on 31 December 2013 the index of ratio of current assets to current liabilities (current liquidity ratio) was respectively 1.41 and 1.87.
Detailed information regarding loans in Note No. 17.
Analysis of maturity of the liabilities in Notes Nos. from 15 to 21.
The Group realized in 2014 sales revenues in the amount of PLN 176 048 thousand, including PLN 60 259 thousand (34.2%) concerned the Belarusian Client. Therefore, the Group disclosed in the statement of financial position the following financial instruments regarding the above client.

The classes of financial instruments	As at 31 December 2014	% of share in total assets
Financial assets		
Receivables from supplies and services	22 442	11%
Other financial assets (discounted security deposit for the securing of a bank guarantee of refund of advance payment)	7 041	3%
Total financial assets	**29 483**	**14%**
Financial liabilities		
Payables	7 086	4%
Total financial liabilities	**7 086**	**4%**

The Management Board of the Group constantly monitors the progress of work on the contract, including the cash flows generated by the project and is personally responsible for direct contact with the Investor. Key decisions related to contract (e.g. a provider of technology and of main components of the installation) are taken in consultation with the Investor. On the basis of existing cooperation with the Client and analysis of the current performance of the contract in relation to the budget and work schedule which were agreed with the Client - The Management Board of the Group considers that the risk associated with realization of the financial instruments which were recognized in the statement of financial position as at 31 December 2014 is low.

The risk of rate of exchange

Part of contracts for sale of services is concluded with foreign companies in foreign currencies (EUR0, US$). In case of a significant strengthening of the domestic currency it may adversely affect the performance of the Group. Partly, this risk is mitigated in the natural way through the purchase of equipment and services necessary for the accomplishment of these contracts abroad, as well as through the purchase of relevant financial instruments.

Exposure to currency risk as at 31 December 2014

(in thousands)	EURO	USD	NOK	BYR	Total after translation into PLN
Financial assets					
Receivables from supplies and services	4 876	-	-	6 100 343	22 711
Cash	502	4	88	1 416 781	2 643
Other financial assets	1 682				7 169
Total	**7 060**	**4**	**88**	**7 517 124**	**32 523**
Financial liabilities					
Payables	1 490	90	-	-	6 666
Deferred income (advance payments received)	4 757				20 276
Total	**6 247**	**90**	**-**	**-**	**26 942**

Exposure to currency risk as at 31 December 2013

(in thousands)	EUR	USD	NOK	BYR	Total after translation into PLN
Financial assets					
Receivables from supplies and services	1 177	-	-	839 958	5 147
Cash	275	2	88	21 960	1 197
Other financial assets	2 113				8 763
Total	**3 565**	**2**	**88**	**861 918**	**15 107**
Financial liabilities					
Payables	587	-	-	226 828	2 506
Deferred income (advance payments received)	6 164				25 563
Total	**6 751**	**-**	**-**	**226 828**	**28 069**

Analysis of sensitivity to currency risk as at 31 December 2014

(in PLN thousands)	**Increase in exchange rate**	**Total impact on profit before tax**	**Drop in the exchange rate**	**Total impact on profit before tax**
EUR/PLN	15%	520	15%	-520
USD/PLN	15%	-45	15%	45
NOK/PLN	15%	6	15%	-6
BYR/PLN	15%	356	15%	-356
Total impact		**837**		**-837**

Analysis of sensitivity to currency risk as at 31 December 2013

In PLN thousands)	**Increase in exchange rate**	**Total impact on profit before tax**	**Drop in the exchange rate**	**Total impact on profit before tax**
EUR/PLN	15%	-1 982	15%	1 982
USD/PLN	15%	1	15%	-1
NOK/PLN	15%	7	15%	-7
BYR/PLN	15%	41	15%	-41
Total impact		**-1 933**		**1 933**

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

Revenues and expenses concerning PROCHEM S.A. Capital Group are primarily denominated in Polish currency. Revenues in foreign currency, achieved in the currency in the years 2014 and 2013 were as follows:

Currency	**Revenues**		**Average exchange rate for sales**		**Expenses**		**Average exchange rate for purchases**	
(in thousands)	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
EUR	14 307	2 720	4,2919	4,1713	7 164	1 675	4.1956	4.2047
USD	-	-	-	-	555	11	3.4370	3.1750
GBP	-	-	-	-	-	71	-	5.0081
BYR	-	-	-	-	10 463 354	524 650	0.0003	0.0003

In the reporting period EURO and BYR were the main currencies.

Sensitivity of financial instruments for currency risk was calculated as the difference between the initial book value of financial instruments and the potential book value at assuming increase / decrease of exchange rates.
For other currencies the sensitivity of financial instruments is irrelevant.

The risk of rate of interest

The Group is exposed to the risk of volatility of cash flows arising from interest rate resulting from bank loans based on floating interest rate WIBOR ON (overnight) and loans granted based on floating rate WIBOR 6M and rediscount rate of bills of exchange.

Analysis of financial instruments with floating interest rate

	The floating rate of interest		**The fixed rate of interest**	
	As at 31 December 2014	**As at 31December 2013**	**As at 31 December 2014**	**As at 31 December 2013**
Financial assets				
Loans granted	11 525	11 299	6 252	-
Financial liabilities				
Loans	14 050	4 411	-	-
Borrowings received	60	-	-	-

Analysis of cash flow sensitivity of financial instruments with floating interest rate on profit before tax

	The assumed fluctuations of WIBOR				**The impact (in PLN thousands)**			
	As at 31 December 2014		**As at 31 December 2013**		**As at 31 December 2014**		**As at 31 December 2013**	
	increase	**decline**	**increase**	**decline**	**increase**	**decline**	**increase**	**decline**
Financial assets								
Loans granted	+50 base point	-50 base point	+50 base point	-50 base point	55	(55)	56	(56)
Financial liabilities								
Loans	+50 base point.	-50 base point	+50 base point	-50 base point	(70)	70	(22)	22
Borrowings received					(1)	1	-	-

Liquidity risk related to the dispute in court with PERN SA

In view of the substantial prolongation of legal proceeding in a dispute with PERN SA which has begun in 2006, and currently is pending before the District Court in Warsaw on the accounting for the contract, which was interrupted on 10 of November 2005 and concerns investment project under the name of "Rurociąg w relacji ST-1 Adamowo - Baza Surowcowa Plebanka ", the risk exists of the need of fulfilling the commitments by PROCHEM in 2014 with respect to seized guarantee deposits of subcontractors, in the amount of PLN 2,928 thousand, as at the balance sheet date, before recovering the security deposits retained by PERN SA. The amounts due under the deposit to PROCHEM S.A. from PERN SA at 31 December 2014 amount to PLN 17 364 thousand. In the Company's opinion the risk is minimal, but the Management Board of PROCHEM S.A. takes into account a necessity of accumulation of adequate funds for this purpose. A detailed description of the dispute is presented in Note No. 38.

Note No. 36 – related party transactions

In the years 2014 and 2013, there were no transactions of the Group with the Members of the Management Board, Supervisory Board, and also with their spouses, the siblings, the ascendants and descendants, and with other relatives.

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

Settlements with related entities include receivables, trade payables and financial liabilities.
Guarantees and sureties granted to related entities are presented in note 37.

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

The reporting period

As at 31 December 2014 the settlements of the Group with jointly-controlled entities and associated entities developed as follows:

- Receivables from non-current loans – PLN 11 525 thousand
- Receivables from current loans - PLN 6 054 thousand
- Trade and other receivables – PLN 105 thousand
- Trade payables – PLN 12 thousand.

In the period from 1 January 2014 to 31 December 2014 the following transactions with jointly-controlled entities and associated entities took place:

- revenues from sale of services – PLN 18 008 thousand
- financial revenues from interest on loan – PLN 281 thousand.

Comparative data

In the period from 1 January 2013 to 31 December 2013 there were the following transactions with the entities valued using equity method under:

- revenues from sale of services in the amount of PLN 21 283 thousand
- financial revenues (interest on loan granted) in the amount of PLN 300 thousand.

As at 31 December 2013 the transactions with the entities valued using equity method were as follows:

- Receivables from supplies and services – PLN 722 thousand,
- Liabilities under supplies and services – PLN 16 thousand,
- Non-current loans granted – PLN 11 299 thousand.

Revenues from sale of services relating to the entities valued using equity method for the years 2013 and 2014 totally concern jointly-controlled entity Irydion sp. z o.o. seated in Warsaw, on whose behalf is implemented investment project (construction of office building) under the name of "Astrum Biznes Park" in Warsaw.

Note No. 37 – contingent liabilities and contingent assets and other security

Contingent liabilities are - bank guarantees of good performance, guarantee of refund of advance payment, guarantee of payment , tender guarantee and bill of exchange surety of good performance of the contract which as at the balance sheet day amount to:

	As at 31 December 2014	As at 31 December 2013
Collateral		
Bank guarantee of good performance	16 845	17 167
Guarantee of refund of advance payment	24 668	29 478
Guarantee of payment	997	1 134
Tender guarantee	-	1 235
Total given collateral	**42 510**	**49 014**
Contingent liabilities		
surety of promissory notes issued by a subsidiary Pro-INHUT Sp. with o.o seated in Dąbrowa Górnicza to an investor in order to secure the claims of a good execution	247	-
Bill of exchange surety of good performance	-	35
Total collateral and contingent liabilities	**42 757**	**49 049**

Contingent assets

Contingent assets of the Group constitute bank guarantees of a good performance, which as at balance-sheet day amount to:

	As at 31 December 2014	As at 31 December 2013
Collateral received		
Bank guarantee of a good performance	1 547	1 206
bill of exchange for securing terms of the contract	77	577
Total collateral received	**1 624**	**1 783**

Contingent assets relate only to the Issuer.
Contingent receivables from PERN in Note No.38.

Note No. 38 – information on significant proceedings pending before the court

PROCHEM S.A. continues to be a party to the proceedings before the court concerning the settlement of the contract which was interrupted on 10 November 2005, for the construction management of an investment project under the name "Pipeline in a section from the ST- 1 Adamowo - to raw material base Plebanka" concluded with PERN S.A. PROCHEM S.A. filed a lawsuit to the court for payment of PLN 41, 301 thousand under the final settlement of the contract, of which PLN 17,364 thousand is recognized in the statement of financial position as a receivable from seized guarantee deposit, and the remaining amount is the contingent receivable. On 18 January 2008 District Court in Warsaw issued a judgment in this case considering claim of PROCHEM S.A. as to be right in principle, while stating that this obligation is not yet due.
On 26 August 2008 the Court of Appeal in Warsaw issued a final judgment on the appeal lodged by PROCHEM S.A. from the a/m judgment of the District Court, recognizing in it that the claim filed by PROCHEM S.A. regarding accounting for the contract is not premature, and at the same time has

ordered that the District Court will make the accounting for the contract mentioned above pursuant to the provisions of the contract. This finding is in compliance with position in a case of PROCHEM S.A.
On 12 August 2010 the hearing was held before the District Court in Warsaw, where the Court decided to appoint an expert - Warsaw University of Technology – Department of Civil Engineering, who according to the recommendations of Court of Appeal will make an ultimate accounting for in relation to the disputed contract. In April 2011, the case file was forwarded to the expert witness, who in an opinion published in May 2012 confirmed the amount of the claim of PROCHEM S.A. By order of May 31, 2012, the District Court granted the Warsaw University of Technology a remuneration for opinion in the case, in relation to which the defendant PERN lodged a complaint. According to PERN SA the prepared opinion could not be the basis of the findings of facts of the case for the Court, because it is contrary to the thesis of the Court in which was determined the basis and scope of the opinion.
The Court of Appeal in Warsaw, I Civil Division has cancelled the decision of the District Court which was contested by PERN SA and the request for remuneration of an expert for the drafting of an opinion has submitted to the District Court for reconsideration.
On 5 February 2013 before the District Court in Warsaw, a hearing was held with the participation of experts, after which the court decided to oblige the parties to submit the pleadings in which the final the final conclusions of evidence to complement the expert opinions will be clarified, and postponed the hearing until 16 May 2013.
By order dated February 25, 2013, the District Court in Warsaw XXVI Economic Department upheld the previous decision of the Court, and finally has awarded a remuneration for the expert for drafting the opinion. In grounds for the judgment the Court determined that, at the hearing on 5 February 2013, the certified expert has carefully explained the methodology that has been adopted for the preparation of the legal opinion and it is not inconsistent with the thesis of the Court, and there are no legitimate grounds to complaint that the methodology adopted by the experts is not correct.
On 14 May 2013, the Issuer received a notice from the District Court in Warsaw of revocation hearing scheduled for 16 May 2013 and the next date of hearing has not been appointed yet.
On 9 August 2013, the Issuer received from the District Court in Warsaw, the decision as of 1August 2013, from 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, in the circumstance of determining the value of services, supplies, and other liabilities made by PROCHEM S.A. and directly related to the implementation of the agreement that have been made after the date of withdrawal from the contract on the basis of commitments contracted prior to the withdrawal from the contract. In November 2013 the experts appointed by the court have started the work associated with the preparation of the supplementary opinion. On 25 February 2014, the Court received the supplementary opinion that confirms the amount of the claim of PPROCHEM S.A.
On 24 October 2014 the court suspended of its own motion the hearing until the removal of formal obstacles that have now been removed and on February 6, 2015, a request was made to continue the proceedings and set a date for the next meeting.
On 4 March 2015 the District Court in Warsaw has scheduled a hearing for 30 April 2015.

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

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

Note No. 39 – events after reporting date

On 20 April 2015 the jointly-controlled entity IRYDION Sp. z o.o. signed an agreement of the mortgage loan for the construction to the amount of PLN 43 469 thousand for the implementation of development project (office building) under the name Astrum Business Park in Warsaw. Interest on the loan is established as follows: in the Phase of Developer(period for implementation of the project) according to a floating interest rate WIBOR 3M plus margin, in the Investment's Phase (after

conversion of the loan) 3M EURIBOR plus a margin. The date of repayment date was set for 22 September 2031. The loan will be launched after the establishment of security. Collateral for loans are: the establishment of contractual mortgage, transfer of rights from the insurance policy of the project, transfer of receivables under lease contracts, the establishment by Shareholders of registered pledge on all shares in the share capital.
The above loan is guaranteed by shareholders of Irydion.
The company PROCHEM S.A. issued a guarantee jointly-controlled entity Irydion Sp. z o.o. under the aforementioned loan agreement to the amount of PLN 21 735 thousand. (i.e. 50% of the loan amount). Remuneration to have been granted guarantee has not been established. The guarantee was fixed until 20 September 2016.
On April 20, 2015, the company PROCHEM S.A. entered into an agreement pledge to 4 500 shares, with a nominal value of PLN1 000 each, with a total nominal value of PLN 4 500 thousand. These shares represent 50% of the share capital of the jointly controlled entity and entitle to 4 500 votes at the General Meeting of Partners. Registered pledge on shares provides for collateral of the aforementioned loan.

On 20 April 2015, the company Irydion Sp. with o.o He signed a loan agreement for a revolving credit facility to PLN 2 000 thousand, to be used to finance current activity and VAT related to the implementation of investment project of building of Astrum Business Park in Warsaw. The repayment date was set on 29 June 2018 year. The interest rate is WIBOR 1M plus margin.

Note No. 40 – approval of financial statements

Consolidated financial statements of PROCHEM S.A. Capital Group for the year 2014 were approved by the Management Board of PROCHEM S.A. on 24 April 2015.

7. Remuneration of the Members of the Management Board and the Supervisory Board

Remuneration paid in 2014 in the Issuer's enterprise to the Members of the Management Board:

1. Jarosław Stępniewski	PLN 510 thousand: including remuneration established on profit in 2013 – PLN 73 thousand,
2. Marek Kiersznicki	PLN 332 thousand: including remuneration established on profit in 2013 – PLN 66 thousand,
3. Krzysztof Marczak	PLN 332 thousand: including remuneration established on profit in 2013 – PLN 66 thousand,

Remuneration paid in 2014 in the Issuer's enterprise to the Members of the Supervisory Board:

1. Marek Garliński	PLN 198 thousand: including remuneration established on profit in 2013 – PLN 53 thousand,
2. Karczykowski Andrzej	PLN 83 thousand: including remuneration established on profit in 2013 – PLN 53 thousand,
3. Dariusz Krajowski-Kukiel	PLN 66 thousand: including remuneration established on profit in 2013 - PLN 53 thousand,
4. Krzysztof Obłój	PLN 83 thousand: including remuneration established on profit in 2013 – PLN 53 thousand,
5. Adam Parzydeł	PLN 66 thousand: : including remuneration established on profit in 2013 – PLN 53 thousand
6. Wiesław Kiepiel	PLN 17 thousand
7. Steven Tappan	PLN 17 thousand

Remuneration paid to the Members of the Management Board in 2013 for performing the function in the Management Boards and Supervisory Boards of companies belonging to the capital group:

1. Jarosław Stępniewski PLN 63 thousand
2. Marek Kiersznicki PLN 172 thousand
3. Krzysztof Marczak PLN 178 thousand

Signatures of the Members of Management Board

24 April 2015	Jarosław Stępniewski	Chairman of the Board	....
date	first name and surname	position	signature
24 April 2015	Marek Kiersznicki	Vice Chairman	....
date	first name and surname	position	signature
24 April 2015	Krzysztof Marczak	Vice Chairman	....
date	first name and surname	position	signature

Signature of the person responsible for bookkeeping

24 April 2015	Barbara Auguścińska-Sawicka	Chief Accountant	....
date	first name and surname	position	signature