

REPORT FOR THE FIRST HALF OF 2014

Contents:

- Interim condensed separate financial statements of PROCHEM S.A. as at and for the period of six months ended 30 June 2014

and

- Selected financial data
- Statement of Management Board

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

Selected financial data

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

- for the first half of 2014 - 4.1784 PLN/EUR
- for the first half of 2013 - 4.2140 PLN/EUR

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

- 4.1609 PLN/EUR as at 30 June 2014
- 4.1472 PLN/EUR as at 31 December 2013

Selected financial data of PROCHEM S.A.

Description	Reporting period ended 30 June		Reporting period ended 30 June	
	2014	2013	2014	2013
	in PLN thousands		in EURO thousands	
Separate profit and loss account				
Revenues from sales	45 565	31 356	10 905	7 441
Gross profit on sales	6 689	2 742	1 601	651
Results from operating activities	2 781	1 498	666	355
Profit before tax	2 930	2 053	701	487
Profit for the period	2 319	1 708	555	405
Profit/diluted profit per share (in PLN/EUR)	0.60	0.44	0.14	0.10
Statement of cash flows				
Net cash provided by (used in) operating activities	-8 884	23 382	-2 126	5 549
Net cash provided by (used in) investing activities	-2 688	-479	-643	-114
Net cash provided by (used in) financing activities	9 267	-2 652	2 218	-629
Total cash flow, net	-2 305	20 251	-552	4 806
	As at		As at	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
	In PLN thousands		In EURO thousands	
Separate statement of financial position				
Total assets	132 278	121 126	31 791	29 207
Total non-current assets	60 603	59 014	14 565	14 230
Total current assets	71 675	62 112	17 226	14 977
Total equity	75 814	73 507	18 221	17 725
Total non-current liabilities	12 652	19 893	3 041	4 797
Total current liabilities	43 812	27 726	10 529	6 685
Book value per share (in PLN/EUR)	19.46	18.87	4.68	4.55

Weighted average number of ordinary shares (units)	3 895 000	3 895 000	3 895 000	3 895 000
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Statement of the Management Board

Statement of the Management Board on the reliability of interim condensed separate financial statements

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

- interim condensed separate financial statements of PROCHEM S.A for the first half of 2014 and comparable data were prepared according to International Accounting Standard 34 „Interim Financial Reporting”, which was adopted by European Union and reflect in true, fair and clear way its financial position and its financial performance.

Statement of the Management Board on the entity authorized to review the interim condensed separate financial statements

The Management Board of PROCHEM S.A. declares that KPMG Audit Sp. z o.o. sp. k., the entity authorized to audit financial statements has been appointed in accordance with legal regulations and that the entity and the auditors conducting the audit of interim condensed consolidated financial statements of PROCHEM SA meet the conditions for the preparation of an impartial and independent review report in accordance with the applicable laws.

Vice President of Management Board

Krzysztof Marczak

Vice President of Management Board

Marek Kiersznicki

President of the Management Board

Jarosław Stępniewski

Warsaw, 29 August 2014

INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS OF PROCHEM S.A.

As at and for the period ended 30 June 2014

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

Separate statement of financial position as at 30 June 2014

(all amounts in PLN thousands if not stated otherwise)

	Note No.	As at 30 June 2014	As at 31 December 2013
A s s e t s			
Non-current assets			
Property, plant and equipment	1	1 950	1 981
Intangible assets		195	201
Shares in subsidiaries	2	10 161	10 060
Shares in jointly controlled and associated entities	3	5 210	5 210
Deferred tax assets	4	572	656
Other financial assets	5	42 515	40 906
Total non-current assets		60 603	59 014
Current assets			
Inventories	6	2 672	3 126
Trade and other receivables	7	55 064	39 407
Other financial assets	8	5 813	5 306
Other assets	9	6 706	10 548
Cash and cash equivalents	20	1 420	3 725
Total current assets		71 675	62 112
Total assets		132 278	121 126
E q u i t y a n d l i a b i l i t i e s			
Equity			
Share capital		3 895	3 895
Revaluation reserve		938	950
Retained earnings		70 981	68 662
Total equity		75 814	73 507
Non-current liabilities			
Provisions for retirement and similar benefit		531	531
Deferred income	13	12 097	19 338
Other non-current liabilities		24	24
Total non-current liabilities		12 652	19 893
Current liabilities			
Current bank loans	10	8 454	-
Current loans	11	952	-
Trade payables	12	18 428	17 767
Provisions for current income tax		384	563
Other liabilities		1 873	3 017
Deferred income	13	13 721	6 379
Total current liabilities		43 812	27 726
Total liabilities		56 464	47 619
Total equity and liabilities		132 278	121 126
Weighted average number of ordinary shares (units)		3 895 000	3 895 000
Book value per one share (in PLN)		19.46	18.87

Separate statement of profit and loss
For the period from 1 January 2014 to 30 June 2014

(all amounts in PLN thousands if not stated otherwise)

	Note No.	Period ended 30 June 2014	Period ended 30 June 2013
Revenue from sales, including:		45 565	31 356
Revenue from sales of services	14	45 561	31 144
Revenues from sale of goods and materials		4	212
Cost of sales, including :		-38 876	-28 614
Cost of services sold	15	-38 874	-28 403
Cost of merchandise and raw materials		-2	-211
Gross profit on sales		6 689	2 742
General and administrative expense	15	-3 962	-3 929
Other operating income	16	128	2 820
Other operating expenses	17	-74	-135
Results from operating activities		2 781	1 498
Financial income	18	614	1 288
Profit on sale of shares in subsidiaries		-	2
Finance costs	19	-465	-735
Profit before tax		2 930	2 053
Income tax expense:		611	345
- current tax		526	-
- deferred tax		85	345
Profit for the period		2 319	1 708

Weighted average number of ordinary shares (units)	3 895 000	3 895 000
Profit/diluted profit per one share (in PLN per one share)	0.60	0.44

Separated statement of comprehensive income

Profit for the period	2 319	1 708
Other comprehensive income (net):	-12	-45
Other comprehensive income that will be reclassified to profit or loss:	-	-
Exchange differences from the translation of the entity that operates abroad	-12	
Other comprehensive income that will not be reclassified to profit or loss:	-	-45
Actuarial losses on valuation of provisions for employee benefits	-	-45
Total comprehensive income	2 307	1 663

Weighted average number of ordinary shares (units)	3 895 000	3 895 000
Total comprehensive income per one ordinary share (in PLN per one share)	0.59	0.43

**Separate statement of changes in equity
For the period from 1 January 2014 to 30 June 2014**

(all amounts in PLN thousands if not stated otherwise)

	Share capital	Revaluation reserve	Retained earnings	Total equity
The reporting period from 1 January 2014 to 30 June 2014				
As at the beginning of the period	3 895	950	68 662	73 507
Net profit of the given period	-	-	2 319	2 319
Net other comprehensive income	-	-12	-	-12
Total comprehensive income	-	-12	2 319	2 307
As at the end of the period	3 895	938	70 981	75 814

The reporting period from 1 January 2013 to 30 June 2013

As at the beginning of the period	3 895	1 086	65 049	70 030
Net profit of the given period	-	-	1 708	1 708
Net other comprehensive income	-	-45	-	-
Total comprehensive income	-	-45	1 708	1 663
Payment of dividend	-	-	-3 038	-3 038
As at the end of the period	3 895	1 041	63 719	68 655

Separate statement of cash flows for the period from 1 January 2014 to 30 June 2014

(all amounts in PLN thousands if not stated otherwise)

	Note No.	Period ended 30 June 2014	Period ended 30 June 2013
Cash flows – operating activities			
Profit before tax		2 930	2 053
Total adjustments		-11 109	21 329
Amortization and depreciation	15	426	398
Interest and profit sharing (dividends)		-375	-427
(Profit) on disposal of property, plant and equipment		-	-23
(Profit)/on investing activities recognized in statement of comprehensive income		-	-2
Change in provisions		-480	-133
Change in inventories		454	49
Change in receivables and other assets	20	-11 842	1 527
Change in current receivables except for borrowings and loans	20	65	-9 597
Other adjustments (including change in deferred income)	20	643	29 537
Cash provided by (used in) operating activities		-8 179	23 382
Income tax paid		-705	-
Net cash provided by (used in) operating activities		-8 884	23 382

Cash flows – investing activities		
Inflows	75	551
Disposal of intangible assets and property, plant and equipment	27	56
Inflows from financial assets, including:	48	495
a) in related entities:	48	495
- dividend received	35	303
- disposal of financial assets	-	4
- repayment of loans granted	-	132
- repayment of interest on loans granted	13	56
Outflows	-2 763	-1 030
Acquisition of intangible assets and property, plant and equipment	-462	-746
For financial assets, including:	-2 301	-284
a) in related entities	-2 301	-284
- acquisition of financial assets	-101	-54
- loans granted	-2 200	-230
Net cash provided by (used in) investing activities	-2 688	-479
Cash flows – financing activities		
Proceeds from loans received	8 454	3 574
Proceeds from borrowings	950	-
Repayment of loans	-	-6 000
Interest and commission paid	-137	-226
Net cash provided by (used in) financing activities	9 267	-2 652
Total cash flows, net	-2 305	20 251
Net increase/(decrease) in cash and cash equivalents	-2 305	20 251
Cash and cash equivalents at the beginning of the period	3 725	3 164
Cash and cash equivalents at the end of the period	1 420	23 415

Explanatory notes to interim condensed separate financial statements as at and for the period ended 30 June 2014

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

1.1. Adopted accounting policies

Principles of presentation

Interim condensed separate financial statements of PROCHEM S.A. for the period from 1 January to 30 June 2014 was prepared according to IAS 34 "Interim Reporting" and Minister of Finance Regulation of 19 February 2009 on current and periodic information provided by issuers of securities (Official Journal of 2009 no. 33, item 259). The financial statements do not contain the information and disclosures required for complete financial statements and should be read together with the financial statements for the financial year ended 31 December 2013.

Interim condensed separate financial statements include statement of financial position, statement of profit and loss, statement of comprehensive income, statement of changes in equity, statement of cash flows and selected explanatory notes.

The interim condensed separate financial statements of PROCHEM S.A. has been prepared assuming a going concern in the foreseeable future and it is stated that there is no evidence indicating that the Issuer will not be able to continue its operations as a going concern.

1.2. The seasonality

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

1.3. Representation Office

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 was established Representation Office. Time limit for the activities of Representation Office is restricted, i.e. until 30 July 2016.

1.4. Significant accounting policies and changes in IFRS

Interim condensed separate financial statements was prepared using the same accounting principles and the same calculation methods which were applied in the financial statements of PROCHEM S.A. for the year ended 31 December 2013.

The Company will apply changes in announced IFRS, not yet effective as at the date of presentation of the semi-annual condensed separated financial statements, in accordance with their effective date. The possible impact of these changes on the future consolidated financial statements is being analyzed.

1.5. Change in estimates

In the first half of 2014 there were no significant changes in estimates.

1.6. Functional currency and presentation currency of the financial statements

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

The financial result and financial position of the Representative Office are translated using the following procedures:

- assets and liabilities are translated at the closing rate at the date of statement of financial position,
- revenues and expenses are translated at the average exchange rate, and
- arisen exchange differences are recognized in the statement of comprehensive income.

2. Other explanatory notes

Note 1 – Property, plant and equipment

	As at 30 June 2014	As at 31 December 2013
Property, plant and equipment, including:	1 925	1 976
- land	145	145
- buildings, premises and water and civil engineering objects	268	339
- machinery and equipment	1 045	1 055
- vehicles	14	19
- other PPE	453	418
PPE under progress	25	5
Total property, plant and equipment	1 950	1 981

Property, plant and equipment – ownership structure	As at 30 June 2014	As at 31 December 2013
a) own	1 950	1 981
Total property, plant and equipment	1 950	1 981

	Change in PPE in the period from 1 January 2014 to 30 June 2014	Change in PPE in the period from 1 January 2013 to 31 December 2013
Gross value		
As at opening balance sheet	10 065	10 544
increase (due to)	347	948

Interim condensed separate financial statements of PROCHEM S.A. as at and for the period ended 30 June 2014

- acquisition	347	948
decrease (due to)	-16	-1 427
- sale	-	-1 126
- liquidation	-16	-301
Gross value as at closing balance sheet	10 396	10 065
Depreciation and impairment		
Accumulated depreciation - as at opening balance sheet	8 084	8 529
Depreciation for the period due to:	362	-445
- increase (accrued depreciation)	376	724
- decreases due to sales	-	-868
- decreases due to liquidation	-14	-301
Accumulated depreciation – as at closing balance sheet	8 446	8 084
Net PPE – as at closing balance sheet	1 950	1 981

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 June 2014 recognized in the books remained at the level of valuation at the date of 31 December 2013, which was set based on valuation made by independent experts, not associated with the Company. 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 Company. Valuation was carried out by reference to the market transaction prices for similar assets. There has been no change in the valuation technique in the first half of 2014.

Note 2 – Shares in subsidiaries

Shares in subsidiaries	As at 30 June 2014	As at 31 December 2013
In subsidiaries	10 161	10 060
Shares, net value	10 161	10 060
Write-downs of financial fixed assets	160	160
Shares, gross value	10 321	10 220

Change in shares in subsidiaries	As at 30 June 2014	As at 31 December 2013
As at the beginning of the period	10 060	15 026
increase (due to)	101	52
- acquisition of shares in subsidiaries	101	-
- taking up of shares in subsidiaries	-	52
decrease (due to)	-	5 018
- sale of shares in subsidiaries	-	516
- other, including change in ownership structure from the subsidiary to the jointly controlled company	-	4 502
As at the end of the period	10 161	10 060

Interim condensed separate financial statements of PROCHEM S.A. as at and for the period ended 30 June 2014

Change in write-downs of shares in subsidiaries	As at 30 June 2014	As at 31 December 2013
As at the beginning of the period	160	160
As at the end of the period	160	160

On 28 March 2014 PROCHEM S.A. on the basis of the contract of sale acquired 32 shares in company PROCHEM Zachód. Sp. z o.o. with the total value of PLN 320 thousand. The sale price was set as PLN 100 thousand.

Note 3 – Shares in jointly controlled entities and associates

Shares in jointly controlled entities and associates	As at 30 June 2014	As at 31 December 2013
- Shares – net value	5 210	5 210
- write-downs of shares	1 498	1 498
Shares, ross value	6 708	6 708

Change in write-downs of shares in jointly controlled and associated entities	As at 30 June 2014	As at 31 December 2013
As at the beginning of the period	1 498	1 498
Increase, write-down of shares in jointly controlled entities and associates	-	-
As at the end of the period	1 498	1 498

Note 4 – Deferred tax assets

Changes in provision and deferred tax assets are presented in the table below:

Changes in provision and deferred tax assets	For the period from 1 January 2014 to 30 June 2014	For the period from 1 January 2013 to 30 June 2013
Deferred tax assets		
As at the beginning of the period	1 783	2 668
Increase	214	653
Decrease	-507	-1 538
As at the end of the period	1 490	1 783
Provision for deferred tax		
As at the beginning of the period	1 127	682
Increase	160	735
Decrease	-369	-290
As at the end of the period	918	1 127

Presentation in statement of financial position	As at 30 June 2014	As at 31 December 2013
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Deferred tax assets	1 490	1 783
Provision for deferred tax	-918	-1 127
Deferred tax assets	572	656

Note 5 – Other financial assets

Other financial assets	As at 30 June 2014	As at 31 December 2013
a) from subsidiaries, jointly controlled entities and associates:	37 813	33 822
- non-current loans granted	37 813	33 822
b) other non-current financial assets – discounted security deposit as security for bank guarantee of return of advance payment	4 702	7 084
Total other financial assets	42 515	40 906

Loans granted - as at 30 June 2014:

- Loan granted to company Irydion Sp. z o.o. seated in Warsaw in the amount of PLN 11 446 thousand including: amount of the loan PLN 11 000 thousand., accrued interest PLN 446 thousand. Interest rate is set annually according to WIBOR 6M, repayment date 31 December 2015.
- Loans granted to subsidiary PROCHEM Inwestycje Sp. z o.o. in the amount of PLN 18 306 thousand, including: amount of the loan PLN 17 000 thousand, accrued interest as at balance sheet date amounts to PLN 1 306 thousand. Interest rate is set annually according to WIBOR 6M applicable as at the end of each calendar year, repayment date 31 December 2015 (amount of PLN 3 876 thousand) and 31 December 2016 (amount of PLN 14 430 thousand).
- Loans granted to subsidiary Elmont Inwestycje Sp. z o.o. in the amount of PLN 4 695 thousand, including: amount of the loan PLN 3 980 thousand, accrued interest amounts to PLN 715 thousand. Interest rate is set annually according to WIBOR 6M applicable as at the end of each calendar year, repayment date 31 December 2015.
- Loans granted to subsidiary Elektromontaż Kraków S.A. seated in Kraków:
 - Loan in the amount of PLN 1 227 thousand, including amount of the loan PLN 1 200 thousand, accrued interest PLN 27 thousand, interest on the loan according to WIBOR 1M applicable as at the end of each calendar year, repayment date 31 December 2015
 - Loan in the amount of PLN 1 530 thousand, including amount of the loan PLN 1 500 thousand, accrued interest PLN 30 thousand, interest on the loan according to WIBOR 1M applicable as at the end of each calendar year, repayment date 31 December 2015
 - Loan in the amount of PLN 609 thousand, including amount of the loan PLN 600 thousand, accrued interest PLN 9 thousand, interest on the loan according to WIBOR 1M applicable as at the end of each calendar year, repayment date 31 December 2015.

Increase:

- Accrued interest on loans granted to:
 - 1) jointly controlled company Irydion Sp. z o.o. - PLN 147 thousand,
 - 2) subsidiary PROCHEM Inwestycje Sp. z o.o. – PLN 227 thousand,
 - 3) subsidiary Elmont- Inwestycje Sp. z o.o. – PLN 51 thousand.
- Loan granted to subsidiary Elmont Inwestycje Sp. o.o. in the amount of PLN 200 thousand.
- Renegotiation of the repayment date of loans granted to subsidiary Elektromontaż Kraków SA from short-term to long-term in the amount of PLN 3 366 thousand.

Loans granted – as at 31 December 2013

- Loan granted to jointly controlled company Irydion Sp. z o.o. seated in Warsaw in the amount of 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 rate, repayment date 31 December 2015,

- Loans granted to subsidiary PROCHEM Inwestycje Sp. z o.o. in the amount of PLN 18 079 thousand including: amount of the loans PLN 17 000 thousand, accrued interest PLN 1 079 thousand. Interest rate is set annually according to WIBOR 6M rate applicable as at the end of each calendar year, repayment date 31 December 2016.
- Loans granted to subsidiary Elmont Inwestycje Sp. z o.o. in the amount of PLN 4 444 thousand including: amount of the loans PLN 3 780 thousand, accrued interest PLN 664 thousand. Interest rate is set annually according to WIBOR 6M rate applicable as at the end of each calendar year, repayment date 31 December 2015.

Note 6 – Inventories

	As at 30 June 2014	As at 31 December 2013
Materials	2 672	3 126
Total inventories net value	2 672	3 126
Write-down	285	285

Note 7 - Trade and other receivables

	As at 30 June 2014	As at 31 December 2013
Trade receivables	60 370	44 666
Write-down of trade receivables	-5 748	-5 796
Net trade receivables, including:	54 622	38 870
- with repayment within 12 months	51 136	35 031
- with repayment in more than 12 months	3 486	3 839
Other receivables	2 719	2 814
Write-down of other receivables	-2 277	-2 277
Net other receivables	442	537
Total net receivables	55 064	39 407

Trade and other receivables from related entities	As at 30 June 2014	As at 31 December 2013
Trade receivables, including:	5 305	6 697
- from subsidiaries	5 200	5 975
- from associates and jointly controlled entities	105	722
Total net current trade and other receivables from related entities	5 305	6 697
Write-down of receivables from related entities	89	108
Total gross current trade and other receivables from related entities	5 394	6 805

	As at 30 June 2014	As at 31 December 2013
Change in write-down of trade and other receivables		
As at the beginning of the period	8 073	5 909
a) increase (due to)	4	2 233
- write-down of receivables	4	2 233
b) decrease (due to)	52	69
- payment received	52	39

- the resolving	-	30
Write-downs of current trade and other receivables as at the end of the period	8 025	8 073

As at 30 June 2014 and 31 December 2013 receivables include security deposit under statutory warranty for construction services and assembly services, respectively for the amounts of PLN 18 359 thousand and PLN 18 543 thousand.

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 Issuer did not create write-downs, since there was no significant change in the quality of the debt compared to the previous accounting periods, therefore is considered as to be recovered. The Issuer 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 - *Information on the significant proceedings pending before the court.*

In other receivables presented fees for the purchase of two apartments for a total net amount of PLN 396 thousand, resulting from the preliminary sale agreement as a notarial deed Repertory No 4628/2012. The agreement was concluded with "Eurobudownictwo" limited liability company with its registered office in Wrocław.

Note 8 – Other financial assets

Other financial assets	As at 30 June 2014	As at 31 December 2013
a) from subsidiaries indirectly and directly :	93	3 429
- current loans granted	93	3 429
b) from jointly controlled entities	2 011	-
- current loans granted	2 011	-
c) from other entities :	198	198
- current loans granted	198	198
d) other financial assets – discounted security deposit as security for bank guarantee of return of advance payment	3 511	1 679
Total other financial assets	5 813	5 306
Write-down of other financial assets	207	207
Gross other financial assets	6 020	5 513

Loans granted - as at 30 June 2014

- Interest on loan granted subsidiary Pro-Organika Sp. z o.o. PLN 93 thousand, repayment date 31 December 2014
- Loan granted to the Civil Committee of Building of the Cardiological Hospital of the name of Marshal Józef Piłsudski in Warsaw PLN 198 thousand, including: amount of 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 jointly controlled entity Irydion Sp. z o.o. in the amount of PLN 2 011 thousand, including: amount of the loan PLN 2 000 thousand, accrued interest PLN 11 thousand. Interest on the loan is 3% annually, time of repayment until 30 September 2014.

Increase

- Loan granted to jointly controlled company Irydion sp. z o.o. in the amount of PLN 2 000 thousand, interest rate on the loan is established according to fixed rate of 3% per annum, repayment date 30 September 2014.
- Accrued interest on loans granted to company Elektromontaż Kraków S.A. – PLN 43 thousand
- Accrued interest on loan granted to Irydion Sp. z o.o. – PLN 11 thousand.

Decrease

1. Repayment of interest on loan in the amount of PLN 13 thousand by company Pro-Organika sp. z o.o.
2. Renegotiation of the repayment date of loans granted to subsidiary Elektromontaż Kraków SA from short-term to long-term in the amount of PLN 3 366 thousand.

Loans granted - as at 31 December 2013

- Interest on loan granted to subsidiary Pro-Organika Sp. z o.o. PLN 106 thousand, repayment date 31 December 2014.
- Loan granted to the Civil Committee of Building of the Cardiological Hospital of the name of Marshal Józef Piłsudski in Warsaw PLN 198 thousand, including: amount of the loan PLN 133 thousand, accrued interest PLN 65 thousand, interest rate set at the statutory rate, repayment date 30 June 2008. Receivables secured by a mortgage on the right of perpetual usufruct of the land under land register – KW No. 136324.
- Loans granted to subsidiary Elektromontaż Kraków S.A. seated in Krakow:
 1. Loan in the amount of PLN 1 211 thousand, including: amount of the loan PLN 1 200 thousand, accrued interest PLN 11 thousand. Interest on the loan according to WIBOR 1M applicable as at the end of each calendar year, repayment date 31 March 2014.
 2. Loan in the amount of PLN 1 511 thousand, including: amount of the loan PLN 1 500 thousand, accrued interest PLN 11 thousand. Interest on the loan according to WIBOR 1M applicable as at the end of each calendar year, repayment date 31 March 2014.
 3. Loan in the amount of PLN 601 thousand, including: amount of the loan PLN 600 thousand, accrued interest PLN 1 thousand. Interest on the loan according to WIBOR 1M applicable as at the end of each calendar year, repayment date 31 March 2014.

Note 9 – Other assets

Other assets (by types)	As at 30 June 2014	As at 31 December 2013
a) prepayments	512	665
- cost of property and personal insurance	325	172
- software maintenance cost	167	453
- subscriptions	5	9
- deferred costs	11	29
- other	4	2
b) other accrued costs and prepayments	6 194	9 883
- amounts due from the ordering parties under long-term contracts	6 194	9 883
Total other assets	6 706	10 548

Note 10 – Current bank loans

	As at 30 June 2014	As at 31 December 2013
Loans	8 454	-

Interim condensed separate financial statements of PROCHEM S.A. as at and for the period ended 30 June 2014

As at June 30, 2014, the Company has three credit lines in the total amount of PLN 15 million. The involvement as at the balance sheet date amounted to PLN 8 454 thousand.

Information on bank loans:

Name of the bank	Registered office	Amount of a loan according to agreement (in PLN thousands)	Amount of a loan to be repaid (in PLN thousands)	Terms of interest	Time of repayment	Security
BRE Bank Polska SA	Warsaw	6000 Credit in overdraft on bank account	5 473	WIBOR for O/N deposits in PLN + margin	30 June 2015	Promissory note in blank
BRE Bank Polska SA	Warszawa	6000 Revolving credit	0	WIBOR dla depozytów jednomiesięcznych w PLN + marża	30 June 2015	Promissory note in blank
ING Bank Śląski S.A.	Katowice	3,000 Credit in overdraft on bank account	2 981	WIBOR dla depozytów jednomiesięcznych w PLN + marża	16 November 2014	Statement on submission to execution

Note 11 – Current loans

	As at 30 June 2014	As at 31 December 2013
Current loans granted by related entities	952	-

Pursuant to the loan agreement dated June 6, 2014, the company PROCHEM SA has incurred short-term loan in the subsidiary PROCHEM Zachód, based in Warsaw, in the amount of PLN 950 thousand. Interest rate on the loan is established according to rate of 3% per annum, repayment date 31 December 2014.

Note 12 – Trade payables

	As at 30 June 2014	As at 31 December 2013
a) to subsidiaries	1 146	749
- for supplies and services with maturity:	1 146	749
- up to 12 months	1 127	101
- more than 12 months	19	648
b) to other entities	17 282	17 018
- for supplies and services with maturity:	17 282	17 018
- up to 12 months	14 970	14 295
- more than 12 months	2 312	2 723
Total trade payables	18 428	17 767

Note 13 – Deferred income

	As at 30 June 2014	As at 31 December 2013
Deferred income, including:	25 818	25 717
- amounts due from the ordering parties under long-term contracts (advance payments received)	24 515	25 565
- amounts due to the ordering parties under long-term contracts	1 303	152
Deferred income as at the end of the period, including:	25 818	25 717

Non-current liabilities	12 097	19 338
Current liabilities	13 721	6 379

In 2013 the Company received an advance payment in the amount of EUR 7 230 thousand for the implementation of investment project. The amount of the advance payment was recognized in deferred income and will be settled against invoices issued for completed services and supplies. As at 30 June 2014, the amount of unsettled advances amounted to EUR 6 198 thousand.

Note 14 - Revenues from sale of services

Revenues from sale of services (type of service and type of activity)	Period ended 30 June 2014	Period ended 30 June 2013
- revenues from sale of services, including:	45 561	31 144
- from related entities, including:	9 215	2 511
• subsidiaries	102	211
• jointly controlled entities	9 113	2 300
Revenues from sale (territorial structure)	Period ended 30 June 2014	Period ended 30 June 2013
Domestic sale	26 018	31 144
- including: from jointly controlled entities	9 215	2 511
Exports	19 543	-

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

Gross amount due from the ordering parties for work under the contracts was presented in note 9.

In the first half of 2014, there was a concentration of revenues from sale of construction services for the jointly controlled company Irydion Sp. z o.o. and Belarusian client. Revenues achieved on sale of services for Irydion Sp. z o.o. in the first half of 2014 amounted to PLN 9,1 million, which represents 20.0% of revenues from services, and for the Belarusian client (exports) PLN 19.5 million which represents 42.9%.

Note 15 - Cost of services sold

	Period ended 30 June 2014	Period ended 30 June 2013
a) amortization and depreciation	426	398
b) consumption of energy and materials	1 899	365
c) outsourcing	26 703	19 989
d) taxes and levies	82	44
e) remuneration	10 659	9 266
f) social security and other benefits	1 881	1 710
g) other costs by type, including:	1 843	1 372
- property and personal insurance	473	426
- business trips	293	195
- State Fund for Rehabilitation of Disabled Persons PFRON	116	99
- other	961	652
Total costs by type	43 493	33 144
Change in inventories, goods and accruals and prepayments	-657	-812
General and administrative expense (negative value)	-3 962	-3 929

Cost of services	38 874	28 403
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Note 16- Other operating income

	Period ended 30 June 2014	Period ended 30 June 2013
a) gain on disposal of non-financial non-current assets	-	23
b) subsidies	-	-
c) reversal of write-down (due to)	54	43
- of receivables	54	43
d) other, including:	74	2 754
- received compensation, fines and penalties	-	-
- revenues from car rental	45	45
- write-off past due liabilities	-	2 659
- other	29	50
Total operating income	128	2 820

Note 17 – Other operating expenses

	Period ended 30 June 2014	Period ended 30 June 2013
a) write-down	4	32
- of receivables	4	32
b) other, including:	70	103
- cost of legal proceedings	49	35
- penalties, fines and compensation paid	-	68
- other	21	-
Total other operating expenses	74	135

Note 18 – Financial income

	Period ended 30 June 2014	Period ended 30 June 2013
a) revenues from dividends and profit sharing	35	303
- in subsidiaries	35	303
b) interest on loans granted	479	350
- from subsidiaries	321	202
- from jointly controlled entities and associates	158	148
c) other interest	12	35
- from other entities	12	35
d) surplus of foreign exchange gains	-	507
e) other, including:	88	93
- valorisation	15	93
- revenues from discounted non-current liabilities	70	-
- other	3	-
Total financial income	614	1 288

Note 19 – Finance costs

	Period ended 30 June 2014	Period ended 30 June 2013
a) interest on bank loans	121	208

Interim condensed separate financial statements of PROCHEM S.A. as at and for the period ended 30 June 2014

a) interest on borrowings	2	-
- for subsidiaries	2	-
b) other interest	3	151
- for other entities	3	151
c) surplus of foreign exchange losses	77	-
d) other, due to :	262	376
- commission on bank guarantees	239	227
- commissions on loans	16	19
- commissions on letter of credit	7	130
Totalo finance costs	465	735

Note 20 – Additional disclosures to the statement of cash flows

Monetary means included in statement of cash flows covers cash appearing in the balance sheet - item Cash and cash equivalents. The structure of the cash is presented in the table below (in PLN thousands):

	Period ended 30 June 2014	Period ended 30 June 2013	Change
Cash in hand	90	83	7
Cash on banks accounts	1 330	3 642	-2 312
Total cash in hand and cash on bank accounts	1 420	3 725	2 305

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

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

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

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

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

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

Change in current receivables	11 842
Trade and other receivables as at 1 January 2014	39 407
Other assets as at 1 January 2014	10 548
Receivables from disposal of fixed assets	-75
Receivables from prepayment for purchase of investment property	-396
Opening balance sheet after adjustments	49 484
Trade and other receivables as at 30 June 2014	55 064
Other assets as at 30 June 2014	6 706
Receivables from disposal of fixed assets	-48
Receivables from prepayment for purchase of investment property	-396
Closing balance sheet after adjustments	61 326

Change in current liabilities (except for current loans and special purpose funds)	65
Trade payables as at 1 January 2014	17 767
Other liabilities as at 1 January 2014	3 017
Deferred income as at 1 January 2014	-31
Provision for retirement benefits	-1 016
Provision for audit of financial statements	-90
Provision for other costs	-372
Investment liabilities	-124
Liabilities under discount of non-current liabilities	285
Liabilities to shareholders	-2
Opening balance sheet after adjustments	19 434
Trade payables as at 30 June 2014	18 428
Other liabilities as at 30 June 2014	1 873
Provision for retirement benefits	-31
Provision for unused annual leaves	-554
Provision for audit of financial statements	-34
Provision for other costs	-410
Investment liabilities	-56
Liabilities under discount of non-current liabilities	285
Liabilities to shareholders	-2
Closing balance sheet after adjustments	19 499
Change in other adjustments as at 30 June 2014	643
Change in deferred income - advances received	-1 046
Change in deferred income in respect amounts due to the ordering party under long-term contracts	1 151
Change - security deposit as security for bank guarantees of return of advance payment *)	549

*) In connection with the implementation of the investment project in Belarus, the Company in order to secure the return of the received advance payment, has granted a bank guarantee of refund of advance payment in the amount of EUR 7 230 thousand. As the security of guarantee, the Company under the contract on the cash security deposit, has placed a security deposit in the bank in the amount of EUR 2 191 thousand. The deposit shall be reduced by the amounts settled during implementation of the project. Date of completion of the contract of security deposit will be 12 April 2016. As at 30 June 2014 the unsettled and discounted part of the security deposit was presented in the statement of financial position in item of other non-current financial assets and in current financial assets respectively in the amount of PLN 4 702 thousand and PLN 3 511 thousand (notes 5 and 8).

Note 21– Operating segments

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

Income from operations achieved abroad (export) for the period from 1 January 2014 to 30 June 2014 amounted to PLN 19 543 thousand (i.e. 42.9% of revenues from sales) in the corresponding period of the previous year income of this kind did not occur.

Interim condensed separate financial statements of PROCHEM S.A. as at and for the period ended 30 June 2014

Information on major customers, whose share in the sales revenue for the first half of 2014 years has exceeded 10% of total sales revenue:

- Belarusian client – 42.9% share of the revenues from the sale, which has been shown in the segment "General Contracting" and "Design and other engineering services";
- Irydion Sp. z o.o. jointly controlled company – 20.0% share of the revenues from the sale, which has been presented in the segment "General Contracting" and "Design and other engineering services".

Detailed information on activities of PROCHEM S.A. in the various segments are shown in the following tables. Below shows the analysis of the revenue and results of the Company's reportable segments.

For the period From 1 January 2014 to 30 June 2014	General contracting	Design and other engineering services	Rental of construction equipment	Other	Items not assigned	Total
Revenues from external customers	27 345	15 241	2 338	641	-	45 565
Total revenues of the segment	27 345	15 241	2 338	641	-	45 565
Result of the segment	2 819	-863	848	-77	-	2 727
Financial income	-	-	-	-	614	614
Finance costs	-	-	-	-	465	465
Net financial income					149	149
Profit on other operating activities	-	-	-	-	54	54
Profit before tax	-	-	-	-	2 930	2 930
Income tax	-	-	-	-	611	611
Net profit for the current period	-	-	-	-	2 319	2 319
Assets as at 30 June 2014						
Segment assets (related to activity)	49 592	6 140	1 541	1 269	-	58 542
Assets unallocated (among others shares and other financial assets)	-	-	-	-	73 736	73 736
Total assets	49 592	6 140	1 541	1 269	73 736	132 278
Other information related to the segment for the period from 1 January 2014 to 30 June 2014						
Depreciation of property, plant and equipment	21	4	67	-	284	376
Amortization of intangible assets	-	-	-	-	50	50
Write-down of segment assets (receivables from supplies and services)	-54	-220	-4 937	-537	-	-5 748
For the period From 1 January 2013 to 30 June 2013						
	General contracting	Design and other engineering services	Rental of construction equipment	Other	Items not assigned	Total
Revenues from external customers	15 252	14 080	753	1 271	-	31 356
Total revenues of the segment	15 252	14 080	753	1 271	-	31 355
Result of the segment	952	-1 822	-62	-255	-	-1 187
Financial income	-	-	-	-	1 290	1 290
Finance costs	-	-	-	-	735	735
Net financial income					555	555
Loss on other operating activities	-	-	-	-	2 685	2 685
Profit before tax	-	-	-	-	2 053	2 053
Income tax	-	-	-	-	345	345
Net profit for the current period	-	-	-	-	1 708	1 708
Assets as at 31 December 2013						

Interim condensed separate financial statements of PROCHEM S.A. as at and for the period ended 30 June 2014

Segment assets (related to activity)	25 726	10 388	3 844	776	-	40 734
Assets unallocated (among others shares and other financial assets)	-	-	-	-	80 392	80 392
Total assets	25 726	10 388	3 844	776	80 392	121 126

Other information related to the segment for the period from 1 January 2013 to 30 June 2013

Depreciation of property, plant and equipment	62	46	178	-	438	724
Amortization of intangible assets	-	-	-	-	93	93
Write-down of segment assets (receivables from supplies and services)	-54	-220	-4 967	-555	-	-5 796

Note 22 - Contingent liabilities and contingent assets

	As at 30 June 2014	As at 31 December 2013
Guarantees granted		
Bank guarantee of good performance and statutory warranty	10 548	11 407
Payment guarantee	1 134	1 134
Tender guarantee	1 185	1 235
Guarantee of return of advance payment	29 626	29 478
Total contingent liabilities	42 493	43 254
Contingent liabilities		
the Company underwrote two promissory notes issued by subsidiary PRO-INHUT Sp. z o.o. based in Dąbrowa Górnicza on behalf of investor in order to secure claim under good performance		831
Letters of Credit		2 268
Total guarantees granted and contingent liabilities		45 592
		43 254

In the first half of 2014 Issuer recorded an increase in guarantees granted and contingent liabilities by the amount of PLN 2 338 thousand.

Guarantees received	As at 30 June 2014	As at 31 December 2013
Bank guarantee of good performance	1 200	1 206
Bill of exchange guarantee for securing terms of contract	77	577
Total contingent assets	1 277	1 783

Note 23 - Distribution of profit

Issuer's net profit for the year 2013 in the amount of PLN 6,643,123.89 by the Resolution No. 5 of the Annual General Meeting of June 7, 2014 is distributed in such way, that the profit in total was allocated to capital reserve.

Note 24 - Dividends

The Issuer did not pay dividends from the profit for 2013

Note 25 - Financial instruments and financial risk management

Financial assets

Interim condensed separate financial statements of PROCHEM S.A. as at and for the period ended 30 June 2014

As at 30 June 2014	Categories of financial instruments	
	Loans, receivables and other	Total
(in PLN thousands)		
Classes of financial instruments		
Receivables from supplies and services	54 622	54 622
Cash	1 420	1 420
Other financial assets - discounted security deposit for securing bank guarantee of return of advance payment	8 213	8 213
Loans granted	40 115	40 115
Total	104 370	104 370
As at 31 December 2013		
	Categories of financial instruments	
	Loans, receivables and other	Total
(in PLN thousand)		
Classes of financial instruments		
Receivables from supplies and services	38 870	38 870
Cash	3 725	3 725
Other financial assets - discounted security deposit for securing bank guarantee of return of advance payment	8 763	8 763
Loans granted	37 449	37 449
Total	88 807	88 807

Financial liabilities

As at 30 June 2014	Categories of financial instruments		
	Financial liabilities measured at amortized cost	Liabilities excluded from IAS 39	Total
(in PLN thousands)			
Classes of financial instruments			
Loans	8 454	-	8 454
Borrowings received	952	-	952
Payables	18 428	-	18 428
Total	27 834	-	27 834

As at 31 December 2013	Categories of financial instruments		
	Financial liabilities measured at amortized cost	Liabilities excluded from IAS 39	Total
(in PLN thousands)			
Classes of financial instruments			
Payables	17 767	-	17 767
Total	17 767	-	17 767

Impairment allowances of financial assets by categories and classes of financial assets

Interim condensed separate financial statements of PROCHEM S.A. as at and for the period ended 30 June 2014

(in PLN thousands)

	Period ended	
	30 June 2014	31 December 2013
Receivables from supplies and services	-5 748	-5 796
Other financial assets	-207	-207
Total	-5 955	-6 003

Write-downs of financial assets are presented in notes 8 and 9.

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

Note 26 - Related party transactions

In the first half of 2014 the Members of the Supervisory Board and the Management Board did not conclude transactions with the companies belonging to PROCHEM S.A. Capital Group.

Transactions with related parties as below were concluded on market conditions and relate to sale and purchase of services among others construction services, assembly services and lease of space as well as loans granted mutually.

Settlements with related parties include receivables, trade payables and financial liabilities. Guarantees and sureties granted to related parties are presented in note 22.

The data for the reporting period

Transaction with subsidiaries

As at 30 June 2014 the settlements of the Issuer with subsidiaries directly and indirectly developed as follows:

Receivables from non-current loans – PLN 26 367 thousand (including interest PLN 2 087 thousand),
Receivables from current loans – PLN 93 thousand (including interest PLN 93 thousand),
Trade and other receivables – PLN 5 198 thousand,
Trade payables – PLN 1 144 thousand.

In the period from 1 January 2014 to 30 June 2014 there were the following transactions of the Issuer with subsidiaries directly and indirectly:

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

Total revenues from these transactions amounted to – PLN 102 thousand, and incurred cost of services bought amounted to PLN 876 thousand.

- Income from dividends received amounted to PLN 35 thousand.
- Remuneration under valorization of the contract value – PLN 15 thousand.

Transactions with jointly controlled entities and associates

As at 30 June 2014 the settlements of the Issuer with jointly controlled entities and associates developed as follows:

- Receivables from non-current loans – PLN 11 446 thousand.
- Receivables from current loans – PLN 2 011 thousand.
- Trade and other receivables – PLN 105 thousand.
- Trade payables – PLN 2 thousand.

In the period from 1 January 2014 to 30 June 2014 there were the following transactions of the Issuer with jointly controlled entities and associates:

- Revenues from sale of services – PLN 9 113 thousand
- Financial revenues from interest on loan granted – PLN 158 thousand

Revenues from sale of services in total relate to revenues from the jointly controlled company Irydion Sp. z o.o. in Warsaw, for which is executed the investment project under the name of "Astrum Business Park" in Warsaw.

The comparable data

Transactions with subsidiaries

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

Receivables from non-current loans – PLN 16 313 thousand (including interest PLN 1 533 thousand),
Receivables from current loans – PLN 369 thousand (including interest PLN 107 thousand),
Trade and other receivables – PLN 6 869 thousand,
Trade payables – PLN 1 717 thousand.

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

- sale and purchase of construction services,
 - sale of goods and materials
 - sale of other services (rental of space) to subsidiaries,
- Total income from those transactions amounted to – PLN 405 thousand.
- Income from interest on loans amounted to – PLN 203 thousand.
 - Income from dividends received amounted to - PLN 303 thousand.
 - Remuneration under valorization of the contract value – PLN 93 thousand.

Transactions with jointly controlled entities and associates

As at 30 June 2013 the settlements of the Issuer with jointly controlled entities and associates directly or indirectly developed as follows:

- Receivables under non-current loans – PLN 11 148 thousand.
- Trade and other receivables – PLN 101 thousand.
- Trade payables – PLN 2 994 thousand.

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

- Revenues from sale of services – PLN 2 300 thousand
- Financial revenue from interest on loan granted – PLN 148 thousand

Revenues from sale of services in total relate to revenues from the jointly controlled company Irydion Sp. z o.o. in Warsaw, for which is executed the investment project under the name of "Astrum Business Park" in Warsaw.

Note 27 – Events after the reporting date

Did not occur.

Note 28 - The risk of an unfavorable outcome of litigation with PERN SA.

PROCHEM SA 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 SA 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 clarifying the final conclusions of evidence to complement the expert opinions and postponed the hearing until 16 May 2013.

By order dated February 25, 2013, the District Court in Warsaw XXVI Economic Department upheld the previous decision of the Court, and finally has awarded a remuneration for the expert for drafting the opinion. In grounds for the judgment the Court determined that, at the hearing on 5 February 2013, the certified expert has carefully explained the methodology that has been adopted for the preparation of the legal opinion and it is not inconsistent with the thesis of the Court, and there are no legitimate grounds to complaint that the methodology adopted by the experts is not correct.

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

On 9 August 2013, the Issuer received from the District Court in Warsaw, the decision as of 1 August 2013, from closed session of the Court. At the meeting, the Court decided to admit evidence of a supplementary opinion of research institute - Warsaw University of Technology in Warsaw, in the circumstance of determining the value of services, supplies, and other liabilities made by PROCHEM S.A. and directly related to the implementation of the agreement that have been made after the date of withdrawal from the contract on the basis of commitments contracted prior to the withdrawal from the contract. In November 2013 the experts appointed by the court have started the work associated with the preparation of the supplementary opinion.

On 25 February 2014, the Court received the supplementary opinion that confirms the amount of the claim of PROCHEM SA

On 13 June 2014 the Company received a notice of the appointment of the meeting by the Court on October 24, 2014.

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

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

Note 29 - Approval of financial statements

Interim condensed separate financial statements of PROCHEM S.A. for the period from 1 January 2014 to 30 June 2014 was approved by the Management Board of PROCHEM S.A. on 29 August 2014.

Note 30 - Other explanatory information to the interim condensed separate financial statements

Statement of changes in ownership of the issuer's shares or rights (options) held by Management Board and Supervisory authorities, in accordance with the Issuer's knowledge.

As at the date of the separate financial statements the following members of the Management Board and the Supervisory Board of the company held shares of PROCHEM SA:

- Jarosław Stępniewski – 80,943 units;
- Marek Kiersznicki – 70,393 units;
- Krzysztof Marczak – 42,700 units;
- Andrzej Karczykowski – 115,186 units;
- Marek Garliński – 86,400 units;
- Steven Tappan – 510,000 units.

Since the submission of the annual report for 2013 years there has been a change in the number of shares of the issuer held by the members of the Management Board and the Supervisory Board:

1. Increase:

- Steven Tappan - 203 shares,
- Marek Kiersznicki – 250 shares,

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

In the first half of 2014 the Issuer did not grant other entity any guarantees or surety of credit or loan of this value.

On 14 February 2014 the Issuer underwrote two promissory notes issued by subsidiary PRO-INHUT Sp. z o.o. based in Dąbrowa Górnicza on behalf of investor in order to secure the claims. The surety to the amount of PLN 831 thousand

Loans granted by the Issuer in the first half of 2014 are presented in note 5 and 8 of these financial statements.

Factors which in the opinion of the Issuer will have an impact on its financial performance in at least the subsequent quarter

The results of subsequent quarters will depend mainly on the possibility of obtaining by the Issuer of new contracts for the sale of their services. Large impact on the results of the Issuer will have a continuation of two projects launched in the last year : the contract in Belarus and the construction of the Centre Astrum Biznes Park in Warsaw.

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

Remuneration paid in the first half of 2014 in the Issuer's enterprise:

1. remuneration paid to the Members of the Management Board in total amount of PLN 689.5 thousand, including remuneration established on profit PLN 206.1 thousand;
2. remuneration paid to the Members of the Supervisory Board in total amount of PLN 396.7 thousand, including remuneration established on profit PLN 265.5 thousand.

Remuneration paid to the Members of the Management Board in the first half of 2014 for performing the function in the Management Boards and the Supervisory Boards of companies belonging to the Capital Group amounted to PLN 241.2 thousand.

Signatures of the Members of Management Board

29 August 2014 date	Jarosław Stępniewski first name and surname	Chairman of the Board position signature
29 August 2014 date	Marek Kiersznicki first name and surname	Vice Chairman position signature
29 August 2014 date	Krzysztof Marczak first name and surname	Vice Chairman position signature

Signature of the person responsible for bookkeeping

29 August 2014 date	Barbara Auguścińska-Sawicka first name and surname	Chief Accountant position signature
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