

Prochem S.A.

Supplementary report
on the audit of the separate
financial statements
Financial Year ended
31 December 2013

The supplementary report contains 9 pages
The supplementary report on audit
of the separate financial statements
for the financial year ended
31 December 2013

*This document is a free translation of the Polish original. Terminology current in
Anglo-Saxon countries has been used where practicable for the purposes of this
translation in order to aid understanding. The binding Polish original should be
referred to in matters of interpretation*

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1. General

1.1. General information about the Company

1.1.1. Company name

Prochem S.A.

1.1.2. Registered office

Powązkowska 44C Street
01-797 Warsaw

1.1.3. Registration in the National Court Register

Registration court:	District Court for the Capital City Warsaw in Warsaw, XII Commercial Department of the National Court Register
Date:	13 June 2001
Registration number:	KRS 0000019753
Share capital as at the end of reporting period:	PLN 3,895,000.00

1.1.4. Management of the Company

The Management Board is responsible for management of the Company.

As at 31 December 2013, the Management Board of the Company was comprised of the following members:

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

1.2. Key Certified Auditor and Audit Firm Information

1.2.1 Key Certified Auditor information

Name and surname:	Monika Bartoszewicz
Registration number:	10268

1.2.2 Audit Firm information

Name:	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
Address of registered office:	Chłodna 51 Street, 00-867 Warsaw
Registration number:	KRS 0000339379
Registration court:	District Court for the Capital City of Warsaw in Warsaw, XII Commercial Department of the National Court Register
NIP number:	527-26-15-362

KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. is entered in the register of audit firms, maintained by the National Council of Certified Auditors, under number 3546.

1.3. Prior period separate financial statements

The separate financial statements for the financial year ended 31 December 2012 were audited by KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. and received an unqualified opinion.

The separate financial statements were approved at the General Meeting on 8 June 2013 where it was resolved to distribute the net profit for the prior financial year of PLN 3,055,759.39 as follows:

- PLN 3,038,100.00 to be paid as a dividend,
- PLN 17,659.39 to reserve capital.

The separate financial statements were submitted to the Registry Court on 18 July 2013.

1.4. Audit scope and responsibilities

This report was prepared for the General Meeting of Prochem S.A. with its registered office in Warsaw, Powązkowska 44C Street and relates to the separate financial statements comprising: the separate statement of financial position as at 31 December 2013, the separate statement of profit and loss, the separate statement of comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

The audited Company prepares its separate financial statements in accordance with International Financial Reporting Standards as adopted by the European Union on the basis of the decision of the General Meeting dated 25 June 2005.

The separate financial statements were audited in accordance with the contract dated 15 July 2013, concluded on the basis of the resolution of the Supervisory Board dated 7 June 2013 on the appointment of the auditor.

We conducted the audit in accordance with section 7 of the Accounting Act dated 29 September 1994 (Official Journal from 2013, item 330 with amendments) ("the Accounting Act"), National Standards on Auditing issued by the National Council of Certified Auditors and International Standards on Auditing.

We audited the separate financial statements at the Company during the period from 3 to 14 March 2014 and from 7 to 11 April 2014.

Management of the Company is responsible for the accuracy of the accounting records and the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations and preparation of the Report on the Company's activities.

Our responsibility is to express an opinion and to prepare a supplementary report on the audit of the separate financial statements and whether the financial statements are derived from properly maintained accounting records based on our audit.

Management of the Company submitted a statement dated as at the same date as this report as to the true and fair presentation of the accompanying separate financial statements, which confirmed that there were no undisclosed matters which could significantly influence the information presented in the separate financial statements.

All required statements, explanations and information were provided to us by Management of the Company and all our requests for additional documents and information necessary for expressing our opinion and preparing the report have been fulfilled.

The scope of the work planned and performed has not been limited in any way. The method and scope of our audit is detailed in working papers prepared by us and retained in the offices of the Audit Firm.

The Key Certified Auditor and the Audit Firm fulfill the independence requirements as described in Art. 56 points 3 and 4 of the Act on Certified Auditors and their Self-Governance, Audit Firms authorized to Audit Financial Statements and Public Oversight dated 7 May 2009 (Official Journal from 2009 No. 77, item 649 with amendments).

2. Financial analysis of the Company

2.1. Summary analysis of the separate financial statements

2.1.1. Separate statement of financial position

ASSETS	31.12.2013 PLN '000	% of total	31.12.2012 PLN '000	% of total
Non-current assets				
Property, plant and equipment	1 981	1,6	2 015	1,9
Intangible assets	201	0,2	140	0,1
Shares in subsidiaries	10 060	8,3	15 026	13,7
Shares in jointly controlled entities and associates	5 210	4,3	708	0,7
Deferred tax assets	656	0,5	1 986	1,8
Other financial assets	40 906	33,8	26 985	24,6
Total non-current assets	59 014	48,7	46 860	42,8
Current assets				
Inventories	3 126	2,6	2 359	2,1
Trade and other receivables	39 407	32,5	45 745	41,7
Other financial assets	5 306	4,4	751	0,7
Other assets	10 548	8,7	10 768	9,8
Cash and cash equivalents	3 725	3,1	3 164	2,9
Total current assets	62 112	51,3	62 787	57,2
TOTAL ASSETS	121 126	100,0	109 647	100,0
EQUITY AND LIABILITIES				
	31.12.2013 PLN '000	% of total	31.12.2012 PLN '000	% of total
Equity				
Share capital	3 895	3,2	3 895	3,6
Revaluation reserve	950	0,8	1 086	1,0
Retained earnings	68 662	56,7	65 049	59,3
Total equity	73 507	60,7	70 030	63,9
Non-current liabilities				
Provisions for retirement and similar benefits	531	0,4	415	0,4
Deferred income	19 338	16,0	-	-
Other long-term liabilities	24	-	27	-
Total non-current liabilities	19 893	16,4	442	0,4
Current liabilities				
Current bank loans	-	-	6 347	5,8
Trade payables	17 767	14,7	29 083	26,5
Current tax liabilities	563	0,4	-	-
Other liabilities	3 017	2,5	3 734	3,4
Deferred income	6 379	5,3	11	-
Total current liabilities	27 726	22,9	39 175	35,7
Total liabilities	47 619	39,3	39 617	36,1
TOTAL EQUITY AND LIABILITIES	121 126	100,0	109 647	100,0

2.1.2. Separate statement of profit and loss

	1.01.2013 - % of total 31.12.2013 sales		1.01.2012 - % of total 31.12.2012 sales	
	PLN '000		PLN '000	
Revenues from sales	83 340	100,0	85 406	100,0
Revenues from the sale of services	82 889	99,5	84 296	98,7
Revenues from the sale of merchandise and raw materials	451	0,5	1 110	1,3
Cost of sales	(73 994)	88,7	(82 618)	96,8
Cost of services sold	(73 551)	88,3	(81 593)	95,6
Cost of merchandise and raw materials sold	(443)	0,5	(1 025)	1,2
Gross profit on sales	9 346	11,3	2 788	3,2
General and administrative expenses	(7 901)	9,5	(7 200)	8,4
Other operating income	3 783	4,6	671	0,8
Other operating expenses	(2 849)	3,4	(1 673)	1,9
Profit /(Loss) from operating activities	2 379	2,9	(5 414)	6,3
Finance income	2 840	3,4	1 082	1,2
Profit on the disposal of shares in subsidiaries	5 087	6,1	7 545	9,0
Finance expenses	(1 752)	2,1	(1 335)	1,7
Profit before income tax	8 554	10,3	1 878	2,2
Income tax expense	1 911	2,3	(1 178)	1,4
current tax	564	0,7	-	-
deferred tax	1 347	1,6	(1 178)	1,4
Net profit	6 643	8,0	3 056	3,6

2.1.3. Separate statement of comprehensive income

Net profit	6 643	3 056
Other comprehensive income, net	(129)	135
<i>Items that may be reclassified to profit or loss:</i>	<i>(56)</i>	<i>135</i>
Revaluation of property, plant and equipment	-	167
Foreign currency translation differences due to foreign entity	(56)	-
Income tax on other comprehensive income	-	32
<i>Items that will never be reclassified to profit or loss:</i>	<i>(73)</i>	<i>-</i>
Actuarial losses arising from valuation of employee benefits provision	(90)	-
Income tax on other comprehensive income	17	-
Total comprehensive income	6 514	3 191

2.2. Selected financial ratios

	2013	2012	2011
1. Return on sales			
<u>net profit for the period x 100%</u> revenue	8,0%	3,6%	2,5%
2. Return on equity			
<u>net profit for the period x 100%</u> equity - net profit for the period	9,9%	4,6%	5,0%
3. Debtors' days			
<u>average trade receivables (gross) x 365 days</u> revenue	220 days	251 days	175 days
4. Debt ratio			
<u>liabilities x 100%</u> equity and liabilities	39,3%	36,1%	52,8%
5. Current ratio			
<u>current assets</u> current liabilities	2,4	1,7	1,4

- Revenue includes revenue from sales of finished products, merchandise and raw materials.
- Average trade receivables represent the average of trade receivables at the beginning and at the end of the period, with no deduction made for allowances.

3. Detailed report

3.1. Accounting system

The Company maintains current documentation describing the applied accounting principles adopted by the Management Board to the extent required by Art. 10 of the Accounting Act.

During the audit of the separate financial statements, we tested, on a sample basis, the operation of the accounting system.

On the basis of the work performed, we have not identified any material irregularities in the accounting system which have not been corrected and that could have a material effect on the separate financial statements. Our audit was not conducted for the purpose of expressing a comprehensive opinion on the operation of the accounting system.

The Company performed a physical verification of its assets in accordance with the requirements and time frame specified in Art. 26 of the Accounting Act, and reconciled and recorded the result thereof in the accounting records.

3.2. Notes to the separate financial statements

All information included in the notes to the separate financial statements, comprising of a summary of significant accounting policies and other explanatory notes, is, in all material respects, presented correctly and completely. This information should be read in conjunction with the separate financial statements.

3.3. Report on the Company's activities

The report on the Company's activities includes, in all material respects, information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009 No 33, item 259 with amendments) and the information is consistent with the separate financial statements.

On behalf of KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
Registration No. 3546
Chłodna 51 Street
00-867 Warsaw

Signed on the Polish original

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Monika Bartoszewicz
Key Certified Auditor
Registration No. 10268
Limited Liability Partner with power of attorney

24 April 2014