

Prochem S.A.

Supplementary report
on the audit of the separate
financial statements
Financial Year ended
31 December 2015

The supplementary report contains 9 pages

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of the separate financial statements
for the financial year ended
31 December 2015

*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

ul. Powązkowska 44C
01-797 Warsaw

1.1.3. Registration in the register of entrepreneurs of the National Court Register

Registration court: District Court for the Capital City of Warsaw in Warsaw,
XIII 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 2015, 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: Mirosław Matusik

Registration number: 90048

1.2.2. Audit Firm information

Name: KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.

Address of registered office: ul. Inflancka 4A, 00-189 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 into the register of audit firms, maintained by the National Council of Certified Auditors, under number 3546.

1.3. Prior period financial statements

The separate financial statements for the financial year ended 31 December 2014 were audited by KPMG Audyty Spółka z ograniczoną odpowiedzialnością sp.k. and received an unmodified opinion.

The separate financial statements were approved at the General Meeting on 13 June 2015 where it was resolved to distribute the net profit for the prior financial year of PLN 5,009,143.39 as follows:

- PLN 1,363,250.00 to be paid as a dividend,
- PLN 3,645,893.39 to reserve capital.

The separate financial statements were submitted to the Registry Court on 24 June 2015.

1.4. Audit scope and responsibilities

This report was prepared for the General Meeting of Prochem S.A. with its registered office in Warsaw, ul. Powązkowska 44C and relates to the separate financial statements comprising: the separate statement of financial position as at 31 December 2015, 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 3 July 2015, concluded on the basis of the resolution of the Supervisory Board dated 12 June 2015 on the appointment of the auditor.

We conducted our 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”) and International Standards on Auditing as adopted by the National Council of Certified Auditors as the National Standards on Assurance.

We audited the separate financial statements at the Company during the period from 14 to 24 March 2016.

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 2015, item 1011 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	31.12.2015 PLN '000	% of total	31.12.2014 PLN '000	% of total
Non-current assets				
Property, plant and equipment	1,542	1.0	1,977	1.4
Intangible assets	414	0.2	151	0.1
Shares in subsidiaries	10,162	6.4	10,162	7.3
Shares in jointly controlled entities and associates	4,810	3.1	5,210	3.7
Deferred tax assets	1,834	1.2	1,073	0.8
Oter financial assets	36,326	23.1	32,036	22.9
Total non-current assets	55,088	35.0	50,609	36.2
Current assets				
Inventories	5,247	3.3	2,487	1.8
Trade and other receivables	68,856	43.8	59,810	42.8
Other financial assets	3,569	2.3	19,382	13.9
Other assets	7,671	4.9	4,433	3.2
Cash and cash equivalents	16,769	10.7	2,962	2.1
Total current assets	102,112	65.0	89,074	63.8
TOTAL ASSETS	157,200	100.0	139,683	100.0
EQUITY AND LIABILITIES				
	31.12.2015 PLN '000	% of total	31.12.2014 PLN '000	% of total
Equity				
Share capital	3,895	2.5	3,895	2.8
Revaluation reserve	859	0.5	1,261	0.9
Retained earnings	78,521	50.0	73,671	52.7
Total equity	83,275	53.0	78,827	56.4
Non-current liabilities				
Provisions for retirement and similar benefits	715	0.5	711	0.5
Deferred income	-	-	1,827	1.3
Other liabilities	14	-	20	-
Total non-current liabilities	729	0.5	2,558	1.8
Current liabilities				
Bank loans	9,024	5.7	9,448	6.8
Borrowings	950	0.6	957	0.7
Trade payables	47,154	30.0	25,416	18.2
Current income tax liabilities	1,361	0.9	367	0.3
Other liabilities	3,670	2.3	4,100	2.9
Deferred income	11,037	7.0	18,010	12.9
Total current liabilities	73,196	46.5	58,298	41.8
Total liabilities	73,925	47.0	60,856	43.6
TOTAL EQUITY AND LIABILITIES	157,200	100.0	139,683	100.0

2.1.2. Separate statement of profit and loss

	1.01.2015 - 31.12.2015	% of total sales	1.01.2014 - 31.12.2014	% of total sales
	PLN '000		PLN '000	
Revenues from sale	220,954	100.0	128,334	100.0
Revenues from the sale of services	217,631	98.5	128,322	100.0
Revenues from the sale of merchandise and raw materials	3,323	1.5	12	-
Cost of sale	(202,796)	91.8	(111,045)	86.5
Cost of services sold	(199,537)	90.3	(111,034)	86.5
Cost of merchandise and raw materials sold	(3,259)	1.5	(11)	-
Gross profit on sale	18,158	8.2	17,289	13.5
General and administrative expenses	(9,274)	4.2	(9,463)	7.4
Other operating income	1,478	0.7	1,100	0.8
Other operating expenses	(1,210)	0.5	(1,435)	1.1
Profit from operating activities	9,152	4.2	7,491	5.8
Finance income	2,121	0.9	1,060	0.8
Finance expenses	(2,927)	1.3	(2,218)	1.7
Profit before income tax	8,346	3.8	6,333	4.9
Income tax expense	2,133	1.0	1,324	1.0
current tax	2,800	1.3	1,760	1.4
deferred tax	(667)	0.3	(436)	0.4
Net profit	6,213	2.8	5,009	3.9
Weighted average number of ordinary shares	3,895,000		3,895,000	
Basic and diluted earnings per share (PLN per share)	1.60		1.29	

2.1.3. Separate statement of profit and loss

	1.01.2015 - 31.12.2015	% of profit	1.01.2014 - 31.12.2014	% of profit
	PLN '000		PLN '000	
Net profit	6,213	100.0	5,009	100.0
Other comprehensive income, net	(402)	6.5	311	6.2
Other comprehensive income that may be reclassified to profit or loss:	(385)	6.2	452	9.0
Revaluation of property, plant and equipment	-	-	275	5.5
Exchange differences arising on translation of foreign entity	(473)	7.6	229	4.5
Income tax on other comprehensive income	88	1.4	(52)	1.0
Other comprehensive income that will never be reclassified to profit or loss:	(17)	0.2	(141)	2.8
Actuarial losses arising from valuation of employee benefits provision	(21)	0.3	(174)	3.5
Income tax on other comprehensive income	4	0.1	33	0.7
Total comprehensive income	5,811	93.5	5,320	106.2
Weighted average number of ordinary shares	3,895,000		3,895,000	
Comprehensive income per share (PLN per share)	1.49		1.37	

2.2. Selected financial ratios

	2015	2014	2013
1. Return on sales			
<u>profit for the period x 100%</u> revenue	2.8%	3.9%	8.0%
2. Return on equity			
<u>profit for the period x 100%</u> equity - profit for the period	8.1%	6.8%	9.9%
3. Debtors' days			
<u>average trade receivables (gross) x 365 days</u> revenue	111 days	156 days	220 days
4. Debt ratio			
<u>liabilities x 100%</u> equity and liabilities	47.0%	43.6%	39.3%
5. Current ratio			
<u>current assets</u> current liabilities	1.4	1.5	2.4

- 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 accurately 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 2014, item 133) and the information is consistent with the separate financial statements.

On behalf of KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
Registration No. 3546
ul. Inflancka 4A
00-189 Warsaw

Signed on the Polish original

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Miroslaw Matusik
Key Certified Auditor
Registration No. 90048
Limited Liability Partner
with power of attorney

28 April 2016