

**Prochem S.A. Group**

Supplementary report  
on the audit of the  
consolidated financial  
statements  
Financial Year ended  
31 December 2012

The supplementary report contains 11 pages  
The supplementary report on the audit  
of the consolidated financial statements  
for the financial year ended  
31 December 2012

*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***Contents**

1.	General	3
1.1	Identification of the Group	3
1.1.1	Name of the Group	3
1.1.2	Registered office of the Parent Company of the Group	3
1.1.3	Registration of the Parent Company in the National Court Register	3
1.1.4.	Management of the Parent Company	3
1.2	Information about companies comprising the Group	3
1.2.1	Companies included in the consolidated financial statements	3
1.2.2	Entities excluded from consolidation	4
1.3	Key Certified Auditor and Audit Firm Information	4
1.3.1	Key Certified Auditor information	4
1.3.2	Audit Firm information	4
1.4	Prior period consolidated financial statements	5
1.5	Audit scope and responsibilities	5
1.6	Information on audits of the financial statements of the consolidated companies	6
1.6.1	Parent Company	6
1.6.2	Other consolidated entities	7
2	Financial analysis of the Group	8
2.1	Summary analysis of the consolidated financial statements	8
2.1.1	Consolidated statement of financial position	8
2.1.2.	Consolidated statement of comprehensive income	9
2.2	Selected financial ratios	10
3	Detailed report	11
3.1	Accounting principles	11
3.2	Basis of preparation of the consolidated financial statements	11
3.3	Method of consolidation	11
3.4	Consolidation of equity and calculation of non-controlling interest	11
3.5	Consolidation eliminations	12
3.6	Notes to the consolidated financial statements	12
3.7	Report of the Management Board of the Parent Company on the Group's activities	12

## **1. General**

### **1.1 Identification of the Group**

#### **1.1.1 Name of the Group**

Prochem S.A. Group

#### **1.1.2 Registered office of the Parent Company of the Group**

Powązkowska 44C Street  
01-797 Warsaw

#### **1.1.3 Registration of the Parent Company 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 Parent Company**

The Management Board is responsible for management of the Parent Company.

As at 31 December 2012, the Management Board of the Parent 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 Information about companies comprising the Group**

#### **1.2.1 Companies included in the consolidated financial statements**

As at 31 December 2012, the following companies were consolidated by the Group:

Parent Company:

- Prochem S.A.

Subsidiaries consolidated on the full consolidation basis:

- Prochem Inwestycje Sp. z o.o.,
- Irydion Sp. z o.o.,

- PRO-INHUT Sp. z o.o.,
- Pro-Organika Sp. z o.o.,
- Prochem Serwis Sp. z o.o.,
- Przedsiębiorstwo Konsultingowo-Inżynieryjne PREDOM Sp. z o.o.,
- Prochem Zachód Sp. z o.o.,
- ELPRO Sp. z o.o.,
- Elmont Inwestycje Sp. z o.o.,
- Grupa Kapitałowa Elektromontaż Kraków S.A.:
  - Elektromontaż Kraków S.A. (the Parent Company)
  - Elmont Pomiary Sp. z o.o. (full consolidation).
- IRYD Sp. z o.o.,
- ATUTOR Integracja Cyfrowa Sp. z o.o.,
- Prochem RPI Sp. z o.o.,
- PRO PLM Sp. z o.o.

### **1.2.2 Entities excluded from consolidation**

As at 31 December 2012, the following subsidiaries of the Group were not consolidated:

- Predom Projektowanie Sp. z o.o.

The above mentioned entity is dormant and its financial data does not distort information on financial results of Prochem S.A. Group.

## **1.3 Key Certified Auditor and Audit Firm Information**

### **1.3.1 Key Certified Auditor information**

Name and surname: Monika Bartoszewicz  
Registration number: 10268

### **1.3.2 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 into the register of audit firms, maintained by the National Council of Certified Auditors, under number 3546.

#### **1.4 Prior period consolidated financial statements**

The consolidated financial statements for the financial year ended 31 December 2011 were audited by KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. and received an unqualified opinion.

The consolidated financial statements were approved at the General Meeting of the Parent Entity on 2 June 2012.

The consolidated financial statements were submitted to the Registry Court on 26 June 2012 and were published in Monitor Polski B No. 2255 on 26 September 2012.

#### **1.5 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 consolidated financial statements comprising: the consolidated statement of financial position as at 31 December 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

The consolidated financial statements have been audited in accordance with the contract dated 29 June 2012, concluded on the basis of the resolution of the Supervisory Board dated 1 June 2012 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) ("the Accounting Act"), National Standards on Auditing issued by the National Council of Certified Auditors, and International Standards on Auditing.

We audited the consolidated financial statements in the Parent Company's office during the period from 2 April 2013 to 12 April 2013.

Management of the Parent Company is responsible for the preparation and fair presentation of the consolidated 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 Group's activities.

Our responsibility is to express an opinion and to prepare a supplementary report on the audit of the financial statements.

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

All required statements, explanations and information were provided to us by Management of the Group 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-Government, Audit Firms and Public Oversight dated 7 May 2009 (Official Journal from 2009, No. 77, item 649 with amendments).

## **1.6 Information on audits of the financial statements of the consolidated companies**

### **1.6.1 Parent Company**

The separate financial statements of the Parent Company for the year ended 31 December 2012 were audited by KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k., certified auditor number 3546, and received an unqualified opinion.

## 1.6.2 Other consolidated entities

Entity's name	Authorised auditor	Financial year end	Type of auditor's opinion
Prochem Inwestycje Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością Sp.k.	31 December 2012	unqualified opinion
Irydion Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością Sp.k.	31 December 2012	unqualified opinion
PRO-INHUT Sp. z o.o.	-	31 December 2012	<i>not subject to audit</i>
Pro-Organika Sp. z o.o.	CONSORT FIN Sp. z o.o.	31 December 2012	unqualified opinion
Prochem Serwis Sp. z o.o.	Biuro Finansowo - Księgowe Biegłego Rewidenta Krystyna Borodziuk	31 December 2012	unqualified opinion
Przedsiębiorstwo Konsultingowo-Inżynieryjne PREDOM Sp. z o.o.	Accord'ab Biegli Rewidenci Sp. z o.o.	31 December 2012	unqualified opinion
Prochem Zachód Sp. z o.o.	-	31 December 2012	<i>not subject to audit</i>
ELPRO Sp. z o.o.	Centrum Badania Bilansów i Usług Księgowych - OMEGA - W Krystyna Walczyk	31 December 2012	unqualified opinion
Elmont Inwestycje Sp. z o.o.	Centrum Badania Bilansów i Usług Księgowych - OMEGA - W Krystyna Walczyk	31 December 2012	unqualified opinion
Grupa Kapitałowa Elektromontaż Kraków S.A.	Misters Auditor Adviser Sp. z o.o.	31 December 2012	unqualified opinion
IRYD Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością Sp.k.	31 December 2012	unqualified opinion
ATUTOR Integracja Cyfrowa Sp. z o.o.	CONSORT FIN Sp. z o.o.	31 December 2012	unqualified opinion
Prochem RPI Sp. z o.o.	-	31 December 2012	<i>not subject to audit</i>
PRO PLM Sp. z o.o.	-	31 December 2012	<i>not subject to audit</i>

## 2 Financial analysis of the Group

### 2.1 Summary analysis of the consolidated financial statements

#### 2.1.1 Consolidated statement of financial position

ASSETS	31.12.2012		31.12.2011	
	PLN '000	% of total	PLN '000	% of total
<b>Non-current assets</b>				
Property, plant and equipment	26 275	14,1	26 631	12,2
Intangible assets	296	0,2	194	0,1
Investment property	70 178	37,7	66 904	30,6
Shares	843	0,4	843	0,4
Shares in equity - accounted investees	1 116	0,6	1 344	0,6
Deferred tax assets	2 013	1,1	404	0,2
<b>Total non-current assets</b>	<b>100 721</b>	<b>54,1</b>	<b>96 320</b>	<b>44,1</b>
<b>Current assets</b>				
Inventories	4 512	2,4	6 071	2,8
Trade and other receivables	59 597	32,0	75 656	34,7
Other financial assets	198	0,1	435	0,2
Other assets	14 282	7,7	19 668	9,0
Cash and cash equivalents	6 796	3,7	19 350	8,9
Assets classified as held for sale	-	-	675	0,3
<b>Total current assets</b>	<b>85 385</b>	<b>45,9</b>	<b>121 855</b>	<b>55,9</b>
<b>TOTAL ASSETS</b>	<b>186 106</b>	<b>100,0</b>	<b>218 175</b>	<b>100,0</b>
<b>EQUITY AND LIABILITIES</b>				
	31.12.2012		31.12.2011	
	PLN '000	% of total	PLN '000	% of total
<b>Equity</b>				
Share capital	3 895	2,1	3 895	1,8
Revaluation reserve	11 063	5,9	10 371	4,8
Retained earnings	95 452	51,3	98 620	45,2
<b>Total equity attributable to equity holders of the parent</b>	<b>110 410</b>	<b>59,3</b>	<b>112 886</b>	<b>51,7</b>
<b>Non-controlling interest</b>	<b>13 678</b>	<b>7,4</b>	<b>14 206</b>	<b>6,5</b>
<b>Total equity</b>	<b>124 088</b>	<b>66,7</b>	<b>127 092</b>	<b>58,3</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities	5 467	3,0	4 674	2,1
Provision for retirement and similar benefits	1 876	1,0	1 592	0,7
Other provisions	41	-	-	-
Other non-current liabilities	367	0,2	151	0,1
<b>Total non-current liabilities</b>	<b>7 751</b>	<b>4,2</b>	<b>6 417</b>	<b>2,9</b>
<b>Current liabilities</b>				
Current bank loans	7 526	4,0	4 291	2,0
Current borrowings	29	-	29	-
Trade payables	34 983	18,8	71 841	32,9
Income tax liabilities	101	0,1	421	0,2
Other liabilities	8 065	4,3	5 667	2,6
Deferred income	3 563	1,9	2 417	1,1
<b>Total current liabilities</b>	<b>54 267</b>	<b>29,1</b>	<b>84 666</b>	<b>38,8</b>
<b>Total liabilities</b>	<b>62 018</b>	<b>33,3</b>	<b>91 083</b>	<b>41,7</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>186 106</b>	<b>100,0</b>	<b>218 175</b>	<b>100,0</b>



## 2.1.2. Consolidated statement of comprehensive income

	01.01.2012 - % of total		01.01.2011 - % of total	
	31.12.2012	sales	31.12.2011	sales
	PLN '000		PLN '000	
Revenue from sales	136 069	100,0	178 423	100,0
Revenue from sales of services	130 096	95,6	173 292	97,1
Revenue from sales of merchandises and raw materials	5 973	4,4	5 131	2,9
Cost of sales	(123 426)	90,7	(160 486)	89,9
Cost of services sold	(118 307)	86,9	(156 082)	87,4
Cost of merchandises and raw materials sold	(5 119)	3,8	(4 404)	2,5
<b>Gross profit on sales</b>	<b>12 643</b>	<b>9,3</b>	<b>17 937</b>	<b>10,1</b>
General and administrative expenses	(14 658)	10,8	(15 545)	8,7
Other operating income	1 369	1,0	6 573	3,6
Other operating expenses	(3 158)	2,3	(1 392)	0,8
<b>Results from operating activities</b>	<b>(3 804)</b>	<b>2,8</b>	<b>7 573</b>	<b>4,2</b>
Finance income	1 416	1,0	843	0,5
Profit on the disposal of shares	6	-	284	0,2
Finance expenses	(1 672)	1,2	(1 522)	0,9
Share in profit of equity - accounted investees	384	0,3	384	0,2
<b>Profit/(Loss) before tax</b>	<b>(3 670)</b>	<b>2,7</b>	<b>7 562</b>	<b>4,2</b>
Income tax expense	(518)	0,4	1 953	1,1
current tax	430	0,3	605	0,3
deferred tax	(948)	0,7	1 348	0,8
<b>Profit/(Loss) for the period</b>	<b>(3 152)</b>	<b>2,3</b>	<b>5 609</b>	<b>3,1</b>
Net profit /(loss) attributable to:				
Shareholders of the Parent Company	(3 858)		4 982	
Non-controlling interest	706		627	
<b>Other comprehensive income</b>				
Revaluation of property, plant and equipment	725	0,5	-	-
Income tax on other comprehensive income	(127)	0,1	-	-
<b>Other comprehensive income (net)</b>	<b>598</b>	<b>0,4</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>	<b>(2 554)</b>	<b>1,9</b>	<b>5 609</b>	<b>3,1</b>

## 2.2 Selected financial ratios

	2012	2011	2010
<b>1. Return on sales</b>			
<u>net profit (loss) x 100%</u> net revenues	negative value	3,1%	4,2%
<b>2. Return on equity</b>			
<u>net profit (loss) x 100%</u> equity - net profit	negative value	4,6%	4,2%
<b>3. Debtors turnover</b>			
<u>average trade receivables (gross) x 365 days</u> net revenues	182 days	143 days	191 days
<b>4. Debt ratio</b>			
<u>liabilities x 100%</u> equity and liabilities	33,3%	41,7%	33,9%
<b>5. Current ratio</b>			
<u>current assets</u> current liabilities	1,4	1,4	2,0

- 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 principles**

The Parent Company maintains current documentation describing the accounting principles applied by the Group and adopted by the Management Board of the Parent Company.

The accounting principles are described in the notes to the consolidated financial statements to the extent required by International Financial Reporting Standards as adopted by the European Union.

Entities included in the Group apply common accounting principles consistent with the accounting principles applied by the Parent Company.

The financial statements of the entities included in the consolidated financial statements were prepared at the end of the same reporting period as the financial statements of the Parent Company.

#### **3.2 Basis of preparation of the consolidated financial statements**

The consolidated financial statements of the Prochem S.A. Group were prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations.

The consolidated financial statements were prepared on the basis of the consolidation documentation prepared in accordance with the requirements of the Decree of the Ministry of Finance dated 25 September 2009 on principles for the preparation of consolidated financial statements of a capital group by companies other than banks and insurance companies (Official Journal from 2009 r., No 169, item 1327).

#### **3.3 Method of consolidation**

The method of consolidation is described in note 5 of the notes to the consolidated financial statements, comprising of summary of significant accounting policies and other explanatory information.

#### **3.4 Consolidation of equity and calculation of non-controlling interest**

The share capital of the Group is equal to the share capital of the Parent Company.

Other equity items of the Group are determined by adding the equity balances of subsidiaries included in the consolidated financial statements in the proportion reflecting the Parent Company's share in the subsidiaries' equity as at the end of the reporting period to the corresponding positions of the equity of the Parent Company.

Only equity of subsidiaries arising after the Parent Company obtained control of the subsidiary is included in the equity of the Group.

Non-controlling interest in subsidiaries included in the consolidated financial statements was determined based on the non-controlling interest's share in the subsidiaries' equity as at the end of the reporting period.

### **3.5 Consolidation eliminations**

Intercompany balances within the Group were eliminated on consolidation.

Sales between entities and other intercompany operating revenues and expenses and financial revenues and expenses were eliminated on consolidation.

The consolidation eliminations were based on the accounting records of Prochem S.A. and agreed with information received from the subsidiaries.

### **3.6 Notes to the consolidated financial statements**

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

### **3.7 Report of the Management Board of the Parent Company on the Group's activities**

The report of the Management Board of the Parent Company on the Group's activities includes, in all material respects, the 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 consolidated 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*

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

24 April 2013