CONSOLIDATED FINANCIAL STATEMENTS OF PROCHEM S.A. CAPITAL GROUP

As at and for the period ended 31 December 2013

PROCHEM S.A.
44C Powązkowska Street
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Table of content to the consolidated financial statements of PROCHEM S.A. Capital Group

Consolidated statement of financial position as at 31 December 2013
(all amounts in PLN thousands if not stated otherwise)

	Note No.	As at 31 December 2013	As at 31 December 2012
A s s e t s			
Non-current assets			
Property, plant and equipment	1	25 344	26 275
Intangible assets	2	300	296
Investment properties	3	33 603	70 178
Shares	4	843	843
Shares valued using equity method	5	23 970	1 116
Deferred tax assets	6	1 913	2 013
Other financial assets	7	18 383	-
Total non-current assets		**104 356**	**100 721**
Current assets			
Inventories	8	8 962	4 512
Trade and other receivables	9	49 095	59 597
Other financial assets	10	1 877	198
Other assets	11	17 033	14 282
Cash and cash equivalents	32	8 249	6 796
Total current assets		**85 216**	**85 385**
Total assets		**189 572**	**186 106**
E q u i t y a n d l i a b i l i t i e s			
Equity			
Sharte capital	12	3 895	3 895
Revaluation reserve	13	10 954	11 063
Retained earnings	14	92 573	95 452
Owner's equity		**107 422**	**110 410**
Non-controlling interest		**12 337**	**13 678**
Total equity		**119 759**	**124 088**
Non-current liabilities			
Provision for deferred income tax	6	2 718	5 467
Provisions for retirement and similar benefits	15	1 844	1 876
Other provisions	16	-	41
Deferred income	22	19 338	-
Other non-current liabilities	17	377	367
Total non-current liabilities		**24 277**	**7 751**
Current liabilities			
Current bank loans	18	4 411	7 526
Current loans	19	60	29
Trade payables	20	26 799	34 983
Provision for current income tax		588	101
Other liabilities	21	6 594	8 065
Deferred income	22	7 084	3 563
Total current liabilities		**45 536**	**54 267**
Total liabilities		**69 813**	**62 018**

Total equity and liabilities	**189 572**	**186 106**
Book value – equity assigned to shareholders of parent entity	107 422	110 410
Weighted average number of ordinary shares (units)	3 895 000	3 895 000
Book value per share (in PLN)- attributable to shareholders of parent entity	27.58	28.35

Consolidated profit and loss account for the period from 1 January 2013 to 31 December 2013.

(all amounts in PLN thousands if not stated otherwise)

	Note No.	Period ended 31 December 2013	Period ended 31 December 2012
Revenues from sales, including :		140 489	136 069
Revenues from sale of services	23	134 428	130 096
Revenue from sale of goods and materials	24	6 061	5 973
Co0st of sales, including :		-125 560	-123 426
Cost of services sold	25	-120 373	-118 307
Cost of merchandise and raw materials		-5 187	-5 119
Gross profit on sales		**14 929**	**12 643**
General and administrative expense	25	-15 157	-14 658
Other operating income	26	4 139	1 369
Other operating expenses	27	-4 648	-3 158
Results from operating activities		**-737**	**-3 804**
Financial income	28	2 097	1 416
Profit (loss) on sale of shares		-296	6
Finance expenses	29	-1 815	-1 672
Share in net profit of entities valued under equity method		357	384
Loss before tax		**-394**	**-3 670**
Income tax expense :	30	619	-518
- current tax		903	430
- deferred tax		-284	-948
Profit for the period		**-1 013**	**-3 152**
Net profit (loss) attributable to :			
Shareholders of parent entity		-34	-3 858
Non-controlling interest		-979	706
Weighted average number of ordinary shares (units)		3 895 000	3 895 000
Loss per one share (in PLN per share) attributable to owners of parent entity		-0.01	-0.99

Consolidated statement of comprehensive income for the period from 1 January 2013 to 31 December 2013

Profit for the period	**-1 013**	**-3 152**
Other comprehensive income net	**-132**	**598**
Other comprehensive income that will be reclassified to profit and loss under certain conditions:	**-56**	**598**
Revaluation of property, plant and equipment	-	725
Exchange differences from the translation of the entity that operates abroad	-56	-

Income tax on other comprehensive income	-	-127
Other comprehensive income that will not be reclassified to profit and loss:	**-76**	**-**
Actuarial loses on valuation of provisions for employee benefits	-103	-
Income tax on other comprehensive income	27	-
Total comprehensive income	**-1 145**	**-2 554**
Total comprehensive income attributable to :		
Shareholders of parent entity	-163	-3 260
Non-controlling interest	-982	706
Weighted average number of ordinary shares (units)	3 895 000	3 895 000
Total comprehensive income per ordinary share (in PLN per share) attributable to owners of parent entity	-0.04	-0.84

Consolidated statement of changes in equity
For the period from 1 January 2013 to 31 December 2013

(all amounts in PLN thousands if not stated otherwise)

	Share capital	Revaluation reserve	Retained earnings	Equity assigned to shareholders of parent entity	Equity assigned to non-controlling interest	Total equity
The reporting period from 1 January 2013 to 31 December 2013						
As at the beginning of the period	**3 895**	**11 063**	**95 452**	**110 410**	**13 678**	**124 088**
Net profit (loss) of the given period	-	-	-34	**-34**	-979	**-1 013**
Net other comprehensive income	***-***	***-129***	***-***	***-129***	***-3***	***-132***
Total comprehensive income	**-**	**-129**	**-34**	**-163**	**-982**	**-1 145**
Payment of dividend	-	-	-3 038	**-3 038**	-242	**-3 280**
Repurchase of own shares for redemption (Elektromontaż) – change in the structure of participation	-	32	84	**116**	-146	**-30**
Other changes – among others sale of shares in subsidiaries	-	-12	109	**97**	29	**126**
As at the end of the period	**3 895**	**10 954**	**92 573**	**107 422**	**12 337**	**119 759**

	Share capital	Revaluati on reserve	Retained earnings	Equity assigned to shareholders of parent entity	Equity assigned to non-controlling interest	Total equity
The reporting period from 1 January 2012 to 31 December 2012						
As at the beginning of the period	**3 895**	**10 371**	**98 620**	**112 886**	**14 206**	**127 092**
Net profit (loss) of the given period	-	-	-3 858	**-3 858**	706	**-3 152**
Net other comprehensive income	***-***	***465***	-	**465**	133	**598**

Total comprehensive income	**-**	**465**	**-3 858**	**-3 393**	**839**	**-2 554**
Payment of dividend	-	-	-	**-**	-12	**-12**
Change in the structure of participation of non-controlling interest (shares repurchased by Elektromontaż for redemption)	-	227	1 024	**1 251**	-1 251	**-**
Repurchase of own shares by Elektromontaż S.A. for redemption	-	-	-242	**-242**	-104	**-346**
Other changes – among others sale of shares in subsidiaries	-	-	-92	**-92**	-	**-92**
As at the end of the period	**3 895**	**11 063**	**95 452**	**110 410**	**13 678**	**124 088**

Consolidated statement of cash flows
For the period from 1 January 2013 to 31 December 2013

(all amounts in PLN thousands if not stated otherwise)

	No.	Period ended 31 December 2013	Period ended 31 December 2012
Cash flows – operating activities			
Profit before tax		-394	-3 670
Total adjustments		8 345	-6 249
Share in net profit of entities valued using equity method		-357	-384
Amortization and depreciation	25	2 339	2 296
Interest and profit sharing (dividends)		304	1 201
(Profit) on disposal of property, plant and equipment		-232	-201
(Profit) loss on investing activities		296	-1 187
Change in provisions		-424	959
Change in inventories		-4 450	1 560
Change in receivables	32	5 849	23 741
Change in current liabilities except for borrowings and loans	32	-9 036	-35 267
Other adjustments (including change in deferred income)	32	14 056	1 033
Cash provide by (used in) operating activities		7 951	-9 919
Income tax paid		412	749
Net cash provided by (used in) operating activities		**7 539**	**-10 668**
Cash flows – investing activities			
Inflows		**2 707**	**430**
Disposal of intangible assets and property, plant and equipment		474	403
Inflows from financial assets, including:		2 233	27
a) in related entities		377	26
- sisposal of financial assetsd		276	8
- dividends and profit sharing		-	18
- repayment of loans granted with interest		101	-
b) in other entities		1 856	1
- disposal of financial assets		1 856	-
- other proceeds from financial assets		-	1
Outflows		**-1 723**	**-4 785**

Acquisition of intangible assets and property, plant and equipment	-1 513	-1 056
Inwestment in real estates	-	-3 646
For financial assets, including:	-210	-83
a) in related entities	-210	-82
- acquisition of financial assets	-110	-82
- loans granted	-100	-
b) in other entities	-	-1
- other investment expenses	-	-1
Net cash provided by (used in) investing activities	**984**	**-4 355**

Cash flow - financing activities

Inflows	**3 339**	**6 765**
Bank loan	3 232	6 512
Borrowing received	60	-
Other financial inflows	47	253
Outflows	**-10 409**	**-4 296**
Dividends paid	-3 038	-
Other than payments to shareholders, expenses under profit distribution	-272	-358
Repayment of bank loans	-6 347	-3 276
Repayment of borrowings	-29	-
Payment of liabilities under finance lease agreements	-90	-51
Commission and interest paid	-513	-611
Other financial outflows	-120	-
Net cash provided by (used in) financing activities	**-7 070**	**2 469**
Total cash flows, net	1 453	-12 554
Net increase/(decrease) in cash and cash equivalents	1 453	-12 554
Cash and cash equivalents at the beginning of the period	**6 796**	**19 350**
Cash and cash equivalents at the end of the period	**8 249**	**6 796**

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

1. Establishment of Parent Entity and principal activity

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

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

2. Managing and supervising bodies of the Issuer

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

As at the date of preparation hereby financial statements the Supervisory Board of PROCHEM S.A. comprises of:

- Andrzej Karczykowski - Chairman
- Marek Garliński – Vice Chairman
- Dariusz Krajowski-Kukiel
- Krzysztof Obłój
- Adam Parzydeł

3. Employment

In 2013 average employment was 544 FTEs, and in 2012 554 FTEs. Level of employment in persons as at 31 December 2013 was 567, and in 2012 572.

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

PROCHEM S.A. Capital Group (hereinafter referred to as „Capital Group", „Group"), in addition to data of parent company comprises the following subsidiaries directly and indirectly:

Subsidiaries covered by full consolidation:

- PROCHEM Inwestycje Sp. z o.o. seated in Warsaw – subsidiary directly (100.0%);
- PRO-INHUT Sp. z o.o. seated in w Dąbrowa Górnicza – subsidiary indirectly (93.4%);
- Pro-Organika Sp. z o.o. seated in Warsaw – subsidiary directly (91.4%);
- PROCHEM Serwis Sp. z o.o. seated in Warsaw – subsidiary indirectly (89.1%);
- PREDOM Sp. z o.o. seated in Wrocław – subsidiary indirectly (81.1% of the capital and profit, 69.4% of votes);
- PROCHEM Zachód Sp. z o.o. seated in Warsaw – subsidiary directly(60.0%);
- ELPRO Sp. z o.o. Kraków – subsidiary indirectly (85.2%, including 70.4% in the 50% share of Elektromontaż Kraków);
- Elmont Inwestycje Sp. z o.o. Kraków – subsidiary indirectly (85.2%, including 70.4% in the 50% share of Elektromontaż Kraków);
- Elektromontaż Kraków S.A. – subsidiary indirectly (70.4%), including 58.8% of capital and votes belongs to company PROCHEM Inwestycje 100 % subsidiary. Elektromontaż Kraków S.A. prepares consolidated financial statements, which contains data of 100% subsidiary: ELMONT-POMIARY Sp. z o.o. seated in Krakow and two associated companies ELPRO Sp. z o.o. and Elmont-Inwestycje Sp. z o.o.;
- IRYD Sp. z o.o. seated in w Warsaw – 100% indirect subsidiary;
- ATUTOR Integracja Cyfrowa Sp. z o.o. seated in Warsaw – indirect subsidiary (87.3% belongs to company PROCHEM Inwestycje Sp. z o.o. 100% subsidiary);
- PROCHEM RPI Sp. z o.o. seated in Warsaw - 100% subsidiary indirectly and directly;
- PRO-PLM Sp. z o.o. in liquidation with its seat in Warsaw 100% subsidiary indirectly;

Jointly-controlled and associated entities valued using equity method:

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

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

Company Predom Projektowanie Sp. z o.o. was excluded from consolidation. Company has not commenced activities. The value of shares was recognized in impairment loses.

5. Adopted accounting policies

Principles of presentation

Consolidated financial statements of PROCHEM S.A. for the period from 1 January to 31 December 2032 and analogous period of the comparable year was prepared according to International Accounting Standards and International Financial Reporting Standards, which were adopted by European Union (EU) and were effective as at 31 December 2013. The scope of consolidated financial statements is compliant with Minister of Finance Regulation of 19 February 2009 on current and periodic information provided by issuers of securities and conditions for recognition as equivalent required by the law of a non-Member State (Official Journal no. 33, item 259 with further amendments).

Presented consolidated financial statements are compliant with all requirements of IFRS adopted by EU and present true and fair view of the Group's financial position as at 31 December 2013 and comparable data as at 31 December 2012, as well as results of operations for the year ended 31 December 2013 and comparable data for the year ended 31 December 2012.

Consolidated separate financial statements of PROCHEM S.A. Capital Group as at 31 December 2013 was prepared assuming that the Group will continue to operate as a going concern in foreseeable future and it is stated that there is no evidence indicating that the Issuer and entities belonging to Capital Group will not be able to continue its operations as a going concern.

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

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

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

Changes in accounting estimates and accounting policies

The preparation of financial statements under IFRS adopted by EU requires using certain accounting estimates and adoption of assumptions concerning future events. Items of the financial statements set under the estimation are subject to verification if circumstances being base of estimates are changing or as a result of obtaining new information or of progressing course of events or of acquiring greater experience. In preparing the consolidated financial statements were applied the same accounting principles and the same calculation methods which were applied in the consolidated financial statements of PROCHEM S.A. for the year ended 31 December 2012, with the exception of IAS 1 and IAS 19, with adjustment of the period comparable to the changes in accounting policies and presentation that:

1. had no impact on the financial data presented in the statements for the current period and comparable, and were related to:
   - change in the presentation of the statement of comprehensive income resulting from the amendment to IAS 1. Bearing in mind the clarity and readability of the data presented the group has decided to present revenues and expenses z of the reporting period in two statements: the statement which is presenting components of profit and loss account and the statement that begins with profit or loss for the period and presents components of other comprehensive income (consolidated statement of comprehensive income)
   - changes in presentation of other comprehensive income is carried out in two groups, which in accordance with other IFRS:
     - will be reclassified to profit or loss under certain conditions,
     - will not be reclassified to profit or loss.
2. had an impact on amounts presented in the prior periods related to amendments to IAS 19 *Employee Benefits*. The changes introduced were related to the recognition and presentation of actuarial gain/losses on valuation of the program of defined post-employment benefits in other comprehensive income and not as yet in profit or loss.

   The amount of actuarial gains/losses which should be recognized in revaluation reserve is not significant, therefore data for previous periods were not restated. (for 2012 PLN 37 thousand).

In the current annual reporting period, the Capital Group decided on early adoption of amendments to standards and interpretations, and they relate to:

IFRS 10 provides a new model for the control analysis for all entities in which the investment is made, including entities that currently as special purpose entities are within the scope of SIC-12. IFRS 10 introduces new requirements to assess control, which differ from the existing requirements of IAS 27 (2008). In a new control model investor controls an entity in which the investment was made, if (1) is exposed, or has rights, to variable returns from its involvement in the investee, (2) has the ability to affect those returns through its power over the investee, and (3) there is a relationship between the above mentioned power and returns.

The new standard also includes requirements for disclosures and requirements relating to the preparation of consolidated financial statements. These requirements were transferred from IAS 27. Standard is effective for periods beginning on or after 1 January 2014.
Application of the standard has no impact on the consolidated financial statements, since the assessment of control over the entities, in which the investments were made in accordance with the new standard did not change the conclusions as to the degree of control of the Group over these entities.

Amendments to IFRS 11 Joint Arrangements
Amendments to IFRS 11 Joint Arrangements supersedes and replaces IAS 31 *Interest in Joint Ventures* . *IFRS* 11 does not introduce substantive changes to the overall definition of an agreement subject to joint control, although the definition of control and therefore indirectly joint control, has changed due to IFRS 10. Under the new standard, joint arrangements are divide into 2 types, each having its own accounting model defined as follows:

- a joint operation is one whereby the jointly controlled parties, known as the joint operators have rights to the assets and obligations for the liabilities, relating to the arrangement
- a joint venture is one whereby the jointly controlling parties, known as joint venturers, have rights to the net assets of the arrangement.

IFRS 11 effectively carries out from IAS 31 those cases in which, although there is a separate subject for the joint arrangement, separation is ineffective in certain ways. Such arrangements are treated similarly to jointly controlled asset/operations in accordance with IAS 31 and are now called common operations. The remainder of IAS 31 jointly controlled entities now called joint ventures, must be accounted for using the equity method. Application of proportionate consolidation is no longer possible.
Standard is effective for periods beginning on or after 1 January 2014.
Standard has no effect on the statements, because until 31 December 2012, in the Group did not occur common contractual arrangements, there were no entities consolidated using the proportional method.

Amendments to IFRS 12 – Disclosures of the Interests in Other Entities
IFRS 12 requires additional disclosures relating to significant judgments and assumptions made in determining the type and nature of interests in other entities, joint arrangements, associates and/or unconsolidated structured entities not subject to consolidation.
Standard is effective for periods beginning on after 1 January 2014.
The Group has made the appropriate disclosures required by the standard.

Changes in estimates
In 2013 there was no change in the principles and methods of calculation used to establish estimates an in estimates.

New standards, interpretations and changes in published IFRS

Standards and interpretations adopted by EU, not yet effective

Several new Standards, amendments to standards and interpretations are not yet effective for annual periods ended 31 December 2013 and have not been applied in the financial statements

Amendments to IAS 27 (2011) – Separate Financial Statements
IAS 27 (2011) carries forward the existing accounting and disclosure requirements of IAS 27 (2008) for the separate financial statements with some minor clarifications. Also, the existing requirements of IAS 28 (2008) and IAS 31 for the separate financial statements have been incorporated into IAS 27 (2011). The standard no longer addresses the principle of control and requirements relating to the preparation of consolidated financial statements, which have been carried over into IFRS 10 *Consolidated Financial Statements*. Amendments are effective for periods beginning on or after 1 January 2014.
Group does not expect this amendment to have a significant impact on the consolidated financial statements, because it does not results in change in the Group's accounting policies.

Amendments to IAS 28 (2011) – Investment in Associates and Joint Ventures
Limited changes made to IAS 28:

- *Associates and joint ventures held for sale. IFRS* 5 *Non-current Assets Held for Sale and Discontinued Operations* applies to an investment, or a portion of an investment in an associate or joint venture that meets the criteria to be classified as held for sale. For any retained portion of the investment that has not been classified as held for sale the equity method is applied until disposal of the portion held for sale. After disposal, any retained interest is accounted for using the equity method if the retained interest continues to be an associate or a joint venture.
- *Changes in interests held in associates and joint ventures.* Previously, IAS 28 (2008) and IAS 31 specified that the cessation of significant influence or joint control triggered re-measurement of any retained stake in all cases, even if significant influence was succeeded by joint control. IAS 28 (2011) requires that in such scenarios the retained interest in the investment is not re-measured.

Amendments are effective for periods beginning on or after 1 January 2014.
Group does not expect that the revised standard will have a significant impact on the consolidated financial statements because it does not have any investments in associates or joint ventures, on which such changes could exert an influence.

Amendments to IAS 32 – Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
The Amendments do not introduce new rules for offsetting financial assets and liabilities; rather they clarify the offsetting criteria to address inconsistencies in their application.
The amendments clarify that an entity currently has a legal enforceable right to set-off if that right is:

- not contingent on a future event, and
- enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

Amendments are effective for periods beginning on or after 1 January 2014.
The Group does not expect the amendments to have a significant impact on the financial statements as the Group does not offset of assets owned and financial liabilities or has entered into agreements on compensation.

Amendments to IAS 36 – Impairment of Assets (disclosure of recoverable value concerning non-financial assets)

The amendments clarify that the recoverable value should be disclosed only for the individual assets (including goodwill) or cash-generating units for which impairment loss was recognized or reversed in the given period.

The amendments also introduce a requirement for recognition of the following additional disclosures where the loss due to impairment of the assets (including goodwill) or cash-generating unit has been recognized or reversed during the period and the recoverable amount was determined based on the fair value less costs to sell :

- hierarchy level for determining fair value in accordance with IFRS 13 Fair Value Measurement to which have been assigned the given estimate of fair value;
- for the valuation at fair value classified as Level 2 and 3 of the hierarchy of fair value, a description of applied techniques of valuation and possible changes in these techniques, along with giving their causes;
- for the valuation at fair value classified as Level 2 and 3 of the hierarchy of fair value, description of the key assumptions (i.e. of the assumptions, to which recoverable value is the most sensitive) used at determining fair value less costs to sell. If fair value less costs to sell have been measured based on estimates of the current value, the discount rate used in the current and previous periods should also be disclosed.

Amendments are effective for periods beginning on or after 1 January 2014.
It is expected that the amendments, when initially applied, will have a significant impact on the level of disclosure in the consolidated financial statements, however, until the date of initial application of this amendment, the Group is not able to prepare analysis of the impact.

Renewal of derivative instruments and further application of hedge accounting (Amendments to IAS 39 Financial Instruments: Recognition and Measurement)
The amendments allow for the continued use of hedge accounting when the derivative which is designated as a hedging instrument, is subject to novation of (or renewal) resulting from the legal regulations in order to settle the accounts with clearing house (central counterparty) when the following conditions are met:

- the novation of is required by law,
- clearing house shall be a new party to the transaction for each of the original party to the contract for a derivative instrument, and
- changes in the terms of derivative instrument are limited to those that are necessary to change party to the contract.

Amendments are effective for periods beginning on or after 1 January 2014.
The Group does not expect the amendments as above to have a significant impact on consolidated financial statements, because the Group does not apply hedge accounting

Standards and interpretations not yet endorsed by the EU

IFRS 9 - Financial Instruments (2009)
The new standard replaces the guidance in IAS 39 *Financial Instruments: Recognition and Measurements*, about classification and measurement of financial assets. The Standard eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivables.

On initial recognition financial assets will be classified into one of two categories:

- financial assets measured at amortized cost or
- financial assets measured at fair value.

Component of financial assets is measured at amortized cost if the following two conditions are met:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows and,
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Gains and losses on measurement of financial assets measured at fair value are recognized in profit or loss, except that for an investment in an equity instrument which is not held for trading. IFRS 9 provides the possibility of making an irrevocable decision on the valuation of these financial instruments at initial recognition at fair value in other comprehensive income. Such a choice can be made for each instrument separately. No amounts recognized in other comprehensive income is ever reclassified to profit and loss at a later date.
Available for use (no dates of compulsory application).
The Group does not expect the amendment as above to have a significant impact on consolidated financial statements, because principles of classification and measurement of financial assets applicable in the Group do not change.

Amendments to IFRS 9 - Financial Instruments (2010)
Amendments to IFRS 9 of 2010 replace the guidance in IAS *39 Financial Instruments: Recognition and Measurement* about classification and measurement of financial liabilities and the derecognition of financial assets and financial liabilities.

The Standard retains almost all of the existing requirements from IAS 39 on the classification and measurement, of financial liabilities and derecognition of financial assets and financial liabilities.

The Standard requires the amount of change in fair value attributable to changes in the credit risk of a financial liability designated at initial recognition as fair value through profit or loss to be presented in other comprehensive income. Remaining amount of the total gain or loss from revaluation at fair value is recognized in financial results in the current period. In the event, however, if this requirement resulted in the lack of matching of revenues and expenses, the entire change in fair value would be recognized in profit or loss.

The values presented in other comprehensive income are not reclassified in subsequent periods to profit or loss of the current period. However, they may be transferred within equity.
Derivative financial instruments that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, are required to be measured at fair value under IFRS 9.
Available for application (no dates of compulsory application).
The Group does not expect the amendment as above to have a significant impact on the consolidated financial statements, because due to the specific of the Group's activities and the type of liabilities held, the principles of classification and measurement of liabilities will not be changed.

Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures

These amendments change disclosure and restatement requirements relating to the initial application of IFRS 9 *Financial instruments* (2009) and IFRS 9 *Financial Instruments* (2010).
The amended IFRS 7 require to disclose more details about the effect of the initial application of IFRS 9, in a situation when an entity does not restate comparative information in accordance with the requirements of IFRS 9.
If the Group applies IFRS 9 on or after 1 January 2013, then it is not required to restate comparative information for periods prior to the date of initial application.
If the Group makes prior adoption of IFRS 9 in 2012, then it has the possibility to transform comparative data or presentation of additional disclosures in accordance with the requirements of the amended IFRS 7

If the Group makes early adoption of IFRS 9 before 2012, then it is not obliged to restate comparative information or to present the additional disclosures required by the amended IFRS 7.
Available for application (no dates of compulsory application).
The Group does not expect the amendment as above to have a significant impact on consolidated financial statements because the methods of classification and measurement of financial assets existing in the Group will not change.

IFRIC 21 Levies

The interpretation provides guidance on the identification of obliging events, giving rise to liability to pay a levy imposed by public authorities and the time of recognition of such an obligation.

Pursuant to the Interpretation obligating event is an event under relevant provisions of law, which gives rise to an obligation to pay a levy charged by public authorities and the need for its recognition in the financial statements.

Liability under levies charged by public authorities is recognized progressively if the obligating event occurs over a period of time.

If an obligating event is the reaching a minimum threshold, the liability is recognized at the moment when that minimum threshold is reached.

The interpretation clarifies that 'economic compulsion' of the entity and the going concern principle in the next period do not imply the customary obligation to pay a levy, which arises from the conducting of activities in the future.
Amendments are effective for annual periods beginning on or after 1 January 2014 .
The Group does not expect the amendments to have significant impact on the consolidated financial statements because it does not cause a change in accounting policy relating to levies imposed by public authorities.

Amendments to IAS 19 - Employee benefits entitled Defined Benefit Plans: Employee Contributions
The amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.
The amendments are effective for the periods beginning on or after 1 July 2014.
The group does not expect the amendments to have significant impact on the consolidated financial statements as the Group has no defined benefit plans.

Amendments to International Financial Reporting Standards 2010-2012

Annual improvements to International Financial Reporting Standards 2010 - 2012 contain 8 amendments to 7 standards with corresponding changes to other standards and interpretations. The main changes are:

- clarification of the definition of 'vesting conditions' in Appendix A to IFRS 2 Share-based Payment through the separately defining 'performance condition' and 'service condition';
- explanation of certain aspects of the accounting for contingent consideration in business combinations;
- amendment of paragraph 22 of IFRS 8 Operating Segments introduced the requirement to disclose of the factors by the entity that are used to identify reportable segments, when

entity's operating segments are combined. This is to complement the current disclosure requirements contained in paragraph 22 (a) of IFRS 8;

- amendment of paragraph 28(c) of MSSF 8 Operating Segments, clarifies that reconciliations of the carrying value of the reportable segments' assets to the carrying value of entity's assets shall be disclosed if they are regularly provided to chief operating decision maker of the unit. This change is consistent with the requirements set in paragraphs 23 and 28 (d) of IFRS 8;
- explanation of the reasons for the IASB to remove paragraph B5.4.12 of IFRS 9 Financial Instruments and paragraph AG79 of IAS 39 Financial Instruments: Recognition and Measurement as changes resulting from IFRS 13 Measurement of fair values;
- explanation of the requirements for the model revalued with IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets, to address the concerns raised in the question of determining depreciation and amortization at the date of the revaluation;
- establishment of the entity providing service of the management of the economic unit and its related entity.

The amendments are applicable to periods beginning on or after 1 July 2014.

The group does not expect the amendments to have significant impact on the consolidated financial statements.

Amendments to International Financial Standards 2011-2013

Annual improvements to International Financial Reporting Standards 2011 - 2013 contain 4 amendments to standards, with corresponding changes to other standards and interpretations. The main changes are:

- explanation of the meaning of "each IFRS effective at the end of its first IFRS reporting period", used in paragraph 7 of the IFRS 1 First-time Adoption of International Financial Reporting Standards;
- clarification that the exception from the application, which was contained in paragraph 2 (a) of IFRS 3 Business Combinations:
  - excludes the establishment of all kinds of joint ventures, as defined in IFRS 11 Joint Arrangements, within the scope of IFRS 3; and
  - relates only to the financial statements of joint ventures or joint operations.
- clarification that the exception concerning the portfolio of instruments defined in paragraph 48 of IFRS 13 relates to all contracts within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless whether they meet the definition of financial assets or financial liabilities of IAS 32 Financial Instruments: Presentation.
- explanation that for the determining whether the purchase of an investment property meets the definition of the acquisition of an asset, asset group or business combination in terms of IFRS 3 requires the use of the judgment, and that judgment is based on guidance of IFRS 3.

The amendments are applicable to periods beginning on or after 1 July 2014.

The group does not expect the amendments to have significant impact on the consolidated financial statements.

IFRS 14 Regulatory Deferral Accounts

This interim standard:

- permits the entities during the first - time adoption of IFRS to continue the application of hitherto principles of recognition of regulatory assets and liabilities, both during the first adoption of IFRS as well as in the financial statements for subsequent periods
- requires entities to classify regulatory assets and liabilities and their changes in the separate items of the financial statements; and
- requires the detailed disclosures, which are enabling the determination of the type and risks which were connected with the regulated rates and according to which were recognized the regulatory assets and liabilities in accordance with an interim standard.

The amendments are applicable to periods beginning on or after 1 January 2016.

The group does not expect the amendments to have significant impact on the consolidated financial statements because they include only entities adopting IFRS for the first time.

Functional currency and presentation currency of financial statements

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

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

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

Transactions in foreign currencies

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

Accounting principles applied by the Group are described below.

The principles of consolidation

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

2. The subsidiaries are entities controlled by the Parent Entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date of expiry.

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

4. Goodwill of subsidiaries represents the excess of the purchase price of financial assets acquired by the parent company over the fair value of the net assets of the subsidiary, in proportion to the acquired share in the entity's equity. Negative goodwill of subsidiaries represents the excess of fair value of net assets of the subsidiary over the cost of acquisition of financial assets borne by the parent company, in proportion to the acquired share in the entity's equity. As at the date of acquisition of subsidiary and associated company (gaining control), assets, liabilities and contingent liabilities of a subsidiary are measured at fair value.

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

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

7. PROCHEM S.A. Capital Group treats transactions with non-controlling interests as transactions with outer entities.

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

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

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

11. The purchase price of shares in associated companies is subject to adjustments for any changes in the fair value of the net assets attributable to the value of the share held, from the date of purchase until the date of the financial statements as well as the effect of stated impairment loss.

12. At preparing the consolidated financial statements shall be done the following adjustments and exemptions:
    - In the scope of exemptions:
        1. shares held by the parent company along with the share capital of subsidiaries,

2. mutual receivables and liabilities and other settlements of a similar nature of consolidated entities,
3. income and expenses from mutual buying and selling operations in the capital group,
4. dividends accrued or paid by the subsidiaries to the parent company and to other entities subject to consolidation.

- In the scope of adjustments:
  1. gains or losses arising as a result of economic transactions between consolidated entities.

Property, plant and equipment and intangible assets

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

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

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

Value of PPE designated to liquidation, withdrawn from use as a result of the change of technology or other reasons, is being revalued by write down. Write down is recognized other operating costs.
Expenditures on PPE incurred at a later date are recognized at their carrying amount when it is probable that future economic benefits associated with them will flow to the entity, and this cost could be reliably measured. All other repair and maintenance costs of PPE are recognized in the cost of the period, in which they were incurred.

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

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

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

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

Own land is not subject to depreciation.

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

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

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

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

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

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

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

Investment properties

Investment property is a property (land or a building or part of a building, or both), which the Group treats as a source of rental income or maintains due to the increase in value, or to benefit from both, and the property is not:

- used in operating activities,
- offered for sale in the ordinary course of investment activity.

Investment properties are also real estates under construction or development to be used in the future as investment properties. Gains or losses arising from the sale / liquidation of the investment property shall be determined as the difference between proceeds from sale and the carrying amount of these assets and are recognized in the profit and loss account.

Investment properties are initially measured at its cost, including transaction costs. After initial recognition, investment properties are measured at fair value as defined in the fair value model and IFRS 13 Fair Value Measurement. The method of valuation applies to all investment properties unless certain investment properties cannot be measured by this method - then the cost accounting is used until the sale of the investment properties. Investment properties, which are measured at cost are subject to the requirements of IAS 16 Property, plant and equipment, at the same time the fair value must be disclosed in the financial statements.

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

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

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

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

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

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

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

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

The Standard requires the classification of measurement at fair value depending on the type of information obtained for the purposes of valuation in accordance with the following hierarchy:

- Level 1: prices quoted on stock exchange for identical assets or liabilities in active markets accessible at the measurement date.
- Level 2: initial data not constituting the prices from Level 1, but are observable either directly or indirectly.
- Level 3: data unobservable.
- IFRS 13 requires disclosures in the financial statements. The scope of the required disclosures depends on the type of measurement at fair value (i.e. whether is included in the financial statements or in the notes only) and on the level for which a measurement has been classified.

Disclosures under IFRS 13 concerning the fair value model include:

- reconciliation of fair value at the beginning of the period and its value at the end of the period.
- a level in a three-level hierarchy of fair value. For the investment properties it will be a level 2 or 3 for which are required:
  - a disclosure of the amount of transfer between levels (with the justification of the transfer, and the presentation of the rules applied by the Group for determining whether took place such a change in the level),

- a description of the valuation techniques and input data,
- cases of measurement at fair value, in which were changed the valuation techniques, disclosure of the change and the reasons for the introduction.

- If the best and in the highest degree utilization of non-financial asset differs from its actual use, the reason for the different use of the asset should be disclosed.
- Information enabling a reconciliation of classes of assets and liabilities disclosed at different levels of the hierarchy of fair value along with items presented in the statement of financial position.

Investment properties are measured at level 2 or 3 set out in IFRS 13 hierarchy of fair value.

The measurement at fair value of investment properties shall make an independent appraiser who has qualifications adequate to carry out the property valuations, and recent experience in such valuations carried out in locations where there are assets of the Group.

Lease

The Group as the lessee

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

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

Group as the lessor

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

Borrowing costs

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

Capitalization of borrowing costs commences when:

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

Capitalization of borrowing costs shall be suspended during extended periods in which the entity suspends active development of a qualifying asset. Borrowing costs are capitalized until the designation of the asset for use or sale.

Inventories – in the item of inventories are raw materials and goods.
Inventories are measured initially at cost. As at the balance sheet day the measurement of raw materials and gods is done with the principle of prudence, that is categories are valued at the lower of: purchase price, the production cost or the net realizable value.
Stock of goods and materials slowly-rotating is covered by the write-down set by individual evaluation of the net realizable value as at the balance sheet day.
The cost of inventories shall be shall be assigned by using the first-in, first out (FIFO) method.
Write-downs concerning inventory and their reversals are recognized in the other operating expenses and revenues.

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

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

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

Fixed assets held for sale are assets meeting the following criteria:

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

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

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

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

Upon allocating the given component of assets as held for sale, the calculation of depreciation

Measurement of assets and liabilities - at initial recognition the entity shall measure component of assets or liabilities at fair value, in case of the component of assets or financial liabilities not classified as measured at fair value through profit or loss, increased by transaction costs, which should be directly attributable to the purchase or issue of the component of financial asset such as: fees and commissions paid to advisers or agents, payments imposed by regulatory agencies and the stock exchange and taxes. Transaction costs does not include premium or discount on debt instruments, financing costs or internal administrative or holding costs.
For measurement at the end of the reporting period or any other date after initial recognition the Group classifies financial assets into one of four categories:

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

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

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

Held-to-maturity investments are non-derivative financial assets with fixed or determinable terms of payment or maturity which the Group intends and is able to held to its maturity.

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

Available-for-sale financial assets are non-derivative financial assets which were classified as available for the sale or not being loans or other receivables, or investments held-to-maturity and financial assets measured at fair value through profit or loss.

Measurement of financial assets at fair value

The Group measures financial assets measured at fair value through the profit or loss, including derivatives being assets and financial assets available-for-sale, not reducing by the transaction costs which can be incurred in relation to the sale or in other way of disposal of assets. Fair value of financial assets is measured as follows:

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

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

Financial assets designated as hedged items are valued in accordance with principles of hedge accounting.

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

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

Measurement of financial assets according to amortized cost

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

Measurement of financial liabilities at fair value

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

- using the last market transactions conducted directly between well informed, willing parties, or
- reference to the current fair value of the other instrument which is almost the same, or
- discounted cash flows analysis

Measurement of financial liabilities at amortized cost

The Group measures other financial liabilities at amortized cost using the effective interest rate method.
Financial guarantee contracts that are contracts under which the Group (the issuer) is obliged to make specified payments to reimburse the holder for a loss incurred since a specified debtor failed to make payment when due in accordance with the original or modified terms of a debt instrument, not classified as a liability measured at fair value through profit or loss, are measured at the higher of:

- the amount determined in accordance with the principles of valuation of reserves,
- initial amount less, when appropriate, accumulated depreciation allowances.

Reclassifications

The Group:

- shall not reclassify a derivative from the category measured at fair value through profit or loss from the acquisition or issue;

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

Impairment of financial assets

At the end of the reporting period, the Group assesses if there is objective evidence of impairment of a financial asset or group of financial assets.
If there is objective evidence of an impairment of loans and other receivables as well as investments held to maturity which are measured at amortized cost, then Group will recognize impairment loss of value of estimated future cash flows discounted using the original effective interest rate of a financial instrument.
If in a subsequent period, the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss will be reversed and recognized in profit or loss as revenue.

If there is objective evidence of an impairment of an unquoted equity instrument not measured at fair value since its fair value cannot be reliably measured, the amount of impairment losses will be determined as the difference between the book value of financial assets and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

If there is objective evidence of an impairment of financial assets available for sale, then accumulated losses arising from valuation recognized in the statement of comprehensive income, in accordance with the principles of measurement of financial assets, will be derecognised from equity and recognized in profit or loss. If, in a subsequent period, the fair value of a debt instrument available for sale increases and the increase can be objectively related to an event occurring after the recognition of impairment loss in profit or loss, the amount of the reversal will be recognized in profit or loss.
The impairment loss for an investment in an equity instrument classified as available for sale is not reversed in profit or loss.

Payment of dividends to shareholders of the Company is recognized as liability in the financial statements of the Company, when the appropriate resolution was passed at the General Meeting of Shareholders of the Company.

Provisions are created in a reasoned, reliably assessed value. Provisions are created when the Group has a present obligation (legal or customary) as a result of a past event and it is probable that an outflow of means will be required to settle that obligation and a reliable estimate of the obligation can be made.

Employee Benefits - Group makes contributions to the obligatory pension scheme depending on the amount of gross wages paid in accordance with applicable law**.** The Group has no other pension

programs. In order to determine the present value of future retirement obligations and the related current employment cost shall be used the actuarial valuation.
Accrued liabilities are equal to discounted payments to be made in the future, including among other staff turnover, planned increase of salaries and relate to the period up to the date ending the reporting year.
The provision for pension and retirement gratuity shall be established in order to allocate costs to the periods to which they relate.
The provision for severance pension are recognized in profit or loss, except for actuarial gains and losses arising from changes in actuarial assumptions (including due to changes in the discount rate) and the actuarial adjustments, which are included in statement of comprehensive income.

Equity

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

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

Revenues from sales include the fair value of revenues from the sale of services, goods and materials. Revenue from services is recognized in accordance with IAS 18 Revenue from the provision of services. Such revenues are recognized only when it is probable that the entity would obtain the economic benefits from the transaction. Revenues from the sale of property is recognized upon the transfer of legal title to the purchaser.
Revenue under the contracts for construction services (general contracting) and design and engineering services is determined in proportion to the degree of completion of the service. Degree of completion of the service is measured by the share of costs incurred from the date of the contract to the date of recognition of income in the total cost of the service provided. The correctness of the calculations of the degree of the progress of the service, as well as the expected total costs and revenues from the service is verified at the end of each quarter.

Income tax - fiscal charges include the current taxation by corporate income tax and the change in provisions or deferred tax assets**.**
The Group is able to control the timing of the reversal of all temporary differences relating to investments in subsidiaries, branches and associates as well as investment in joint ventures, in relation to which deferred tax has not been recognized and it is probable that the temporary differences will not be reversed in the foreseeable future. Current tax liabilities are established on the basis of current tax regulations and the established taxable income. Current tax liabilities for the current period and previous periods are included as the liability in the amount, in which it wasn't paid.

Provision to deferred income tax is recognized using the liability method, on transitional differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that are actually applicable as at the balance sheet date. Transitional differences relate to different measurement of assets and liabilities for tax purposes and balance sheet purposes.
Income tax assets are recognized when is probable that in future the taxable income is achieved that will enable the use of transitional differences.
Deferred tax assets are recognized separately from tax losses which can be possible for deduction in the next years.

6. Explanatory notes to consolidated financial statements as at and for the period ended 31 December 2013

Note No. 1 – Property, plant and equipment

	As at 31 December 2013	As at 31 December 2012
Property, plant and equipment, including:	**25 274**	**26 260**
- land	4 874	4 978
- buildings, premises and water and civil en objects	17 634	18 405
- machinery and equipment	1 430	1 333
- vehicles	668	851
- other PPE	668	693
- PPE under progress	70	15
Total property, plant and equipment	**25 344**	**26 275**

Property, plant and equipment – ownership structure	As at 31 December 2013	As at 31 December 2012
a) own	11 630	11 966
b) used under rental, lease or other agreement, including :	13 714	14 309
- lease	377	356
- lease and rental	12 734	13 350
- the value of the right of perpetual usufruct	603	603
Total property plant and equipment balance sheet	25 344	26 275

Pursuant to an agreement dated July 23, 2004, the Group leases the property comprising three buildings with a total area of 6 227.5 m2 on a plot of 3 311 m2 located in Warsaw at 18 Emilia Plater Street and at 76/78 Hoża Street. The duration of the agreement is 30 years.

Land, buildings and constructions are carried at revalued amount, being its fair value at the date of the revaluation, set by experts, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value as at 31 December 2013 recognized in the books remained at the level of valuation at the date of 31 December 2012, 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 was no change in a valuation technique during the year.
Property, plant and equipment covered by a mortgage for securing the repayment of loans were described in Note 18.

Details concerning land, buildings and constructions, as well as information about the hierarchy of fair values as at 31 December 2013

	Level 1	Level 2	Level 3	Fair value as at 31 December 2013
	in PLN thousands	in PLN thousands	in PLN thousands	in PLN thousands
Land, including the right of perpetual usufruct	-	-	4 874	4 874
Buildings and constructions	-	-	17 634	17 634
Total	**-**	**-**	**22 508**	**22 508**

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

Change in property, plant and equipment in 2013

	Land, including the right of perpetual usufruct	Buildings, premises and water and civil en objects	Machinery and equipment	Vehicles	Other PPE	Construction in progress	Total PPE
Gross value							
As at 1 January 2013	**5 491**	**23 081**	**6 707**	**3 508**	**4 179**	**17**	**42 983**
Increase (due to)	-	133	869	195	242	55	1 494
- acquisition	-	133	869	195	242	55	1 494
Decrease (due to)	-	-	-1 279	-415	-170	-	-1 864
- sale of PPE	-	-	-943	-386	-40	-	-1 369
- liquidation of PPE	-	-	-324	-28	-70	-	-422
- other changes (including change in the structure of the participation in the subsidiary for a jointly-controlled entity)	-	-	-12	-1	-60	-	-73
As at 31 December 2013	**5 491**	**23 214**	**6 297**	**3 288**	**4 251**	**72**	**42 613**
Depreciation and impairment							
As at 1 January 2013 – accumulated depreciation	**513**	**4 676**	**5 374**	**2 657**	**3 486**	**2**	**16 708**
Depreciation for the period (due to)	104	904	-507	-37	97	-	561
- increase (depreciation accrued)	104	903	510	377	268	-	2 162
- decrease due to sale of PPE	-	-	-680	-386	-40	-	-1 106
- decrease due to liquidation of PPE	-	-	-324	-28	-70	-	-422
- other changes (including change in the structure of the participation in the subsidiary for a jointly-controlled entity)	-	1	-13	-	-61	-	-73
As at 31 December 2013 - accumulated depreciation	**617**	**5 580**	**4 867**	**2 620**	**3 583**	**2**	**17 269**
Net value of PPE as at 31 December 2013	**4 874**	**17 634**	**1 430**	**668**	**668**	**70**	**25 344**

Comparative data
Change in property, plant and equipment in 2012

	Land, including the right of perpetual usufruct	Buildings, premises and water and civil en objects	Machinery and equipment	Vehicles	Other PPE	Construction in progress	Total PPE
Gross value As at 1 January 2012	**5 148**	**22 672**	**6 345**	**4 509**	**5 312**	**12**	**43 998**
Increase (due to)	522	409	428	434	273	5	2 071
- acquisition	-	-	547	442	273	5	1 267
- other changes (including revaluation of PPE)	522	409	-119	-8	-	-	804
Decrease (due to)	-179	-	-66	-1 435	-1 406	-	-3 086
- sale of PPE	-	-	-2	-1 435	-92	-	-1 529
- liquidation of PPE	-	-	-64	-	-1 314	-	-1 378
- other changes (including transformation of the right of perpetual usufruct into ownership)	-179	-	-	-	-	-	-179
As at 1 December 2012	**5 491**	**23 081**	**6 707**	**3 508**	**4 179**	**17**	**42 983**
Depreciation and impairment Skumulowana amortyzacja as at 1 January 2012	**607**	**3 629**	**5 201**	**3 338**	**4 592**	**-**	**17 367**
Depreciation for the period (due to)	-94	1 047	173	-681	-1 106	2	-659
- increase (depreciation accrued)	119	866	360	566	283	2	2 196
- decrease due to sale of PPE	-	-	-2	-1 239	-90	-	-1 331
- decrease due to liquidation of PPE	-	-	-66	-	-1 251	-	-1 317
- other changes (including revaluation of PPE)	-213	181	-119	-8	-48	-	-207
Accumulated depreciation as at 31 December 2012	**513**	**4 676**	**5 374**	**2 657**	**3 486**	**2**	**16 708**
Net value of PPE as at 31 December 2012	**4 978**	**18 405**	**1 333**	**851**	**693**	**15**	**26 275**

Note No. 2 – Intangible assets	**As at 31 December 2013**	**As at 31 December 2012**
Acquired concessions, patents, licenses and similar assets including computer software	300	296
Total intangible assets	**300**	**296**
Intangible assets – ownership structure		
own	300	296
Total intangible assets	**300**	**296**

Change in intangible assets in 2013

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

Comparative data

Change in intangible assets in 2012

	Concessions, patents, licenses and similar assets including computer software	Total intangible assets
Gross value as at 1 January 2012	**3 812**	**3 812**
Increase (due to)	202	202
- purchase	202	202
Gross value as at 31 December 2012	**4 014**	**4 014**
Amortization and impairment		
Accumulated amortization as at 1 January 2012	**3 618**	**3 618**
Amortization for the period (due to)	100	100
- increase (accrued amortization)	100	100
Accumulated amortization as at 31 December 2012	**3 718**	**3 718**
Net vale as at 31 December 2012	**296**	**296**

Note No. 3 – Investment properties

	As at 31 December 2013	As at 31 December 2012
Construction in progress	9 478	16 587
Buildings and constructions	6 592	4 754
Land	17 533	48 837
Total investment properties	**33 603**	**70 178**

Investment properties by types	Change in investment properties for the period from 1 January 2013 to 31 December 2013	Change in investment properties for the period from 1 January 2012 to 31 December 2012
Investment properties - land		
As at the opening balance sheet	48 837	48 740
- Net increase due to measurement to fair value	-	97
- decrease, including loss of control	-31 304	-
As at the closing balance sheet	17 533	48 837
Investment properties under construction		
As at the opening balance sheet	16 587	12 303
- increase due to:	-	
a) purchase of project	-	3 250
b) revaluation due to measurement to fair value	-	-15
c) reclassification from investment properties buildings and constructions	-1 838	1 049
d) exclusions due to loss of control	-5 271	-
Total increase	-7 109	4 284
As at the closing balance sheet	9 478	16 587
Investment properties - buildings and constructions		
As at the opening balance sheet	4 754	5 861
- change due to:		
a)) revaluation due to measurement to fair value	-	-58
b) reclassification from investment properties under construction	1 838	-1 049
Total increase	-	-1 107
As at the closing balance sheet	6 592	4 754
Total investment properties	**33 603**	**70 178**

In 2013, due to changes in the Articles of Association of the company Irydion Sp. z o.o. from a subsidiary to a jointly controlled entity, the Group made exclusion from investment property, this part of the property that were held by the company Irydion Sp. z o.o.
The fair value of investment properties as at 31 December 2013 remained at the level of valuation at the date of 31 December 2012, which was set based on valuation made by independent experts, not associated with the Company. The experts have the appropriate qualifications to carry out valuations of investment properties, 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 was no change in a valuation technique during the year.

Details concerning investment properties as well as information about the hierarchy of fair values as at 31 December 2013

	Level 1	Level 2	Level 3	Fair value as at 31 December 2013
	In PLN thousands	In PLN thousands	In PLN thousands	In PLN thousands
Investment properties	-	-	33 603	33 603

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

Note No. 4 - Shares

Shares	**As at 31 December 2013**	**As at 31 December 2012**
In other entities	843	843
Net value of shares	843	843
Write-downs of long term investment	-	-
Gross value of shares	**843**	**843**

Change in shares	**As at 31 December 2013**	**As at 31 December 2012**
a) as at the beginning of the period	843	843
b) as at the end of the period	843	843

Note No. 5 – shares in entities valued under equity method

Shares in associated entities	**As at 31 December 2013**	**As at 31 December 2012**
- Shares – net value	23 970	1 116
- write-downs of shares	2 073	2 073
Gross value of shares	**26 043**	**3 189**

Change in shares valued ender equity method	**As at 31 December 2013**	**As at 31 December 2012**
a) as at the beginning of the period	1 116	1 344
- shares at cost	1 116	1 344
b) increase (due to)	23 422	384
- share in the result of the current year	357	384
- change in the structure of the participation in the subsidiary for a jointly-controlled entity	23 065	-
c) decrease (due to)	568	612
- limiting the share of in the losses to the level of the value of acquired shares	-	14
- payment of dividend	-	18
- sale of shares in associated entity	568	
- write-down of shares	-	580
d) net value as at the end of the period	23 970	1 116
e) write-down	2 073	2 073
f) gross value as at the end of the period	26 043	3 189

Change in write-downs of shares in entities valued using equity method	As at 31 December 2013	As at 31 December 2012
As at the beginning of the period	2 073	1 493
Increase in write-down	-	580
As at the end of the period	2 073	2 073

On 13 February 2013, the company PROCHEM Inwestycje Sp. z o.o. (subsidiary of the Issuer at 100%) on the the basis of the contract of sale of part of the share for redemption, sold part of its shares in PROMIS for redemption for the amount of PLN 270 thousand. The nominal value of the share was PLN 110 thousand. Associated company ZI Promis Sp. z o.o. was excluded from consolidation with the day of the sale.

On April 3, 2013, the General Meeting of Shareholders of subsidiary IRYDION Sp. z o.o. resolved to increase the share capital by PLN 4 500 thousand, through the issue of 4 500 new shares with a nominal value of PLN 1,000 each. The new shares were subscribed as follows:

- 4 499 shares at the issue price of PLN 14 996.5 thousand were acquired by Look Finansowanie Inwestycji S.A. seated in Wrocław,
- 1 share at issue price of PLN 3.5 thousand was acquired by PROCHEM S.A.

After the increase the share capital of Irydion sp. z o.o. amounts to PLN 9 000 thousand. After changes in the articles of association, the Issuer's share in capital and voting rights decreased to 50%, and Irydion Sp. z o.o. was recognized as a jointly-controlled entity.

On 3 April 2013, the company IRYDION Sp. z o.o. signed an agreement with a shareholder Look Finansowanie Inwestycji SA based in Wroclaw, under which the Look Finansowanie Inwestycji SA granted the loan in the amount of PLN 15 000 thousand, with the date of repayment until 30 September 2018. The interest rate on the loan does not differ from market conditions. The monetary means acquired under both the issuance of new shares and the loan will be earmarked to the implementation of a joint undertaking of shareholders of IRYDION Sp. z o.o., i.e. a development project - under the name of Astrum Business Park in Warsaw. This project involves the construction of , in two phases, an office building on the land, which is owned by IRYDION. On this day was also signed the partners agreement setting out the rules for the implementation of the above mentioned joint venture.

As at the date of loss of control, the Capital Group has measured the remaining shares at fair value, which amounted to PLN 23 065 thousand.

The fair value of the joint venture - investment property under construction - as at 31 December 2013 amounted to PLN 61 045 thousand, of which on the Capital Group falls PLN 30 522.5 thousand.

Key data from the financial statements of the jointly controlled entity are presented in the following table - ***Shares in jointly controlled entities and associates***.

Shares in subsidiaries

Lp.	a	b	c	d	e	f	g	h	i	j	k
	Name of the company and its legal form	Registered office	Scope of company's activities	type of relationship (subsidiary, jointly-controlled or associated entity, details of direct and indirect relationship)	Consolidation method applied/ valuation using equity method, or an indication that the entity is not subject to consolidation/ valuation under equity method	Date of acquisition of control /joint control/obtaining a significant influence	Value of shares at cost	Revaluation adjustments (total)	Carrying value of shares	Percentage of share capital held directly and indirectly)	Participation in total number of votes at the General Assembly (directly and indirectly)
1	PROCHEM INWESTYCJE Sp. z o. o.	Warsaw	Consulting on business activity and management	subsidiary	full	22 June 1992	2 999	-	2 999	100.0%	100.0%
2	PROCHEM SERWIS Sp. z o.o.	Warsaw	Management of housing estates and office buildings	Indirect subsidiary (company PROCHEM Inwestycje sp. z o.o. holds 89.1% of shares)	full	24 June 1999	196	-	196	89.1%	89.1%
3	P.K.I. PREDOM Sp. z o.o.	Wrocław	Construction deigning, urban planning, process engineering	Indirect subsidiary (company PROCHEM Inwestycje sp. z o.o. holds 75% of capital)	full	19 July.2002	764	-	764	81.1%	69.4%
4	PRO-INHUT Sp. z o. o.	Dąbrowa Górnicza	Construction deigning, urban planning, process engineering	Indirect subsidiary(company PROCHEM Inwestycje sp. z o.o. holds 93.4% of shares)	full	4 October 2001	65	-	65	93.4%	9.3.4%
5	PRO-ORGANIKA Sp. z o.o.	Warsaw	Commercial activity	subsidiary	full	28 June 1996	320	160	160	91.4%	91.4%
6	PROCHEM ZACHÓD Sp. z o.o.	Warsaw	Marketing activities, construction works, design services, commercial activity and	subsidiary	full	18 March 1998	960	-	960	60.0%	60.0%

			forwarding								
7	ELEKTROMONTAŻ KRAKÓW S.A.***)**	Kraków	Assembly of electrical installations and equipment	Indirect subsidiary (company PROCHEM Inwestycje Sp. z o.o. holds 58.8% of shares)	full	10 December 2001	14 104	-	14 104	70.4%	70.4%
8	ELMONT INWESTYCJE Sp. z o.o.	Kraków	Developer's activity	Indirect subsidiary (Elektromontaż Kraków S.A. holds 50% of shares)	full	5 April 2007	9 050	-	9 050	85.2%	85.2%
9	ELPRO Sp. z o.o.	Kraków	development and sale of real estates and rental of properties on its own account, management of non-residential real estates	Indirect subsidiary(PROCHEM Inwestycje Sp. z o.o. holds 50%, Elektromontaż Kraków S.A. holds 50% of shares)	full	17 April 2002	3 234	-	3 234	85.2%	85.2%
10	IRYD Sp. z o.o.	Warsaw	Development and sale of real estates on its own account	Indirect subsidiary (PROCHEM Inwestycje Sp. z o.o. holds 100% of shares)	full	13 July 2000	150	150	-	100.0%	100.0%
11	ATUTOR INTEGRACJA CYFROWA Sp. z o.o.	Warsaw	manufacture and sale of computer software, computer systems integration, ICT services	Indirect subsidiary (company PROCHEM Inwestycje holds 87.3%)	full	28 Septembe r 2000	308	-	308	87.3%	87.3%
12	PROCHEM RPI S.A.	Warsaw	Developer's activity	subsidiary (company PROCHEM Inwestycje holds 3.33% of shares)	full	8 April 1998	513	-	513	100.0%	100.0%
13	Elmont Pomiary Sp. z o.o.	Kraków	Developer's activity	Indirect subsidiary (Elektromontaż Kraków S.A. holds 100% of shares)	full	20 April 2004	190	-	190	70.0%	70.0%

14	PREDOM PROJEKTOWANIE sp. z o.o.**)	Wrocław	Design services	Indirect subsidiary (company PKI Predom Sp. z o.o.)	Not subject to consoliodation	1 May 2002	53	53	-	81.0%	69.3%

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

Shares in subsidiaries - continuation

	a	b						c			d			e	f
Item No.	Name of the company	Equity, including:	Share capital	Own shares (negative value)	Remaining equity, including:	profit (loss) brought forward	Net profit (loss)	Liabilities and provisions to liabilities, including	Non-current	current	Trade and other receivables, including:	Non-current	current	Total assets	Total revenues from sale
1	PROCHEM INWESTYCJE Sp. z o. o.	5 229	3 000	-	2 229	-	558	25 016	19 035	5 981	128	-	128	30 245	3 992
2	PROCHEM SERWIS Sp. z o.o.	788	220	-	568	-	-169	1 942	114	1 828	1 471	-	1 471	2 730	6 477
3	P.K.I.PREDOM Sp. z o.o.	9 395	600	-	8 795	-	351	2 577	1 718	859	1 684	-	1 684	11 971	4 909
4	PRO-INHUT Sp. z o .o.	797	53	-	744	-	66	1 489	3	1 486	1 966	-	1 966	2 286	2 449
5	PRO-ORGANIKA S.A.	407	350	-	57	-	6	1 240	-	1 240	744	-	744	1 647	4 264
6	PROCHEM ZACHÓD Sp. z o.o.	1 821	1 600	-	221	-	60	39	-	39	9	-	9	1 860	-
7	ELEKTROMONTAŻ KRAKÓW S.A.	26 835	1 293	-5	25 547	2 755	-3 578	18 410	1 268	17 142	10 267	-	10 267	45 245	35 621
8	ELMONT INWESTYCJE Sp. z o.o.	10 768	8 000	-	2 768	-	-403	10 614	10 371	243	2	-	2	21 382	-
9	ELPRO Sp. z o.o.	5 187	3 290	-	1 897	-	145	413	399	14	844	-	844	5 600	70

10	IRYD Sp. z o.o.	-172	150	-	-322	-314	-8	207		207	9	-	9	35	-
11	ATUTOR Sp. z o.o.	145	355	-	-210	-234	24	249	90	159	110	-	110	394	972
12	PROCHEM RPI Sp. z o.o.	455	600	-	-145	-142	-3	-	-	-	1	-	1	455	-
13	Elmont Pomiary Sp. z o.o.		company consolidated by Elektromontaż Kraków SA - the company's financial data are included in the financial statements of Elektromontaż Kraków SA												
14	PREDOM PROJEKTOWANIE Sp. z o.o.		Not subject to consoliodation												

- **** data from the consolidated financial statements of the Elektromontaż Krakow SA, presented after elimination of profits of associates, which are indirect subsidiaries of the Parent Company***

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Shares in equity-accounted investees

Item No..	a	b	c	d	e	f	g	h	i	j	k
	Name of the company and its legal form	Registered office	Principal activity of the company	type of relationship (subsidiary, jointly-controlled or associated entity, details of direct and indirect relationship)	Consolidation method	Date of acquisition of control /joint control/obtaining a significant influence	Value of shares at cost	Revaluation adjustments (total)	Carrying value of shares	Percentage of share capital held	Participation in total number of votes at the General Assembly
1	ITEL Sp. z o.o.	Gdynia	other electrical installations	associated	Equity method	13 September 2005	708	-	708	42.0%	42.0%
2	IRYDION Sp. z o.o.	Warsaw	rental of properties on its own account	Jointly controlled	Equity method (change the status of the company from a subsidiary to a jointly controlled entity with effect from 3 April 2013)	24 March 2000	4 503	-	4 503	50.0%	50.0%

Shares in equity-accounted investees - continuation

Item No..	a	b					c			d			e	f
	Name of the company	Equity, including:					Liabilities and provisions to liabilities, including:			Trade and other receivables, including:			Total assets	Revenues from sale
			Share capital	Retained earnings, including										
					profit (loss) brought forward	Net profit (loss)		Non-current liabilities	Current liabilities		Non-current receivables	Current receivables	razem	
1	ITEL Sp. z o.o.	1 950	1 292	658	-71	634	2 311	160	2 151	3 221	-	3 221	4 261	8 180
2	IRYDION Sp. z o.o.	38 282	9 000	29 282	-	217	32 407	28 785	3 622	3 314	-	3 314	70 689	-

Note No. 6 – deferred income tax

- deferred tax assets

Changes in deferred tax assets	As at 31 December 2013	As at 31 December 2012
1. Deferred tax assets as at the beginning of the period, recognized in the financial result (profit or loss)	**4 496**	**3 675**
- provisions for future costs	449	465
- write down for receivables	277	18
- unpaid remuneration under contracts of mandate and specific task contracts	43	27
- deferred income	482	121
- interest on loan	431	346
- revaluation of property	10	10
- provision for retirement benefit	423	362
- provision for holiday benefits	173	199
- unpaid social security contributions	48	56
- unpaid employee benefits	54	54
- tax loss	2 091	1 994
- the difference between balance sheet depreciation and tax depreciation	-	16
- other, including exchange differences	15	7
2. Increase	**3 460**	**2 316**
a) recognized in the financial result	**3 442**	**2 316**
- provisions for future costs	142	83
- write down for receivables	601	281
- unpaid remuneration under contracts of mandate and specific task contracts	52	41
- deferred income	980	482
- interest on loan	113	198
- provision for retirement benefit	10	127
- provision for holiday benefits	102	46
- deferred tax on write-down of financial asset	993	-
- unpaid social security contributions	104	47
- provision for tax loss	12	996
- other	333	15
b) recognized in equity	**18**	**-**
- provision for retirement benefits	17	-
- provisions for future costs and revaluation of receivables	1	-
3. Decrease	**2 248**	**1 495**
- the use of provision for future costs	143	99
- write-down for receivables	18	22
- paid remuneration under contracts of mandate and specific task contracts	43	25
- deferred income	482	121
- interest on loans	1	113
- revaluation of property	10	-
- the use of provision for retirement benefit	27	66
- the use of provision for holiday benefits	34	72
- employee benefits paid	5	55
- the use of tax loss asset	1 454	899

- deferred tax on write-down of financial asset	16	-
- the difference between balance sheet depreciation and tax depreciation	-	16
- other (incvluding exchange differences)	15	7
4. Total deferred tax assets as at the end of the period, including	**5 708**	**4 496**
a) recognized in the financial result (profit or loss)	**5 690**	**4 496**
- provisions for future costs	448	449
- write- down for receivables	860	277
- unpaid remuneration under contracts of mandate and specific task contracts	52	43
- deferred income	980	482
- interest on loans	543	431
- revaluation of property	-	10
- provision for retirement benefit	406	423
- provision for holiday benefits	241	173
- unpaid employee benefits	147	48
- tax loss	649	2 091
- deferred tax on write-down of financial asset	977	-
- write-down of inventories	54	54
- other (including exchange differences)	333	15
b) recognized in equity	**18**	**-**
- provision for retirement benefit	17	-
- provision to future costs and revaluation of receivables	1	-

- provision for deferred income tax

1. Provision for deferred income tax as at the beginning of the period, including:	**7 950**	**7 945**
a) recognized in financial result	**6 398**	**6 426**
- accrued interest on loans	246	249
- revaluation of non-current financial assets	136	136
- revaluation of current financial assets	-	3
- accrued interest on receivables	40	43
- accrued income from an uncompleted service	869	795
- estimation of the liability to income tax in Hungary	209	-
- the difference between an operating lease installment and depreciation of leased fixed assets recognized in the costs		40
- revaluation of non-financial investments	4 591	4 964
- surplus of balance sheet depreciation over tax depreciation	287	192
- other	12	4
b) recognized in equity	**1 552**	**1 519**
- revaluation to fair value of long-term investments	1 502	1 471
- revaluation of non-financial investments	45	44
- the difference between an operating lease installment and depreciation of leased fixed assets recognized in the costs	5	4
2. Increase	**3 644**	**1 541**
a) recognized in profit or loss for the period due to positive temporary differences (due to)	**3 280**	**1 507**

- intererst accrued on loans	167	76
- received and accrued income from an uncompleted service	2 270	882
-unrealized gains from disposal of financial assets	-	209
- the difference between an operating lease installment and depreciation of leased fixed assets recognized in the costs	13	1
- revaluation of non-financial investments	479	235
- the difference between balance sheet depreciation and tax depreciation	94	95
- other	257	9
b) recognized equity due to positive temporary differences (due to)	**364**	**34**
- revaluation to fair value of long-term investments	8	31
- revaluation of non-financial investments	356	2
- the difference between an operating lease installment and depreciation of leased fixed assets recognized in the costs	-	1
3. Decrease	**5 081**	**1 536**
a)) recognized in financial result in the given period due to positive temporary differences (due to)	**5 067**	**1 535**
- paid interest on loans	15	79
- the use of revaluation of current financial assets		3
- paid interest accrued on receivables	40	3
- received and accrued income from an uncompleted service	1 578	808
- unrealized gains on sale of financial assets	209	-
- the difference between an operating lease installment and depreciation of leased fixed assets recognized in the costs	15	33
- the use of revaluation of non-financial investments	3 206	608
- other	4	1
b) recognized in equity period due to positive temporary differences (due to)	**14**	**1**
- revaluation to fair value of long-term investments	8	-
- revaluation of non-financial investments	1	-
- the difference between an operating lease installment and depreciation of leased fixed assets recognized in the costs	5	1
4. Total provision for deferred tax at the end of the period	**6 513**	**7 950**
a) recognized in financial results	**4 611**	**6 398**
- accrued interest on loan	398	246
- revaluation of non-current financial assets	136	136
- accrued interest on receivables	-	40
- received and accrued income from an uncompleted service	1 561	869
- unrealized gains on sale of financial assets	-	209
- the difference between an operating lease installment and depreciation of leased fixed assets recognized in the costs	6	8
- revaluation of non-financial investments	1 864	4 591
- surplus of balance sheet depreciation over tax depreciation	381	287
- other	265	12
b) recognized in equity	**1 902**	**1 552**
- revaluation to fair value of long-term investments	1 502	1 502
- revaluation of non-financial investments	400	45
- the difference between an operating lease installment and depreciation of leased fixed assets recognized in the costs	-	5

	As at 31 December 2013	As at 31 December 2012
Aktywa z tytułu podatku odroczonego	5 708	4 496
Rezerwa z tytułu odroczonego podatku dochodowego	-6 513	-7 950
Aktywa / (Rezerwa) z tytułu podatku odroczonego	**-805**	**-3 454**

Presentation in statement of financial position:

	As at 31 December 2013	As at 31 December 2012
Deferred tax assets	1 913	2 013
Provision to deferred tax assets	-2 718	-5 467
Deferred tax assets (provision to)	**-805**	**-3 454**

Note No. 7 – other non-current financial assets

Other financial assets	As at 31 December 2013	As at 31 December 2012
a) from jointly controlled entities	11 299	-
- loans	11 299	-
b) other non-current financial assets - discounted security deposit for securing bank guarantee of return of advance payment	7 084	-
Total other financial assets	**18 383**	**-**

Loans granted – as at 31 December 2013

- Loan granted to 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, repayment date 31 December 2015.

The loan recognized in the consolidated financial statements as a result of loss of control in Irydion Sp. z o.o. (more widely described in note 5).

Note No. 8– Inventories

Inventories	As at 31 December 2013	As at 31 December 2012
Inventories	7 936	3 598
Materials	145	297
Semi-finished products and work-in-process	881	617
Goods	**8 962**	**4 512**
Write-down of inventories	285	285

Amount of materials recognized in the cost of the given period - *material consumptions* - is PLN 16 808 thousand, and in the corresponding period of the previous year the amount of PLN 14 306 thousand was recognized in cost.

Note No. 9 – Trade and other receivables

Trade and other receivables	As at 31 December 2013	As at 31 December 2012
Trade receivables	53 700	59 844
Impairment of trade receivables	7 221	4 003

Net trade rteceivables , including:	**46 479**	**55 841**
- due within 12 months	41 564	42 547
- due in more than 12 months	4 915	13 294
Receivables from taxes, subsidies, social security and health insurance and other benefits	**1 067**	**1 048**
Other receivables	3 832	4 985
Write-down for other receivables	2 283	2 277
Net other receivables	**1 549**	**2 708**
Total net receivables	**49 095**	**59 597**

Trade and other receivables from related entities	**As at 31 December 2013**	**As at 31 December 2012**
Trade receivables, including:	722	-
- from jointly controlled entities	722	-
Total net trade and other receivables from related entities	**722**	**-**
Write-downs of receivables from related entities	-	-
Total gross trade and other receivables from related entities	**722**	**-**

Change in write-downs of trade and other receivables	**As at 31 December 2013**	**As at 31 December 2012**
As at the beginning of the period	**6 280**	**5 413**
a) increase (due to)	3 501	1 588
- provision for receivables	3 501	1 588
b) decrease (due to)	277	721
- payment received	15	91
- the use of reserves established in the previous periods	79	213
- other exclusion of the company from the consolidation (change in the structure of the participation in the subsidiary for a jointly-controlled entity)	153	-
- resolving of provision	30	417
Write-downs of current trade and other receivables as at the end of the period	**9 504**	**6 280**

In majority of the contracts signed by the Group the term of payment for services is determined in the range from 14 to 60 days. As at 31 December 2013 and 31 December 2012, receivables include deposits under the statutory warranty for construction and assembly work, respectively, in the amount of PLN 18 543 thousand and 23 132 thousand.

Trade receivables with remaining from the balance sheet day time of repayment	**As at 31 December 2013**	**As at 31 December 2012**
a) up to 1 month	15 412	12 426
b) above 1 month up to 3 months	3 640	7 759
c) above 3 months up to 6 months	147	98
d) above 6 months up to 1 year	1 906	2 639
e) above 1 year	5 189	9 147
f) receivables overdue	27 406	27 775
Total receivables from supplies and services, overdue (gross value)	53 700	59 844
g) write-downs for receivables from supplies and services	7 221	4 003
Total receivables from supplies and services (net value)	**46 479**	**55 841**

The aging analysis of trade receivables past due (gross value)	As at 31 December 2013	As at 31 December 2012
a) up to 1 month	1 265	3 269
b) above 1 month up to 3 months	1 425	1 609
c) above 3 months up to 6 months	306	611
d) above 6 months up to 1 year	2 063	890
e) above 1 year	22 347	21 396
Total receivables from supplies and services, past due (gross value)	**27 406**	**27 775**
f) write-downs for receivables from supplies and services, past due	6 865	4 003
Total receivables from supplies and services, past due (net value)	**20 541**	**23 772**

The outstanding balance of receivables from supplies and services includes receivables overdue by the carrying amount of PLN 17 364 thousand as a security deposit under the statutory warranty, for which the Company did not create provisions, since there was no significant change in the quality of the debt compared to previous accounting periods, therefore is considered as to be recovered. The Company has collateral in the form of the seized guarantee deposits under statutory warranty from the subcontractors in the amount of PLN 2 928 thousand. For more information see Note No. 40 - *The significant proceedings pending before the court*

Note No. 10 – Other financial assets

Other financial assets	As at 31 December 2013	As at 31 December 2012
a) from other entities :	1 877	198
- current loans granted	198	198
b) other financial assets- discounted security deposit for securing bank guarantee of return of advance payment	1 679	-
Total other financial assets	**1 877**	**198**
Gross other financial assets	**1 877**	**198**

Loans granted - as at 31 December 2013

- 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 - as at 31 December 2012

- 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.

Note No. 11 - Other assets

Other assets by types :	As at 31 December 2013	As at 31 December 2012
a) prepayments	876	824
- cost of property and personal insurance	288	376
- software maintenance costs	478	268
- subscriptions	10	34
- deferred costs	84	128
- other	8	11
b) other accrued costs and prepayments	8	7
- amounts due from the ordering parties under long-term contracts	16 157	13 458
a) prepayments	16 157	13 458
Total other assets	**17 033**	**14 282**

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

Note No. 12 – Share capital

SHARE CAPITAL (THE STRUCTURE)							
Series / emission	Type of share	Type of shares preference	Number of shares	Series / emission at nominal value	Method of coverage of capital	Series / emission	Type of share
Founding	inscribed	3 votes per 1 share	830	830	cash	Founding	inscribed
Founding	inscribed	-	1 004	1 004	cash	Founding	imienne
Founding	bearer	-	1 815 666	1 815 666	cash	Founding	na okaziciela
B	inscribed	-	4 750	4 750	cash	B	imienne
B	bearer	-	677 750	677 750	cash	B	na okaziciela
C	bearer	-	530 000	530 000	cash	C	na okaziciela
D	bearer	-	865 000	865 000	cash	D	na okaziciela
Total number of shares			3 895 000			**Total number of shares**	
Total share capital				3 895 000		**Total share capital**	
Nominal value of 1 share = PLN 1.00							

The share capital of the Company amounts to PLN 3 895 thousand and is divided into 3 895 000 shares with the nominal value of PLN 1 each. Total number of votes from all shares is 3 896 660.

The capital structure of the company is as follows:

- founding series – 1 817 500

- series B – 682 500
- series C – 530 000
- series D – 865 000

Total equity 3 895 000

In 2013, there were no changes in the share capital of the Issuer.

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According to information in the Company's possession as at the day of the statements the following shareholders have at least 5% of the votes at the General Meeting of Shareholders.:

:

	Description	Number of shares (units)	% of voters in total number of votes	% of share capital
1.	PHC AGREEMENT, including:	1 178 320	30.28	30.25
	Steve Tappan	509 797	13.08	13.09
2.	Otwarty Fundusz Emerytalny PZU „Złota Jesień"	387 000	9.93	9.94
3.	Legg Mason Towarzystwo Funduszy Inwestycyjnch S.A., Including:	560 549	14.39	14.39
	- Legg Mason Parasol Fundusz Inwestycyjny Otwarty „Legg Mason Parasol FIO"	284 054	7.29	7.29
4.	Noble Funds Towarzystwo Funduszy Inwestycyjnych S.A.	207 792	5.33	5.33

In the period from the last annual financial statements a change in the ownership structure of the substantial block of shares relates to:

- Company PROCHEM Holding M. Garliński Spółka Komandytowa (hereinafter referred to as PROCHEM Holding), which adopted a resolution on the dissolution and termination of the activities and division of company's assets. Based on the resolution on the division of the company's assets on October 16, 2013 transferred the owned shares of PROCHEM S.A. to existing general partners and limited partners of the company PROCHEM Holding. From the notification received on 18 October 2013 follows that company PROCHEM Holding does not hold any shares of PROCHEM S.A. Before the change PROCHEM Holding held shares entitling to 807 713 votes at the General Meeting, corresponding to 20.73% of the total number of votes and 20.74% of the share capital.
- „AGREEMENT PHC". On 18 October 2013 the Issuer was notified of the conclusion of agreement under the name of "AGREEMENT PHC" authorizing to exercise the rights from the owned shares of PROCHEM S.A. The agreement was signed by former partners of the dissolved limited partnership PROCHEM Holding M. Garliński Spółka Komandytowa and will be valid until 31 December 2016. The members of the agreement have in common 1 178 320 of Issuer's shares, which gives the right to 1 179 920 votes at the General Meeting of Shareholders, corresponding to 30.28% of the total number of votes and represents 30.25 % of the share capital.
- Legg Mason Parasol Fundusz Inwestycyjny Otwarty Fundusz Własności Pracowniczej PKPO Specjalistyczny Fundusz Inwestycyjny Otwarty and Leeg Mason Akcji Skoncentrowany Fundusz Inwestycyjny Zamknięty on 4 November 2013 notified that the number of owned shares decreased by 49 866 shares of the company PROCHEM.
- On 18 October 2013, the Issuer was notified about the increase in the number of shares owned by Mr. Steve Tappan by 232 616 shares. At the same time Steve Tappan informed on accession on 17 October 2013, to the Agreement PHC concluded by the former

partners of the dissolved limited partnership PROCHEM Holding M. Garliński Spółka Komandytowa.

- On 7 January 2014 the Issuer was notified about the purchase of company's shares by Noble Funds Towarzystwo Funduszy Inwestycyjnych S.A. (Noble Fund Fundusz Inwestycyjny Otwarty, Noble Fund Opportunity Fundusz Inwestycyjny Zamknięty, Noble Fund 2DB Fundusz Inwestycyjny Zamknięty). Funds hold 207 792 shares of the Company, representing 5.33% of share capital, entitling to 207 792 votes from those shares, representing 5.33% of the total number of votes of the Company.

Note No. 13 – Revaluation reserve

	As at 31 December 2013	As at 31 December 2012
As at opening balance sheet	11 063	10 371
Revaluation of PPE	-	726
Foreign exchange translation differences	-56	-
Actuarial losses on valuation of provisions for employee benefits	-71	-
Other changes	18	-34
As at closing balance sheet	**10 954**	**11 063**

Note No. 14 - Retained earnings

	As at 31 December 2013	As at 31 December 2012
Spare capital	44 323	53 524
Other capital reserve	47 150	45 030
Profit brought forward	1 134	756
Net loss assigned to shareholders of parent entity	-34	-3 858
Total	**92 573**	**95 452**

Note No. 15 – Provision for retirement and similar benefits

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

Data in percentage (%)	2013	2012
Discount rate	4.5%	4.8%
Average anticipated annual increase in the base for the calculation of the retirement and pension benefits in 2014-2023; in 2012 in 2013-2022	from 0.3% to 4.6%	from 0.3% to 4.6%

Weighted average index of employee mobility	from 6.00% to 9.91%	from 5.31% to 9.75%
Increase of the base of retirement benefits:		
- in 2014 and in 2013	from 0% to 6.1%	from 0% to 6.1%
- in 2015-2023; in 2012 in 2013-2022	from 0% to 2.5%	from 0% to 2.5%
- in other years	2.5%	2.5%

Post-employment benefits, retirement and pension benefits

(in PLN thousand)	2013	2012
Liabilities as at the beginning of the period	**2 230**	**1 904**
Current employment costs	75	70
Cost of interest	100	97
Actuarial gains and losses recognized in other comprehensive income	-13	633
Net actuarial gains or losses	116	-
Benefits paid	-274	-474
Liabilities as at the end of the period, including:	**2 234**	**2 230**
- current liabilities (note 21)	**390**	**354**
- non-current liabilities	**1 844**	**1 876**

Book value of provisions for retirement and similar benefits as at 31 December 2013 and 31 December 2012 is the same as the current value.

Historical information

As at	current value of liabilities arising from above benefits
31 December 2013	2 234
31 December 2012	2 230
31 December 2011	1 904
31 December 2010	2 299
31 December 2009	2 295

Employee benefit costs are included in general and administrative expenses. In 2013 the provision for employee benefits have changed as a result of updated assumptions, primarily the discount rate and change in planned salary increase index.
Total amount of expenses is recognized in the financial result :

In PLN thousand	Year ended 31 December 2013	Yera ended 31 December 2012
Current employment costs	75	-29
Cost of interest	100	-54
Actuarial gains (losses)	-13	-640
Total costs	**162**	**-723**

Note No. 16 – Other provisions

	As at 31 December 2013	As at 31 December 2012
- provision for costs	-	41
Total other reserves	**-**	**41**

Note No. 17 - Other non-current liabilities

Other non-current liabilities	As at 31 December 2013	As at 31 December 2012
a) subsidiaries	50	50
- principal outstanding	50	50
b) other entities	327	317
- umowy leasingu finansowego	256	243
- transformation of perpetual usufruct right to right of ownership	24	27
- retained security deposits	47	47
Total non-current liabilities	**377**	**367**

Note No. 18 – current bank loans

	As at 31 December 2013	As at 31 December 2012
- loans	4 411	7 526

Information on bank loans

Name of the bank	Registered office	Loan limit	The amount engaged	Repayment date	Terms of interest	Security
By PROCHEM S.A.						
mBank S.A.	Warsaw	6,000 Credit in overdraft on current account	0	30 June 2014	WIBOR for O/N deposits in PLN + margin	Promissory note in blank
ING Bank Śląski S.A.	Katowice	3,000 Credit in overdraft on current account	0	16 November 2014	WIBOR for 1 month deposits in PLN + margin	Statement on submission to execution
By Kraków S.A.						
Deutsche Bank S.A.	Kraków	500	441	28 August 2014	WIBOR for 1 month deposits in PLN + margin	Mortgage of up to PLN 750 thousand on real estate
ING BANK Śląski S.A.	Katowice	2 500	2 479	21 July 2014	WIBOR for 1 month deposits in PLN + margin	Mortgage of up to PLN 3750 thousand on real estate
WBK BZ / Kredyt Bank S.A.	Kraków	1 000	999	22 June 2014	WIBOR for 1 month deposits in PLN +	Promissory note

					margin	
By Pro-Organika sp. z o.o.						
mBank S.A.	Warsaw	100 Credit in overdraft on current account	85	27 June 2014	WIBOR for O/N deposits in PLN + margin	lack
mBank S.A.	Warsaw	100 Operating credit	100	28 February 2014	WIBOR for 1 month deposits in PLN + margin	lack
mBank S.A.	Warsaw	80 Operating credit	80	28 February 2014	WIBOR for 1 month deposits in PLN + margin	lack
mBank S.A..	Warsaw	50 Operating credity	50	31 March 2014	WIBOR for 1 month deposits in PLN + margin	lack
By Atutor Integracja Cyfrowa sp. z o.o.						
WBK BZ/Kredyt Bank S.A.	Warsaw	6 Credit in overdraft on current account	0	Not applicable	12.91% at the time of account opening	lack
Bank Millenium S.A.	Warsaw	100	27	Not applicable	12.91% at the time of account opening	lack
By Pro-Inhut sp. z o.o.						
ING Bank Śląski S.A.	Katowice	150	150	30 April 2014	WIBOR for 1 month deposits in PLN + margin	lack

Note No. 19 – current loans

loans	As at 31 December 2013	As at 31 December 2012
To other entities	60	29
Total liabilities under loans	**60**	**29**

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

Note No. 20 – Trade payables

	As at 31 December 2013	As at 31 December 2012
To other jointly controlled	16	-
- for supplies and services with maturity:	16	-
- up to 12 months	16	-
To other entities	26 783	34 983
- for suppplies and services with maturity:	26 783	34 983
- up to 12 months	24 056	27 770

- more than 12 months	2 727	7 213
Total trade payables	**26 799**	**34 983**

Note No. 21 – Other liabilities

	As at 31 December 2013	As at 31 December 2012
a) to other entities	3 853	5 073
- due to taxes, duties insurance and other benefits	2 669	4 661
- due to remuneration	259	265
- other (by type)	925	147
• liabilities to employees	75	27
• to shareholders	16	5
• under lease agreements	118	80
• other	716	35
b) other short-term provisions	2 735	2 986
- provision for costs accrued for the current year based on invoices received in the following year	63	477
- provision for loss on contracts	372	495
- provision for future costs (the moving part of the remuneration and contract of mandate)	512	642
- audit costs	125	103
- short-term provision for retirement benefits	390	354
- provision for unused annual leaves	1 273	915
c) special funds	6	6
Total other liabilities	**6 594**	**8 065**

Liabilities under lease

	Future minimum payments under lease	Interest	Current value	Future minimum payments under lease	Interest	Current value
In PLN thousand	**2013**	**2013**	**2013**	**2012**	**2012**	**2012**
Up to 1 year	102	16	118	66	14	80
1 to do 5 years	224	32	256	205	38	243
Total	**326**	**48**	**374**	**271**	**52**	**323**

Note No. 22 – Deferred income

	As at 31 December 2013	As at 31 December 2012
Deferred income, including:	26 422	2 902
- advance payments received	25 593	2 902
- amounts due from the ordering parties under long-term contracts	152	-
- other	677	661
Deferred income as at the ebd of the period, including:	**26 422**	**3 563**
Non-current liabilities	**19 338**	**-**
Current liabilities	**7 084**	**3 563**

In 2013, the Company received an advance for the implementation of an investment project in Belarus in the amount of EUR 7 230 thousand. The amount of the advance payment was recognized in deferred income and will be settled for invoices issued for completed services and supplies.

Note No. 23 - Revenues from sale of service

Revenues from sale of services (type of service and type of activity)	**Period ended 31 December 2013**	**Period ended 31 December 2012**
- revenues from sale of services, including:	**134 428**	**130 096**
- from related entities	21 283	-

Revenues from sale of services (territorial structure)	**Period ended 31 December 2013**	**Period ended 31 December 2012**
Domestic sale	125 309	130 096
- including to related entities w tym od jednostek powiązanych	21 283	-
Eksport sale	9 119	-

Revenues under contracts for construction services (general contracting) were presented in note 33.

In 2013, there was a concentration of revenues from sale of construction services for the jointly controlled company IRIDION Sp. z o.o. Revenues from sale of construction and assembly services to Irydion Sp. z o.o. amounted to PLN 20.8 million, what represents 15.5 % of revenues achieved on sale of services.

In 2013, the Group started the implementation of the contract in Belarus. The contract value is significant and amounts to PLN 48.2 million. Revenues from exports were realized from this contract.

Note No. 24 - Revenues from sale of goods and materials

Revenues from sale of goods and materials (structure and type of activities)	**Period ended 31 December 2013**	**Period ended 31 December 2012**
- revenues from sale of goods and materials	6 061	5 973

Revenues from sale of goods and materials (territorial structure)	**Period ended 31 December 2013**	**Period ended 31 December 2012**
Domestic sale	6 061	5 973

Note No. 25 – Cost of services

Costs by type :	**Period ended 31 December 2013**	**Period ended 31 December 2012**
a) amortization and depreciation	2 339	2 296
b) materials and energy consumption	19 390	17 464
c) outsorcing	68 074	71 344
d) taxes and levies	680	676
e) remunerations	34 395	31 117
f) social security and other benefits	6 140	5 429
g) other costs by type. including :	3 815	3 741
- property and personal insurance	734	771

- business trips	938	976
- State Fund for Rehabilitation of Disabled Persons (PFRON)	268	232
- other	1 875	1 762
Total costs by type	134 833	132 067
Change in inventories, goods and accruals and prepayments	697	898
General and administrative expense (negative value)	-15 157	-14 658
Cost of services	**120 373**	**118 307**

Note No. 26 – Other operating income

	Period ended 31 December 2013	Period ended 31 December 2012
a) gain on disposal of non-financial non-current assets	232	199
b) grants	-	22
c) reversal of impairment allowance (due to)	197	276
- for receivables	156	230
- other	41	46
d) other, including:	3 710	872
- reimbursement of litigation costs	12	21
- received compensation, fines and penalties	416	83
- revenues from car rental	89	94
- revaluation of investment property	-	482
- accounting for inventory	-	3
- write-off past due liabilities	2 852	10
- other	341	179
Total operating income	**4 139**	**1 369**

Note No. 27 – Other operating expenses

	Period ended 31 December 2013	Period ended 31 December 2012
a) revaluation of non-financial assets	-	458
b) impairment allowances of receivables	3 512	1 607
c) other, including:	1 136	1 093
- donations	5	5
- cost of legal proceedings	188	106
- write-off past due receivables	223	20
- actuarial valuation of pension benefits	24	5
- liquidation of non-financial non-current assets	-	6
- penalties, fines and compensation paid	248	82
- revaluation of materials/accounting for inventory	42	56
- provision for costs	-	201
- others, including the cost of guarantee for renting of office space arising from contract for sale of office building	406	612
Total operating expenses	**4 648**	**3 158**

Note No. 28 – Financial income

	Period ended 31 December 2013	Period ended 31 December 2012
a) interest on loans granted	300	-
- fom jointly controlled entities	300	-
b) other interest	140	204
- from other entities	140	204
c) surplus of foreign exchange gains	382	9
d) other, including:	1 275	1 203
- discount of liabilities	1 195	-
- gain on disposal of assets	-	1 181
- other	80	22
Total financial income	**2 097**	**1 416**

Note No. 29 – Finance costs

	Period ended 31 December 2013	Period ended 31 December 2012
a) interest on loans and borrowings	484	482
b) other interest	201	168
- to other entities	201	168
c) surplus of foreign exchange losses	24	85
d) other, due to:	1 106	937
- commission on bank guarantees	534	165
- commissions on loans	61	144
- commissions on letter of credit	130	12
- initial rent from lease agreements	11	17
- costs under discount of financial assets	338	-
- write-down of shares	-	580
- other	32	19
Total finance costs	**1 815**	**1 672**

Note No. 30 – Income tax **Current income tax**	**Period ended 31 December 2013**	**Period ended 31 December 2012**
1. Gross loss	**-394**	**-3 670**
2. The difference between gross loss and taxable income base (by category)	**5 020**	**5 935**
a) income, not classified in the tax revenue	**-15 062**	**-7 809**
i) transitional		
- accrued interest on loans and bank deposits	-876	-10
- revenues from the sale of shares for redemption purposes	5 085	-1 181
- received and accrued income from an uncompleted service	-18 163	-13 458
- revenue from revaluation of investment property	-	-737
- revenues under discount	-1 196	-
ii) permanent		
- released reserves for receivables which are not tax deductible expenses in previous periods	-156	-230
- profit sharing in associated entities	220	-384

- other expenses not classified as tax deductible expenses in previous periods	29	-201
- foreign exchange gains from the valuation at the balance sheet	-5	-4
- revenue from the sale of shares and dividends	-	8 544
- the difference between balance sheet depreciation and tax depreciation	-	-82
- income from rental constituting tax revenue in the next year		
- dividends received	-	-66
b) tax revenues recognized in books as revenues in the prior periods	**10 432**	**21 479**
i) temporary		
- received interest recognized in income in previous years	80	2 903
- revenue from contracts completed in part, which in the previous year did not constitute an income	10 386	18 587
- realized exchange differences, which in previous periods were not recognized in the revenue	-	2
- income from rental accrued in the previous year, and constituting tax revenues for the current year	-	16
- revenue classified according to the accounting principles to revenue in the current year and which were taxable in the previous year	-34	-29
c) expenses not being tax deductible expenses	**17 361**	**372**
i)permanent		
- amortization and depreciation of non-current assets not classified as tax deductible expenses - amortization of right of perpetual usufruct, depreciation of fixed assets co-financed from EU funds	384	536
- State Fund for Rehabilitation of Disabled Persons PFRON	363	370
- membership fees	25	52
- donations	5	5
- car insurance in excess of the limit	10	15
- write-down of receivables	-	312
- other costs not classified as income tax expenses	2 053	409
- cost of Representation Office in Belarus	876	
- inventory shortages	-	23
- other costs not classified as income tax expenses (loss on activity of consolidated companies)	-	516
ii) temporary		
- other supplementary payroll expenses (BFP) paid in next month	273	214
- write-down of receivables	3 433	1 296
- the difference between balance sheet depreciation and tax depreciation	-426	-460
- provision for balance sheet audit	139	86
- provision for employee benefits (retirement, unused annual leaves)	612	283
- provision for future costs	334	1 327
- other costs not classified as income tax expenses	3 628	-
- cost under the discount of liabilities	323	-
- work-in-progress in the country taxed in the previous years	-8 231	-15 295

- work-in-progress in the country at the end of the period - not constituting tax deductible expense in the current year,	13 939	10 767
- expenses not being tax deductible expenses in the previous periods	-779	-1 203
- expenses from revaluation of investment property		353
- interest accrued	353	149
- costs of not paid benefits to employees	47	27
- write-down of financial assets (value of shares)	-	580
- other	-	10
d) deductions from income	**7 711**	**8 107**
Loss brought forward	7 706	8 107
donations	5	-
3. Income tax basis	**4 626**	**2 265**
4. Income tax at the rate of 19% on the territory of the Republic of Poland	**878**	**430**
5. Income tax at the rate of 20% - Representation in Belarus	**24**	**-**
6. Income tax - a lump sum from the dividend	**1**	**-**
7. Income tax – total current tax	**903**	**430**

Deferred income tax recognized in profit and loss account	**Period ended 31 December 2013**	**Period ended 31 December 2012**
- decrease (increase) due to the arising and reversal of temporary differences	-284	-948
Total deferred income tax	**-284**	**-948**

Establishment of the effective tax rate

(in PLN thousands)	**31 December 2013**	**31 December 2012**
Income tax basis	**19%**	**19%**
Profit for the period	-1 013	-3 152
Income tax	619	-518
Profit before tax	-394	-3 670
income tax at the applicable rate of 19%	-75	-697
income, not classified as tax revenue	17	-73
costs not being tax deductible expenses	706	263
utilization of tax losses in the current period for which it was not created deferred tax	-	-643
the deferred tax assets on tax losses, which were not recognized in the previous years	-	-694
the deferred tax asset on write-downs of shares created in the previous years	-	-174
tax revenues from the sale of shares of Elektromontaż Kraków S.A. and Elmont Inwestycji Sp. z o.o.	-	1 623
other	-29	-123
Income tax recognized in profit and loss account, total	**619**	**-518**

Note No. 31 – Factors and events which have a significant impact on the financial results achieved in the current reporting period

In 2013, there were no significant events affecting the Group's financial result.

Note No. 32 – Additional disclosures to the statement of cash flows

Monetary means included in statement of cash flows includes 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 31 December 2013	**Period ended 31 December 2012**	**Change**
Cash in hand	83	94	-11
Cash on bank accounts	8 166	6 702	1 464
Total cash in hand and cash on bank accounts	**8 249**	**6 796**	**1 453**

Operating activities include basic activity and turnover from other operating activity.
Investing activities include the turnover in the scope of investments in Plant, property and equipment, intangible assets, equity investments and securities held for trading.
Dividends received are recognized in cash flows from investing activities. Loans granted and repaid together with accrued interest are presented in cash flows - investing activities.
Paid interest and commission under borrowings, loans and leases are recognized in cash flows - financing activities. Financial activity include also received and repaid bank loans and borrowings.
Differences between the amounts directly from the statements and presented in the statement of cash flows result from 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):

Changes in current receivables	**-5 849**
Receivables as at 1 January 2013	59 597
Other assets as at 1 January 2013	14 282
Receivables from disposal of fixed assets	-123
Receivables from sale of assets	-2 252
Opening balance sheet after adjustments	**71 504**
Receivables as at 1 January 2013	49 095
Other assets as at 1 January 2013	17 033
Receivables from disposal of fixed assets	-77
Receivables from sale of assets	-396
Closing balance sheet after adjustments	**65 655**

Change in current liabilities (except for borrowings and loans and special funds)	**-9 036**
Trade payables as at 1 January 2013	34 983
Other liabilities as at 1 January 2013	8 065
Provision for current retirement benefits	-354
Provision for annual leaves	-915
Provision for audit	-103
Provision for other current costs	-1 180
Investment liabilities	-109

Liabilities under operating lease	-80
Liabilities to shareholders	-1
Opening balance sheet after adjustments	**40 306**
Trade payables as at 1 January 2013	26 799
Other liabilities as at 1 January 2013	6 594
Provision for current retirement benefits	-390
Provision for annual leaves	-1 273
Provision for audit	-125
Provision for other current costs	-372
Discount of non-current liabilities	286
Investment liabilities	-121
Liabilities under operating lease	-126
Liabilities to shareholders	-2
Opening balance sheet after adjustment	**31 270**
Change in other adjustments	**14 056**
Change in deferred income - advances received	22 691
Security deposit for securing bank guarantee of return of advance payment *	- 8 763
Change in the structure of the participation in the subsidiary for a jointly-controlled entity)	177
Other adjustments	-49

*) 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 31 December 2013 discounted and unsettled part of the security deposit was presented in the statement of financial position in items - other non-current financial assets and in current financial assets respectively in the amount of PLN 7 084 thousand and PLN 1 679 thousand (Notes 7 and 10).

Note No. 33– operating segments

Operating segment is a component part of the entity:

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

Revenues of the segment are revenues from sale to external customers.
Expenses of the segment are the expenses composed of costs relating to the sale to external customers.

Segment result is determined on the level of operating income.

The activities of the Capital Group, for managing purposes were divided into eleven main sectors of operation such as: implementation (general contracting), design services and other engineering services (supervisions along with the project manager service), the lease of the construction equipment, assembly of electrical installations, rental of office space and real estates, property management, maintenance, commercial activity, IT services and other activity. Segment assets include all assets used by a segment, consisting primarily of receivables, inventories and PPE less provisions and impairment losses.
Some assets in the joint use are assigned to the segments based on reasonable weights.

As a result of realized loss incurred on the underlying operations (segments) in the amount of PLN 636 thousand, a large impact on the loss incurred on basic operations, has the performance of subsidiaries.

Assets allocated to the individual segments are mainly trade and other receivables and other current assets, including the gross amount payable by orderers for work under contracts on construction services that are in progress as at the balance sheet date. The Group has analyzed these assets as at the balance sheet date and for all receivables which have been recognized as doubtful had created write-downs As a result of realized loss incurred on the underlying operations (segments) in the amount of PLN 636 thousand, a large impact on the loss incurred on basic operations, has the performance of subsidiaries., which have been presented and described in Note 9.

Unallocated assets to segments are primarily shares in associates With respect to the above-mentioned assets there is no evidence of the possible loss of value as at the balance sheet date. In addition, as at the balance sheet date the Group has carried out the analysis of contracts on construction works in the light of the budgeted results. For all contracts in which the budgeted costs exceeded the budgeted income, the Group recognized provisions to cover losses at the balance sheet date (see note 21).

Detailed information on the activities of the companies belonging to the Group in the various sections are shown in the following tables.

The reporting period from 1 January to 31 December 2013

For the period from 1 January to 31 December 2013	General contracting	Design and engineering services,	Rental of construction equipment	Electrical instakllations	Rental of office space and real estate	Property management	Maintenance	Commercial activity	Other IT services	Other	Items not assigned	Total
Revenues from external customers	43 979	40 359	2 762	34 343	5 136	5 238	1 065	6 061	344	1 202	-	140 489
Total revenues of the segment	**43 979**	**40 359**	**2 762**	**34 343**	**5 136**	**5 238**	**1 065**	**6 061**	**344**	**1 202**	**-**	**140 489**
Result												
Gain (loss) of the segment	**767**	**453**	**283**	**-2 742**	**801**	**-37**	**80**	**306**	**-**	**-139**	**-**	**-228**
Financial income											2 097	2 097
Loss on sale of shares in subsidiaries											-296	-296
Finance costs											-1 815	-1 815
Net financial income											-14	**-14**
Profit sharing in entities valued under equity method											357	**357**
Profit (loss) on other operating activities											-509	**-509**
Profit (loss) before tax											-394	**-394**

Income tax											619	**619**
Loss for the current period											-1 013	**-1 013**
Loss assigned to non-controlling interest											--979	**-979**
Net loss assigned to shareholders of parent entity											**-34**	**-34**
Segment assets (related to activity)	21 049	14 991	3 844	8 860	19 023	2 968	320	1 744	106	230	-	73 135
Assets unallocated (among others shares and other financial assets)											116 437	116 437
Total asasets	**21 049**	**14 991**	**3 844**	**8 860**	**19 023**	**2 968**	**320**	**1 744**	**106**	**230**	**116 437**	**189 572**
Liabilities of the segment (related to activity)	41 585	947	665	7 010	264	954	1	647	54	468	17 218	69 813
Prent entity equity											107 422	107 422
Non-controlling interest											12 337	12 337
Total equity	**41 585**	**947**	**665**	**7 010**	**264**	**954**	**1**	**647**	**54**	**468**	**136 977**	**189 572**

and liabilities												
Depreciation of property, plant and equipment	94	108	178	333	667	133	84	-	-	-	570	2 167
Amortization of intangible assets	-	53	-	10	9	2	3	-	-	-	95	172
Write-down of segment assets	-54	-220	-4 967	-1132	-	-231	-	-116	-	-501	-	-7 221

The reporting period from 1 January to 31 December 2012

For the period from 1 January 2012 to 31 December 2012	**General contracting**	**Design and engineering services,**	**Rental of construction equipment**	**Electrical instakllations**	**Rental of office space and real estate**	**Property management**	**Maintenance**	**Commercial activity**	**Developer's activity**	**Other IT services**	**Other**	**Items not assigned**	**Total**
Revenues from external customers	59 961	19 971	4 036	31 333	4 978	5 742	1 072	5 975	-	482	2 519	-	136 069
Total revenues of the segment	**59 961**	**19 971**	**4 036**	**31 333**	**4 978**	**5 742**	**1 072**	**5 975**	**-**	**482**	**2 519**	**-**	**136 069**
Result													
Gain (loss) of the segment	**3**	**-6 640**	**1 792**	**1 733**	**850**	**313**	**112**	**281**	**-**	**-**	**-459**	**-**	**-2 015**
Financial income												1 422	1 422
Finance costs												-1 672	-1 672
Net financial												-250	-250

income													
Profit sharing in associated entities												384	384
Loss on other operating activities												-1 789	-1 789
Loss before tax												**-3 670**	**-3 670**
Income tax												-518	-518
Loss for the period												**-3 152**	**-3 152**
Loss assigned to non-controlling interest												**-706**	**-706**
Net loss												**-3 858**	**-3 858**
Assets													
Segment assets (related to activity)	30 031	6 755	3 117	17 569	19 366	1 673	216	1 290	36 576	91	3 935	-	120 619
Assets unallocated (among others shares and other financial assets)												65 487	65 487
Total asasets	**30 031**	**6 755**	**3 117**	**17 569**	**19 366**	**1 673**	**216**	**1 290**	**36 576**	**91**	**3 935**	**65 487**	**186 106**
Liabilities of the segment	23 650	3 849	101	4 889	631	1 858	45	1 024	-	-	3 454	22 517	62 018
Equity												110 410	110 410
Non-controlling												13 678	13 678

interest													
Total equity and liabilities	**23 650**	**3 849**	**101**	**4 889**	**631**	**1 858**	**45**	**1 024**	**-**	**-**	**3 454**	**146 605**	**186 106**
Other information related to segment													
Depreciation of property, plant and equipment	146	117	263	336	36	762	62	-	-	-	25	449	2 196
Amortization of intangible assets	-	14	-	13	-	2	3	-	-	-	-	68	100
Write-down of segment assets	66	21	2 973	27	229	77	1	-	-	-	609	-	4 003

Note No. 34 – Profit per one share

Net loss per one share remaining in trading as at the balance sheet day 31 December 2013 amounted to PLN (0.01) in 2012 net loss amounted to PLN (0.99).

Note No. 35 – Distribution of profit

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

Issuer's net profit for 2012 in the amount of PLN 3 055 759.39 by the Resolution No. 5 of the Annual General Meeting of June 8, 2013 was allocated in the amount of PLN 3 038 100 to payment of dividend, and in the amount of PLN 17 659.39 to capital reserve.

Proposed distribution of profit of the Issuer for 2013

Profit for the period for 2013 in the amount of PLN 6 643 thousand is proposed to allocate for capital reserve.

Note No. 36 - Financial instruments and financial risk management

36.1 Categories and classes of financial instruments

Financial assets

As at 31 December 2013		**Categories of financial instruments**	
(in PLN thousands)		**Loans, receivables and other**	**Total**
Classes of financial instruments	**notae**		
Receivables from supplies and services	9	46 479	46 479
Financial means	32	8 249	8 249
Other financial assets security deposit for securing bank guarantee of return of advance payment	7 i 10	8 763	8 763
Loans granted	7 i 10	11 497	11 497
Total		**74 988**	**74 988**

As at 31 December 2012		**Categories of financial instruments**	
(in PLN thousands)		**Loans, receivables and other**	**Total**
Classes of financial instruments	**nota**		
Receivables from supplies and services	9	55 841	55 841
Financial means	33	6 796	6 796
Loans granted	7,10	198	198
Total		**62 835**	**62 835**

Financial liabilities

As at 31 December 2013		Categories of financial instruments		
(in PLN thousand)		Financial liabilities measured at amortized cost	Liabilities excluded from IAS 39	Total
Classes of financial instruments	**nota**			
Loans	18	4 411	-	4 411
Borrowings received	19	60	-	60
Financial leases	17,21	-	374	374
Payables	20	26 799	-	26 799
Total		**31 270**	**374**	**31 644**

As at 31 December 2012		Categories of financial instruments		
(in PLN thousand)		Financial liabilities measured at amortized cost	Liabilities excluded from IAS 39	Total
Classes of financial instruments	**nota**			
Loans	17	7 526	-	7 526
Borrowings received	18	29		29
Leases	16,20	-	323	323
Payables	19	34 983	-	34 983
Razem		**42 538**	**323**	**42 861**

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

(in PLN thousands)	As at	
	31 December 2013	**31 December 2012**
Write-down		
Trade receivables	7 221	4 003

Write-downs of financial assets are presented in note 9.

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

Operating lease

The company is a party to the lease agreement of office space. The agreement has been classified as operating lease. It has been concluded for a period of 10 years. It includes additional fees for additional services that are settled once a year. Rent under the agreement once a year is indexed by the Harmonized Index of Growth of Consumer Goods Price in the European Union (index), published two months before the date of indexation.

Part of leased office space is subleased. The lease and sublease agreements expire in 2014, 2015 and in August 2034 or are concluded for an indefinite period. Rent under the agreement once a year is indexed by the Harmonized Index of Growth of Consumer Goods Price in the European Union (index), published two months before the date of indexation or other index.

Rental agreements include extra charges for additional services that are settled according to the contract once a year, or two months after the end of the quarter.

During the year 2013 in the profit and loss account was recognized an amount of PLN 4 963 thousand as expense from charges, in 2012 the amount was PLN 4 555 thousand
Revenue from sublease are recognized in operating income.
In 2013 in the profit and loss account was recognized an amount of PLN 5 376 thousand as revenue from sublease, and in 2012 the amount was PLN 4 500 thousand.
Since 18 January 2011, the Group is party to an agreement with Toyota Motor Poland Ltd., on hire of cars. As at 31 December 2013 lease agreements covered 47 company cars In 2013 in the profit and loss account was recognized an amount of PLN 816 thousand as the cost of the rental of cars, and in 2012 PLN 688 thousand.

Minimum payments under non-cancellable operating leases are as follows:

Operating lease agreement in which the Company is the lessee

In PLN thousands	**2013**	**2012**
Up to one year	4 445	4 544
1-5 years	3 796	9 830
More than 5 years	4 178	14 603

Operating lease agreement in which the Company is the lessor

In PLN thousands	**2013**	**2012**
Up to one year	4 478	4 424
1-5 years	4 562	7 445
More than 5 years	3 586	3 539

36.2. Financial risk management

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

Credit risk

The Group in its commercial activity conducts sales to business entities with deferred payments, as a result of it may arise the risk of not receiving of amounts due from contractors for the services provided The Group, in order to mitigate the credit risk manages the risk through the obligatory procedure of gaining hedging.
The accepted period of the repayment of amount due associated with the normal course of the sale is 14 - 60 days.
Amounts due from contracting parties are regularly monitored by financial services. In case of overdue amounts due procedures of the vindication are started.
The aging analysis of trade receivables that are past due at the end of the reporting period, but for which there is no impairment is presented in note 9.

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

The credit risk related to financial means and bank deposits is considered by the Group to be low All entities in which the Group invests available funds operate in the financial sector. These include domestic banks and branches of the foreign banks of the highest quality credit credibility of short-term loans.
The risk of impaired financial assets is reflected by impairment allowance.

Liquidity risk

The Group is exposed to the liquidity risk resulting from the relation of current liabilities to current assets.
As at 31 December 2013 and 31 December 2012 the index of ratio of current assets to current liabilities (current liquidity ratio) was respectively 1.87 and 1.57.
Detailed information regarding loans is disclosed in note 18.
Analysis of maturity of the liabilities in notes from 15 to 22.

Exchange rate risk

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

Exposure to currency risk as at 31December 2013

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

Exposure to currency risk as at 31December 2012

(in PLN thousands)	EUR	USD	NOK	GBP	Total after translation into PLN
Financial assets					
Receivables from supplies and services	83	-	-	-	339
Financial means	286	2	88	-	1 226
Total	**369**	**2**	**88**	**-**	**1 565**
Financial liabilities					
Payables	171	-	-	29	843
Total	**171**	**-**	**-**	**29**	**843**

Analysis of sensitivity to currency risk as at 31 December 2013

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

Analysis of sensitivity to currency risk as at 31 December 2012

(in PLN thousands)	Increase in exchange rate	Total impact on profit before tax	Drop in the exchange rate	Total impact on profit before tax
EUR/PLN	15%	121	15%	-121
USD/PLN	15%	1	15%	-1
NOK/PLN	15%	7	15%	-7
GBP/PLN	15%	-22	15%	22
Total impact		**107**		**-107**

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

Analysis of the impact of potential change in value of financial instruments as of 31 December 2013 on gross financial result in connection with hypothetical change in foreign currency exchange rates compared to the Polish zloty / functional currency.

Revenues and expenses concerning PROCHEM SA Capital Group are primarily denominated in Polish currency. Income in foreign currency, achieved in the currency in 2013 and 2012 were as follows:

currency	**revenues**		**Average exchange rate for sales**		**expenses**		**Average exchange rate for purchases**	
(in thousands)	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
EUR	2 720	2 231	4.1713	4.2656	1 675	1 821	4.2047	4.1352
USD	-	-	-	-	11	5	3.1750	2.9984
GBP	-	-	-	-	71	29	5.0081	-
CHF	-	-	-	-	-	18	-	-
BYR	-	-	-	-	524 650	-	0.0003	-

In the reporting period EUR was the main currency.
Aforementioned deviations were calculated based on historical volatility for individual currencies and forecasts.
Sensitivity of financial instruments for currency risk was calculated as the difference between the initial book value of financial instruments and the potential book value at assuming increase / decrease of exchange rates.
For other currencies the sensitivity of financial instruments is irrelevant.

Interest rate risk

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

The Company did not take into account in the analysis the decline in interest rates.

Analysis of financial instruments with floating interest rates

(in PLN thousand)	WIBOR **As at 31 December 2013**	 **As at 31 December 2012**	bills of exchange rediscount **As at 31 December 2013**	 **As at 31 December 2012**
Financial assets				
Loans granted	11 299	-	-	-
Financial liabilities				
Borrowings received	**-**	**-**	**-**	**29**
Loans	4 411	7 526	-	-

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

(in PLN thousand)	**deviations assumed** **As at 31 December 2013**	 **As at 31 December 2012**	**inflows (in PLN thousands)** **As at 31 December 2013**	 **As at 31 December 2012**
Financial assets				
WIBOR	+50 base point	+50 base point	(56)	(38)
bills of exchange rediscount	+50 base point	+50 base point	-	(1)
Financial liabilities				
Borrowings received	+50 base point.	+50 base point	**-**	(1)
Loans	+50 base point	+50 base point	22	(38)

As at 31 December 2013 the Group has no financial instruments (loans granted) with a fixed interest rate.

Liquidity risk associated with the dispute in court with PERN SA

In view of the substantial extension of legal proceeding in a dispute with PERN SA which began in 2006, and is currently pending before the District Court in Warsaw on the accounting for the contract interrupted on 10 of November 2005 for the implementation of an investment project under the name of "Pipeline in a section from the ST-1 Adamowo - to Plebanka raw material base", the risk exists of the need of fulfilling in 2014 by PROCHEM the commitments concerning seized guarantee deposits from subcontractors, which as at the balance sheet date amounted to PLN 2 928 thousand, before the security deposits retained by PERN SA are refunded. Amounts due under the deposit of PROCHEM SA from PERN SA as at 31 December 2013 amounted to PLN 17 364 thousand. The Company believes that the risk is minimal, but the Board of PROCHEM SA takes into account a necessity of accumulation of adequate funds for this purpose. A detailed description of the dispute is presented in note 40.

Note No. 37 - Related party transactions

In 2013 the members of Supervisory Board and Management Board did not conclude any contracts with companies belonging to PROCHEM SA Capital Group.

Transactions with affiliated entities, as below, were concluded on market conditions and relate to sale and purchase of services among others construction services, assembly services and rental services as well as mutually granted loans.
Settlements with related entities include receivables, trade payables and financial liabilities.
Guarantees and sureties granted to related entities are presented in note 38.

Transactions with associated and jointly controlled entities

The reporting period

As at 31 of December 2013 the settlements of the Issuer with associated and jointly controlled entities developed as follows:

Receivables from non-current loans PLN 11 299
Trade and other receivables – PLN 722 thousand
Trade payables – PLN 16 thousand
In the period from 1 January 2013 to 31 December 2013 the following transactions with associated and jointly controlled entities took place:
- revenues from sale of services – PLN 21 283 thousand
- financial revenues under interest on loans – PLN 300 thousand

Revenues from sale of services totally relate to jointly controlled entity IRYDION Sp. z o.o. in Warsaw, on whose behalf the is carried out investment project under the name of "Astrum Business Park" in Warsaw.
Share in net profit (loss) for 2013 of entities accounted for using equity method amounted to PLN 357 thousand.

Comparative data

In the period from 1 January 2012 to 31 December 2012 there were transactions with associated entities under financial income – the guarantee fee – in the amount of PLN 3 thousand.
As at 31 December 2012 the settlements with associates directly or indirectly under trade payables and trade receivables did not occur.

Share in net profit (loss) for 2012 of entities accounted for using equity method amounted to PLN 384 thousand.

Note No. 38 - Contingent liabilities and contingent assets, and other security

	Capital Group		**Including Issuer**	
	As at 31 December 2013	**As at 31 December 2012**	**As at 31 December 2013**	**As at 31 December 2012**
Security granted				
Bank guarantee of good performance	17 167	18 542	11 407	12 774
Advance payment guarantee	29 478	-	29 478	-
Payment guarantee	1 134	1 035	1 134	1 035
Tender guarantee	1 235	-	1 235	-
Total security granted	**49 014**	**19 577**	**43 254**	**13 309**

Contingent liabilities				
B/e for security of the good performance	35	35	-	-
Guarantee securing obligations under statutory warranty and guarantee – granted on behalf of ZI PROMIS	-	286	-	286
Total security granted and contingent liabilities	**49 049**	**19 898**	**43 254**	**14 095**

	As at 31 December	
Security received	**2013**	**2012**
Bank guarantee of good performance	1 206	2 078
B/e for security of the terms of contract	577	577
Total security received	**1 783**	**2 655**

Received security concern only the Issuer.

Contingent liabilities from PERN were described in note 40.

Note No. 39 – Events after reporting date

On 4 January 2014 was completed the liquidation procedure of the subsidiary PRO-PLM Sp. with o.o. with its registered office in Warsaw. The company PRO-PLM Sp. with o.o. was a 100% subsidiary.

On 14 February 2014 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 the claims. The surety to the amount of PLN 831 thousand.

Note No. 40 - Significant proceedings pending before the court

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

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

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’s Capital Group.

Note No. 41 - approval of financial statements

Consolidated financial statements of PROCHEM S.A. Capital Group for 2013 were approved by the Management Board of PROCHEM S.A. on 24 April 2014..

Other explanatory information to financial statements

Remuneration of the members of Management Board and Supervisory Board

Remuneration paid in 2013 in the Issuer’s enterprise to the Members of Management Board :

1. Jarosław Stępniewski — PLN 447 thousand : including remuneration established on profit in 2012 – PLN 34 thousand.,
2. Marek Kiersznicki — PLN 266 thousand : including remuneration established on profit in 2012 - PLN 28 thousand,
3. Krzysztof Marczak — PLN 269 thousand : including remuneration established on profit in 2012 - PLN 28 thousand,

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

1. Karczykowski Andrzej	PLN 54 thousand : including remuneration established on profit in 2012 – PLN 24 thousand,
2. Marek Garliński	PLN 154 thousand: including remuneration established on profit in 2012 – PLN 24 thousand,
3. Dariusz Krajowski-Kukiel	PLN 54 thousand : including remuneration established on profit in 2012 – PLN 24 thousand,
4. Krzysztof Obłój	PLN 54 thousand : including remuneration established on profit in 2012 – PLN 24 thousand,
5. Adam Parzydeł	PLN 54 thousand : including remuneration established on profit in 2012 . – PLN 24 thousand.

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

1. Jarosław Stępniewski PLN 60 thousand
2. Marek Kiersznicki PLN 169 thousand
3. Krzysztof Marczak PLN 175 thousand

Signatures of the Members of Management Board

24 April 2014	Jarosław Stępniewski	Chairman of the Board	....
date	first name and surname	position	signature
24 April 2014	Marek Kiersznicki	Vice Chairman	....
date	first name and surname	position	signature
24 April 2014	Krzysztof Marczak	Vice Chairman	....
date	first name and surname	position	signature

Signature of the person responsible for bookkeeping

24 April 2014	Barbara Auguścińska-Sawicka	Chief Accountant	....
date	first name and surname	position	signature