



 **PROCHEM**

ANNUAL
REPORT 2014



ASTRUM BUSINESS PARK – the new headquarters of PROCHEM S.A.



PROCHEM S.A.
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ANNUAL REPORT 2014

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The 2014 Annual Report is available in the form of a PDF file on the Company's website- www.prochem.com.pl.

Pictures of Company Authorities: Michał Glinicki
Visualizations (3D model) on the cover: PROCHEM S.A.
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MISSION

PROCHEM's mission is to guarantee its Clients a real competitive advantage through supplying them with top-quality service at reasonable prices and attractive completion deadlines.

LETTER OF THE PRESIDENT OF THE MANAGEMENT BOARD



Dear Sirs,
Our Shareholders, Clients and Partners,

On behalf of the Management Board of the Joint Stock Company PROCHEM, I am pleased to present a summary of the major achievements of the previous year, 2014, to you as well as to provide you with an insight into priority tasks we have set to accomplish in the coming year.

Over the past year, we were able to notice small, although promising and optimistic, signs related to positive developments in the economic situation. This bodes well for a faster stabilisation of the construction segment in Poland. For PROCHEM, the year 2014 was a good time, with new orders and improved financial performance, however, also with some problems resulting from the general market situation in Poland.

Looking at the past months, I can say that it was a good year for PROCHEM in terms of finances. We have managed to substantially increase revenues from sales, which amounted to PLN 128 million in PROCHEM, and generated net profit of PLN 5 million. In my opinion, the past year was also good in terms of personnel stability. The average annual headcount in the Company was 232 persons which means an increase by several persons as compared with the previous year.

Revenues from sales generated by PROCHEM S.A. Capital Group in 2014 amounted to PLN 176 million and the net profit assigned to the shareholders of the parent company amounted to PLN 3.8 million – this result was considerably higher than the one generated in the previous year. The average headcount in all companies of the PROCHEM S.A. Capital Group was 503 persons. It is gratifying that the summary of the Company's financial performance in 2014 is positive, however, over the past months we have experienced some difficulties and problems resulting mainly from the continuing low willingness of our Clients to start new investments and from fierce price competition.

In 2014, there was no shortage of work both in designing and construction activity. We've continued to work on important topics and commenced cooperation with new and 'recurring Clients'.

We successfully completed the construction of highly dispersed silica factory in Włocławek, carried out in the EPCM formula for a global leader in the chemical industry — the Solvay Group. Only 14 months have passed from the official commencement of this complicated investment until the completion of construction and assembly works — all with due observance of very strict OHS requirements and complex tender procedures.

An important task whose implementation has accelerated over 2014 was the largest export project in the history of PROCHEM, i.e. a construction of a chemical complex for a Belorussian Client — Mineral Wax Factory. Before the winter, we closed the 'lubricants building' and contracted all equipment for the installation. We obtained a building permit for the hydrotreating and trigeneration part and contracted the main equipment. Our construction team at the site has stabilised and became more solid, and our designers seamlessly cooperate with the Belarussian partners. Another key task of PROCHEM in 2014 was the design and construction of a new development project in Warsaw, the Astrum Business Park — one of largest office buildings under construction in the city. We managed to seal and heat the building. We are currently working on elevations and main installation risers. The first designs of the arrangement of space that will be used by PROCHEM have already been developed.

We were also happy to return to the construction site in Goświnowice. We have designed and completed the construction of an ethanol production installation for Bioagra.

The key design projects included the design of the municipal waste incinerator in Cracow for a Korean company Posco

Engineering and the design, together with procurement services, for the extension of a sodium complex for Soda Polska Ciech in Inowrocław. The difficulty of this project was increased by the need to connect the new installations with the existing ones, without interrupting the continuity of production.

At the end of the last year, we signed another contract of designing with Alstom Power, concerning the construction of power units No 5 and 6 in the Opole Power Plant. It is the largest infrastructure investment in Poland.

The increasing involvement of PROCHEM in designing for the commercial power industry has also been confirmed by the continuation of cooperation with Bilfinger Berger and signing a partnership agreement with French companies, Areva and EDF, concerning nuclear energy.

I would like to draw your attention to a very positive and optimistic phenomenon of the 'recurring Clients'. Thus, the cooperation with Alstom Power was commenced in 2007 with design works for the Power Plant in Bełchatów. For the Ciech Group, we developed another 3 design works and construction projects for: Z.Ch. Zachem, Organika Sarzyna and in Soda Polska. In 2014, we were selected by Bioagra, Solvay and Goodrich to perform the extension of installations that we had previously designed and constructed. Building proper interpersonal relationships and a good quality of services really do pay.

Development projects also constitute an important activity of PROCHEM. Together with our financial partner, Look Finansowanie Inwestycji, we are implementing a development project under the name of Astrum Business Park, with the total area of over 30 thousand m² — one of the larger office buildings under construction in Warsaw. Negotiations with banks concerning the financing of the 1st stage of this project are in their final phase. We are currently in the process of acquiring tenants for the 1st and 2nd stage of the project. Unfortunately, this process is difficult due to the high supply of office space in Warsaw.

We decided to sell our second development project, Astrum Business Centre in Cracow, together with the permit design and building permit. Currently, we are close to concluding the sales agreement. We are still seeking a building permit for two smaller housing projects in Cracow.

For two years, we have been executing a project implementing the BIM (Building Information Modeling) technology in our engineering and construction practice. This project is very important for the Company's development. We are increasing our efficiency in creating a 3D model at the stage of designing a building. The first trials are behind us and we are set to use the 3D model and information contained therein at the implementation stage, i.e. for the procurement, scheduling and cost control, in order to more fully implement the BIM concept.

Additionally, our implementation team makes successful attempts to integrate the 3D modelling of buildings using Revit with models of industrial systems developed in PDMS.

In 2014, PROCHEM won several prestigious awards that confirmed the quality of our works and the Company's position among engineering companies. We received the title of 'The Best Engineering Company of the Year 2013' and 'Design of the Year 2014' for the development of documentation for the air traffic control tower in Poznań. Our colleague, Danuta Sapieszko, was awarded the title of 'Designer of the Year 2014'. The Company was also awarded the title of 'Engineering Company of Mazovia Region of the year 2014' in the design category, in a competition held by Mazovian Chamber of Civil Engineers.

It is worth to emphasise that last year also marked the 20th anniversary of the first public listing of PROCHEM's shares at the Warsaw Stock Exchange.

Considering the market trend related to the gradual balancing of the market, as well as forecasts of faster economic growth and increased investment expenditure in the industry (among others, by as much as PLN 20 billion in the energy sector), I am optimistic about the prospects for engineering and construction companies in 2015. The year ahead will be another year of difficult and challenging tasks of which the most important one will be the continuation of the Belorussian project — organisation and coordination of activities of Polish and Belorussian contractors performing installation, assembly and start-up works, as well as building a base of knowledge, experience and contacts enabling a long-term operation in this market. Priority tasks will also include the acquisition of tenants for the Warsaw office complex Astrum Business Park, completion of the 1st stage and commencement of construction of the 2nd stage of the investment project. Another task for 2015 will be to include new buildings in 3D modelling and fuller implementation of the BIM concept by using the information provided by the model at the execution stage. We will also focus on an active acquisition of new orders for the design and implementation of technically complex and technologically innovative installations and industrial facilities in Poland and abroad.

I am convinced that operations of PROCHEM S.A., implementation of projects planned and the Company's financial results generated over the subsequent months will bring satisfaction to our Shareholders, Clients and Partners.

Warsaw, April 2015



COMPANY AUTHORITIES

MANAGEMENT BOARD



PRESIDENT
GENERAL DIRECTOR
Jarosław Stępniewski



VICE PRESIDENT
SALES AND MARKETING
DIRECTOR
Marek Kiersznicki



VICE PRESIDENT
FINANCIAL DIRECTOR
Krzysztof Marczak

DIRECTORS

PROJECT AND CONSTRUCTION
MANAGEMENT DIRECTOR

Maciej Kalita

CHIEF ACCOUNTANT

Barbara Auguścińska-Sawicka

PROCHEM PROJEKT
DIVISION DIRECTOR

Grzegorz Kobytecki



SUPERVISORY BOARD

The composition of the Supervisory Board on 30th April 2015

CHAIRMAN

Marek Garliński

VICE CHAIRMAN

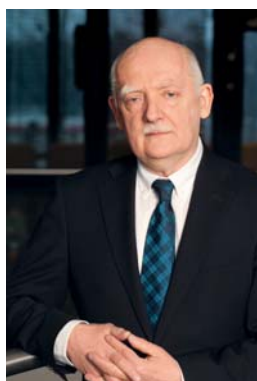
Steven G. Tappan

MEMBERS

Krzysztof Obłój

Andrzej Karczykowski

Wiesław Kiepiel



AREA OF OPERATION

The company dates back to 1947 when the design studio was established as a seed of today's engineering company PROCHEM S.A. Initially, the company's operations were based on design services, and since the 1970s – also on construction services provided. Today, PROCHEM is an engineering company, designing and implementing investment projects in different branches of construction industry, from industrial sector, general construction, power industry, to environmental protection. The company provides comprehensive engineering services, covering all stages of the investment process, or services related to the selected stages of works in accordance with individual criteria of even the most demanding Clients.

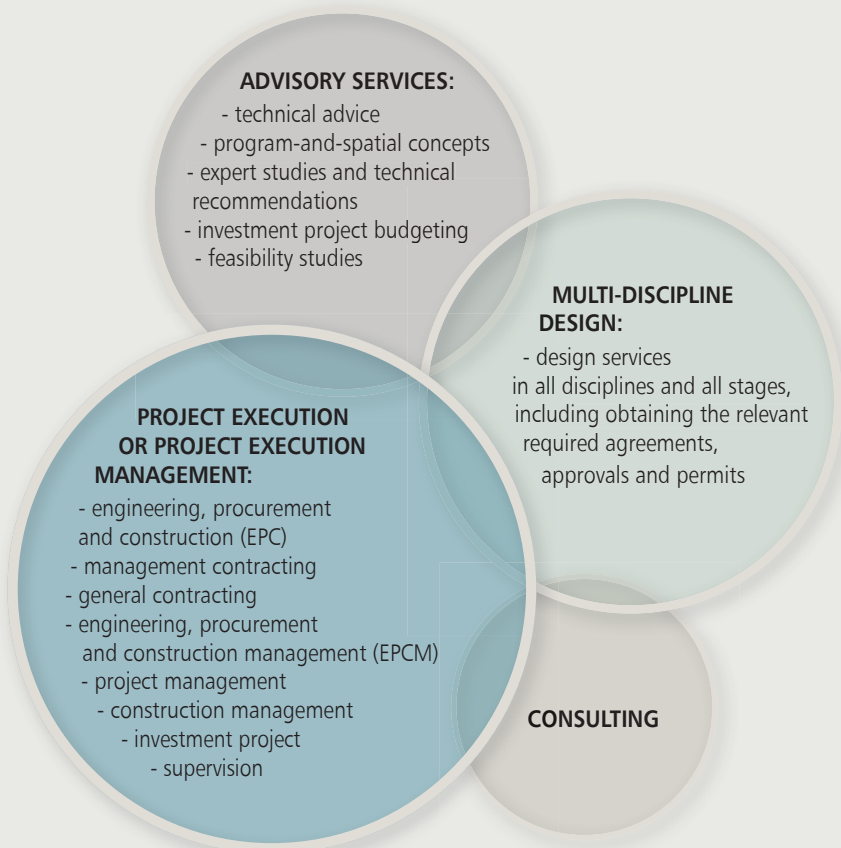


At all stages of preparation of an investment project, using our engineering potential, we assist the Client both in the optimisation of the technical solutions adopted and in the analysis of construction considerations and budgeting of the project.

In the design phase, we prepare documentation for all disciplines and obtain the required agreements with the use of specialised computer software both in 2D and 3D environments. On the basis of the prepared documentation, we carry out the process of the project execution as a general contractor ('design and build' formula) or by managing the contractors on behalf of the investor. We coordinate the construction and installation works as well as the purchase of machinery and equipment for the purposes of the project — until the facility is handed over to the investor.

Executing such a wide variety of complicated tasks within a single organisation ensures optimisation of the course of investment project execution and meeting of the Clients' demanding expectations in terms of timeliness, costs and quality of the project.

THE COMPREHENSIVE PROJECT SERVICES OF PROCHEM S.A.



As part of cooperation, PROCHEM offers also a package of consulting services: relating to loans granted for investment purposes, funding projects covering environmental protection issues as well as other technical aspects of the investment.

PROCHEM executes complicated undertakings for leading domestic and foreign companies. We design and build new production plants, process installations, environmental protection facilities and large-sized buildings. Our offer includes also complex extension and modernisation of operating facilities.

In particular, we offer our engineering support for the execution of projects in the following sectors:

- process plants,
- manufacturing,
- oil and gas,
- power industry,
- buildings,
- environmental protection.

MANAGEMENT SYSTEM

The underlying principle which determines the direction of PROCHEM's development is to achieve Customer satisfaction by meeting their requirements and performance of the service within the agreed budget and schedule, while ensuring high quality, safety and environmental protection standards. For this purpose, PROCHEM constantly invests in development, improves work methods and tools, and aims to achieve maximum Customer satisfaction.

The Company continuously adheres to its Quality Policy. In 2015, it will have been ten years since the date when PROCHEM S.A., as the **first Polish engineering company**, obtained the ISO:9001 quality certificate. In 2003, the Company obtained another certificate – AQAP. In order to further improve the quality management system, in 2010 we started works on extending its scope with the requirements concerning environmental management as well as health and safety management. Owing to this, as a result of successfully completed audit, PROCHEM obtained Integrated Management System certificates in accordance with **PN-EN ISO 9001:2009** and **AQAP 2110:2009** standards as well as the requirements of **PN-N 18001:2004** and **PN-EN ISO 14001:2005**.

RECOMMENDATIONS

PROCHEM S.A. holds recommendations of organisations and industry associations, proving the continuously high quality of services offered by our company and constituting an evidence of the Company's substantive value in terms of operations in the construction services market:

- Technological Credibility Certificate issued by the Chamber of Construction Designing (IPB),
- References from the Polish Association of Construction Engineers and Technicians (PZiTB).

In 2014, after the analysis and inspection of documents by the Chamber of Construction Designing, the Technological Credibility Certificate for PROCHEM S.A. was extended for the 5th time, for the period of another four years.

This year, recommendations concerning PROCHEM's services also covered the management of execution of investment projects using the **BIM: 4D** and **5D** technology.

THE MOST IMPORTANT ACHIEVEMENTS OF THE COMPANY IN 2014

The slowdown in economic growth over the recent years contributed to the decrease in investment activity in most industrial sectors in Poland. In recent years, we have seen problems related to a small number of new industrial investment projects and increased competition in engineering services in the domestic market. However, 2014 saw the first, long-awaited signs of gradual recovery in the economy. During this time, PROCHEM increased its portfolio of orders and successfully carried out new and complicated investment tasks. It is gratifying that PROCHEM also closed the year with much better financial results.

The year 2014 was extremely important for the Company. We commenced significant investment projects and completed, in accordance with the schedule, the undertakings in which PROCHEM was involved. We have successfully closed the project for the Solvay Group in Włocławek, completed in only 14 months. We continue the largest export contract in the Company's history — a chemical complex in Belarus. We signed contracts for important and technically complicated projects.

It is worth to note the phenomenon of 'recurring Clients' with whom we signed new contracts. The Company consistently executes the investment projects following the principle of providing engineering services at the highest quality level while maintaining proper interpersonal relationships.



The leading companies in the chemical and oil sector continued to be the largest Clients of PROCHEM in 2014. We successfully continued the cooperation with Clients from other industry sectors: environmental protection, public utility and higher education. We increased our involvement in designing for the commercial power industry — we collaborate in investments requiring specialised knowledge, related to the extension of power units, in nuclear energy undertakings and municipal waste incinerator projects.

Among the projects completed in 2014 and those to be continued by the company in 2015, the most important ones are as follows:

GENERAL CONTRACTING, MANAGEMENT CONTRACTING

- Installations for the production of hydrorefining wax, oils, lubricants and refrigerants, as well as extension of the power plant complex for the Belarusian Mineral Wax Factory
- Astrum Business Park office centre for Irydion Sp. z o.o. in Warsaw
- Installations in the Biofuel Production Plant for Bioagra S.A. in Goświnowice
- Infrastructure for cavern storage for crude oil for IKS Solino S.A. in Inowrocław

CONSTRUCTION MANAGEMENT, PROJECT MANAGEMENT

- Highly dispersed silica factory for Solvay Advanced Silicas Poland Sp. z o.o. in Włocławek – construction management
- Extension of the production plant for MARS Polska in Kozuski-Parcel – construction management
- Modernisation and extension of the water supply and sewage systems in Ciechanów – acting as FIDIC Contract Engineer
- ‘Ochota’ New Technologies Centre (CeNT I, CeNT II) for the University of Warsaw in Warsaw – project management

ENGINEERING AND DESIGN

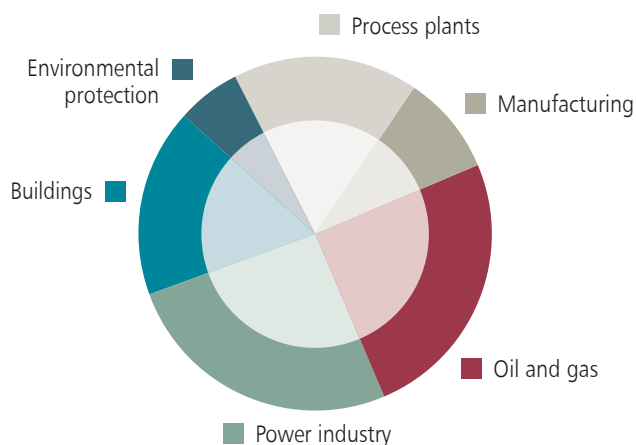
- Highly dispersed silica factory for Solvay Advanced Silicas Poland Sp. z o.o. in Włocławek
- Installations for the production of hydrorefining wax, oils, lubricants and refrigerants, as well as extension of the power plant complex for the Belarusian Mineral Wax Factory
- Astrum Business Park office centre for Irydion Sp. z o.o. in Warsaw
- Thermal waste processing plant for Posco Engineering & Construction in Cracow
- LNG terminal for Saipem in Świnoujście
- Installation for intensification of production of sodium carbonate for Soda Polska Ciech S.A. in Inowrocław
- Construction of power units No 5 and 6 in the Opole Power Plant for Alstom in Opole
- Installations in the Biofuel Production Plant for Bioagra S.A. in Goświnowice
- Extension of the production plant for MARS Polska in Kozuski-Parcel
- Infrastructure for cavern storage for crude oil for IKS Solino S.A. in Inowrocław

CONSULTING SERVICES

PROCHEM, acting as technical consultant in the scope of incurred costs related to executed projects, offers its services primarily to financial institutions (mainly banks) that control the disbursement of credits granted for investment purposes.

The Company controlled the costs relating to execution of many investment projects financed by institutions, including office buildings or housing estates. Special type of consulting services provided by PROCHEM are those relating to the control of investment process and costs of wind farm projects financed by banks. In 2014, we provided consulting services for several institutions, including: Alior Bank S.A., BOŚ S.A., Bank Zachodni WBK S.A., PKO BP S.A., Bank Pekao S.A.

PROCHEM's contracts by sectors of activities:



THE MOST IMPORTANT ACHIEVEMENTS OF THE COMPANY IN 2014

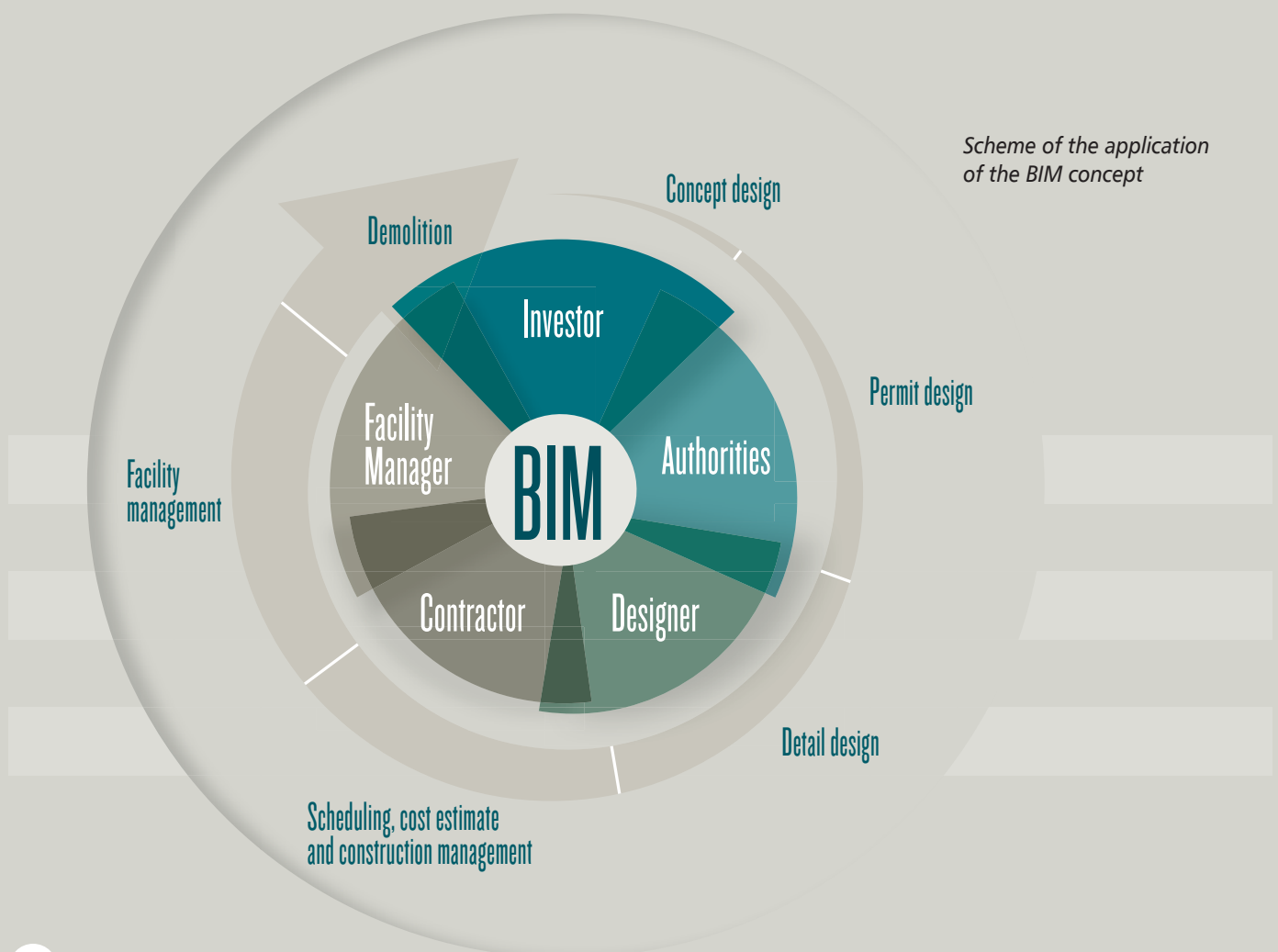
ADVANCED TECHNOLOGIES

An achievement that is very gratifying and puts PROCHEM at the forefront of the most modern engineering companies is a project implementing the **BIM (Building Information Modeling)** concept in our design and construction practice.

PROCHEM S.A. sets the country's trends of development in design tools for many years. The company was one of the first companies which was performing design work using specialized software, since 2002, the company has entered an era of three-dimensional design. Bearing in mind the continuous development and modernization of working methods, in 2012 PROCHEM S.A. decided to start work on implementing the BIM concept.

BIM is an innovative concept to represent all of the information about the construction object, which are presented in a single digital model. The assumption of the idea is to allow for the professionals who are involved in the project of the simultaneous access to a full 3D model. An integrated approach covers the exchange of information between all participants in the construction process – designers, contractors and investors, during the whole process: from the initial concept of investment, through stage of design and implementation, until its operation and demolition. Thanks to the implementation of the BIM concept it is possible to optimize the investment project – improvement of the multidiscipline coordination, shorter time of execution, reduction of costs incurred.

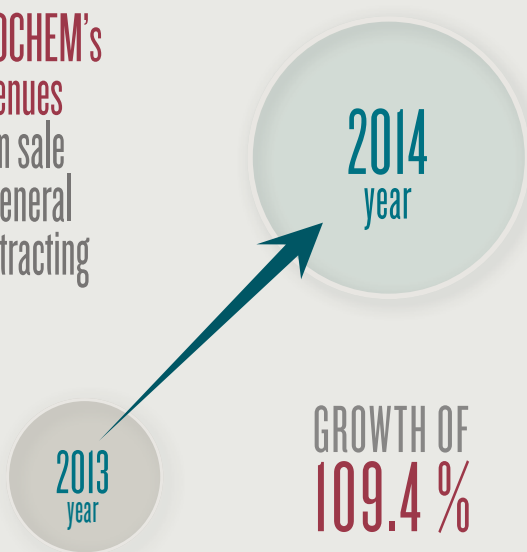
The investment project designed and executed in accordance with the idea of the integrated investment process on the basis of the BIM concept is the office complex Astrum Business Park in Warsaw.



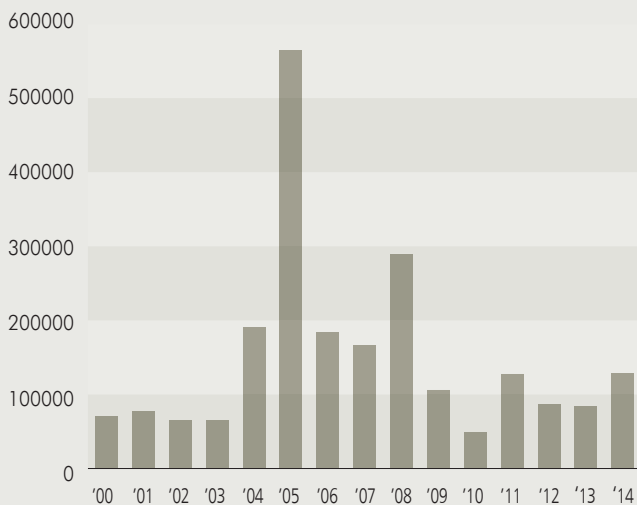
FINANCIAL RESULTS

In 2014 PROCHEM obtained a significantly better financial results than in the previous year. Growth in the Company's revenues occurred mainly in relation to investment projects within the general contracting.

PROCHEM's
revenues
from sale
in general
contracting



Revenues from sales of PROCHEM S.A.
in the years 2000-2014 (in PLN thousands)



AWARDS

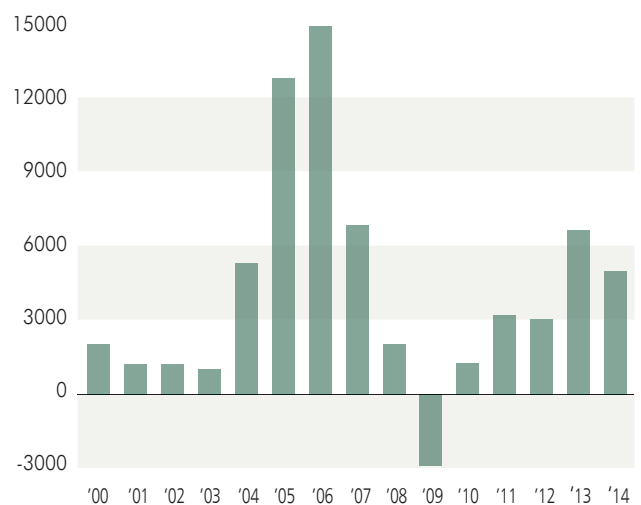
During the many years of its operations, PROCHEM S.A. has won many awards for its outstanding achievements in the construction business.

In 2014, the Company was ranked at the 1st place in the 'design' category and won the title of **'Engineering Company of Mazovia Region of the year 2014'** in a competition held by Mazovian Chamber of Civil Engineers.

In the same year, PROCHEM S.A. received the title of **'Design of the Year 2014'** for the development of design documentation for the air traffic control tower of TWR Poznań, together with the technical and administration infrastructure at Poznań-Ławica Airport. PROCHEM's employee won a prestigious distinction in the form of a **'Designer of the Year 2014'** diploma. The competitions were organised by the Chamber of Construction Designing.

PROCHEM S.A. **THE BEST ENGINEERING COMPANY OF THE YEAR 2013**
in a competition of the Chamber of Construction Designing

Net profit of PROCHEM S.A.
in the years 2000-2014 (in PLN thousands)



EMPLOYEES AND WORK TOOLS

Long-standing experience, highly qualified staff as well as the use of state-of the-art work tools and methods are among the most significant advantages of PROCHEM S.A. Since the beginning of the Company's operation, people have been the most important source of its successes — it is the potential stemming from their professionalism and expertise that determines the consistently high position of PROCHEM on the construction market.



PROCHEM employs engineering staff in various disciplines of design. Moreover, it has an experienced team composed of contact engineers, supervision inspectors and other technical staff — necessary for the management and comprehensive handling of the entire investment execution process. Extensive expertise and professional staff resources translate to practical results and guarantee high quality of project execution and short completion deadlines.

Despite some difficulties and problems faced in 2014 by the market of construction and engineering companies, the past year was assessed positively for PROCHEM.

We increased our personal and intellectual potential. In 2014, the average annual headcount in the Company was 232 persons (mostly employees with university degree, mainly engineers) which means an increase by several persons as compared with the average headcount in the previous year.

44 years | the average age
of employees
of PROCHEM S.A.

30-40 years | the largest group
of employees
of PROCHEM S.A.

EMPLOYMENT IN THE ENGINEERING DIVISION

The engineering division employs highly qualified professionals representing the following specialties:

- technological process,
- architecture,
- structure,
- mechanical systems (equipment),
- industrial piping systems,
- electrical systems,
- low voltage facilities,
- cost estimate preparation,
- instrumentation,
- roads,
- heating, ventilation and air-conditioning installations,
- gas systems,
- water supply, sewer and fire protection installations.

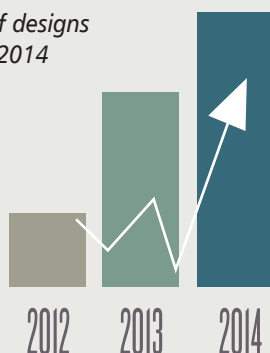
SPECIALIZED DESIGN TOOLS

Design work is carried out with the use of professional computer software and computer-aided designing systems both in 2D and 3D environments. Since 2002, we have been using PDMS, a specialised three-dimensional design system when executing complex designs in all engineering disciplines.

Recently, owing to the experience gained during the execution of many complicated and complex design projects, we developed a unique **3D modelling environment** which combines the best features of standard spatial designing tools, such as PDMS, Revit or Bocad. Models designed by the Company are fully active in all sectors — including the construction and building sectors. They enable the application of the **BIM (Building Information Modelling) concept** at all stages of project execution, i.e. cost control, scheduling and facility management — **4D, 5D**.

Spatial modelling of buildings facilitates cooperation between disciplines and allows avoiding collisions or errors, and consequently enhances work efficiency and significantly reduces the time of preparing the documentation, time of construction and investment costs. It also implements innovations and streamlines the management of the facility while it is being used.

Increase in the number of designs in 3D modelling in 2012-2014



EMPLOYMENT IN THE INVESTMENT PROJECT EXECUTION DIVISION

As regards the construction operations, the company employs its own engineering staff with relevant building licenses to perform independent technical functions in the scope of management, supervision and control of construction works. Owing to the ongoing process of subcontractors and suppliers assessment, we are able to meet the highest quality requirements of our Clients.

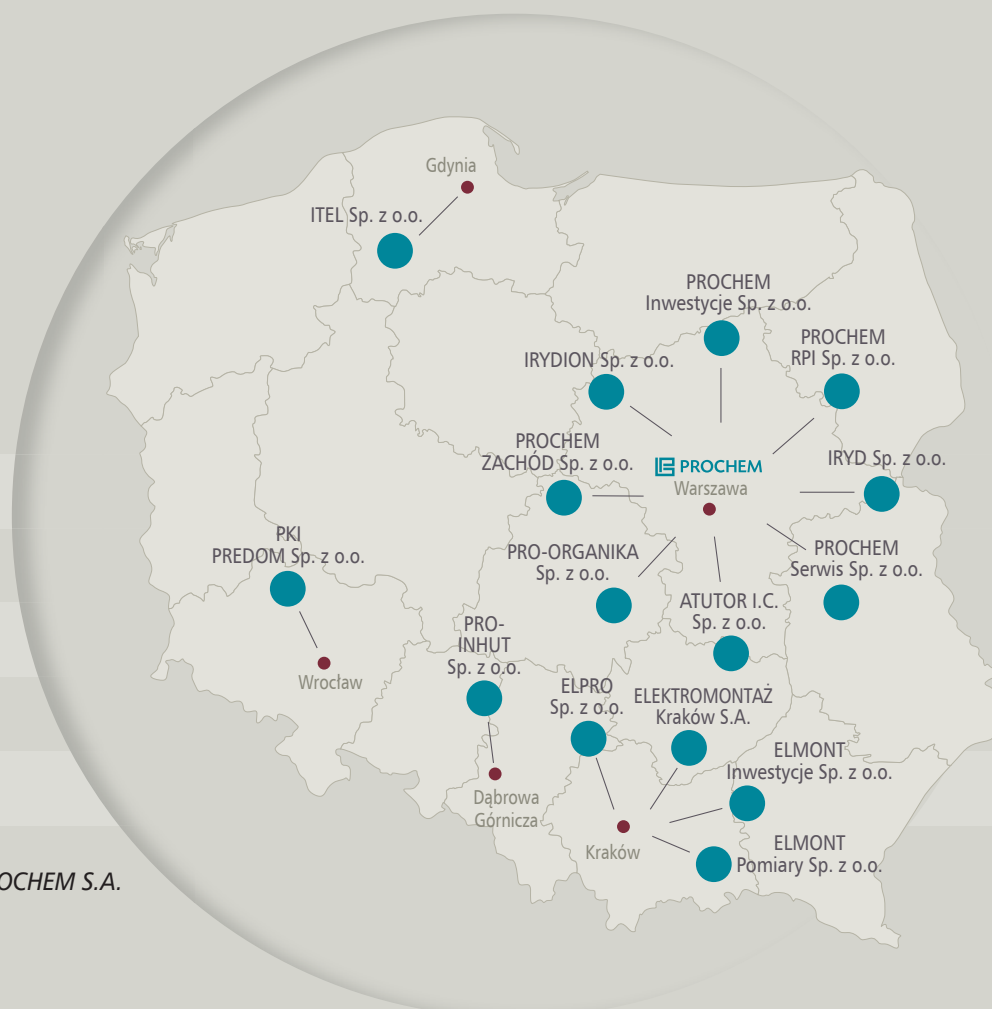
Average employment in persons in PROCHEM S.A.



75% of new projects in 3D modelling

PROCHEM S.A. CAPITAL GROUP

While striving to offer comprehensive services to its Clients and provide more complex services that require significant efforts at the organisational level, in 1996, the Company began to build a Capital Group. Initially, it was assumed that the Group will be composed of the design and building companies, however, over the recent years, the investment directions and the holding composition have changed. Currently, the Capital Group, whose structure consists of 15 companies, comprises businesses providing also real estate management services, executing development projects and representing all the specialties needed for the execution of turnkey investment projects.



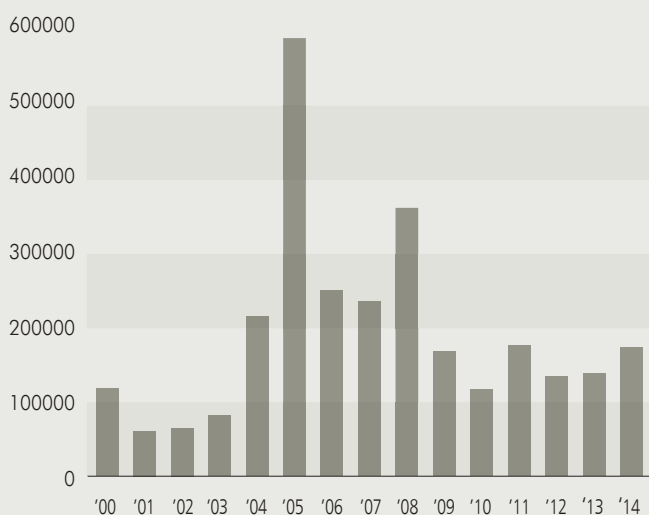
Companies of PROCHEM S.A.
Capital Group

In 2014, there were no significant changes in the Capital Group's structure having an impact on its market position. In 2014, the average headcount in all companies of the PROCHEM S.A. holding was 503 persons.

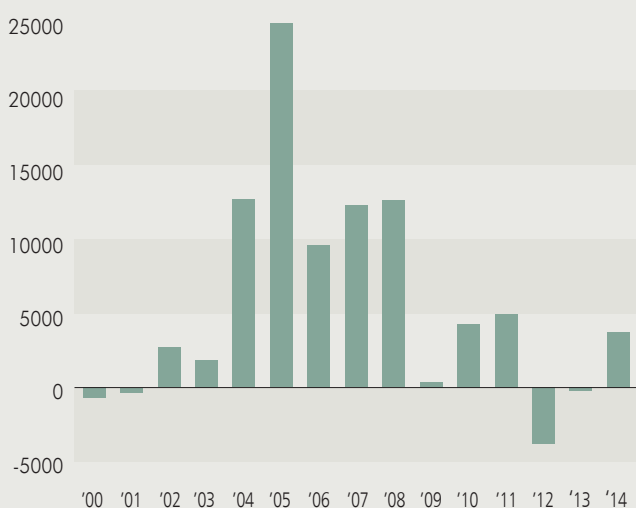
SCOPE OF SERVICES PROVIDED BY COMPANIES BELONGING TO THE CAPITAL GROUP

- engineering services and installations contracting,
- developer's services,
- real estate management services,
- other services (e.g. data technology, technical consulting, capital investments).

Revenues from sales of PROCHEM S.A. Capital Group in the years 2000-2014 (in PLN thousands)



Net profit of PROCHEM S.A. Capital Group assigned to shareholders of parent entity in the years 2000-2014 (in PLN thousands)



Growth of
25% in revenues
of PROCHEM S.A.
Capital Group
in 2014

STRUCTURE OF COMPANIES FROM THE CAPITAL GROUP

Utilising the potential of the companies belonging to the same capital structure and working with our regular sub-contractors, we may undertake large and complex investment projects.

The holding structure consistent with thematic groups of services provided by these companies and a brief description of the companies belonging to the PROCHEM S.A. Capital Group are as follows:

- **ELEKTROMONTAŻ KRAKÓW S.A.**
assembly of electrical installations,
- **PKI PREDOM Sp. z o.o.**
designing industrial facilities, supervising investment projects, providing comprehensive solutions related to the protection against noise,
- **PRO-INHUT Sp. z o.o.**
project management and investment project supervision,
- **IRYDION Sp. z o.o.**
developer's services, residential and office property management,
- **PRO-ORGANIKA Sp. z o.o.**
design, delivery and assembly of the pneumatic transport installations,
- **PROCHEM INWESTYCJE Sp. z o.o.**
capital investments,
- **PROCHEM RPI Sp. z o.o.**
developer's services,
- **ELPRO Sp. z o.o.**
developer's services,
- **ELMONT Inwestycje Sp. z o.o.**
developer's services,
- **IRYD Sp. z o.o.**
developer's services,
- **PROCHEM-ZACHÓD Sp. z o.o.**
investment services,
- **PROCHEM SERWIS Sp. z o.o.**
management of housing estates and office buildings,
- **ATUTOR I.C. Sp. z o.o.**
information systems management,
- **ITEL Sp. z o.o.**
design and implementation of relay stations and radio installations for telecommunication purpose,
- **ELMONT-POMIARY Sp. z o.o.**
assembly of electrical installations, start-up operations, performance of measurement works.

PROCHEM S.A. SHARES ON THE WARSAW STOCK EXCHANGE

In 1991, the privatisation of PROCHEM, a state-owned enterprise, began, as a result of which the company was transformed into a joint-stock company. 20 years ago, on 30 June 1994, the initial public offering of the PROCHEM's on the Warsaw Stock Exchange was held. PROCHEM was the 25th company that commenced its existence as a joint-stock company on the Warsaw Stock Exchange. The stock market launch was an exceptional moment in the Company's life. As a result of the event, the Company was ranked among the companies recognised as the most important ones, providing a guarantee of financial stability. The subsequent years saw many changes in the shareholding structure, share capital, as well as many ups and downs in the price of securities. Despite these fluctuations in statistics of our quotations, the position and opinion about PROCHEM as a credible and reliable company remained unchanged. And 20 years in the trading game enabled the consistent building of a stable position of the Company in the engineering market.

Initially, the share capital of PROCHEM S.A. amounted to PLN 5,000,000. As a result of buy-back programmes, as well as the redemption of own shares that took place in subsequent years, the Company's share capital currently amounts to PLN 3,895,000. This represents 3,896,660 votes at the General Meeting of Shareholders and is divided into 3,895,000 shares with the nominal value of PLN 1 each.

SHAREHOLDERS

As at 1 April 2015, the largest shareholders (holding more than 5% of shares) include:

- **Participants of 'Porozumienie PHC'** – 1,179,483 shares, which represents 30.28% of the capital (of which: **Steven Tappan**: 510,000 shares, which represents 13.09% of the capital),
- Funds managed by **Legg Mason Towarzystwo Funduszy Inwestycyjnych S.A.** – 560,549 shares, which represents 14.39% of the capital (of which: **Legg Mason Parasol Fundusz Inwestycyjny Otwarty** [Legg Mason Umbrella Open-End Investment Fund] – 284,054 shares, which represents 7.29% of the capital),
- **OFE PZU S.A. 'Złota Jesień'** – 387,521 shares, which represents 9.95% of the capital,
- Funds managed by **Quercus Towarzystwo Funduszy Inwestycyjnych S.A.** – 204,198 shares, which represents 5.24% of the capital.

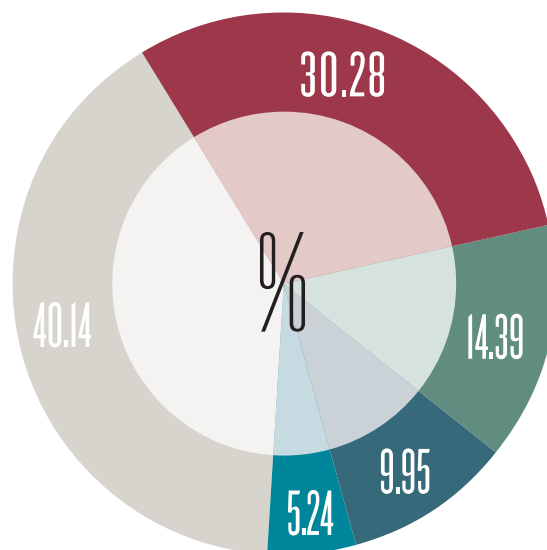
PROCHEM S.A. SHARES QUOTATIONS

The year 2014 was not favourable for most companies listed on the Warsaw Stock Exchange. Both the main and sectorial stock exchange indices, as well as the stock exchange index of construction companies have recorded during this time a loss of values. The downward trend on the Warsaw Stock Exchange was also experienced by indices for small (nearly 16% decline in value) and medium companies. These trends, related to, among other things, investors' withdrawal from securities issued by small and medium companies, had a direct impact on the situation of PROCHEM S.A.'s shares. Following marked indices, the year 2014 was not kind to holders of our Company's shares. Over 12 months, the price of PROCHEM's shares fell by 40%. However, when comparing quotations of the Company within two consecutive years, we can see that the price of stocks at the end of 2014 stabilized at the level of the beginning of the previous year.

Forecasts for the year 2015, projecting a higher global rate of economic growth, give us hope that companies in the construction sector, including mainly those who provide services on the specialised engineering market — such as PROCHEM, will successfully recover from the crisis in the forthcoming months.

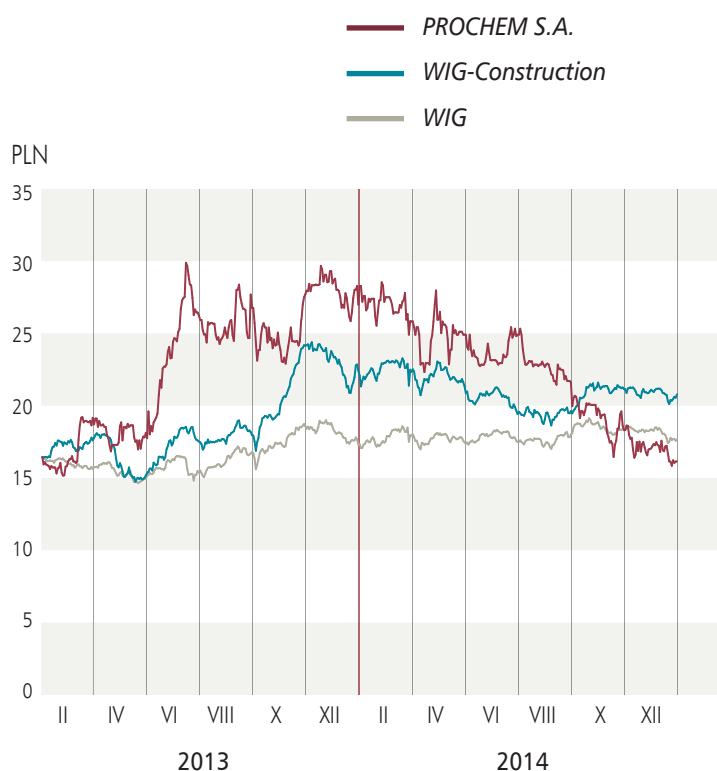
The change in the PROCHEM S.A. share price and WIG-Construction Industry index and WIG in 2013-2014.

The chart is based on the assumption that PROCHEM, WIG-Construction Industry and WIG had the same value on 2nd January 2013.



Shareholders of PROCHEM S.A.

- Porozumienie PHC
- Legg Mason TFI
- OFE PZU "Złota Jesień"
- Quercus TFI
- Others



FINANCIAL STATEMENTS

OPINION OF THE INDEPENDENT AUDITOR



To the General Meeting of PROCHEM S.A.

Opinion on the Separate Financial Statements

We have audited the accompanying separate financial statements of PROCHEM S.A., with its registered office in Warsaw, 44C Powązkowska Street ("the Company"), which comprise the separate statement of financial position as at 31 December 2014, the separate statement of profit and loss, the separate statement of comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

Management's and Supervisory Board's Responsibility for the Financial Statements

Management of the Company is responsible for the accuracy of the accounting records and the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union and with other applicable regulations and preparation of the report on the Company's activities. Management of the Company is also responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

According to the Accounting Act dated 29 September 1994 (Official Journal from 2013, item 330 with amendments) ("the Accounting Act"), Management of the Company and members of the Supervisory Board are required to ensure that the financial statements and the report on the Company's activities are in compliance with the requirements set forth in the Accounting Act.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements and whether the financial statements are derived from properly maintained accounting records based on our audit. We conducted our audit in accordance with section 7 of the Accounting Act, National Standards on Auditing issued by the National Council of Certified Auditors and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements and the accounting records from which they are derived are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we

consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management of the Company, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the accompanying separate financial statements of PROCHEM S.A. have been prepared and present fairly, in all material respects, the unconsolidated financial position of the Company as at 31 December 2014 and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, are in compliance with the respective regulations and the provisions of the Company's articles of association that apply to the Company's separate financial statements and have been prepared from accounting records, that, in all material respects, have been properly maintained.

Emphasis of Matter

Without qualifying our opinion, we draw attention to matters described in notes no. 8 and 39 to the attached separate financial statements. PROCHEM S.A. has recognised receivables with respect to guarantee deposits from PERN S.A. with a carrying value of PLN 17,364 thousand that, according to the decision of the Regional Court in Warsaw dated 12 August 2010, will be a subject to final settlement of the "Rurociąg w relacji ST-1 Adamowo-Baza Surowcowa Plebanka" construction contract as determined by a court appointed expert. The final result of the settlement is not yet known.

Specific Comments on Other legal and Regulatory Requirements

Report on the Company's Activities

As required under the Accounting Act, we report that the accompanying report on the Company's activities includes, in all material respects, the information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2014, item 133) and the information is consistent with the financial statements.

On behalf of KPMG Audyty Sp. z o.o. Sp. k.
Registration No. 3546
Chłodna 51 Street, 00-867 Warsaw

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

PROCHEM S.A. FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

2014
current year
in PLN thousands

2013
preceding year
in PLN thousands

ASSETS

Non-current assets

Property, plant and equipment	1 977	1 981
Intangible assets	151	201
Shares in subsidiaries	10 162	10 060
Shares in jointly controlled and associated entities	5 210	5 210
Deferred tax assets	1 073	656
Other financial assets	32 036	40 906
Total non-current assets	50 609	59 014

Current Assets

Inventories	2 487	3 126
Trade and other receivables	59 810	39 407
Other financial assets	19 382	5 306
Other assets	4 433	10 548
Cash and cash equivalents	2 962	3 725
Total current assets	89 074	62 112
TOTAL ASSETS	139 683	121 126

EQUITY AND LIABILITIES

Equity

Share capital	3 895	3 895
Revaluation reserve	1 261	950
Retained earnings	73 671	68 662
Total equity	78 827	73 507

Non-current liabilities

Provisions for retirement and similar benefits	711	531
Deferred income	1 827	19 338
Other non-current liabilities	20	24
Total non-current liabilities	2 558	19 893

PROCHEM S.A.

Financial statements prepared in accordance with International Accounting Standards as at and for the period ending on 31 December 2014.

	2014 current year in PLN thousands	2013 preceding year in PLN thousands
Current liabilities		
Current bank loans	9 448	-
Current borrowings	957	-
Trade payables	25 416	17 767
Liabilities for current income tax	367	563
Other liabilities	4 100	3 017
Deferred income	18 010	6 379
Total current liabilities	58 298	27 726
Total liabilities	60 856	47 619
TOTAL EQUITY AND LIABILITIES	139 683	121 126
Weighted average number of ordinary shares (units)	3 895 000	3 895 000
Book value per share (in PLN)	20.24	18.87

STATEMENT OF PROFIT AND LOSS

For the period from 1 January 2014 to 31 December 2014

	2014 current year in PLN thousands	2013 preceding year in PLN thousands
Revenues from sales, including:	128 334	83 340
Revenues from sale of services	128 322	82 889
Revenues from sale of goods and materials	12	451
Cost of sales, including:	-111 045	-73 994
Cost of services sold	-111 034	-73 551
Cost of merchandise and raw materials	-11	-443
Gross profit on sales:	17 289	9 346
General and administrative expenses	-9 463	-7 901
Other operating income	1 100	3 783
Other operating expenses	-1 435	-2 849
Results from operating activities	7 491	2 379
Financial income	1 060	2 840
Profit on the disposal of shares in subsidiaries	-	5 087
Finance expenses	-2 218	-1 752
Profit before tax	6 333	8 554
Income tax expense:	1 324	1 911
– current tax	1 760	564
– deferred tax	-436	1 347
Profit for the period	5 009	6 643
Weighted average number of ordinary shares (units)	3 895 000	3 895 000
Profit per share (in PLN)	1.29	1.71

STATEMENT OF COMPREHENSIVE INCOME

For the period from 1 January 2014 to 31 December 2014

	2014 current year in PLN thousands	2013 preceding year in PLN thousands
Profit for the period	5 009	6 643
Other comprehensive income, net	311	-129
Other comprehensive income that will be reclassified to profit and loss under certain conditions	452	-56
Revaluation of property, plant and equipment	275	-
Exchange differences from the conversion of the entity that operates abroad	229	-56
Income tax on other comprehensive income	-52	-
Other comprehensive income that will not be reclassified to profit and loss	-141	-73
Actuarial losses on valuation of provisions for employee benefits	-174	-90
Income tax on other comprehensive income	33	17
Total comprehensive income	5 320	6 514
Weighted average number of ordinary shares (units)	3 895 000	3 895 000
Total comprehensive income per ordinary share (in PLN)	1.37	1.67

STATEMENT OF CASH FLOWS

For the period from 1 January 2014 to 31 December 2014

	2014 current year in PLN thousands	2013 preceding year in PLN thousands
Cash flows – operating activities		
Profit before tax	6 333	8 554
Total adjustments :	-8 554	5 718
Amortization and depreciation	826	817
Interest and profit sharing (dividends)	-507	-474
Profit on disposal of property, plant and equipment	-86	-146
Profit on investment activities	-	-5 087
Change in provisions	375	220
Change in inventories	639	-767
Change in receivables	-14 316	6 510
Change in current liabilities, except for loans and borrowings	8 625	-11 958
Other adjustments	-4 110	16 603
Cash provided by (used in) operating activities	-2 221	14 272
Income tax paid	-1 956	-
Net cash provided by (used in) operating activities	-4 177	14 272

2014
current year
in PLN thousands

2013
preceding year
in PLN thousands

Cash flows – investing activities

Inflows	406	6 704
Disposal of intangible assets and property, plant and equipment	303	452
Inflows from financial assets in related entities including:	103	6 252
– dividend received	53	304
– disposal of financial assets (shares)	-	5 603
– repayment of loans granted	50	287
– repayment of interest on loans granted	-	58
Outflows	-7 116	-10 675
Acquisition of intangible assets and property, plant and equipment	-815	-1 091
For financial assets in related entities, including:	-6 301	-9 584
– acquisition of financial assets	-101	-54
– loans granted	-6 200	-9 530
Net cash provided by (used in) investing activities	-6 710	-3 971
Cash flows – financing activities		
Inflows	10 440	-
Proceeds from credits received	9 448	-
Proceeds from borrowings received	950	-
Other financial proceeds	42	-
Outflows	-316	-9 740
Dividend paid	-	-3 036
Repayments of bank loans	-	-6 347
Interest	-316	-357
Net cash provided by (used in) financing activities	10 124	-9 740
Total cash flow, net	-763	561
Net increase/(decrease) in cash and cash equivalents	-763	561
Cash and cash equivalents at the beginning of the period	3 725	3 164
Cash and cash equivalents at the end of the period	2 962	3 725

PROCHEM S.A. CAPITAL GROUP FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

2014
current year
in PLN thousands

2013
preceding year
in PLN thousands

ASSETS

Non-current assets

Property, plant and equipment	25 238	25 344
Intangible assets	190	300
Investment properties	32 960	33 603
Shares and stocks	830	843
Shares valued using equity method	25 136	23 970
Deferred tax assets	1 998	1 913
Other financial assets	13 609	18 383
Total non-current assets	99 961	104 356

Current Assets

Inventories	4 483	8 962
Trade and other receivables	66 534	49 095
Other financial assets	11 209	1 877
Other assets	13 544	17 033
Cash and cash equivalents	6 606	8 249
Total current assets	102 376	85 216
TOTAL ASSETS	202 337	189 572

EQUITY AND LIABILITIES

Equity

Share capital	3 985	3 895
Revaluation reserve	11 973	10 954
Retained earnings	97 568	92 573
Parent entity's equity	113 436	107 422
Minority interest	9 243	12 337
Total equity	122 679	119 759

Non-current liabilities

Provision for deferred income tax	2 656	2 718
Provisions for retirement and similar benefits	1 985	1 844
Deferred income	1 867	19 338
Other non-current liabilities	376	377
Total non-current liabilities	6 884	24 277

PROCHEM S.A. Capital Group
Consolidated financial statements prepared in accordance with International Accounting Standards
as at and for the period ending on 31 December 2014

2014
current year
in PLN thousands

2013
preceding year
in PLN thousands

Current liabilities		
Current bank loans	14 050	4 411
Current borrowings	60	60
Trade payables	31 229	26 799
Liabilities under current income tax	407	588
Other liabilities	7 809	6 594
Deferred income	19 219	7 084
Total current liabilities	72 774	45 536
Total liabilities	79 658	69 813
TOTAL EQUITY AND LIABILITIES	202 337	189 572
Book value – equity assigned to shareholders of parent entity	113 436	107 422
Weighted average number of ordinary shares (units)	3 895 000	3 895 000
Book value per share assigned to shareholders of parent entity (in PLN)	29.12	27.58

**CONSOLIDATED STATEMENT
OF PROFIT AND LOSS**

For the period from 1 January 2014 to 31 December 2014

2014
current year
in PLN thousands

2013
preceding year
in PLN thousands

Revenues from sales, including:	176 048	140 489
Revenues from sale of services	166 370	134 428
Revenue from sale of goods and materials	9 678	6 061
Cost of sales, including:	-153 158	-125 560
Cost of services sold	-144 309	-120 373
Cost of merchandise and raw materials	-8 849	-5 187
Gross profit on sales	22 890	14 929
General and administrative expenses	-16 209	-15 157
Other operating income	1 496	4 139
Other operating expenses	-2 305	-4 648
Results from operating activities	5 872	-737
Financial income	582	2 097
Profit (loss) on disposal of shares in subsidiaries	-	-296
Finance expenses	-2 657	-1 815
Profit sharing in entities valued using equity method	1 166	357
Profit/loss before tax	4 963	-394
Income tax expense:	1 685	619
– current tax	1 879	903
– deferred tax	-194	-284
Profit for the period	3 278	-1 013
Profit for the period assigned to:		
Shareholders of parent entities	3 751	-34
Non controlling interest	-473	-979
Weighted average number of ordinary shares (units)	3 895 000	3 895 000
Profit/loss per one share assigned to shareholders of parent entity (in PLN)	0.96	-0.01

**CONSOLIDATED STATEMENT
OF COMPREHENSIVE INCOME**

For the period from 1 January 2014 to 31 December 2014

2014
current year
in PLN thousands

2013
preceding year
in PLN thousands

Profit for the period	3 278	-1 013
Other comprehensive income, net	603	-132
Other comprehensive income that will be reclassified to profit and loss under certain conditions:	744	-56
Revaluation of property, plant and equipment	623	-
Deferred tax on revaluation of property, plant and equipment	-108	-
Exchange differences from the conversion of the entity that operates abroad	229	-56
Other comprehensive income, that will not be reclassified to profit and loss:	-141	-76
Actuarial losses on valuation of provisions for employee benefits	-174	-103
Income tax on other comprehensive income	33	27
Total comprehensive income	3 881	-1 145
Total comprehensive income attributable to:		
Shareholders of parent entity	4 292	-163
Minority interest	-411	-982
Weighted average number of ordinary shares (units)	3 895 000	3 895 000
Total comprehensive income per ordinary share assigned to shareholders of parent entity (in PLN)	1.10	-0.04

LNG Terminal in Świnoujście – engineering: PROCHEM S.A., photo: Polska LNG S.A.
New ATC Tower at Poznań Airport – engineering: PROCHEM S.A., photo: Skanska S.A. (General Contractor)
Center of Biological and Chemical Sciences of University of Warsaw – project management: PROCHEM S.A., photo: PROCHEM S.A.
Highly dispersed silica factory in Włocławek – EPCm: PROCHEM S.A., visualization (3D model): PROCHEM S.A.

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