



 **PROCHEM**

ANNUAL REPORT  
2015

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



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# Annual Report 2015



# Mission

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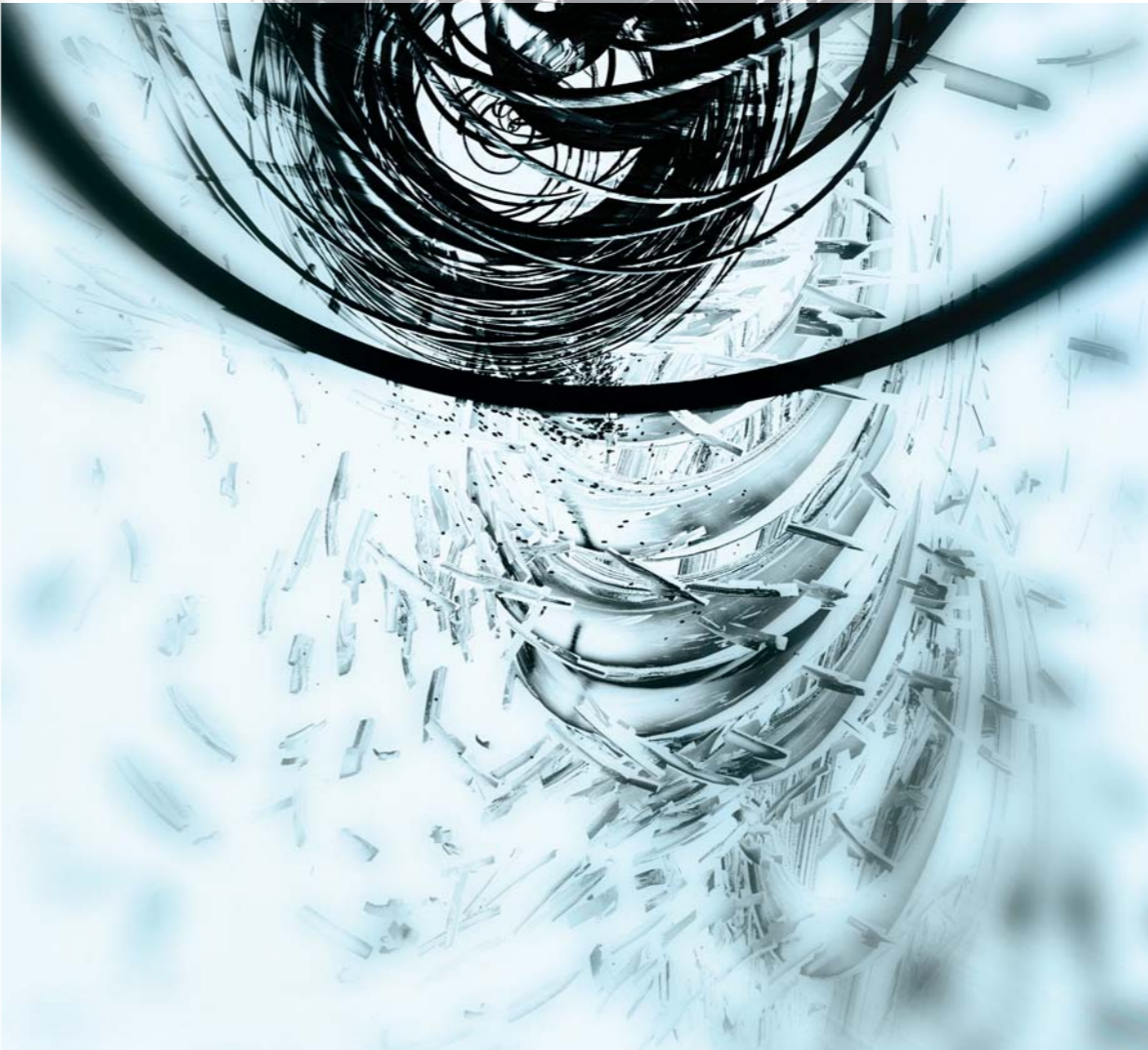
*PROCHEM's mission is to guarantee its Clients a real competitive advantage through supplying them with top-quality services at reasonable prices and attractive completion deadlines.*



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# 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, 2015, to you as well as to provide you with an insight into priority tasks we have set to accomplish in the coming year.

In the previous year there were numerous distressing events in Ukraine, the Middle East, and Europe. Poland had a turbulent election year with announcements of changes. Luckily, these events have not had a significant impact on the economic situation and our Clients' interest in new investments. 2015 was another good year for PROCHEM. Revenues from sales increased significantly, to PLN 221 million at PROCHEM, and up to approx. PLN 266 million within the Capital Group. Net profit increased to approx. PLN 6.2 million at PROCHEM, whereas in the Capital Group net profit attributable to the shareholders of the parent company was approx. PLN 4.4 million.

The annual average headcount at PROCHEM grew by 4 persons and amounted to 237 persons, while the average salary increased by 3% as compared with the previous year.

Undoubtedly, the main task last year, which most affected the revenue and profits of PROCHEM S.A., was the construction

of the chemical complex for our Belorussian Client – Mineral Wax Factory. This is the largest export construction project in the history of PROCHEM. We finished the design, and assembled the full set supplies and materials. The first part of the task – the trigeneration facility – underwent successful warranty tests, and the last two parts of the investment entered the final assembly phase.

Another key task of PROCHEM in 2015 was the design and construction of a new development project – the Astrum Business Park – one of the larger office buildings under construction in Warsaw. In April this year, an occupancy permit was obtained for the facility, and PROCHEM S.A. is planning to move to its new headquarters in May.

In 2015, we successfully completed the design and construction of another installation within the ethanol production facility for Bioagra in Goświnowice. We also started the design and construction of facility for another new "returning Client" – Goodrich in Tajęcina. We are constantly designing; recently, we were involved in the construction of military facilities, using our infrastructure for the protection of confidential information. We have been very actively involved in the design and completion of a used tyre pyrolysis installation for Petrol.

Last year, we were particularly happy that we gained a new Client, Synthos, and concluded two agreements on the design and management (EPCM) of work to construct chemical

plants of a significant scale and level of complexity. In the coming months, these works will be dominant in our design and construction activity.

With regard to design work, in addition to the extension of Soda Polska in Inowrocław and the municipal waste incinerator in Cracow, which came to an end in 2015, we focused mainly on energy-related projects. Continuing our cooperation with Alstom Power, we produced documentation for the construction of power units 5 and 6 in the Opole Power Plant, and designs for the flue gas cleaning system for Dalkia in Łódź. We are also designing a water treatment plant for the Opole Power Plant, commissioned by Seen Technologie, as well as the construction part in connection with the extension of the Siekierki CHP Plant for Bilfinger Infrastructure. To emphasise the importance of design in the energy sector, and the development efforts in this area, we have created a new position of deputy director for energy at the Prochem Projekt Division.

For three years, we have been working on a project implementing the BIM technology in our design and implementation practice. This project is very important for the Company's development. We create more 3D models of enclosed structures for an increasing number of projects. Thanks to the successful implementation of the integrated 3D modelling of enclosed structures, created using Revita and models of technological installations with PDMS, we are able to meet even the highest expectations of our Clients.

Development projects also constitute an important area of the operations of PROCHEM S.A. Together with our financial partner, Look Finansowanie Inwestycji, we are implementing the Astrum Business Park in Warsaw, a complex with a total area of over 30,000 m<sup>2</sup>. We are currently in the process of acquiring tenants for the 1st and 2nd stages. Unfortunately, this process is very difficult due to the high supply of office space in Warsaw. Last year, we successfully completed our second development project – the Astrum business centre in Cracow. The site prepared for this project, along with the construction design and building permit, was sold to Avestus.

It is worth mentioning the awards and prizes given to PROCHEM in 2015. In the most prestigious competition, "Construction of the Year 2014," organised by PZITB, we won the 1st title and award in the category of industrial facilities, for the completion of the silica production facility in

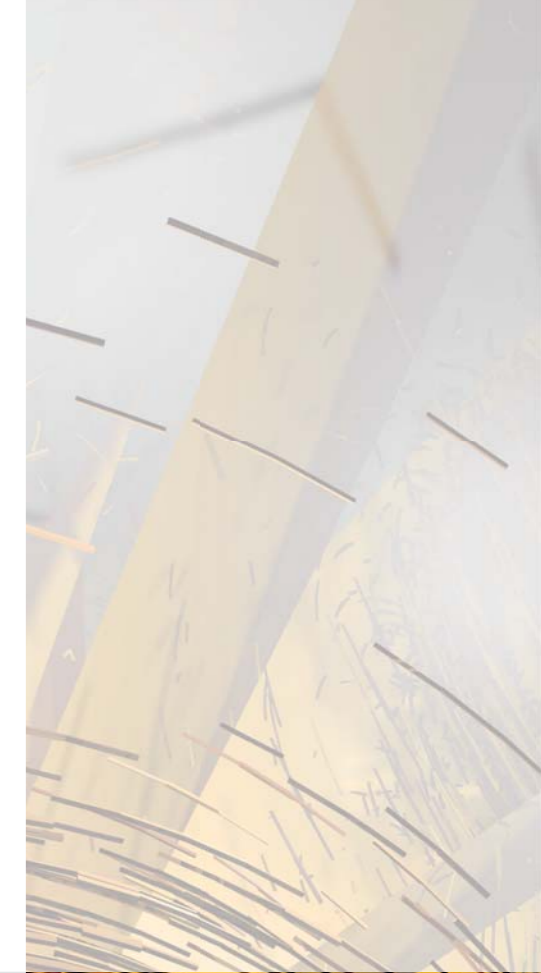
Włocławek. We were also given numerous titles and awards in connection with the 25th anniversary of the Chamber of Construction Design.

Ahead of us we have another year full of new and difficult investment tasks. However, considering the market forecasts and trends, I am optimistic about the prospects for engineering companies such as PROCHEM 2016. In the coming months, the company's priority will be the successful completion of the Belorussian project and the acquisition of new contracts on that market. Another task will be finding tenants for the Astrum Business Park. Our activities will also concentrate on increasing the number of energy projects, with particular focus on flue gas cleaning plants. Gaining a competitive advantage as a result of implementation of the BIM concept will be a challenge.

The price of PROCHEM shares over 2015 slightly increased, which was a good result compared to most companies listed on the Warsaw Stock Exchange. In the same period, the main stock exchange index went down approx. 10% in value. It is worth emphasising that the results achieved made it possible to pay to our Shareholders in 2015 a dividend from profit for 2014.

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 2016



# Company Authorities

## DIRECTORS



Maciej Kalita  
Project and Construction  
Management Director



Barbara  
Auguścińska-Sawicka  
Chief Accountant



Grzegorz Kobylecki  
PROCHEM PROJEKT  
Division Director

## MANAGEMENT BOARD



Jarosław Stępniewski  
President  
General Director



Marek Kiersznicki  
Vice President  
Sales and Marketing  
Director



Krzysztof Marczak  
Vice President  
Financial Director

## SUPERVISORY BOARD



Marek Garliński  
Chairman



Steven G. Tappan  
Vice Chairman



Krzysztof Obłój  
Independent Member



Andrzej Karczykowski  
Member



Wiesław Kiepiel  
Independent Member

# Area of operation

*PROCHEM is an engineering company, designing and implementing investment projects in different branches of construction, from the industrial sector, general construction, power industry, to environmental protection. 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. Today, the Company provides comprehensive engineering services, covering all stages of the investment process.*



At all stages of preparation of an investment project, using engineering potential, PROCHEM S.A. assists the Client in the optimisation of the technical solutions adopted and in the budgeting and quality of the project. In the design phase, we prepare documentation for all disciplines and obtain the required agreements, approvals and permits. On the basis of the prepared design documentation, we carry out the investment project 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 investment – until the facility is handed over to the investor.

Our organisational ability to combine all the elements of the investment process is an important reason why many Clients choose PROCHEM. Thanks to our comprehensive services and executing a wide variety of complicated tasks within a single organisation, the Company ensures optimisation of the investment process, and that the Clients' demanding expectations in terms of timeliness, costs and quality of the entire investment project are met.

## THE COMPREHENSIVE PROJECT SERVICES OF PROCHEM S.A.:

### Advisory services:

- technical advice
- multi-discipline concepts
- expert studies and technical recommendations
- investment project budgeting
- feasibility studies

### Multi-discipline desing:

design services in all disciplines and all stages, including obtaining the relevant required agreements, approvals and permits

### Project execution or project execution management:

- engineering, procurement and construction (EPC)
- management contracting
- general contracting

- engineering, procurement and construction management (EPCM)
- project management
- construction management (CM)
- investment project supervision

### Consulting

- concerning granted loans
- in the scope of co-financing of projects in environmental protection

PROCHEM executes complicated investments for leading domestic and international companies. The Company actively participates in projects related to the chemical industry and process installations; it is experienced in the execution of complex energy projects, and operates in the oil and gas industry. We design and build new production plants, as well as environmental protection facilities and large-sized buildings. We also offer complex extension and modernisation of facilities currently in operation.

## MANAGEMENT SYSTEM

Achieving Client 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 – this is one of the key principles which has determined the areas of PROCHEM S.A. development for many years. In line with this principle, the Company has consistently followed the Quality Policy. It constantly invests in development, and improves work methods and tools, which helps to achieve maximum Client satisfaction.

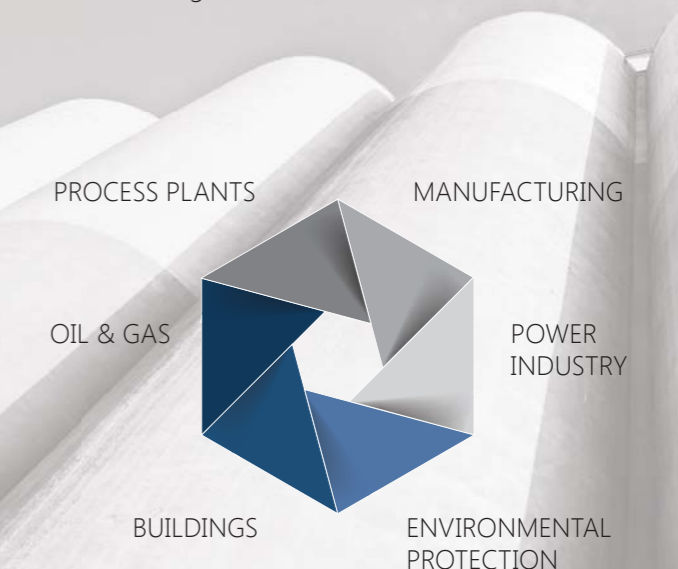
PROCHEM S.A. was the first Polish engineering company to obtain the ISO:9001 quality certificate. Implementing the principle of continuous improvement of the Quality Management System, in the following years PROCHEM obtained further Integrated Management System certificates. The range of certificates compliant with the PN-EN ISO 9001:2009, AQAP 2110:2009 standards, and with the PN-N 18001:2004 and PN-EN ISO 14001:2005 requirements, was extended to cover issues relating to environmental management and occupational health and safety management.

## 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 particular, we offer our engineering support in relation to the execution of investment projects in the following sectors:



# The most important achievements of the Company in 2015

*2015 was a good year for many Polish companies, including PROCHEM. The Company successfully completed new, technically complex investment tasks. It also extended its portfolio of orders, signing further important and strategic contracts.*

Last year, at PROCHEM, we also noticed the role of services requiring expertise in such segments as the commercial power industry or process installations. We are consistently and successfully increasing our involvement and participation in investments for companies in the power industry. The leading companies in the chemical, oil, and environmental sector continue to be among the Company's largest Clients. We have also successfully continued our export activities on the Belorussian market.

The Company has signed new contracts for important and technically complex projects. Works related to the construction of chemical plants of a significant scale and degree of complexity will dominate the design and construction activities of PROCHEM in the coming year.

We are also happy that in 2015 PROCHEM won prestigious awards in industry competitions, and had definitely better financial results, both in terms of profit and revenues.

The most important projects completed in 2015, and projects to be continued by PROCHEM S.A. in 2016:

## 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 in Warsaw
- Installations in the Biofuel Production Plant for Bioagra in Goświnowice
- Extension of the manufacturing plant producing components for passenger aircrafts for Goodrich Aerospace Poland in Tajęcina

## CONSTRUCTION MANAGEMENT, PROJECT MANAGEMENT

- Innovative polystyrene material production plant for Synthos Dwory 7 in Oświęcim – construction management
- 'Ochota' New Technologies Centre (CeNT I, CeNT II) for the University of Warsaw in Warsaw – project management
- Modernisation and extension of the water and sewage system in Ciechanów and in Barycz Valley – acting as FIDIC Contract Engineer

## ENGINEERING AND DESIGN

- 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 in Warsaw
- Innovative polystyrene material production plant for Synthos Dwory 7 in Oświęcim
- Installations in the Biofuel Production Plant for Bioagra in Goświnowice
- Extension of the manufacturing plant producing components for passenger aircrafts for Goodrich Aerospace Poland in Tajęcina
- 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 in Inowrocław
- Construction of power units 5 and 6 in the Opole Power Plant for Alstom Power in Opole
- Rubber waste pyrolysis plant for Petrol in Szczecin
- Water treatment plant at the Opole Power Plant for Seen Technologie in Opole
- Desulphurisation plant for steam boilers at a CHP plant for Alstom Power ECS in Łódź
- Modernisation of a biomass incineration boiler at the Siekierki CHP Plant for Bilfinger Infrastructure in Warsaw
- Extension of the Wola Park shopping centre for Ikea Centres Polska in Warsaw

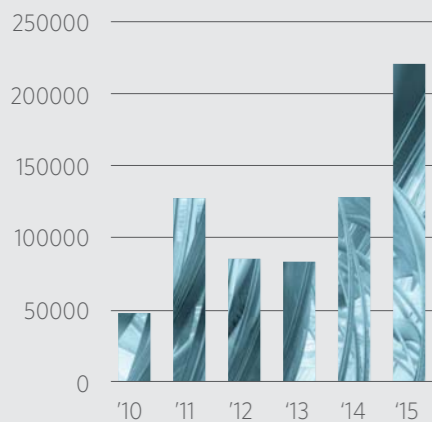
## CONSULTING SERVICES

PROCHEM has many years of practice in providing consulting services, in areas such as loans granted for investment purposes, funding projects covering environmental protection issues, as well as other technical aspects of the investment. The Company controlled the costs of execution of many investment projects financed by institutions, including office buildings or housing estates. It also successfully provides consulting services relating to the control of the investment process and costs of wind farm projects financed by banks. In 2015, we provided consulting services for: Alior Bank S.A., BOŚ S.A., Bank Zachodni WBK S.A., PKO BP S.A., Bank Pekao S.A., Plus Bank S.A., PZU TFI S.A.

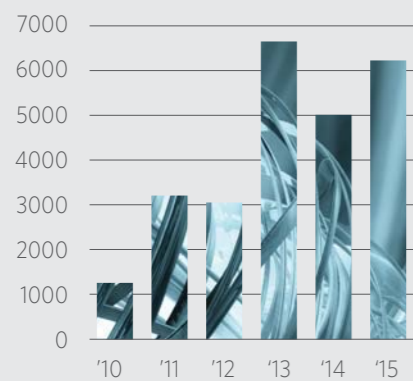
# The most important achievements of the Company in 2015

## FINANCIAL PERFORMANCE

2015 was another year which ended with good financial results for PROCHEM. The Company achieved a decidedly higher level of sales revenue and profit than in the previous year.



Revenues from sales of PROCHEM S.A. in the years 2010-2015 (in PLN thousands)



Net profit of PROCHEM S.A. in the years 2010-2015 (in PLN thousands)

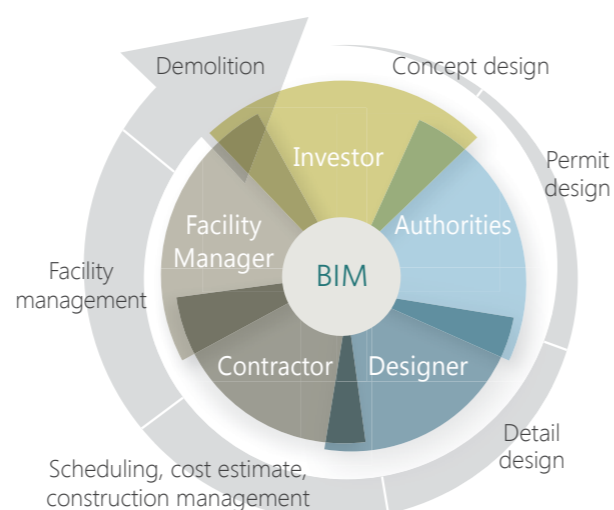
## ADVANCED TECHNOLOGIES IN THE DESIGN AND EXECUTION OF INVESTMENTS

Since it first existed as a Polish engineering company, PROCHEM S.A. has set the country's trends of development in design tools. The Company was one of the first companies performing design work using specialised software, and since 2002, the Company has entered an era of three-dimensional design. Aiming to improve the work methods and tools, and to maintain the high standard of services, in 2012 the Company started a project to implement the BIM (Building Information Modeling) concept in its design and construction practice.

BIM is an innovative concept whose purpose is the presentation of all information about a construction object within one digital model, accessible to all specialists involved in the investment project. An integrated approach also facilitates full exchange of information among all participants in the construction process – designers, contractors and investors, during the whole process: from the initial concept of investment, through the design and implementation, until its operation and demolition.

Thanks to the use of the latest technologies and a comprehensive approach consistent with the idea of an integrated investment process, PROCHEM S.A. is one of the leading, and most modern engineering companies in Poland.

### Scheme of the application of the BIM concept



## AWARDS

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

In 2015, the Company won the 1st title and award in the most important competition of the construction industry – "Construction of the Year 2014". The organiser of the competition – the Polish Association of Construction Engineers and Technicians (PZiTb), awarded PROCHEM the highest prize in the Industrial Facilities category, for the investment entitled "Construction of high dispersion silica production plant in Włocławek". Winning this most prestigious award is a great honour and a cause for pride. Experience, high qualifications, and expertise of employees have a direct impact on the quality of services provided by PROCHEM, which was again noticed, acknowledged and honoured on the construction market.

Also, the Company won exceptional awards in competitions organised in connection with the anniversary of the Chamber of Construction Design. PROCHEM – acknowledged for its long experience with investment processes, as well as its involvement and contributions in design and engineering circles in Poland – was named "The Best Engineering Company in 25 Years". The Company received the award and diploma "Design of the Year 2015" for the development of design documentation for the silica factory in Włocławek. For producing the design for the LNG terminal in Świnoujście, PROCHEM was awarded the title for the "The Best Design in 25 Years". An exceptional honour, the prize and prestigious title of "The Best Design Manager in 25 Years", was awarded to Jarosław Stępniewski, President of the Management Board of PROCHEM S.A., and the diploma for "The Best Designer in 25 Years" was also given to an employee of the Company.



"The "Construction of the Year 2014" title awarded to PROCHEM for the construction, executed in the GRI formula (Management Contracting), of a silica factory in Włocławek, is an exceptionally important distinction which gives us a lot of pleasure. Being distinguished in the competition which for 25 years has served to honour the largest and most important investments in Poland, is confirmation of the exceptionally high quality of investments executed by PROCHEM. We are also pleased by the fact that our work in the construction of the silica factory was given the highest score in the category."

Marek Kiersznicki,  
Vice President of the Management Board, PROCHEM S.A.

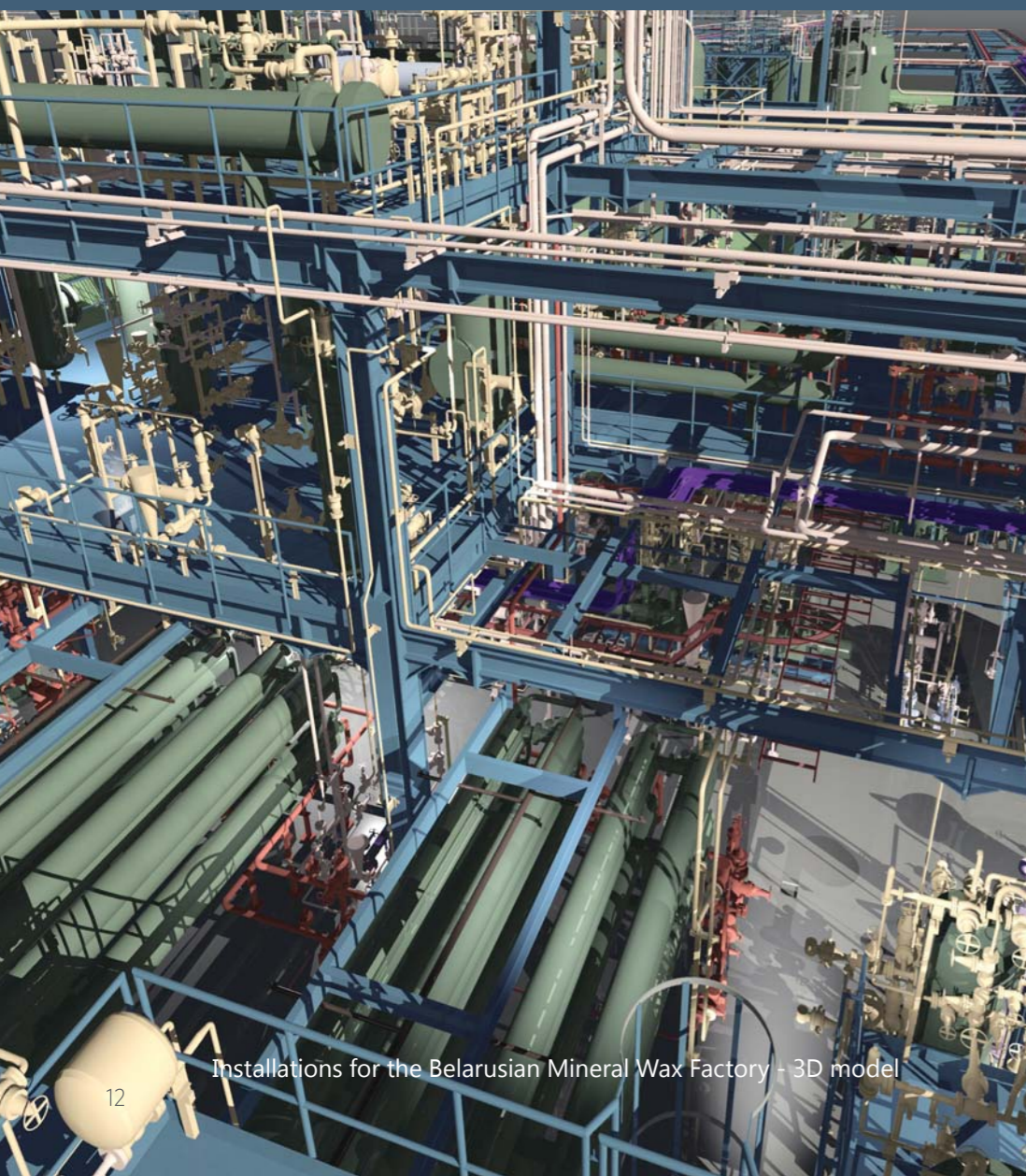


# Employees and work tools

For almost 70 years, the activity of PROCHEM S.A. has been based on strong and stable human resources. Its qualified and experienced staff has been the largest source of the Company's success. The professional approach of staff, as well as the use of state-of-the-art work tools and methods are still among the most significant advantages which guarantee the stable and leading position of PROCHEM S.A. on the construction market.

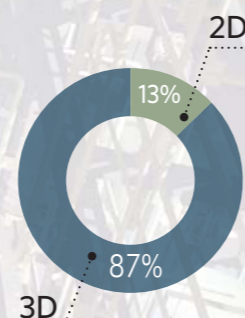
PROCHEM employs experienced and highly qualified engineering personnel, specialising in various design areas. The staff is also comprised of an experienced team of project engineers, resident engineers and other technical staff – necessary for the management and comprehensive handling of the entire investment execution process. Thanks to the potential resulting from the qualifications and vast expertise of the employees, and thanks to the use of modern tools, it is possible to guarantee high quality services and short completion periods for our Clients.

2015 was another good period for PROCHEM, in terms of HR balance and stability. The personal and intellectual potential was increased. The annual average headcount at the Company, as compared with the previous year, was increased by several persons and amounted to 237 persons.



2012 2013 2014 2015

Increase in the number of designs in 3D modelling in 2012-2015



Designs in 2D and in 3D modelling in 2015

## EMPLOYMENT IN THE ENGINEERING DIVISION

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

- 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

PROCHEM S.A. is a leading engineering company dealing with the implementation of new technologies and modern work tools and methods. Design work is carried out by the Company with the use of professional computer software and modern computer-aided designing systems.

Owing to the experience gained during the execution of many complicated and complex design projects, the Company has developed a unique 3D modelling environment which combines the best features of standard spatial designing tools, such as PDMS, Revit or Bocad. The spatial

models prepared by PROCHEM are fully active in all sectors, while the integrated approach ensures active access to information for every specialist involved in the design process. The models designed by the Company also make it possible for the BIM concept to be used at any given stage of a project execution.

The advantages of application of specialist design tools, i.e. facilitation of cross-industry cooperation, avoiding conflict with other projects, significant reduction of the time required for the development of documentation, the time needed for construction, and the reduction of the investment costs, are the reasons for the growing numbers of designs developed using the 3D model by PROCHEM.

## EMPLOYMENT IN THE CONSTRUCTION OPERATIONS

As regards the construction operations, PROCHEM employs its own experienced engineering staff with relevant building licenses to perform independent technical functions in the scope of management, supervision and control of construction works. The company also has its own team specialising in industrial system commissioning.

Installations for the Belarusian Mineral Wax Factory - 3D model

# PROCHEM S.A. Capital Group

While offering comprehensive services to its Clients, PROCHEM S.A. strives to expand the scope of its operations to include more technically complicated areas, requiring more significant efforts at the organisational level. To this end, less than 20 years ago, the Company began to form a holding company made up of companies representing all the specialties needed for the execution of turnkey investment projects. Ensuring uniform quality standards was one of the key principles of this undertaking.



In 2015, there were no significant changes in the Capital Group's structure having an impact on its market position. The only change that occurred in that period was the sale by PROCHEM Inwestycje Sp. z o.o. – a subsidiary of PROCHEM S.A. – of all shares held in PROCHEM Serwis Sp. z o.o. In 2015, the average headcount in all companies of the PROCHEM S.A. holding was 459 persons.

## SCOPE OF SERVICES PROVIDED BY COMPANIES BELONGING TO THE CAPITAL GROUP

Currently, the Capital Group, whose structure consists of 14 companies, comprises businesses executing development projects and representing all the specialties needed for the execution of turnkey investment projects:

- engineering services and installations contracting,
- developer's services,
- other services (e.g. IT).

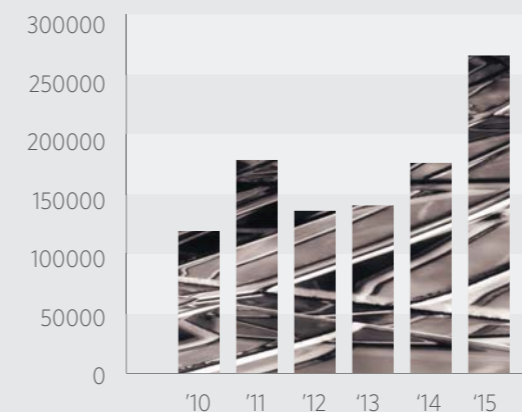
## STRUCTURE OF COMPANIES WITHIN THE CAPITAL GROUP

By utilising the potential of the companies belonging to the same capital structure and working with our trusted contractors, we can undertake large and complex investment projects.

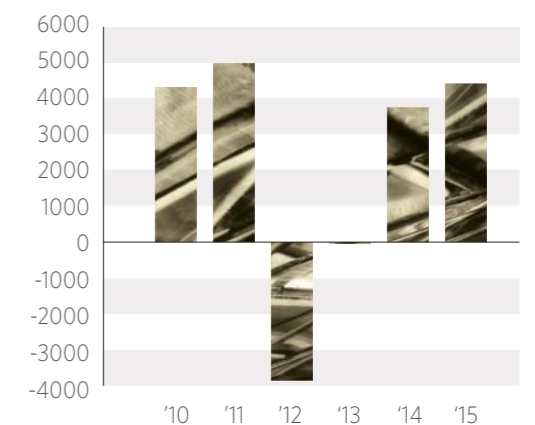
The holding structure consistent with thematic groups of services provided by these companies and a brief descriptions of the companies belonging to the PROCHEM S.A. Capital Group are as follows:

- **ELEKTROMONTAŻ KRAKÓW S.A.** - assembly of electrical installations,
- **Przedsiębiorstwo Konsultingowo-Inżynieryjne 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,
- **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,
- **ATUTOR I.C. Sp. z o.o.** – information systems management,

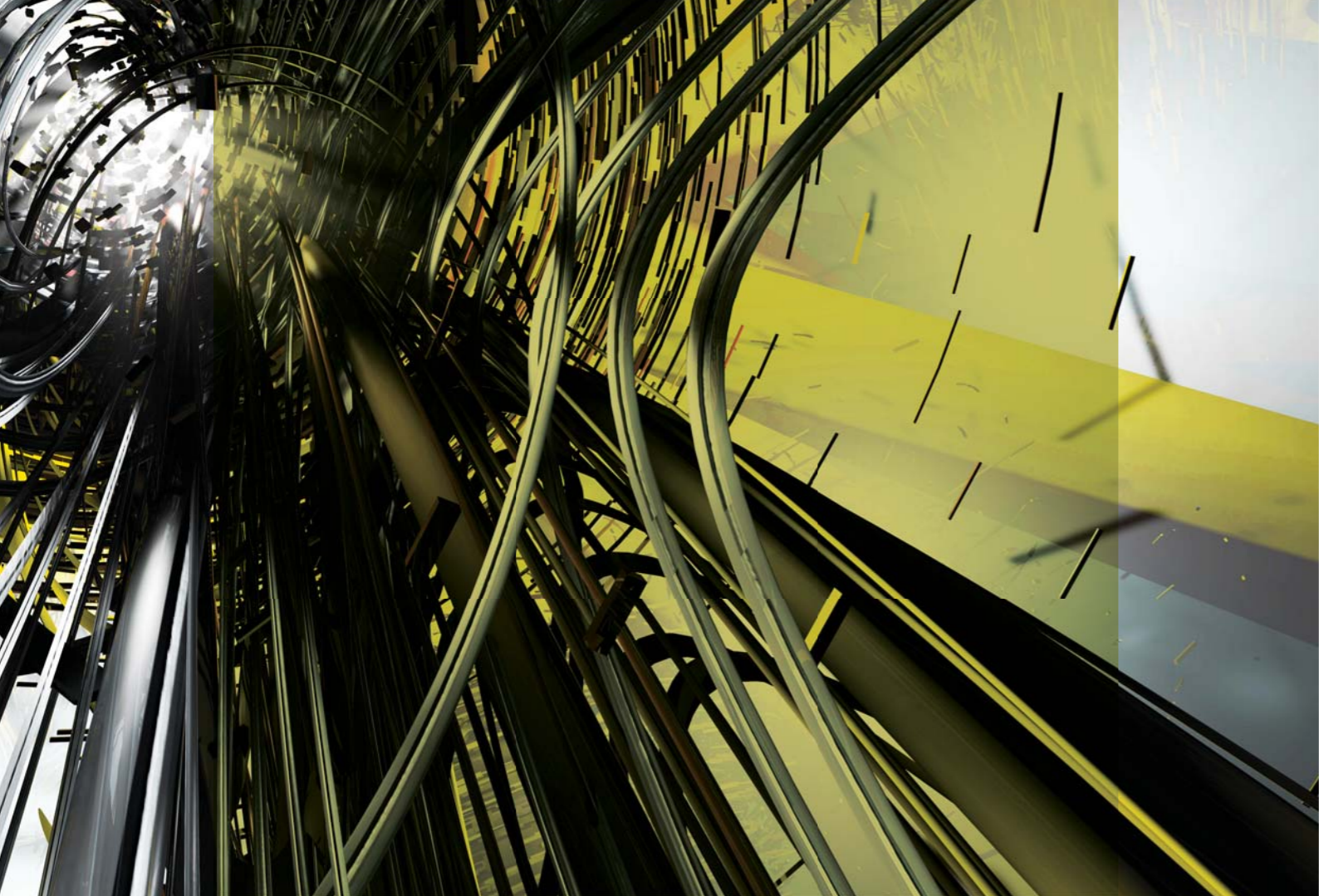
- **ITEL Sp. z o.o.** – design and implementation of relay stations and radio installations for telecommunication purpose,
- **ELMONT-POMIARY Sp. z o.o.** – assembly of electrical installations, start-up operations, performance of measurement works.



Revenues from sales of PROCHEM S.A. Capital Group in the years 2010-2015 (in PLN thousands)



Net profit of PROCHEM S.A. Capital Group assigned to shareholders of parent entity in the years 2010-2015 (in PLN thousands)

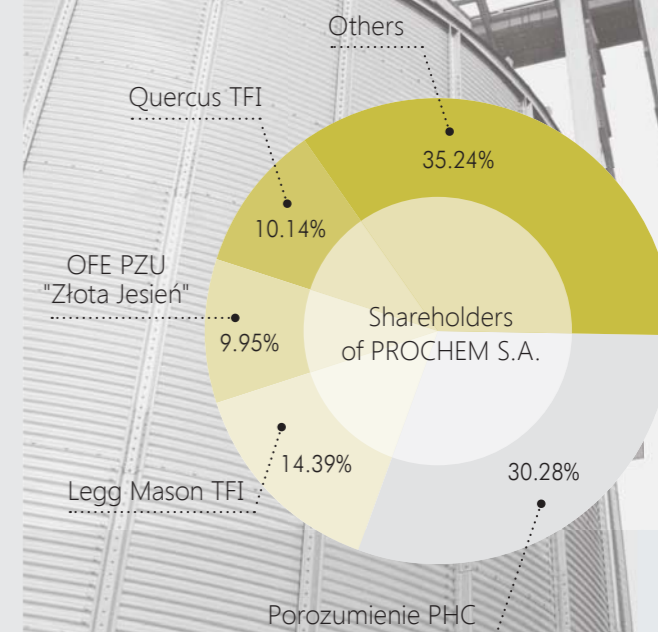


Initially, the share capital of PROCHEM S.A. amounted to PLN 5,000,000. In subsequent years, as a result of buy-back programs, as well as the redemption of own shares, the Company's share capital currently amounts to PLN 3,895,000. This represents 3,896,160 votes at the General Meeting of Shareholders and is divided into 3,895,000 shares with the nominal value of PLN 1 each.

#### SHAREHOLDERS

As at 1 April 2016, 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** – 284,054 shares, which represents 7.29% of the capital),
- Funds managed by Quercus Towarzystwo Funduszy Inwestycyjnych S.A. – 394,963 shares, which represents 10.14% of the capital (of which: **Quercus Parasolowy SFIO** – 194,944 shares, which represents 5.00% of the capital),
- OFE PZU S.A. "Złota Jesień" – 387,521 shares, which represents 9.95% of the capital.



## PROCHEM S.A. shares on the Warsaw Stock Exchange

*After the process of privatisation of a state-owned enterprise began in 1991, in June 1994 the initial public offering of PROCHEM as a joint stock company on the Warsaw Stock Exchange was held.*

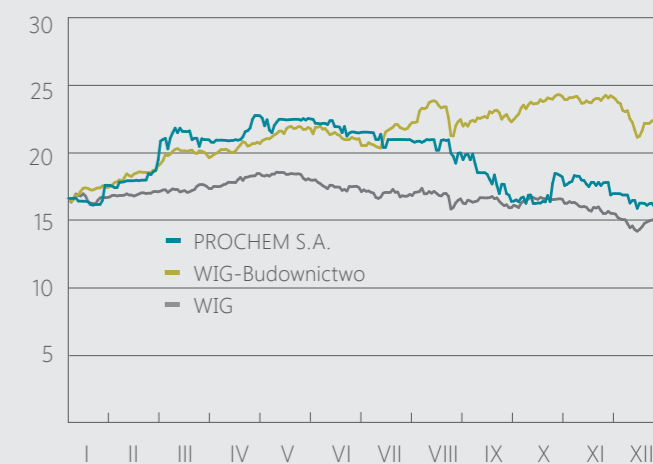
*PROCHEM was the first engineering company and the 25th, in which shares were publicly traded.*

*The subsequent 20 years saw many changes in the shareholding structure and share capital, as well as many ups and downs in the price of PROCHEM's stocks. However, the position and opinion about PROCHEM as a credible and reliable business partner on the engineering market remained unchanged.*

#### PROCHEM S.A. STOCK QUOTES

2015, like the previous year, was not favourable for most companies listed on the Warsaw Stock Exchange. The index of the biggest WIG 20 companies dropped almost by 20%, and the main WIG index decreased by almost 10% in value over that time. The WIG Construction sector index clearly stood out against this negative background, with its good results over the year, and approx. 36% of profit. The trends related to the favourable economic situation in the construction industry also had an impact on the state of PROCHEM S.A. shares. Within 12 months, the price of PROCHEM's shares rose by 3 percent.

According to analysts, this dynamic upward trend of the WIG Construction sector index is not finished yet. The forecast for 2016, representing positive opportunities and prospects for companies within the construction industry, are cause for hope that the potential of the shares of PROCHEM S.A. will contribute to greater increases over the coming months.



The change in the PROCHEM S.A. share price and WIG-Construction Industry index and WIG in 2015. The chart is based on the assumption that PROCHEM, WIG-Construction Index and WIG had the same value on 2nd January 2015.

# 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, ul. Powązkowska 44C ("the Company"), which comprise the separate statement of financial position as at 31 December 2015, the separate statement of profit and loss, the separate statement of comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

### *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 and International Standards on Auditing as adopted by the National Council of Certified Auditors as the National Standards on Assurance. 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 2015 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 38 to the attached separate financial statements. The PROCHEM S.A. recognised receivables with respect to guarantee deposits from PERN S.A. with a carrying value of PLN 17,364 thousand that are subject to court dispute with respect to the settlement of the "Pipeline ST-1 Adamowo - Raw Material Base - Plebanka" construction contract. The ultimate outcome of the dispute cannot presently be determined.

### *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 PROCHEM S.A.'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  
ul. Inflancka 4A, 00-189 Warsaw

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

# PROCHEM S.A. financial statements

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	2015 current year in PLN thousands	2014 preceding year in PLN thousands
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	1 542	1 977
Intangible assets	414	151
Shares in subsidiaries	10 162	10 162
Shares in jointly controlled and associated entities	4 810	5 210
Deferred tax assets	1 834	1 073
Other financial assets	36 326	32 036
<b>Total non-current assets</b>	<b>55 088</b>	<b>50 609</b>
<b>Current Assets</b>		
Inventories	5 247	2 487
Trade and other receivables	68 856	59 810
Other financial assets	3 569	19 382
Other assets	7 671	4 433
Cash and cash equivalents	16 769	2 962
<b>Total current assets</b>	<b>102 112</b>	<b>89 074</b>
<b>TOTAL ASSETS</b>	<b>157 200</b>	<b>139 683</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	3 895	3 895
Revaluation reserve	859	1 261
Retained earnings	78 521	73 671
<b>Total equity</b>	<b>83 275</b>	<b>78 827</b>
<b>Non-current liabilities</b>		
Provisions for retirement and similar benefits	715	711
Deferred income	-	1 827
Other non-current liabilities	14	20
<b>Total non-current liabilities</b>	<b>729</b>	<b>2 558</b>

PROCHEM S.A.  
Financial statements prepared in accordance with International Accounting Standards  
as at and for the period ending on 31 December 2015.

2015  
current year  
in PLN thousands

2014  
preceding year  
in PLN thousands

## Current liabilities

Current bank loans	9 024	9 448
Current borrowings	950	957
Trade payables	47 154	25 416
Liabilities for current income tax	1 361	367
Other liabilities	3 670	4 100
Deferred income	11 037	18 010
<b>Total current liabilities</b>	<b>73 196</b>	<b>58 298</b>
<b>Total liabilities</b>	<b>73 925</b>	<b>60 856</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>157 200</b>	<b>139 683</b>
Weighted average number of ordinary shares (units)	3 895 000	3 895 000
Book value per share (in PLN)	21.38	20.24

## STATEMENT OF PROFIT AND LOSS

For the period from 1 January 2015 to 31 December 2015

	2015 current year in PLN thousands	2014 preceding year in PLN thousands
<b>Revenues from sales, including:</b>	<b>220 954</b>	<b>128 334</b>
Revenues from sale of services	217 631	128 322
Revenues from sale of goods and materials	3 323	12
<b>Cost of sales, including:</b>	<b>-202 796</b>	<b>-111 045</b>
Cost of services sold	-199 537	-111 034
Cost of merchandise and raw materials	-3 259	-11
<b>Gross profit on sales:</b>	<b>18 158</b>	<b>17 289</b>
General and administrative expenses	-9 274	-9 463
Other operating income	1 478	1 100
Other operating expenses	-1 210	-1 435
<b>Results from operating activities</b>	<b>9 152</b>	<b>7 491</b>
Financial income	2 121	1 060
Finance expenses	-2 927	-2 218
<b>Profit before tax</b>	<b>8 346</b>	<b>6 333</b>
Income tax expense:	2 133	1 324
– current tax	2 800	1 760
– deferred tax	-667	-436
<b>Profit for the period</b>	<b>6 213</b>	<b>5 009</b>
Weighted average number of ordinary shares (units)	3 895 000	3 895 000
Profit per share (in PLN)	1.60	1.29

**STATEMENT OF COMPREHENSIVE INCOME**

For the period from 1 January 2015 to 31 December 2015

	2015 current year in PLN thousands	2014 preceding year in PLN thousands
Profit for the period	6 213	5 009
Other comprehensive income, net	-402	311
Other comprehensive income that will be reclassified to profit and loss under certain conditions	-385	452
Revaluation of property, plant and equipment	-	275
Exchange differences from the conversion of the entity that operates abroad	-473	229
Income tax on other comprehensive income	88	-52
Other comprehensive income that will not be reclassified to profit and loss	-17	-141
Actuarial losses on valuation of provisions for employee benefits	-21	-174
Income tax on other comprehensive income	4	33
<b>Total comprehensive income</b>	<b>5 811</b>	<b>5 320</b>
Weighted average number of ordinary shares (units)	3 895 000	3 895 000
Total comprehensive income per ordinary share (in PLN)	1.49	1.37

**STATEMENT OF CASH FLOWS**

For the period from 1 January 2015 to 31 December 2015

	2015 current year in PLN thousands	2014 preceding year in PLN thousands
<b>Cash flows – operating activities</b>		
Profit before tax	8 346	6 333
Total adjustments :	2 138	-8 554
Amortization and depreciation	1 015	826
Interest and profit sharing (dividends)	-1 305	-507
Profit on disposal of property, plant and equipment	-14	-86
Change in provisions	94	375
Change in inventories	-2 760	639
Change in receivables	-12 185	-14 316
Change in current liabilities, except for loans and borrowings	21 171	8 625
Other adjustments	-3 878	-4 110
<b>Cash provided by (used in) operating activities</b>	<b>10 484</b>	<b>-2 221</b>
Income tax paid	-2 333	-1 956
<b>Net cash provided by (used in) operating activities</b>	<b>8 151</b>	<b>-4 177</b>

**Cash flows – investing activities**

	2015 current year in PLN thousands	2015 preceding year in PLN thousands
<b>Inflows</b>	<b>8 884</b>	<b>406</b>
Disposal of intangible assets and property, plant and equipment	17	303
Inflows from financial assets in related entities including:	8 867	103
– dividend received	1 003	53
– repayment of loans granted	6 558	50
– repayment of interest on loans granted	1 306	-
<b>Outflows</b>	<b>-991</b>	<b>-7 116</b>
Acquisition of intangible assets and property, plant and equipment	-871	-815
For financial assets in related entities, including:	-120	-6 301
– acquisition of financial assets	-	-101
– loans granted	-120	-6 200
<b>Net cash provided by (used in) investing activities</b>	<b>7 893</b>	<b>-6 710</b>

**Cash flows – financing activities**

	2015 current year in PLN thousands	2015 preceding year in PLN thousands
<b>Inflows</b>	<b>9 018</b>	<b>10 440</b>
Proceeds from credits received	9 000	9 448
Proceeds from borrowings received	-	950
Other financial proceeds	18	42
<b>Outflows</b>	<b>-11 255</b>	<b>-316</b>
Dividend paid	-1 363	-
Repayments of bank loans	-9 423	-
Interest	-469	-316
<b>Net cash provided by (used in) financing activities</b>	<b>-2 237</b>	<b>10 124</b>
Total cash flow, net	13 807	-763
Net increase/(decrease) in cash and cash equivalents	13 807	-763
<b>Cash and cash equivalents at the beginning of the period</b>	<b>2 962</b>	<b>3 725</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>16 769</b>	<b>2 962</b>

# PROCHEM S.A. Capital Group financial statements

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

2015  
current year  
in PLN thousands

2014  
preceding year  
in PLN thousands

### ASSETS

#### Non-current assets

Property, plant and equipment	23 814	25 238
Intangible assets	508	190
Investment properties	11 960	32 960
Shares and stocks	830	830
Shares valued using equity method	24 000	25 136
Deferred tax assets	2 716	1 998
Other financial assets	17 955	13 609
<b>Total non-current assets</b>	<b>81 783</b>	<b>99 961</b>

#### Current Assets

Inventories	7 071	4 483
Trade and other receivables	83 991	66 534
Other financial assets	2 799	11 209
Other assets	15 197	13 544
Cash and cash equivalents	23 595	6 606
<b>Total current assets</b>	<b>132 653</b>	<b>102 376</b>
<b>TOTAL ASSETS</b>	<b>214 436</b>	<b>202 337</b>

### EQUITY AND LIABILITIES

#### Equity

Share capital	3 895	3 895
Revaluation reserve	11 584	11 973
Retained earnings	100 878	97 568
<b>Parent entity's equity</b>	<b>116 357</b>	<b>113 436</b>
<b>Minority interest</b>	<b>8 738</b>	<b>9 243</b>
<b>Total equity</b>	<b>125 095</b>	<b>122 679</b>

#### Non-current liabilities

Provision for deferred income tax	2 883	2 656
Provisions for retirement and similar benefits	1 854	1 985
Deferred income	-	1 867
Other non-current liabilities	416	376
<b>Total non-current liabilities</b>	<b>5 153</b>	<b>6 884</b>

### Current liabilities

Current bank loans	11 772	14 050
Current borrowings	-	60
Trade payables	51 451	31 229
Liabilities under current income tax	1 447	407
Other liabilities	8 142	7 809
Deferred income	11 376	19 219
<b>Total current liabilities</b>	<b>84 188</b>	<b>72 774</b>
<b>Total liabilities</b>	<b>89 341</b>	<b>79 658</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>214 436</b>	<b>202 337</b>

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 2015.

**CONSOLIDATED STATEMENT  
OF PROFIT AND LOSS**

For the period from 1 January 2015 to 31 December 2015

2015  
current year  
in PLN thousands

2014  
preceding year  
in PLN thousands

	2015 current year in PLN thousands	2014 preceding year in PLN thousands
<b>Revenues from sales, including:</b>	<b>266 443</b>	<b>176 048</b>
Revenues from sale of services	257 799	166 370
Revenue from sale of goods and materials	8 644	9 678
<b>Cost of sales, including:</b>	<b>-241 214</b>	<b>-153 158</b>
Cost of services sold	-233 573	-144 309
Cost of merchandise and raw materials	-7 641	-8 849
<b>Gross profit on sales</b>	<b>25 229</b>	<b>22 890</b>
General and administrative expenses	-15 574	-16 209
Other operating income	1 533	1 496
Other operating expenses	-1 636	-2 305
<b>Results from operating activities</b>	<b>9 552</b>	<b>5 872</b>
Financial income	961	582
Profit (loss) on disposal of shares in subsidiaries	190	-
Finance expenses	-2 860	-2 657
Profit sharing in entities valued using equity method	-1 136	1 166
<b>Profit/loss before tax</b>	<b>6 707</b>	<b>4 963</b>
Income tax expense:	2 533	1 685
– current tax	2 954	1 879
– deferred tax	-401	-194
<b>Profit for the period</b>	<b>4 154</b>	<b>3 278</b>
Profit for the period assigned to:		
Shareholders of parent entities	4 432	3 751
Non controlling interest	-278	-473
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)	1.14	0.96

**CONSOLIDATED STATEMENT  
OF COMPREHENSIVE INCOME**

For the period from 1 January 2015 to 31 December 2015

2015  
current year  
in PLN thousands

2014  
preceding year  
in PLN thousands

	2015 current year in PLN thousands	2014 preceding year in PLN thousands
<b>Profit for the period</b>	<b>4 154</b>	<b>3 278</b>
<b>Other comprehensive income, net</b>	<b>-411</b>	<b>603</b>
<b>Other comprehensive income that will be reclassified to profit and loss under certain conditions:</b>	<b>-376</b>	<b>744</b>
Revaluation of property, plant and equipment	9	623
Deferred tax on revaluation of property, plant and equipment	-	-108
Exchange differences from the conversion of the entity that operates abroad	-385	229
<b>Other comprehensive income, that will not be reclassified to profit and loss:</b>	<b>-35</b>	<b>-141</b>
Actuarial losses on valuation of provisions for employee benefits	-39	-174
Income tax on other comprehensive income	4	33
<b>Total comprehensive income</b>	<b>3 743</b>	<b>3 881</b>
Total comprehensive income attributable to:		
Shareholders of parent entity	4 023	4 292
Minority interest	-280	-411
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)	1.03	1.10



process plants

manufacturing

oil & gas

power industry

buildings

environmental protection

