

**CONSOLIDATED QUARTERLY REPORT
OF THE CAPITAL GROUP OF PROCHEM S.A.
FOR 1ST QUARTER OF 2011**

Containing:

- Chosen financial data
- Interim shortened consolidated financial statement as at the day and for the period of three months ending on 31 March 2011
- Interim shortened consolidated financial statement as at the day and for the period of three months ending on 31 March 2011
- Notes on assumed accounting principles (policy) and other explanatory remarks to interim shortened consolidated financial statement of company Prochem S.A. and Capital Group of Prochem S.A.

www.prochem.com.pl

**PROCHEM S.A.
44C Powązkowska Str.
01-797 Warsaw**

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I. Chosen financial data

Revenue from sales and profits expressed in PLN and cash flow statement were converted into Euro according to the rate set as the arithmetic mean of average prices announced by the Chairman of the National Bank of Poland for the last day of the each month and are amounting to:

- For the first quarter of 2010 - 3.9669 PLN/EURO
- For the first quarter of 2011 - 3.9743 PLN/EURO

Balance-sheet data was converted according to the average price announced by the Chairman of the National Bank of Poland as at the day of drawing up financial statement which as at the balance-sheet day amounted to:

- 3.8622 PLN/EURO as at 31 March 2010
- 4.0119 PLN/EURO as at 31 March 2011

Chosen Financial Data Concerning Capital Group of Prochem SA

	Accrued in the first quarter from 1st January to 31 March		Accrued in the first quarter from 1st January to 31 March	
	2011	2010	2011	2010
	In PLN thousand		In EURO thousand	
Przychody ze sprzedaży	24 333	22 726	6 123	5 729
Gross revenue from sales	2 690	3 905	677	984
Profit (loss) from operating activities	-1 041	194	-262	49
Before tax profit	764	404	192	102
Net profit	598	111	150	28
Assigned to				
Shareholders of parent entity	637	162	160	41
Minority shareholders	-39	-51	-10	-13
Net cash from operating activities	-6 382	-2 028	-1 606	-511
Net cash flow from investment activity	5 555	2 623	1 398	661
Net cash flow from financial activity	306	1 686	77	425
Total net cash flow	-521	2 281	-131	575
Total assets	170 405	180 536	42 475	46 744
Total long lived assets	74 238	97 410	18 504	25 221
Total current assets	96 167	83 126	23 970	21 523
Equity assigned to shareholders of parent entity	103 700	99 856	25 848	25 855
Equity assigned to minority shareholders	18 042	16 166	4 497	4 186
Total equity	121 742	116 022	30 345	30 040
Total long-term liabilities	5 057	8 181	1 261	2 118
Total short-term liabilities	43 606	56 333	10 869	14 586
Weighted average number of shares (units)	3 895 000	3 895 000	3 895 000	3 895 000
Book value per one ordinary share of parent entity (in PLN/EURO)	26.62	25.64	6.64	6.64
Profit per one ordinary share of parent entity (in PLN/EURO)	0.16	0.04	0.04	0.01

Chosen Financial Data Concerning Prochem SA

	Accrued in the first quarter from 1st January to 31 March		Accrued in the first quarter from 1st January to 31 March	
	2011	2010	2011	2010
	In PLN thousand		In EURO thousand	
Revenue on sales	10 656	9 018	2 681	2 273
Gross profit from sales	551	2 265	139	571
Profit (loss)from operating activities	-987	451	-248	114
Gross profit	1 035	824	260	208
Net profit	908	646	228	163
Net cash from operating activities	-5 799	-3 387	-1 459	-854
Net cash flow from investment activity	6 116	2 745	1 539	692
Net cash flow from financial activity	47	1 777	12	448
Total net cash flow	364	1 135	92	286
Total assets	98 967	108 505	24 668	28 094
Total long lived assets	34 139	34 510	8 509	8 935
Total current assets	64 828	73 995	16 159	19 159
Total equity	64 537	62 908	16 086	16 288
Total long-term liabilities	330	307	82	79
Total short-term liabilities	34 100	45 290	8 500	11 726
Weighted average number of ordinary shares (units)	3 895 000	3 895 000	3 895 000	3 895 000
Book value per one ordinary share (in PLN/EURO)	16.57	16.15	4.13	4.18
Net profit (loss)per one ordinary share (in PLN/EURO)	0.23	0.17	0.06	0.04

II. Interim Shortened Consolidated Financial Statement of Capital Group of PROCHEM S.A. prepared as at the day and for the period ending on 31 March 2011

Consolidated Statement of Financial Position as at 31 March 2011

(all amounts in PLN thousand if not marked otherwise)

	As at 31 March 2011	As at 31 Dec. 2010	As at 31 March 2010 (restated data)
Assets			
Fixed assets			
Tangible assets	28 399	32 779	36 157
Intangible assets	157	270	396
Real estate investments	43 293	63 377	56 708
Shares (stocks) in subsidiaries	1 518	1 518	2 873
Shares (stocks) in entities consolidated with equity method	718	765	624
Assets on account of deferred income tax	153	3 042	652
Total fixed assets	74 238	101 751	97 410
Current assets			
Inventory	5 296	6 261	7 052
Trade receivables and other receivables	52 381	60 779	52 711
Other financial assets	198	597	639
Other assets	12 666	11 518	14 401
Available-for-sale assets	21 036	-	-
Cash and cash equivalents	4 590	6 100	8 323
Total current assets	96 167	85 255	83 126
Total assets	170 405	187 006	180 536
Equity and liabilities			
Equity			
Share capital	3 895	3 895	3 900
Shares of parent entity (negative value)			-5
Retained earnings	99 805	101 016	95 961
Equity assigned to shareholders of parent entity	103 700	104 911	99 856
Minority shareholders	18 042	18 736	16 166
Total equity	121 742	123 647	116 022
Long-term liabilities			
Long-term bank credits	-	234	1 033
Provision to deferred income tax	2 356	5 891	3 729
Retirement liabilities	2 293	1 643	2 906
Other reserves	64	208	99
Other long-term liabilities	344	396	414
Total long-term liabilities	5 057	8 372	8 181
Short-term liabilities			
Short-term bank credits	2 122	2 028	6 831
Short-term loans	27	29	786
Trade payables	35 531	44 939	41 372
Liabilities on account of current income tax	16	180	8
Other liabilities	5 471	7 666	7 137
Deferred income	439	145	199
Total short-term liabilities	43 606	54 987	56 333
Total liabilities	48 663	63 359	64 514
Total equity and liabilities	170 405	187 006	180 536

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	As at 31 March 2011	As at 31 Dec. 2010	As at 31 March 2010 (restated data)
Book value- parent entity's equity	103 700	104 911	99 856
The number of shares (units)	3 895 000	3 895 000	3 895 000
Book value per one share (in PLN)	26.62	26.93	25.64

**Consolidated Statement5 of Comprehensive Income for the period
from 1 January 2011 to 31 March 2011**

(all amounts in PLN thousand if not marked otherwise)

	Ist quarter of 2011 from 1 Jan. 2011 to 31 March 2011	Ist quarter of 2010 from 1 Jan. 2010 to 31 March 2010
Revenue on sales including:	24 333	22 726
Revenue on sales of services	22 523	21 559
Revenue on sales of goods and materials	1 810	1 167
Cost of sales, including :	21 643	18 821
Cost of production of services sold	20 053	17 697
Cost of goods and materials sold	1 590	1 124
Gross profit from sale	2 690	3 905
General and administrative costs	3 888	3 776
Other operating income	224	192
Other operating costs	67	127
Profit (loss) on operating activity	-1 041	194
Financial income	191	277
Profit from sale of shares of subsidiaries	2 144	-
Finance costs	482	21
Share in profit (loss) of affiliated entities	-48	-46
Profit (loss) before tax	764	404
Income tax :	166	293
- current income tax	15	56
- deferred income tax	151	237
Net profit	598	111
Assigned to :		
Shareholders of parent entity	637	162
Minority shareholders	-39	-51
Total	598	111
Weighted average number of ordinary shares (units)	3 895 000	3 895 000
Profit assigned to shareholders of parent entity (in PLN)	0.16	0.04
Other comprehensive income (net value)	-	-
Total comprehensive income	598	111
Weighted average value of ordinary shares (units)	3 895 000	3 895 000
Profit (loss) per one ordinary share (in PLN per one share) – assigned to shareholders of parent entity	0.16	0.04
Comprehensive income per one ordinary share (in PLN) – assigned to shareholders of parent entity	0.16	0.06

Consolidated Statement of Changes in Owners' Equity

(all amounts in PLN thousand if not marked otherwise)

	Share capital	Shares of parent entity	Retained earnings	Equity assigned to shareholders of parent entity	Equity assigned to minority shareholders	Total equity
The reporting period from 1 January 2011 to 31 March 2011						
As at the beginning of period	3 895	-	101 746	104 911	18 736	123 647
Net profit (loss) in given period	-	-	637	637	-39	598
Total comprehensive income	-	-	637	637	-39	598
Other movements – sale of shares of subsidiaries	-	-	-1 848	-1 848	-655	-2 503
As at the end of period	3 895	-	100 535	103 700	18 042	121 742
The reporting period from 1 January 2010 to 31 December 2010						
As at the beginning of period	3 900	-5	95 552	98 717	17 405	116 122
Payment of dividend	-	-	-	-	-10	-10
Net profit in given period	-	-	4 319	4 319	626	4 945
Other movements	-	-	78	78	-	78
Other comprehensive income	-	-	2 078	2 078	705	2 783
Total comprehensive income	-	-	6 475	6 475	1 331	7 806
Other movements	-5	5	-281	-281	-	-281
As at the end of period	3 895	0	101 746	104 911	18 736	123 647
The reporting period from 1 January 2010 to 31 March 2010						
As at the beginning of period	3 900	-5	94 822	98 717	17 405	116 122
Appropriation of profit (loss) brought forward	-	-	-	-	-24	-24
Adjustment of appropriation of profit (loss) brought forward as at the day of taking shares	-	-	-181	-181	-	-181
Net profit (loss) in the given period	-	-	162	162	-51	111
Other comprehensive income	-	-	1 158	1 158	-1 164	-6
Total comprehensive income	-	-	1 139	1 139	-1 239	-100
As at the end of period	3 900	-5	95 961	99 856	16 166	116 022

**Consolidated Statement of Cash Flow for the period from 1 January 2011 to 31 March 2011
(indirect method)**

(all amounts in PLN thousand if not marked otherwise)

	I Q 2011 from 1 Jan.2011 to 31 March 2011	I Q 2010 from 1 Jan.2010 to 31March 2010
Cash flows from operating activities		
Gross profit	764	404
Adjustments:	-7 149	-2 412
Share in net profit (loss) of affiliated entities	39	51
Amortization and depreciation	796	1 081
Interests and profit sharing (dividends)	-72	-54
(Profit) loss on account of investment activities	-2 127	-
(Profit) loss from sales of tangible assets	-141	-27
Movements in provisions	-42	-173
Change in inventory	-93	-486
Movements in receivables	3 962	5 444
Movements in current liabilities with the exception of loans and credits	-9 485	-8 277
Other adjustments	14	29
Operating cash	-6 385	-2 008
Income tax paid	3	-20
Net cash provided by operating activities	-6 382	-2 028
Investment cash flows		
Inflows	6 139	3 075
Sales of intangible assets and tangible assets	287	49
From financial assets in affiliates including:	5 852	2 826
- sale of financial assets	5 450	-
- repayment of loans	392	2 790
- repayment of interest	10	36
Other investment inflows	-	200
Outflows	584	452
Purchase of intangible assets and tangible assets	88	81
Investments in real estates and intangible assets	-	58
For purchase of financial assets in affiliated entities	55	303
Other investment expenditures	441	10
Net cash flow from investment activity	5 555	2 623
Financial cash flow		
Inflows	721	3 307
Credits and loans	721	3 307
Outflows	415	1 621
Repayment of credits and loans	208	1 107
Payment from the title of finance lease	122	396
Interest	85	109
Other financial outflows	-	9
Net cash from financial activity	306	1 686
Total net cash flow	-521	2 281
Increase (decrease) of net cash and cash equivalents	-521	2 281
Cash and cash equivalents at the beginning of period	5 111	6 042
Cash and cash equivalents at the end of period	4 590	8 323

III. Interim Shortened Individual Financial Statement of PROCHEM S.A.

Individual Statement of Financial Position as at 31 March 2011

(data in PLN thousand, if not marked otherwise)

	As at 31 March 2011	As at 31 Dec. 2010	As at 31 March 2010 (restated data)
Assets			
Fixed assets			
Tangible assets	3 026	3 603	4 449
Intangible assets	73	111	320
Shares and stocks in subsidiaries	10 626	10 605	10 430
Shares and stocks in associates	708	708	708
Assets on account of deferred income tax	1 411	1 538	104
Other financial assets	18 295	18 120	18 499
Total fixed assets	34 139	34 685	34 510
Current assets			
Inventory	2 796	2 925	3 279
Trade receivables and other receivables	47 766	51 098	52 172
Other financial assets	563	997	1 802
Other assets	11 266	10 023	12 669
Cash and cash equivalents	2 437	2 074	4 073
Available- for- sale assets	-	3 361	-
Total current assets	64 828	70 478	73 995
Total assets	98 967	105 163	108 505
Equity and liabilities			
Equity			
Share capital	3 895	3 895	3 900
Shares of parent entity (negative value)	-	-	-5
Retained earnings	60 642	59 734	59 013
Total equity	64 537	63 629	62 908
Long-term liabilities			
Retirement liabilities	330	330	278
Other long-term liabilities	-	-	29
Total long-term liabilities	330	330	307
Zobowiązania krótkoterminowe			
Short-term bank credits	446	277	4 802
Trade payables	30 899	37 596	36 251
Other liabilities	2 334	3 211	4 069
Deferred income	421	120	168
Total short-term liabilities	34 100	41 204	45 290
Total liabilities	34 430	41 534	45 597
Total equity and liabilities	98 967	105 163	108 505
Book value	64 537	63 629	62 908
The number of shares (units)	3 895 000	3 895 000	3 895 000
Book value per one share (in PLN)	16.57	16.34	16.15

Individual Statement of Comprehensive Income
For the period from 1 January 2011 to 31 March 2011
 (data in PLN thousand if not marked otherwise)

	I Q From 1 Jan. 2011 to 31 March. 2011	I Q from 1 Jan. 2010 to 31 March .2010
Revenue on sale including:	10 656	9 018
Net revenue on sale of services	10 599	9 017
Revenue on sale of goods and materials	57	1
Cost of sales including:	10 105	6 753
Cost of production of services sold	10 053	6 752
Cost of goods and materials sold	52	1
Gross profit from sales	551	2 265
General and administrative costs	1 689	1 827
Other operating income	158	104
Other operating costs	7	91
Operating profit (loss)	-987	451
Financial revenues	2 448	590
Finance costs	426	217
Profit before tax	1 035	824
Income tax :	127	178
- current		
- deferred	127	178
Net profit	908	646
Other comprehensive income (net value)	-	-
Total comprehensive income	908	646
Weighted average number of ordinary shares (units)	3 895 000	3 895 000
Net profit per one ordinary share (in PLN)	0.23	0.17
Comprehensive income per one ordinary share (in PLN)	0.23	0.17

Individual Statement of Changes in Owners' Equity

(data in PLN thousand if not marked otherwise)

	Share capital	Shares of parent entity	Retained earnings	Total equity
The reporting period from 1 January 2011 to 31 March 2011.				
As at the beginning of period	3 895		59 734	63 629
Net profit in given period			908	908
<i>Net other comprehensive income</i>			0	0
Total comprehensive income			908	908
As at the end of period	3 895	0	60 642	64 537
The reporting period from 1 January 2010 to 31 December 2010				
As at the beginning of period	3 900	-5	58 367	62 262
Net profit in given period			1 265	1 265
<i>Net other comprehensive income</i>			184	184
Total comprehensive income			1 449	1 449
Own shares purchased with the aim of redemption	-5	5	-82	-82
As at the end of period	3 895	0	59 734	63 629
The reporting period from 1 January 2010 to 31 March 2010 (restated data)				
As at the beginning of period	3 900	-5	58 367	62 262
Net profit in given period			646	646
<i>Net other comprehensive income</i>			0	0
Total comprehensive income			646	646
As at the end of period	3 900	-5	59 013	62 908

Individual Statement of Cash Flow for the period from 1 January to 31 March 2011 (indirect method)

(data in PLN thousand if not marked otherwise)

	I Q of 2011 (from 1 Jan.2011 to 31 March 2011)	I Q of 2010 (from 1 Jan. 2010 to 31March. 2010)
Gross profit	1 035	824
Total adjustments	-6 834	-4 211
Amortization and depreciation	412	496
Interest and profit sharing (dividends)	-130	-150
(Profit) loss from investment activity	-2 055	-
(Profit) loss from sale of tangible assets	-128	-28
Movements in provisions	0	-5
Changes in stocks	129	23
Movements in receivables	2 104	780
Movements in short-term liabilities with the exception of loans and credits	-7 463	-5 308
Other adjustments	297	-19
Cash provided by operating activities	-5 799	-3 387
Net cash provided by operating activities	-5 799	-3 387
Investment cash flows		
Inflows	6 179	2 772
Sales of intangible assets and tangible assets	287	22

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	1 Q of 2011 (from 1 Jan. 2011 to 31 March 2011)	1 Q of 2010 (from 1 Jan. 2010 to 31 March.2010)
From financial assets in associated entities including:	5 892	2 750
- sale of financial assets	5 450	-
- repayment of loans	422	2 600
- interest	20	150
Outflows	63	27
Purchase of intangible assets and tangible assets	8	27
Purchase of financial assets in affiliated entities	55	-
Net cash flow from investment activity	6 116	2 745
<hr/>		
Financial cash flows		
Inflows	169	2 182
Credits and loans	169	2 182
Outflows	122	405
Payments from the title of finance lease	70	359
Interest and commission paid	52	46
Net cash flow from financial activity	47	1 777
<hr/>		
Total net cash flow	364	1 135
<hr/>		
Increase/(decrease)of net cash and cash equivalents	364	1 135
Cash as at the beginning of period	2 074	2 939
Cash as at the end of period	2 438	4 074

IV. Notes on assumed accounting principles (policy) and other explanatory remarks to Interim Shortened Consolidated Financial Statement of the Company Prochem S.A. and Capital Group of Prochem S.A.

These Notes contain both individual financial results of PROCHEM S.A. (PROCHEM, Company, Issuer) and consolidated financial data of Capital Group of PROCHEM (Group of Prochem, Group, Capital Group).

1. The establishment of the parent company and the basic scope of its activity

Company PROCHEM S.A. (hereinafter called "Prochem", "Company", "Issuer", "Parent Company") with the registered office in Warsaw at 44c Powązkowska Str. The company is entered into the National Court Register (KRS) by the District Court for the capital city of Warsaw, XII Commercial Division of the National Court Register under KRS number 0000019753. Basic activity according to Polish Business Classification (PKD 2007) determines symbol 7112Z – operations in the scope of engineering services and associated with it technical consulting. According to Warsaw Stock Exchange Classification the company is being ranked among the construction sector. Company Prochem S.A. is a parent entity in the Capital Group and is drawing up separate consolidated financial statement. Company Prochem S.A. was established as a result of transformation of a state enterprise under the name Przedsiębiorstwo Projektowania i Realizacji Inwestycji Przemysłu Chemicznego "Prochem" (The Office of Designing and the Implementation of an Investment Project of the Chemical Industry). Notarial act and statutes were signed on 1 October of 1991. The company's duration is indefinite.

2. Managing bodies of the parent company

As at the date of drawing up this financial statement the Management Board of Prochem S.A. comprises following persons :

- Jarosław Stępniewski – Chairman of the Management Board
- Marek Kiersznicki - Vice Chairman
- Krzysztof Marczak - Management Board Member

As at the date of drawing up this financial statement the Supervisory Board comprises following persons:

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

Since the date of the disclosure of annual report for 2010 any changes in composition of Management Board and Supervisory Board didn't took place.

3. Description of organization of the Capital Group with pointing out to entities being subject to consolidation

Prochem S.A. Capital Group (called "Capital Group", "Group"), apart from data of Dominant Entity (hereinafter called „Issuer”) comprises the following subsidiaries directly and indirectly and associated companies (hereinafter called “entity” or “company”):

Subsidiaries covered by full consolidation:

- Prochem Inwestycje Sp. z o.o. with registered office in Warsaw – subsidiary directly (100.0%);

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- Irydion Sp. z o.o. with registered office in Warsaw – subsidiary directly (100.0%);
- PRO-INHUT Sp. z o.o. with registered office in Dąbrowa Górnicza– subsidiary indirectly (99.0%);
- Pro-Organika Sp. z o.o. with registered office in Warsaw – subsidiary directly (91.4%);
- Prochem Serwis Sp. z o.o. with registered office in Warsaw – subsidiary indirectly (90.0%);
- PREDOM Sp. z o.o. with registered office in Wrocław – subsidiary indirectly (81.1% of capital and profit, 69.4% in votes);
- Prochem Zachód Sp. z o.o. with registered office in Słubice – subsidiary directly (60.0%);
- ELPRO Sp. z o.o. Kraków – subsidiary indirectly (78.4%, including 56.7% of share in 50% share of Elektromontaż Kraków)
- Elmont Inwestycje Sp. z o.o. Kraków – subsidiary indirectly (78.4%, including 56.7% of share in 50% share of Elektromontaż Kraków)
- Elektromontaż Kraków S.A. – subsidiary directly (56.7%) – the company is drawing up consolidated financial statement, which contains data of the subsidiary in 100%:
ELMONT-POMIARY Sp. z o.o. with registered office in Krakow and two associates ELPRO Sp. z o.o. and Elmont Inwestycje Sp. z o.o.
- IRYD Sp. z o.o. with registered office in Warsaw – subsidiary indirectly 100%
- ATUTOR Integracja Cyfrowa Sp. z o.o. with registered office in Warsaw – subsidiary indirectly (97.2% of share holds company Prochem Inwestycje Sp. z o.o. subsidiary in 100%).
- Prochem RPI Sp. z o.o. with registered office in Warsaw – subsidiary directly and indirectly in 100%
- PRO PLM Sp. z o.o. with registered office in Warsaw – subsidiary directly and indirectly in 100% (50% of shares holds company Prochem Inwestycje Sp. z o.o. subsidiary in 100%).

Associated entities covered by consolidation under the equity method:

- PROMIS Sp. z o.o. with registered office in Warsaw – associated indirectly (45% of right of vote and 97.6 % of share in capital belongs to company Prochem Inwestycje Sp. z o.o. subsidiary in 100%),
- ITEL Sp. z o.o. Gdynia – 42.0% of shares (18.7% of right of vote and capitals belongs directly to Prochem S.A. and 23.31% belongs to Prochem RPI Sp. z o.o. subsidiary in 100%) since 23 February 2010 .
- TEOMA S.A. with registered office in Warsaw – associated indirectly (12.9% of shares including Prochem Inwestycje Sp. z o.o. subsidiary in 100% holds 5% of shares).

Subsidiaries covered by consolidation were included in the consolidated financial statement starting from the day of including the control by the parent company, and associates from the day of exerting the significant influence.

As a result of the sale of shares in the first quarter of 2011 the subsidiary ASI Sp. z o.o. was excluded from the consolidation (subsidiary directly in the 90%) and Protrade Sp. z o.o. (subsidiary indirectly in the 72%).

3. Accepted accounting principles applied by capital group and Issuer

The declaration of compliance and the base of the presentation

Interim Shortened Consolidated Financial Statement of Capital Group of PROCHEM S.A. and Individual Interim Shortened Financial Statement for 3 months of 2011 were drawn up according to IAS 34 „Interim Financial Reporting” and Regulation of the Minister of Finance of 19 February 2009 on current and periodical data to be submitted by issuers of securities (Journal of Laws of 2009 No. 33, item 259). The accounting principles adopted at drawing up this interim shortened consolidated financial statement and individual Interim Shortened Financial Statement for three months of 2011 are in conformity with principles applied at drawing up annual financial reports for the financial year *Śródroczne skrócone sprawozdanie finansowe na dzień i za okres trzech miesięcy kończący się 31 marca 2011 roku* 14

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ended on 31 December 2010. This interim shortened financial statements are not containing information and disclosures required for complete financial reports and should be read along with the financial statements for the financial year ended on 31 December of 2010.

This interim shortened consolidated financial statement of Prochem S.A. Capital Group and individual interim shortened financial statement were prepared at assuming continuing economic activity in a foreseeable future and it is stated that circumstances pointing out to the threat to continuing activity by the Issuer's Capital Group and Issuer don't exist.

The duration of activities of individual entities being included in a capital group and company Prochem S.A. isn't limited.

Financial statements of all subordinated entities were drawn up for the same reporting period as the financial statement of the dominant entity, with the application of consistent accounting rules.

Interim shortened consolidated financial statement of the Group and Issuer is being presented in Polish zlotys („złoty” or „PLN”) which is functional and reporting currency.

A financial year of the parent company and companies belonging to the group is a calendar year.

The operational activity of the parent company and companies belonging to the group doesn't have seasonal character and it isn't subject to cyclical trends.

Principles of drawing up consolidated financial statement

The interim shortened financial statement was drawn up based on the principle of the historical cost, with the exception of:

- land, buildings and constructions,
- investment properties (land),
- derivatives of financial instruments,
- investments in subsidiaries, associated or in joint undertakings,.

Changes in accounting estimates and accounting principles (policy)

Drawing up financial statements according to IFRS approved by the EU requires using reliable accounting estimates and assuming, as for future events. Items of the financial statement established based on the estimates are subject to a verification if circumstances being the base of estimates are changing or as a result of obtaining new information, a progressing course of events or acquiring greater experience.

The change of adopted principles in the accounting policy is effected in case :

1. of IFRS changes,
2. when the change of accounting principles will lead to the fact that information included in the financial statement concerning the impact of the transaction, other events and conditions on financial situation, financial result or also flows, will be more useful and credible for recipients of statements.

In case of changes of accounting principles it is assumed, that new accounting principles were always applied, except for the ones which aren't anticipating the retrospective change. Adjustments associated with it are being shown as changes in owner's equity. For ensuring the comparability transformations of financial statements are done for the earlier presented period in such way that the statements also include changes, except for situations, when establishing the influence of the change on individual periods or its total influence is in practice unfeasible.

Transactions in Foreign Currencies

Transactions in foreign currencies at first are included according to the rate of exchange of the National Bank of Poland being in effect on the day of the conclusion of a deal. Balance sheet items of assets and liabilities expressed in foreign currencies are being evaluated according to the average rate

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of the National Bank of Poland as at the balance sheet day. Profit and loss arising from accounting for these transactions and balance sheet valuations of assets and liabilities expressed in foreign currencies are included in Profit and Loss Account except for exchange differences concerning construction-in-progress which are included into costs of these assets and are recognized as adjustments of costs of interest on credit in foreign currencies.

New Standards, Interpretations and Changes of Published IFRS

Standards and Interpretations Approved by EU

Following new standards, changes and interpretations concerning existing standards were applied by Company/Group in 2011:

Amendments to IFRS 1 – limited exemptions concerning disclosures in accordance with IFRS 7 for entities applying IFRS for the first time.

The change is pertinent to exemptions from disclosing information in the comparable period required by changed IFRS 7 for entities applying IFRS for the first time. This exemption concerns the situation, when the first financial statement was prepared for the period beginning earlier than 1 January 2010

The changed standard was published on 1 July 2010. According to the Regulation of the Committee No. 574 / 2010 all entities apply amendments to IFRS 1 and IFRS 7 along with beginning one's first reporting year after 30 June 2010 at the latest. The changed standard isn't concerning the financial statement of the Group.

IAS 24 brought up to date - related party disclosures

The change is introducing exemption concerning disclosures of transaction amounts with affiliated companies, amounts of balances, including contingent liabilities from:

- government which is exercising the control or the co-control over the reporting entity or is exerting significant influence on it,
- other entity being affiliated company, since the same government is exercising the control or the co-control over the reporting entity and this second entity or has significant influence on it.

The standard brought up to date requires effecting peculiar disclosures from entities which are using this exemption. The standard brought up to date is also changing definitions of affiliated companies, in this way, that this definition includes additional subjects like e.g. associated companies with the controlling shareholder and controlled entities or co-controlled by members of the crucial managerial staff.

The standard brought up to date was published on 20 July of 2010. In accordance with the Regulation of the Committee No. 632 /2010 all entities apply standard brought up to date along with beginning one's first reporting year after 31 December 2010. The changed standard will have no effect on the financial statement of the Group.

Amendments to IAS 32 – classification of rights issues

The change demands that rights, options, warrants concerning the specific number of own equity instruments for the stated amount in any currency constitute equity instruments, if the entity offers mentioned above rights, options and warrants pro rata to previous owners of the same class of equity instruments not being derivative securities. The Group didn't issue such equity instruments in the past. Amendments to IAS 32 don't concern the financial statement of the Group.

Amendments to CI IAS 14 (committee of interpretation of international accounting standards) – prepayments of a minimum funding requirement

Changed CI IAS 14 is regarding arithmetic including of advance payments in the event that minimum requirements of financing exist. According to these changes the entity is obliged to include such advance payments as the component of assets therefore, as it is getting future economic benefits resulting from the made advance payment and they are available in the form of reducing future

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contributions in periods, in which payments associated with minimum requirements of financing would be due in case of earlier advance payments.

Amendments to interpretation were published on 20 July 2010. In accordance with the Regulation of the Committee No. 633 /2010 all entities apply standard brought up to date along with beginning one's first reporting year after 31 December 2010. Changes aren't applying to the financial statement of the Group, because the Group isn't holding determined benefits with minimum requirements of financing.

CI IAS 19 – extinguishing financial liabilities with equity instruments

This interpretation is explaining applied accounting rules in the situation when as a result of the renegotiation by the entity of conditions of its debt the obligation is settled in full or in part through issuing of equity instruments directed at the creditor. This interpretation was published on 24 July 2010. In accordance with the Regulation of the Committee No. 662 /2010 all entities apply above standards along with beginning one's first reporting year after 30 June 2010. In the current period the Group didn't issue equity instruments in order to settle financial liabilities. For this reason interpretation won't have a significant effect to comparative data shown in the financial statement for the financial year ending on 31 December 2010. Moreover, since interpretation can only apply to transactions which will be taking place in the future, isn't possible to predetermine the influence of applying interpretation.

Improvements to IFRS arising from the draft of annual amendments which were published on 11 February 2011

11 amendments to 6 standards and 1 interpretation are mainly for terminating the incompatibility and making records more precise, clarifying the required recognition in situations, when previously the freedom was. Changes were implemented with Regulation of the Committee No. 149 / 2011. The amendments will have no significant effect on the financial statement of the Group.

Standards and interpretations waiting for approval by EU

Amendments to IFRS 1 – the hyperinflation and removing permanent dates for applying IFRS for the first time.

The change is adding the dismissal which can be applied as at the day of the transition to IFRS by entity operating in conditions of the hyperinflation. Effective date is 1 July 2011.

It is not expected that the above change has a significant effect on the financial statement of the Group.

Amendments to IFRS 7 disclosures – transfer of financial assets

Disclosures may help recipients of the financial statement to evaluate the risks associated with transfer/moving of financial assets and the influence of these risks on financial position of the entity. Effective date for periods starting is on 1 July 2011 and later. It is expected that in the moment of the IFRS 7 application a number of disclosures in the financial statement will rise.

IFRS 9 – financial instruments - is being applicable for annual periods starting 1 January 2013 or later. IAS 39 and IAS 9 are supposed to be replaced with IFRS 9 This standard is implementing the improved and simplified attempt to classification and evaluations of financial assets in the comparison with IAS 39 requirements. The Group doesn't expect, that IFRS 9 (2010) will have a significant effect on the financial statement. It is expected that on account of the specificity of operations of entities belonging to the Group, the kind of kept financial assets, principles of classification and evaluations of financial liabilities will not change.

Amendments to IFRS 12- deferred income tax

The change from 2010 is implementing the exception to current principles of valuation of deferred income tax. The exception is concerning the deferred income tax on real estate investments valued in compliance with IAS 40 by introducing the assumption that a sale will be exclusively the method of realisation of book value of these assets. Intentions of the Management Board won't be important,

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unless the real estate investment is subject to a depreciation and is being held in frames of the business model, aiming at consuming all economic benefits from given assets for the period of its service life. It is only case, when this assumption can be rejected. The change will be in force for periods starting from 1 January 2012 and later. Above will have an insignificant impact on financial statements of the Group.

Principles of Consolidation

1. At drawing up consolidated financial statement of Prochem Capital Group the following procedures were applied:
 - data of subsidiaries were included in financial statement with the full method, consisting in linking financial statements of the dominant entity and of subsidiaries by adding up individual items of assets, liabilities, the equity capital, the income and costs.
 - shares in associated companies were evaluated in the consolidated financial statement with the equity method, and in the moment of the initial recognition are being included at the purchase price. The purchase price includes costs of transaction.
2. Entities controlled by the dominant entity are subsidiaries. Financial statements of subsidiaries are included in the consolidated financial statement starting from the day of obtaining control above them to the moment of its expiration.
3. Accounting rules applied by subsidiaries were standardized with principles assumed by the Group.
4. The goodwill of subsidiaries is a surplus of the purchase price of components of financial assets taken up by the dominant entity above the net market value of assets of the subsidiary, proportionally to the acquired share in the equity of this entity. The negative goodwill of subsidiary is a surplus of the net market value of assets of the subsidiary above the purchase price of components of financial assets borne by the dominant entity, proportionally to the acquired participation in the equity of this entity. As at the day of purchasing the subsidiary and associated (of including the control), assets, liabilities and contingent liabilities of the subsidiary are measured at fair value.
5. In the moment of loss of the control (e.g. sale), the Group is ceasing including assets and obligations of the subsidiary, not-controlling shares and the remaining components of capital associated with the subsidiary. The possible surplus or the deficiency incurred as a result of loss of the control are being included in the profit or the loss of the current period. If the Group is seizing any shares in the previous subsidiary, they are losses evaluated in the goodwill as at the day of loss of the control.
6. Shares of not-controlling shareholders are being shown according to assigned value even if it results in the coming into existence of the negative balance of not-controlling shares.
7. PROCHEM S.A. Group treats transactions with not-controlling shareholders the same as transactions with outside entities.
8. Profits or losses arising from the selling of shares to minority shareholders are being presented in equities.
9. As associated companies are being regarded entities, in which Prochem has between the 20% and the 50% of the total number of votes at constituting bodies or in other way can exert the significant influence on its financial and operating policy.
10. Investments in associated companies are being accounted for with method of the ownership transfer and at first are included at purchase price. The participation in profit or loss of the associated company is being shown in comprehensive income. In the event that the participation

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in loss of the associated company is equal to or exceeds a participation of the Prochem S.A. Group in this entity, the Group doesn't recognize further losses, unless is obliged to do it. Unrealized gains between the Group and the associated company are being eliminated to the level of the participation of the Group in the entity.

11. The purchase price of shares in associated companies is subject to corrections by all effects of changes of net fair value of assets, falling on the value of the share held from the moment of acquiring to the date of financial statement and effects of the stated depreciation.
12. At drawing up the consolidated financial statement the following mentioned below corrections and exclusions are done :
 - in the scope of exclusions:
 1. of shares (stocks) in possession of a dominant entity with the share capital of subsidiaries,
 2. of mutual amounts due and obligations and other settlements of accounts of a similar nature of entities being subject to consolidation
 3. of the income and costs on account of mutual operations of the purchase and sale in the capital group,
 4. of dividends calculated or paid by subsidiary to the dominant entity and other entities covered by consolidation .
 - in the scope of corrections:
 1. of profits or losses incurred as a result of business transactions made between entities covered by consolidation.

Essential Accounting Principles

At drawing up this Interim Shortened Consolidated Financial Statement for the 1st quarter of 2011 the same accounting principles and the same accounting methods were applied as in the Consolidated Financial Statement of Prochem S.A. Capital Group for the year ended on 31 December 2010.

At drawing up this Individual Interim Shortened Financial Statement of Prochem S.A. for the 1st quarter of 2011 the same accounting principles and the same accounting methods were applied as in the Financial Statement of Prochem S.A. for the year ended on 31 December 2010.

Changes in Accounting Estimates

There were no changes in principles and methods of accounting applied for establishing estimates in the period of three months of 2011.

Transformation of Financial Statements

Interim Shortened Financial Statement for the period from 1 January to 31 March 2011 is keeping a comparability in relation to data of the Statement for the period from 1 January to 31 March 2010. For keeping the comparability reclassifications of given items of equity capitals was effected which were presented in the following table.

Changes as below result from:

- of the change of principles of the accounting policy in the scope of methodology of creating provisions for outstanding leaves,
- from the mistake in the distribution of the profit for 2007 between the dominant entity and minority shareholders,
- the adaptation of definitions and disclosures to widely accepted and required by International Financial Reporting Standards in the shape being in effect for financial statements drawn up for periods starting on 1 January 2009 and later.

*Capital Group of PROCHEM S.A.
Consolidated Statement of Financial Position – transformation (in PLN thousand)*

	As at 31 March 2010	Adjustment transformation	As at 31 March 2010
Assets			
Fixed assets			
Tangible assets	35 775	382	36 157
Assets on account deferred income tax	4 025	-3 373	652
Other financial assets			
Total fixed assets	100 401	-2 991	97 410
Current assets			
Trade receivables and other receivables	53 160	-449	52 711
Other assets	14 515	-114	14 401
Cash and short-term deposits	8 393	-70	8 323
Total current assets	83 759	-633	83 126
Total assets	184 160	-3 624	180 536
Equity and liabilities			
Equity			
Retained profit	99 821	-3 860	95 961
Parent entity's equity	103 716	-3 860	99 856
Minority shareholders	13 706	2 460	16 166
Total equity	117 422	-1 400	116 022
Long-term liabilities			
Provision on account of deferred income tax	6 021	-2 292	3 729
Retirement liabilities	2 205	701	2 906
Total long-term liabilities	9 772	-1 591	8 181
Zobowiązania krótkoterminowe			
Pozostałe zobowiązania	7 770	-633	7 137
Short-term liabilities	56 966	-633	56 333
Total liabilities	66 738	-2 224	64 514
Total equity and liabilities	184 160	-3 624	180 536
Book value- parent entity's equity	103 716	-3 860	99 856
The number of shares (units)	3 895 000	3 895 000	3 895 000
Book value per one share (in PLN)	26.63	-0.99	25.64

**Individual Statement of Financial Position of the company Prochem S.A. as at 31 March 2010
(data in PLN thousand) – restated data**

	As at 31 March 2010	adjustment / transformation	As at 31 March 2010 (restated data)
Assets			
Fixe assets			
Deferred tax assets	-	104	104
Total fixe assets	34 406	104	34 510
Current assets			
Trade receivables and other receivables	52 621	-449	52 172
Other assets	12 782	-113	12 669
Cash and Cash equivalents	4 144	-71	4 073
Total current assets	74 628	-633	73 995
Total assets	109 034	-529	108 505
Equity and liabilities			
Equity			
Retained earnings	59 549	-536	59 013
Total equity	63 444	-536	62 908
Long-term liabilities			
Provision on account of deferred income tax	61	-61	-
Long-term liabilities	368	-61	307
Short-term liabilities			
Other liabilities	4 001	68	4 069
Short-term liabilities	45 222	68	45 290
Total equity and liabilities	109 034	-529	108 505
Book value- equity	63 444	-536	62 908
The number of shares (units)	3 895 000	3 895 000	3 895 000
Book value per one share (In PLN)	16.29	-0.14	16.15

4. Concise description of significant achievements or failures of the issuer in the period which the report concerns together with showing the most important events concerning them

In the first quarter of 2011 the significant effect to achieved results of the Issuer had a result on the transaction of selling of shares of subsidiary ASI Sp. z o.o., the result on the transaction included in financial incomes amounted to PLN 2,089 thousand.

5. Description of facts and events in particular of untypical character having the significant effect on achieved financial results

Events of untypical character didn't appear in the first quarter of 2011.

Other events affecting the result:

- a) provision for deferred income tax established in previous periods in the amount of PLN 720 thousand was dissolved, and provision in the amount of PLN 775 thousand was established,
- b) assets on account of deferred income tax were used in the amount of PLN 177 thousand, and were established in the amount of PLN 105 thousand.

Within the capital group in the 1st quarter of 2011:

- a) provision for deferred income tax established in previous years in the amount of PLN 910

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- thousand was dissolved , and provision in the amount of PLN 888 thousand was established,
- b) assets from the title deferred income tax in the amount of PLN 424 thousand were used, and were established in the amount of PLN 224 thousand,
 - c) provision for costs established in previous years in the amount of PLN 42 thousand was used, and provision for future costs in the amount of PLN 40 thousand was established,
 - d) provision for costs of holiday benefits established in previous years in the amount of PLN 70 thousand was used.

6. Explanations concerning the seasonal character or the cyclical nature of activity of the issuer in the presented period

The problem of the seasonal character and the cyclical nature doesn't concern both the Issuer and capital group of Prochem S.A.

7. Information concerning emission, the repurchase and the repayment of not shareholder and non capital securities

In the 1st quarter of 2011 such events didn't appear.

8. Information concerning dividend paid (or declared), its total value and value per one share with the division into ordinary and preferred shares

For 2010 the Issuer isn't planning the dividend payment. The net result in the amount of PLN 1265 thousand is planned to be allocated for the reserve capital.

9. Events after the day as at the shortened quarterly financial statement was drawn up, not included In his statement but being able In the meaning way to affect future financial results of the issuer

Such events didn't appear.

10. Information concerning changes of contingent liabilities or contingent assets which occurred Since the end of the last financial year

Contingent liabilities

(data in PLN thousand)

Title	Capital Group of Prochem			Including Issuer		
	31 March 2011	31 Dec.2010	31 March 2010	31 March 2011	31 Dec.2010	31 March 2010
Bank guarantee of good performance	12 862	12 385	10 349	10 299	9 805	8 287
B/e guarantee of the good performance of contract		197	197		197	197
Guarantee of return of the advance payment			1 753			1 753
Guarantee of the payment	832	827	827	832	827	827
Performance guarantee for tender	470	366	826	470	366	826
Guarantee for a credit for subsidiary			1 500			1 500
Total	14 164	13 775	14 452	11 601	11 195	12 390

In the first quarter of 2011 Capital Group recorded the increase in contingent liabilities by amount of PLN 389 thousand, in case of the Issuer liabilities increased by PLN 406 thousand.

Contingent amounts due

(datai In PLN thousand)

Contingent amounts due of the Capital Group concern only the Issuer and these are bank performance guarantees which as at the reporting day amount to:

Title	31 March 2011	31 Dec. 2010	31 March 2010
Bank guarantee of good performance	7 059	6 933	10 376

In the first quarter of 2011 the increase of contingent amounts due took place by the amount of PLN 126 thousand.

11. Effects of changes in the structure of the Capital Group from the beginning of a year including amalgamation of companies, the takeover or the sales of subsidiaries and long-term investments, the restructuring and discontinuing activity

On 22nd March 2011 on the basis of the contract for sale PROCHEM S.A. sold 2,401 shares of the nominal value of PLN 500 each and total value of PLN 1,200.5 thousand of the company ADVANCED SOLUTIONS INTERNATIONAL POLSKA sp. z o.o. with registered office in Zabrze to Finnish company limited Maintpartner Group OY with registered office in Espoo.

Sale/purchase price of the shares - PLN 5,450.0 thousand.

The book value of these assets in accounting books of the issuer as at 31 December 2010 amounts to PLN 3,361 thousand.

On 22 March 2011 the company obtained the information that on 17 March 2011 on the basis of the contract for sale Advanced Solutions International Polska Sp. z o.o. (subsidiary of PROCHEM S.A.) with registered office in Zabrze, sold 480 shares of nominal value of PLN 100 each of with total value of PLN 48,000 representing 80% of all shares of company PROTRADE Sp. z o.o. with registered office in Gdynia, to Grzegorz Siodłowski – Chairman of Advanced Solutions International Polska Sp. z o. o. Purchase/sale price of share - PLN 100.

As at the day of sale of the companies ASI Sp. z o.o. and Protrade Sp. z o.o. were excluded from consolidation.

On 24th March 2011 Issuer signed the agreement on the sale of shares on the basis of which purchased 700 shares of subsidiary Elektromontaż Kraków S.A. of the nominal value of PLN 5 each, to the total value of PLN 21,000 (say: twenty one thousand of zlotys). The property right of the shares has been transferred to the Issuer with the day of payment for shares i.e. on 31 March 2011.

12. Position of the Management Board In relation to the possibility of accomplishment of earlier Publisher forecasts of results for the given year in the light of the results presented in the quarterly report in relation to results forecast

Company Prochem S.A. didn't publish forecasts of financial results neither of the company nor the capital group of Prochem S.A. for 2011.

13. Shareholders having directly or indirectly by subsidiaries at least 5 % of total number of votes at the General Meeting of the issuer as at the day of submitting the quarterly report together with indicating the number of shares held by these entities of their percentage share in the share capital, number of votes resulting from them and their percentage participation in the total number of votes at the General Meeting and indicating the changes in the ownership structure of considerable share packets of the issuer in the period from transmitting the last quarterly report

According to the information in the company's possession as at the day of drawing his statement up the following shareholders have at least 5% of the votes at the general meeting of shareholders.

Description	Qty of shares (units)	% of votes in total number of votes	% of share capital
1. Prochem Holding Sp. z o.o.	962 341	24.68	24.71
2. Steve Tappan	382 751	9.82	9.83
3. ING Towarzystwo Funduszy Inwestycyjnych SA, including ING Parasol Specjalistyczny	358 312	9.19	9.20
Fundusz Inwestycyjny Otwarty	228 950	5.87	5.88
4. Union Investment Towarzystwo Funduszy Inwestycyjnych S.A.	345 000	8.85	8.86
5. PTE PZU SA	325 521	8.35	8.36
6. Legg Mason Zarządanie Aktywami S.A	201 948	5.18	5.18

In the period from transmitting the last report a change In the structure of the ownership of considerable share packets of the issuer didn't take place.

14. Statement of changes in the possessions of shares of the issuer according to the information being in possession of the issuer in the period from transmitting the last quarterly report

As at the day of drawing the quarterly report up the following members of the Management Board and Supervisory Board of the company held shares of PROCHEM SA:

- Jarosław Stępniewski – 37,787 units;
- Marek Kiersznicki – 17, 500 units;
- Krzysztof Marczak – 9,030 units;
- Andrzej Karczykowski – 20,000 units;
- Marek Garliński – 35,548 units;

In the period from transmitting the previous report the change In the structure of the ownership of the considerable share packets didn't take place.

15. Records of legal proceedings pending in the court, competent authority for the arbitration or administrative body with considering the information in the scope of:

- a) proceedings concerning obligations or the debt of the issuer or its subsidiary of the value constituting at least 10% of owners' equity of the issuer, showing the subject matter of the proceedings, the value of subject matter of litigation, the date of the instituting of proceedings, parties in proceedings and the position of the issuer,

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- b) two or more proceedings concerning obligations and debts with total value constituting appropriately at least 10% of owners' equity of the issuer, with determining the total value of proceedings separately in the group of obligations and the group of the debts with position of the issuer in this matter and in relation to the biggest proceedings in the group of obligations and group of debts – with showing the matter, values of the subject matter of litigation, dates of the instituting of proceedings and parties in proceedings.

PROCHEM S.A. is still a party in the lawsuit regarding settlement of accounts for the contract given up on the day 10 Nov. 2005 for construction management of an investment project under the name "Pipeline in a section from the ST- 1 Adamowo - to raw material base Plebanka" concluded with PERN S.A. PROCHEM S.A. filed a suit demanding the payment of PLN 41,301 thousand as the final settlement of contract. On 18 January 2008 District Court in Warsaw delivered a judgment regarding this case admitting a claim of Prochem S.A. as being rightful as for the principle, at the same time judged, that this liability wasn't still due.

On 26 August 2008 Court of Appeal in Warsaw delivered a judgment regarding an appeal lodged by PROCHEM S.A. from the a/m judgment of District Court, recognizing in it that claim filed by Prochem S.A. regarding accounting for contract is not premature and at the same time ordering the district court to make accounting for the mentioned above contract pursuant to the provisions of the contract. This establishment is in compliance with position in a case of PROCHEM S.A.

On 12 August of 2010 the case was held before the District Court in Warsaw, during which the Court decided about appointing the expert, who will finally make accounting for arguable contract according to recommendations of the Court of Appeal. The value of these proceedings exceeds the 10 % of equity of the Capital Group of Issuer.

Apart from that total value of other proceedings separately for the group of obligations as well as the group of the debts, doesn't exceed the 10 % of equity of the Capital Group of the Issuer.

16. Information about concluding by the issuer or its subsidiary of one or many transactions with affiliated entities, if they are substantial single or together and were concluded on other conditions than market conditions:

- a) subject of a transaction,
- b) connections of the issuer or its subsidiary with the entity being a side in the transaction,
- c) substantial terms and conditions of transactions, with special taking into account financial conditions and indicating the peculiar conditions determined by parties, characteristic of this agreement, in particular diverging from universally used conditions for the given type of agreements.

In 2010 transactions of this type didn't take place.

17. Information about granting by the issuer or its subsidiary guarantees of credit or the loan or providing a warranty - together for one entity or subsidiary of this entity, if the total value of existing guarantees or the guarantee constitutes the equivalent of the at least 10 % of owners' equity of the issuer

In the first quarter of 2011 none of companies of the capital group gave to other entity the guarantee or guarantees of credit or loan of this value.

18. Other information which are in the opinion of the Issuer are essential for the evaluation of his personnel, material, financial situation, the financial result and their changes, and the information which are essential for the assessment of the possibilities of fulfilling of obligations by the issuer.

The low level of debts and the high financial liquidity permit Companies from the capital group of the current and timely service of debts which causes, that they are a credible partner in trade.

19. Factors which in the evaluation of the issuer will influence results achieved by the issuer in prospect of at least successive quarter

Results of second quarter of 2011 will depend mainly on effects achieved on the realization of contracts acquired by Companies from the Capital Group, as well as the result of decisions concerning offers filed by them for sale of their services. A success of development projects which were started by the Capital Group also will be substantial.

20. Events after the reporting day

Such events didn't take place.

21. Management of the financial risk

Activity of Companies from Capital Group is exposed to the following financial risks:

- credit risk;
- liquidity risk;
- market risks (including foreign exchange risk, interest rate risk, risk of economic fluctuations on the investment market, risk of making conditional on the staff).

Credit risk

Group leading the commercial activity is conducting sales of its services to business companies with the deferred payment period, in the result of what a risk of the non-receipt of the amount due from contracting parties for delivered services can come into existence. Group, in order to minimize the credit risk is managing the risk through the applicable procedure of acquiring securities.

The accepted period of the repayment of amount due associated with the normal course of the sale is 14 - 60 days.

Amounts due from contracting parties are being regularly monitored by financial services. In case of overdue amounts due procedures of the collection are being started.

In order to lower the risk of not recovering trade receivables the Group is taking securities from its clients in the form among others: of bank and insurance guarantees, of mortgages and bills of exchange and the bails.

For the improvement of current liquidity, with the objective of the exemption of the amount due seized by investors on account of the adequate security of carried out agreements and the statutory warranty for construction and assembly work, the Group is granting bank guarantees and insurance within frames of guarantee lines started for that purpose.

The credit risk associated with cash and bank deposits is regarded low by the Group.

All entities in which the Group is depositing available pecuniary means operate in the financial sector. National banks and branches of foreign banks of the credibility of the credit short-term best quality belong to them.

The credit risk, resulting from granted intergroup loans is regarded low by the Group. The group isn't identifying threatening to payment of obligations arising from agreements of loans.

Risk of endangered financial assets is reflected by write-downs covering their value.

Liquidity risk

The Group is exposed to the liquidity risk resulting from the relation of current liabilities to current assets.

Market risks

1. Economic fluctuations on the investment market

The Group provides services on the investment market characterized by a large scale of hesitations of the demand strongly connected with the general macroeconomic situation of the country. Methods of limiting the adverse impact of this factor on financial results (concentrating reserves, diversification of provided services) applied by the Group may not fully neutralize this risk.

2. Dependence on the staff

The risk of making conditional on the staff is appearing in the Group. The refinement of provided services, undertaking the completion of complicated technological projects, using modern computer systems and the work for customers of high reputation requires the highest professional qualifications from employees. Recruiting this sort of persons, peculiarly in the situation of the liberalization of the European labour market can be difficult. The Group is trying to minimize this threat by raising qualifications of the employed staff and applying incentive programs associating employees with the company.

3. Risk of rate of exchange

Part of contracts for sale of services is concluded with foreign companies in foreign currencies (EUR0, US\$). In case of considerable fluctuation of the rate of the domestic currency it can have influence on the performance of the Group. Partly this risk is being wiped out in the natural way through the purchase of devices and the services necessary for the accomplishment of these contracts abroad, as well as through the purchase of relevant financial instruments.

4. Interest rate risk

The group is exposed to the risk of the changeability of cash flows resulting from the title of the interest rate from the bank loans based on the floating interest rate WIBOR.

5. Risk of disadvantageous settling the litigation with PERN S.A.

In the face of considerable extending of judicial proceedings in the dispute with PERN SA which was begun in 2006 and is conducted currently by the District Court in Warsaw concerning settlement of accounts for the contract given up on 10 November 2005 for construction management of an investment project under the name "Pipeline in a section from the ST- 1 Adamowo - to raw material base Plebanka", a risk exist of the necessity to fulfil obligations towards sub-suppliers by PROCHEM S.A. concerning seized guarantee deposits before regaining them from PERN SA. Such a risk according to the opinion of the Company is minimal however the Management Board of PROCHEM S.A. is taking into account the need to accumulate adequate financial

22. Transactions with affiliated entities

Data for the reporting period

Transactions with subsidiaries

As at 31 March 2011 settlements of the Issuer with subsidiaries directly and indirectly developed as follows:

Receivables on account of long-term loans – PLN 18,295 thousand,

Receivables on account of short-term loans – PLN 365 thousand,

Trade receivables and other receivables – PLN 11,710 thousand,

Trade payables – PLN 1,227 thousand

GRUPA KAPITAŁOWA PROCHEM S.A.

In the period from 1 January 2011 to 31 March 2011 the following transactions of the Issuer with subsidiaries directly and indirectly took place:

- The sale and the acquisition of construction services,
- The sale of other services (lease of the area) to subsidiaries.

Total income from these transactions amounted to – PLN 140 thousand

The income on account of interest on loans amounted to – PLN 253 thousand

Remuneration on account of guarantee for credit – PLN 5 thousand

Remuneration on account of the valorization of the contract value – PLN 187 thousand.

Transaction of the Capital Group with associated entities

In the period from 1 January 2010 to 31 March 2011 transactions with associated entities didn't take place.

As at 31 March 2011 settlements with entities associated directly or indirectly on account of trade payables didn't take place.

Comparable data

As at 31 March 2010 settlements of the Issuer with affiliated entities directly or indirectly developed as follows:

Receivables on account of long-term loans – PLN 18,500 thousand,

Receivables on account of short-term loans – PLN 1,576 thousand,

Trade receivables and other receivables – PLN 13,871 thousand

Trade payables – PLN 1,376 thousand

In the period from 1 January 2010 to 31 March 2010 the following transactions of the Issuer with subsidiaries directly or indirectly took place:

- The sale and the acquisition of construction services,
- The sale of other services (lease of the area) to subsidiaries,

Total income from these transactions amounted to – PLN 43 thousand.

Remuneration on account of guarantee for the credit – PLN 6 thousand.

Remuneration on account of valorization of the contract value – PLN 388 thousand.

The income on account of interest on loans – PLN 192 thousand.

Transactions of capital group with associated entities

In the period from 1 January 2010 to 31 March 2010 transactions with associated entities didn't take place.

As at 31 March 2010 settlements with associated entities directly or indirectly on account of trade payables didn't take place.

23. Reporting according to trade and geographical sections

The operation section is component part of the entity:

- which is committing itself to the business activity, in relation to which it can obtain the income and bear the costs,
- which results of the activities are being inspected regularly by the responsible body for the operating decision making in the Company;
- in case of which separate financial information is accessible.

The income of the section is the revenue from sales for outside customers.

Costs of the section are costs consisting of the costs associated with the selling to outside customers.

The result of the section is being established on the level of the operating result.

GRUPA KAPITAŁOWA PROCHEM S.A.

The activity of the companies from the capital group for the purposes of the management was divided into four basic operating departments such as: realization (general contracting), design and engineering services and other engineering services (supervisions along with the service of the project engineer), the lease of the construction equipment and other activity as which we recognize the income from the sublet among others, sale of photocopy services and other.

All assets used by the segment which comprise mainly receivables, stocks and tangible fixed assets after deducting of values of reserves and writes off were ranked among assets of the segment.

Some assets being in the shared use are assigned up to these units based on sensible weights.

In the first quarter of 2011 income from activity reached abroad didn't appear, and in the corresponding period of the previous year amounted to PLN 1,921 thousand i.e. 21.3 % of revenue from sales of products, services and goods.

Detailed data concerning activity of Prochem S.A. and Capital Group in individual sections are shown in following detailed statements.

In comparison to previous reporting periods the Management Board of the Issuer decided about merging the section of design activity and supervisions into one section. According to the Management Board presentation of design services and supervisions among others author's supervisions and investor's supervision is better reflecting activity as well as it allows more accurate decision making about allocating of stores and for the evaluation of results of the activities.

Below analysis of the income and the performance of the Company in individual sections covered by the reporting was described

GRUPA KAPITAŁOWA PROCHEM S.A.

Operation segments – Prochem S.A. for the first quarter of 2011 – revenues and performance of segments

Current period from 1 January to 31 March 2011

	General contracting	Engineering and design services	Rental of construction equipment	Other	Items not assigned	total
Revenues on behalf of outsider customers	5 381	3 705	1 159	410		10 655
Total income of the segment	5 381	3 705	1 159	410		10 655
Results						
Profit (loss) of the segment	1 059	-2 707	518	-8		-1 138
Financial revenues					2 448	2 448
Finance costs					426	426
Net financial revenues					2 022	2 022
Profit from remaining operating activities					151	151
Profit before tax					1 035	1 035
Income tax					127	127
Net profit in the current period					908	908
Assets and liabilities						
Assets of the segment (associated with activity)	37 298	5 267	3 843	827		47 235
Assets not assigned/not allocated (among others shares, stocks, and other financial assets)					51 732	51 732
Total assets	37 298	5 267	3 843	827	51 732	98 967
Depreciation of tangible fixed assets	24	10	131		208	373

GRUPA KAPITAŁOWA PROCHEM S.A.

Operation segments – Prochem S.A. for first quarter of 2011 – revenues and performance of segments

Comparative period from 1January to 31March 2010

	General contracting	Engineering and design services	Rental of construction equipment	Other	Items not assigned	Total
Revenues on behalf of outsider customers	895	7 257	448	418		9 018
Total income of the segment	895	7 257	448	418		9 018
Results						
Profit (loss) of the segment	179	682	49	-472		438
Financial revenues					590	590
Finance costs					217	217
<i>Net financial revenues</i>					373	373
Profit from remaining operating activities					13	13
Profit before tax					824	824
Income tax					178	178
Net profit In the given period					646	646
Assets and liabilities						
Assets of the segment(associated with activity)	15 525	5 396	3 737	54	5 419	30 131
Assets not assigned/not allocated (among others shares, stocks and other financial assets)					78 374	78 374
Total assets	15 525	5 396	3 737	54	83 793	108 505
Depreciation of tangible fixe assets	135	6	42		168	351
Amortization of intangible assets					145	145

GRUPA KAPITAŁOWA PROCHEM S.A.

Operation segments – Capital Group of Prochem S.A. for first quarter of 2011 – revenues and performance of segments

For the period from 1 Jan. 2011 to 31 March 2011	General contracting	Engineering and design services	Rental of construction equipment	Assembly of electrical installations	Lease of office space and real estate	Management of real estates	Maintenance	Commercial activity	Development activity	Other IT services	Other	Items not assigned	Total	
Revenues on behalf of outside customers	5 886	4 299	1 159	5 882	1 321	1 254	3 090	1 068	-	127	247	-	24 333	
Total income of segment	5 886	4 299	1 159	5 882	1 321	1 254	3 090	1 068	-	127	247	-	24 333	
Results														
Profit (loss) of the segment	828	-2 839	518	39	220	71	44	46	-	11	-136	-	-1 198	
Financial revenues													2 335	2 335
Finance costs													482	482
Net financial revenues													1 853	1 853
Share in profit of associated entities													-48	-48
Profit (loss) from remaining operating activities													157	157
Profit (loss) before tax													764	764
Income tax													166	166
Profit (loss) in the current period													598	598
Profit (loss) assigned to minority shareholders													-39	-39
Net profit (loss)													637	637
Assets and liabilities														
Assets of the segment (associated with activity)	29 004	6 504	3 843	16 274	20 297	908	-	1 818	53 787	165	827	-	133 427	
Assets not assigned/not allocated (among others shares, stocks and other financial assets)													36 978	36 978
Total assets	29 004	6 504	3 843	16 274	20 297	908	-	1 818	53 787	165	827	36 978	170 405	
Other information related to segment														
Depreciation of tangible fixed assets	24	20	131	132	163	24	-	-	-	12	13	233	752	
Amortization of intangible fixed assets	-	4	-	-	-	-	-	-	-	-	-	40	44	

GRUPA KAPITAŁOWA PROCHEM S.A.

For the period from 1 Jan. 2010 to 31 March 2010.	General contracting	Engineering and design services	Rental of construction equipment	Assembly of electrical installations	Lease of office space and real estate	Management of real estates	Maintenance	Commercial activity	Development activity	Other IT services	Other	Items not assigned	Total	
Revenues on behalf of outside customers	2 094	7 896	448	3 891	1 291	1 297	3 295	1 077	963	171	303	-	22 726	
Total income of the segment	2 094	7 896	448	3 891	1 291	1 297	3 295	1 077	963	171	303	-	22 726	
Results														
Profit (loss) of the segment	-28	465	49	0	32	325	40	-171	41	37	-661	-	129	
Financial revenues													277	277
Finance costs													21	21
Net financial revenues													256	256
Share in profit (loss) of associated entities													-46	-46
Profit (loss) from remaining operating activities													65	65
													404	404
Profit (loss) before tax													293	293
Income tax														
Profit (loss) in the current period													111	111
Profit (loss) assigned to minority shareholders													-51	51
Net profit (loss)													162	162
Assets and liabilities														
Assets of the segment	17 292	7 445	3 737	502	18 369	1 493	11 216	2 012	49 748	0	54	-	111 868	
Assets not assigned												68 668	68 668	
Total assets	17 292	7 445	3 737	502	18 369	1 493	11 216	2 012	49 748	0	54	68 668	180 536	
Other information related to segment														
Depreciation of tangible fixed assets	177	25	-	136	154	35	134	20	-	15	-	226	922	
Amortization of intangible fixed assets	-	7	-	3	-	-	4	-	-	-	-	145	159	

24. Approval of the financial statement

Shortened interim financial statement **was approved for publication by the Management Board on** 16 May 2011.

Signatures of the Management Board members:

16 May 2011 date	Jarosław Stępniewski first name and surname	Chairman position signature
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16 May 2011 date	Marek Kiersznicki first name and surname	Vice Chairman position signature
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16 May 2011 date	Krzysztof Marczak first name and surname	Member of the Management Board position signature
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Signature of the person to whom the bookkeeping was entrusted

16 May 2011 date	Krzysztof Marczak first name and surname	Member of the Management Board position signature
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