

**PROCHEM S.A. CAPITAL GROUP
CONSOLIDATED QUARTERLY REPORT
FOR 4TH QUARTER OF 2012**

Containing:

- Selected Financial Data
- Interim Shortened Consolidated Financial Statement as at and for the period of twelve months ending on 31 December 2012
- Interim Shortened Individual Financial Statement as at and for the period of twelve months ending on 31 December 2012
- Notes on assumed accounting principles (policy) and other explanatory remarks to Interim Shortened Consolidated Financial Statement of Prochem S.A. Capital Group and Company Prochem S.A.

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I. Selected financial data

Revenue from sales and profit expressed in PLN and cash flow statement are converted into EURO at the exchange rate set as the arithmetic mean of average exchange rates announced by the Chairman of the National Bank of Poland as at the last day of each month and are as follows:

- For four quarters of 2011 - 4.0414 PLN/EURO
- For four quarters of 2012 - 4.1736 PLN/EURO

The data reported in statement of financial position are converted at the average exchange rate announced by the Chairman of the National Bank of Poland as at the date of financial statement, which as at the balance sheet date was:

- 4.0882 PLN/EURO as at 31 December 2012
- 4.4168 PLN/EURO as at 31 December 2011

Selected financial data of Prochem S.A. Capital Group

Specification	Reporting period ended on 31 December		Reporting period ended on 31 December	
	2012	2011	2012	2011
	in PLN thousand		in EURO thousand	
Consolidated statement of comprehensive income				
Revenue from sales	136 971	178 423	32 818	44 149
Gross profit from sales	13 932	17 937	3 338	4 438
Operating profit (loss)	-2 615	7 573	-627	1 874
Profit before tax	-2 524	7 562	-605	1 871
Net profit assigned to:	-3 248	5 609	-778	1 388
- shareholders of parent company	-3 941	4 982	-944	1 233
- minority shareholders	693	627	166	155
Profit per one ordinary share/diluted (in PLN/EURO) assigned to shareholders of parent entity	-1.01	1.28	-0.24	0.32
Consolidated statement of cash flow				
Net operating cash flow	-11 001	6 991	-2 636	1 730
Net cash flow from investment activity	-3 966	5 512	-950	1 364
Net cash flow from financial activity	2 431	747	582	185
Total net cash flow	-12 536	13 250	-3 004	3 279
Specification	As at		As at	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	in PLN thousand		in EURO thousand	
Consolidated statement of financial position				
Total assets	185 474	218 175	45 368	49 397
Total fixed assets	99 093	96 320	24 239	21 808
Total current assets	86 381	121 855	21 129	27 589
Parent entity's equity	110 425	112 886	27 011	25 558
Minority shareholders	13 665	14 206	3 343	3 216
Total equity	124 090	127 092	30 353	28 775
Total long-term liabilities	7 405	6 417	1 811	1 453
Total short-term liabilities	53 979	84 666	13 204	19 169
Book value per one ordinary share (in PLN/EURO) attributable to shareholders of parent entity	28.35	28.98	6.93	6.56
Weighted average number of shares (units)	3 895 000	3 895 000	3 895 000	3 895 000

Selected financial data of Prochem S.A.

Specification	Reporting period ended on 31 December		Reporting period ended on 31 December	
	2012	2011	2012	2011
	in PLN thousand		In EURO thousand	
Statement of comprehensive income				
Revenue from sales	86 370	127 630	20 694	31 581
Gross profit from sales	4 105	7 905	984	1 956
Operating profit (loss)	-4 093	1 450	-981	359
Profit before tax	3 165	3 907	758	967
Net profit	3 061	3 210	733	794
Profit per one ordinary share/diluted (in PLN/EURO)	0.79	0.82	0.19	0.20
Statement of cash flow				
Net operating cash flow	-18 770	9 666	-4 497	2 392
Net cash flow from investment activity	-11	5 071	-3	1 255
Net cash flow from financial activity	5 939	-805	1 423	-199
Total net cash flow	-12 842	13 932	-3 077	3 447

Specification	As at		As at	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	in PLN thousand		in EURO thousand	
Statement of financial position				
Total assets	109 330	141 565	26 743	32 051
Total fixed assets	45 578	34 053	11 149	7 710
Total current assets	63 752	107 512	15 594	24 342
Total equity	70 035	66 839	17 131	15 133
Total long-term liabilities	415	384	102	87
Total short-term liabilities	38 880	74 342	9 510	16 832
Book value per one ordinary share (in PLN/EURO)	17.98	17.16	4.40	3.89
Weighted average number of ordinary shares (units)	3 895 000	3 895 000	3 895 000	3 895 000

II. Interim Shortened Consolidated Financial Statement of Capital Group

Consolidated Statement of Financial Position as at 31 December 2012

(all amounts in thousands of PLN if not marked otherwise)

	As at 31 Dec.2012	As at 31 Dec. 2011
A s s e t s		
Fixed assets		
Tangible assets	26 164	26 631
Intangible assets	296	194
Real estate investments	70 085	66 904
Shares and stocks of subsidiaries and other entities	843	843
Shares and stocks valued under equity method	1 217	1 344
Deferred tax assets	488	404
Total fixed assets	99 093	96 320
Current assets		
Inventory	4 913	6 071
Trade receivables and other receivables	62 438	75 656
Other financial assets	198	435
Other assets	12 018	19 668
Cash and cash equivalents	6 814	19 350
Fixed assets to be disposed	-	675
Total current assets	86 381	121 855
Total assets	185 474	218 175
Equity and liabilities		
Equity		
Share capital	3 895	3 895
Retained earnings	106 530	108 991
Parent entity's equity	110 425	112 886
Minority shareholders	13 665	14 206
Total equity	124 090	127 092
Long-term liabilities		
Provision to deferred income tax	5 203	4 674
Retirement benefit obligations	1 873	1 592
Other long-term liabilities	329	151
Total long-term liabilities	7 405	6 417
Short-term liabilities		
Short-term bank credits	7 525	4 291
Short-term loans	29	29
Trade payables	34 126	71 841
Liabilities on account of current income tax	102	421
Other liabilities	11 507	5 667
Deferred income	690	2 417
Total short-term liabilities	53 979	84 666
Total liabilities	61 384	91 083
Total equity and liabilities	185 474	218 175

Weighted average number of ordinary shares (units)	3 895 000	3 895 000
Book value per one share (in PLN) – assigned to shareholders of parent entity	28.35	28.98

Consolidated Statement of Comprehensive Income for the period from 1 January 2012 to 31 December 2012

(all amounts in thousands of PLN if not marked otherwise)

	4th quarter of 2012 from 1 Oct..2012 to 31 Dec..2012	Period of 12 months ended on 31 Dec. 2012	4th quarter of 2011 from 1 Oct. 2011 to 31 Dec. 2011	Period of 12 months ended on 31 Dec. 2011
Revenue from sales including :	26 318	136 971	69 467	178 423
Revenue from sales of services	24 866	130 996	69 075	173 292
Revenue from sales of goods and materials	1 452	5 975	392	5 131
Cost of sales including :	-23 537	-123 039	-63 694	-160 486
Cost of services sold	-22 341	-117 926	-62 858	-156 082
Cost of goods and materials sold	-1 196	-5 113	-836	-4 404
Gross profit from sales	2 781	13 932	5 773	17 937
General and administrative expense	-3 634	-14 741	-4 178	-15 545
Other operating revenue	468	2 661	4 603	6 573
Other operating cost	-564	-4 467	-904	-1392
Operating profit (loss)	-949	-2 615	5 294	7 573
Financial income	76	1 381	464	843
Profit from sale of shares of subordinated entities	-	6	-	284
Finance costs	-908	-1 668	-446	-1 522
Share in profit of associated entities	-3	372	80	384
Profit (loss) before tax	-1 784	-2 524	5 392	7 562
Income tax :	-389	724	1 029	1 953
- current income tax	225	431	451	605
- deferred income tax	-614	293	578	1 348
Net profit (loss)	-1 395	-3 248	4 363	5 609
Other comprehensive income				
Revaluation of fixed assets	725	725	-	-
Income tax on other comprehensive income	127	127	-	-
Other comprehensive income (net)	598	598	-	-
Total comprehensive income	-797	-2 650	4 363	5 609
Net profit (loss) assigned to:				
Shareholders of parent entity	-1 626	-3 941	3 990	4 982
Minority shareholders	231	693	373	627
Total comprehensive income assigned to :				
Shareholders of parent entity	-1 161	-3 476	3 990	4 982
Minority shareholders	364	826	373	627
Weighted average number of ordinary shares (units)	3 895 000	3 895 000	3 895 000	3 895 000
Profit (loss) per one ordinary shares (in PLN per one share) assigned to shareholders of parent entity	-0.42	-1.01	1.02	1.28

Comprehensive income per one ordinary share (in PLN per one share) assigned to shareholders of parent entity	-0.30	-0.89	1.02	1.28
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Consolidated Statement of Changes in Owners' Equity

(all amounts in thousands of PLN if not marked otherwise)

	Share capital	Shares of parent entity	Retained earnings	Equity assigned to shareholders of parent entity	Minority shareholders equity	Total equity
Reporting period from 1 January 2012 to 31 December 2012						
As at the beginning of period	3 895	-	108 991	112 886	14 206	127 092
Net profit (loss) of the given period	-	-	-3 941	-3 941	693	-3 248
<i>Other comprehensive income (net)</i>	-	-	465	465	133	598
Total comprehensive income	3 895	-	105 515	109 410	15 032	124 442
Payment of dividend	-	-	-	-	-12	-12
Change of structure of minority shareholders (shares purchased by Elektromontaż with the aim of redemption)	-	-	1 251	1 251	-1 251	-
Repurchase of own shares with the aim of redemption (Elektromontaż)	-	-	-242	-242	-104	-346
Other movements – among others – sale of shares of subsidiaries	-	-	6	6	-	6
As at the end of period	3 895	-	106 530	110 425	13 665	124 090

	Share capital	Shares of parent entity	Retained earnings	Equity assigned to shareholders of parent entity	Minority shareholders equity	Total equity
Reporting period from 1 January 2011 to 31 December 2011						
At the beginning of period restated	3 895	-	101 731	105 626	18 021	123 647
Net profit of the given period	-	-	4 982	4 982	627	5 609
<i>Other comprehensive income (net)</i>	-	-	-	-	-	-
Total comprehensive income	3 895	-	106 713	110 608	18 648	129 256
Payment of dividend	-	-	-	-	-11	-11
Change of structure of minority shareholders (shares purchased by Issuer)	-	-	70	70	-90	-20
Change of structure of minority shareholders (shares purchased by Elektromontaż with the aim of redemption)	-	-	3 353	3 353	-3 353	-
Repurchase of own shares with the aim of redemption	-	-	-782	-782	-394	-1 176
Other movements - among others sale of shares of subsidiaries, movements	-	-	-363	-363	-594	-957
At the end of period	3 895	-	108 991	112 886	14 206	127 092

Consolidated Statement of Cash Flow for the period from 1 January 2012 to 31 December 2012

(all amounts in thousands of PLN if not marked otherwise)

	4th quarter of 2012 from 1 Oct. 2012 to 31 Dec. 2012	Period of 12 months ended on 31 Dec. 2012	4th quarter of 2011 from 1 Oct. 2011 to 31 Dec. 2011	Period of 12 months ended on 31 Dec. 2012
Operating cash flow				
Gross profit (loss)	-1 784	-2 524	5 392	7 562
Total adjustments	9 014	-7 726	12 758	-207
Share in profit of associated entities	3	-372	-80	-384
Amortization and depreciation	536	2 302	758	3 007
Interest and profit sharing (dividends)	730	1 247	412	412
(Profit) from sale of tangible assets	15	-158	49	-374
(Profit) on investment	80	-1 110	-3 831	-4 179
Movement in provisions	1 148	881	908	-125
Change in inventory	189	1 157	-2 252	-866
Movement in receivables	8 861	22 666	2 363	-26 393
Movement in current liabilities with the exception of loans and credits	-2 610	-32 625	15 125	28 188
Other adjustments (including change in deferred income)	62	-1 714	-694	507
Operating cash flow	7 230	-10 250	18 150	7 355
Income tax paid	124	751	64	364
Net operating cash flow	7 106	-11 001	18 086	6 991
Investment cash flow				
Inflows	106	401	3 665	7 836
Sale of intangible assets and tangible assets	88	375	555	1 211
From financial assets	18	26	3 110	6 625
a) in affiliated entities	18	26	3 010	6 525
- received dividend	18	18	-	-
- sale of financial assets	-	8	2 640	5 720
- repayment of granted loans	-	-	241	634
- repayment of interest on granted loans	-	-	129	138
- other income from financial assets	-	-	-	33
b) in other entities	-	-	100	100
- other income from financial assets	-	-	100	100
Outflows	-3 581	-4 367	-1 242	-2 324
Purchase of intangible assets and tangible assets	-331	-1 035	-671	-1 088
Investments in real estates	-3 250	-3 250	-24	-165
For financial assets in affiliated entities, including:	-	-81	-547	-601
- purchase of financial assets	-	-81	-547	-601
For financial assets in other entities including:	-	-1	-	-
- other outflows	-	-1	-	-
Other investment expenses	-	-	-	-470
Net cash flow from investment activity	-3 475	-3 966	2423	5 512

Financial cash flow

Inflows	411	6 763	16	7 250
Bank credits	402	6 510	-	6 679
Loans	-	-	-	39
Other financial inflows	9	253	16	532
Outflows	-2 509	-4 332	-4 432	-6 503
Payment of dividend	-	-12	-	-11
Other than payment to shareholders, outflows under distribution of profit	-36	-346	-115	-1 176
Repayment of bank credits	-2 201	-3 276	-4 185	-4 502
Payment from the title of finance lease	-11	-41	-23	-369
Interest, commissions paid	-261	-652	-109	-444
Other financial outflows	-	-5	-	-1
Net cash flows from financial activity	-2 098	2 431	-4 416	747
Total net cash flow	1 533	-12 536	16 093	13 250
Increase/(decrease) in net cash and cash equivalents	1 533	-12 536	16 093	13 250
Cash and cash equivalents at the beginning of period	5 281	19 350	3 257	6 100
Cash and cash equivalents at the end of period	6 814	6 814	19 350	19 350

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

Individual Statement of Financial Position as at 31 December 2012

(all amounts in thousands of PLN if not marked otherwise)

	As at 31 Dec. 2012	As at 31Dec. 2011
A s s e t s		
Fixed assets		
Tangible assets	2 015	2 249
Intangible assets	140	126
Shares and stocks of subsidiaries and other entities	15 026	10 626
Shares and stocks of associated entities	708	1 288
Deferred tax assets	704	841
Other financial assets	26 985	18 923
Total fixed assets	45 578	34 053
Current assets		
Inventory	2 755	3 335
Trade receivables and other receivables	45 349	67 602
Other financial assets	751	1 438
Other assets	11 733	19 131
Cash and cash equivalents	3 164	16 006
Total current assets	63 752	107 512
Total assets	109 330	141 565
Equity and liabilities		
Equity		
Share capital	3 895	3 895
Retained earnings	66 140	62 944
Total equity	70 035	66 839
Long-term liabilities		
Retirement benefit obligations	415	384
Total long-term liabilities	415	384
Short-term liabilities		
Short-term bank credits	6 347	-
Trade payables	29 256	69 995
Other liabilities	3 266	1 948
Deferred income	11	2 399
Total short-term liabilities	38 880	74 342
Total liabilities	39 295	74 726
Total equity and liabilities	109 330	141 565
Weighted average number of ordinary shares (units)	3 895 000	3 895 000
Book value per one share (in PLN)	17.98	17.16

Individual Statement of Comprehensive Income for the period from 1 January 2012 to 31 December 2012

(all amounts in thousands of PLN if not marked otherwise)

	4th quarter of 2012 from 1 Oct. 2012 to 31 Dec. 2012	Period of 12 months ended on 31 December 2012	4th quarter of 2011 from 1 Oct. 2011 to 31 Dec. 2011	Period of 12 months ended on 31 Dec. 2011
Income from sales including :	13 528	86 370	57 955	127 630
Income from sale of services	13 290	85 260	57 953	127 448
Income from sale of goods and materials	238	1 110	2	182
Cost of sales including :	-13 695	-82 265	-55 953	-119 725
Cost of services sold	-13 462	-81 240	-55 933	-119 577
Cost of goods and materials sold	-233	-1 025	-2	-148
Gross profit (loss) from sales	-167	4 105	2 020	7 905
General and administrative expense	-1 729	-7 200	-2 127	-7 517
Other operating income	34	2 047	1 066	2 200
Other operating costs	-47	-3 045	-848	-1 138
Operating profit (loss)	-1 909	-4 093	111	1 450
Financial income	131	1 048	679	1 570
Profit from sale of shares of subordinated entities	-	7 545	-	2 056
Finance costs	-828	-1 335	-365	-1 169
Profit (loss) before tax	-2 606	3 165	425	3 907
Income tax :	-620	104	72	697
- deferred income tax	-620	104	72	697
Net profit	-1 986	3 061	353	3 210
Other comprehensive income				
Revaluation of fixed assets	167	167	-	-
Income tax on other comprehensive income	32	32	-	-
Other comprehensive income (net)	135	135	-	-
Total comprehensive income	-1 851	3 196	353	3 210
Weighted average number of ordinary shares (units)	3 895 000	3 895 000	3 895 000	3 895 000
Profit per one ordinary share/diluted (in PLN per one share)	-0.51	0.79	0.09	0.82
Total comprehensive income per one ordinary share (in PLN per one share)	-0.48	0.82	0.09	0.82

Individual Statement of Changes in Owners' Equity

(all amounts in thousands of PLN if not marked otherwise)

	Share capital	Retained earnings	Total equity
Reporting period from 1 January 2012 to 31 December 2012			
As at the beginning of period	3 895	62 944	66 839
Net profit of the given period	-	3 061	3 061
<i>Other comprehensive income (net)</i>	-	135	135
Total comprehensive income	-	3 196	3 196
At the end of period	3 895	66 140	70 035
Reporting period from 1 January 2011 to 31 December 2011			
At the beginning of period	3 895	59 734	63 629
Net profit of the given period	-	3 210	3 210
<i>Other comprehensive income (net)</i>	-	-	-
Total comprehensive income	-	3 210	3 210
At the end of period	3 895	62 944	66 839

Individual Statement of Cash Flows for the period from 1 January to 31 December 2012

(all amounts in thousands of PLN if not marked otherwise)

	4th quarter of 2012 from 1 Oct. 2012 to 31 Dec. 2012	Period of 12 months ended on 31 December 2012	4th quarter of 2011 from 1 Oct. 2011 to 31 Dec. 2011	Period of 12 months ended on 31 Dec. 2011
Operating cash flow				
Gross profit (loss)	-2 606	3 165	425	3 907
Total adjustments	3 791	-21 935	20 699	5 759
Amortization and depreciation	150	824	309	1 393
Interest and profit sharing (dividends)	626	246	-570	-955
(Profit) from sale of tangible assets	15	-143	-11	-310
(Profit) on investment recognized in statement of comprehensive income	-	-7 545	-	-2 056
Movement in provisions	-81	-131	51	-11
Change in inventory	-5	581	-503	-410
Movement in receivables	13 030	29 694	4 056	-25 651
Movement in current liabilities with the exception of loans and credits	-6 251	-39 386	16 336	31 480
Other adjustments (including deferred income)	-3 693	-6 075	1 031	2 279
Operating cash flow	1 185	-18 770	21 124	9 666
Net operating cash flow	1 185	-18 770	21 124	9 666
Investment cash flow				
Inflows	8 233	8 480	474	6 960
Sale of intangible assets and tangible assets	87	331	51	619

Interim Shortened Consolidated Financial Statement as at and for the period of twelve months ended on 31 December 2012

Inflow from financial assets	8 146	8 149	423	6 341
a) in affiliated entities	8 145	8 148	423	6 341
- dividend received	-	3	3	3
- sale of financial assets	8 145	8 145	-	5 450
repayment of granted loans	-	-	251	694
repayment of interest on granted loans	-	-	169	194
b) in other entities	1	1	-	-
- repayment of granted loans	1	1	-	-
Outflows	-8 024	-8 491	-1 538	-1 889
Purchase of intangible assets and tangible assets	-24	-489	-58	-355
For financial assets including:	-8 000	-8 002	-1 480	-1 534
a) in affiliated entities	-8 000	-8 001	-1 480	-1 534
- purchase of financial assets	-	-	-580	-634
- loans granted	-8 000	-8 001	-900	-900
b) in other entities	-	-1	-	-
- loans granted	-	-1	-	-
Net cash flow from investment activity	209	-11	-1064	5 071
Financial cash flow				
Inflows	344	6 347	-	4 998
Inflows from credits received	344	6 347	-	4 998
Outflows	-148	-408	-5 061	-5 803
Repayment of bank credits	-	-	-4 998	-5 275
Payment from the title of finance lease	-	-	-	-253
Interest and commission paid	-148	-408	-63	-275
Net cash flow from financial activity	196	5 939	-5 061	-805
Total net cash flow	1 590	-12 842	14 999	13 932
Increase/(decrease) in net cash and cash equivalents	1 590	-12 842	14 999	13 932
Cash and cash equivalents at the beginning of period	1 574	16 006	1 007	2 074
Cash and cash equivalents at the end of period	3 164	3 164	16 006	16 006

V. Notes on assumed accounting principles (policy) and other explanatory remarks to Interim Shortened Consolidated Financial Statement of Prochem S.A Capital Group and company Prochem S.A. as at and for the period ending on 31 December 2012

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

1. The establishment of the parent company and 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 Street. 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). The authenticated deed and statutes were signed on 1 October of 1991. The company’s duration is indefinite.

2. Managing bodies of 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 day of publishing Report for the third quarter of 2012 in composition of Management Board and Supervisory Board no changes took place.

3. Description of organization of Capital Group indicating the entities being subject to consolidation

The Prochem Capital Group (hereinafter referred to as „Capital Group”, „Group”), in addition to data of parent entity (hereinafter referred to as ”the Issuer”) comprises the following subsidiaries directly or indirectly, and affiliated entities (hereinafter referred to as “entity” or “company”).:

Subsidiaries covered by full consolidation:

- Prochem Inwestycje Sp. z o.o. with registered office in Warsaw – direct subsidiary (100.0%);
- Irydion Sp. z o.o. with registered office in Warsaw – direct subsidiary (100.0%);
- PRO-INHUT Sp. z o.o. with registered office in Dąbrowa Górnicza – indirect subsidiary (99.0%);
- Pro-Organika Sp. z o.o. with registered office in Warsaw – direct subsidiary (91.4%);
- Prochem Serwis Sp. z o.o. with registered office in Warsaw – indirect subsidiary (89.1%);
- PREDOM Sp. z o.o. with registered office in Wrocław – indirect subsidiary (81.1% of the share capital and profit, 69.4% of votes);
- Prochem Zachód Sp. z o.o. with registered office in Warsaw – direct subsidiary (60.0%);
- ELPRO Sp. z o.o. Kraków – indirect subsidiary (85.0%, including 70.0% of the share in 50% share of Elektromontaż Kraków);
- Elmont Inwestycje Sp. z o.o. Kraków – indirect subsidiary (85.0%, including 70.0% of the share in 50% share of Elektromontaż Kraków);
- Elektromontaż Kraków S.A. – indirect subsidiary in 70.0%, including 31.4% of the share capital and voting rights belonging to company Prochem Inwestycje subsidiary 100% – company draws up consolidated financial statement containing data of the subsidiary 100% ELMONT-POMIARY Sp. z o.o. with registered office in Krakow and two associated companies ELPRO Sp. z o.o. with registered office in Krakow and Elmont-Inwestycje Sp. z o.o. with registered office in Krakow;
- IRYD Sp. z o.o. with registered office in Warsaw – indirect subsidiary 100%;
- ATUTOR Integracja Cyfrowa Sp. z o.o. with registered office in Warsaw – indirect subsidiary (87.3% of share belongs to company Prochem Inwestycje Sp. z o.o. subsidiary 100%);
- Prochem RPI Sp. z o.o. with registered office in Warsaw – direct and indirect subsidiary 100% (3.3% of share belongs to company Prochem Inwestycje Sp. z o.o. subsidiary 100%);
- PRO PLM Sp. z o.o. with registered office in Warsaw – direct and indirect subsidiary 100% (50% of share belongs to company Prochem Inwestycje Sp. z o.o. subsidiary 100%).

Associated entities valued with equity method:

- PROMIS Sp. z o.o. with registered office in Warsaw – indirectly associated (29.5% of voting rights and 48.9 % of share capital belongs to company Prochem Inwestycje Sp. z o.o. subsidiary 100%);
- ITEL Sp. z o.o. Gdynia – 42.0% of share (18.7% of voting rights and capitals belongs directly to Prochem S.A. and 23.31% belongs to Prochem RPI Sp. z o.o. subsidiary (100%);
- TEOMA S.A. with registered office in Warsaw – 19.5% of the share capital and 16.6% of voting rights (12.2% of voting rights belongs directly to Prochem S.A. and 4.4% belongs to Prochem Inwestycje Sp. z o.o. subsidiary 100%).

Consolidated subsidiaries were included in the consolidated financial statements from the day of taking of control by the parent company, and affiliates from the day of having a significant influence.

Company Predom Projektowanie Sp. z o.o. was excluded from consolidation. The Company has not commenced operations. The value of shares was covered by impairment write down.

4. Accepted accounting principles applied by Capital Group and Issuer

Basis for preparation and statement of compliance

Interim Shortened Consolidated Financial Statement of PROCHEM S.A. Capital Group and Individual Interim Shortened Financial Statement for twelve months of 2012 were drawn up according to International Accounting Standards IAS 34 „Interim Financial Reporting” and regulation of the Minister of Finance of 19 February 2009 on current and periodical information provided by issuers of securities and the conditions for

recognition as equivalent information required by the law of a non-Member state (Journal of Laws of 2009 No 33, item 259). These Interim Shortened Consolidated Financial Statements are not containing information and disclosures required for complete financial reports and should be read along with Consolidated Financial Statement of Prochem S.A. Capital Group for the financial year ended on 31 December 2011 and Financial Statement of Prochem S.A. for the financial year ended on 31 December 2011.

These Interim Shortened Consolidated Financial Statement of Prochem S.A. Capital Group and Individual Interim Shortened Financial Statement have been prepared at going concern assumption in a foreseeable future and it is stated that there are no circumstances pointing out the threat to going concern of Prochem S.A. Capital Group and of Issuer.

The duration of the activities of individual entities belonging to the Capital Group and company Prochem S.A. is not limited.

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

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 isn't subject to cyclical trends.

Principles of drawing up consolidated financial statement

Consolidated 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 undertaking.

Changes in accounting estimates and accounting policy

The preparation of financial statements in accordance with IFRS as adopted by EU requires the use of reliable accounting estimates and the assumptions as to future events. Items of the financial statement identified on the basis of estimates are subject to verification when circumstances being the basis of estimates are changing or as a result of new information, the progressive course of events or more experience.

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

1. of IFRS changes,
2. when the change in accounting policy will lead to the fact that information included in the financial statement concerning the impact of the transaction, other events and conditions on financial position, financial performance or cash flows, will be more useful and credible for recipients of reports.

In case of changes in accounting principles it is assumed, that the new accounting policy have been always applied, except for those that do not provide a retrospective change. Adjustments associated with it shall be shown as changes in owner's equity. To ensure the comparability transformations of financial statements are done for the earlier presented period in such a way that the statements also include changes made, except for situations, when setting the impact of change on particular periods or the cumulative effect is practically impossible.

Essential accounting principles

In preparing the Interim Shortened Consolidated Financial Statement and Interim Shortened Individual Financial Statement for twelve months of 2012 the same accounting principles and the same calculating methods were applied as those that were used in Consolidated Financial Statement of Prochem S.A. Capital Group and Financial Statement of Prochem S.A. for the year ended on 31 December 2011.

Amendments to IFRS issued but not effective until the date of publication of these interim shortened financial statements will be made in accordance with the date of their entry into force. The possible impact of these changes on future financial statements are being analyzed.

Changes in accounting estimates

In 2012 there was no change in the principles and methods of calculation used to determine estimates.

Functional currency and presentation currency of the statement

The Interim Shortened Consolidated Financial Statement of the Group and Individual Financial Statement of Prochem S.A. are presented in Polish zloty („zł” or ”PLN”), which is functional and reporting currency.

5. Brief description of the significant achievements and failures of the Issuer in the period covered by the report along with an indication of the major events that affect them

In the fourth quarter of 2012 on the basis of the Decision of the Mayor of Świecie, the Issuer converted against payment the right of perpetual usufruct of land located in Tleń in the municipality Osie, into the right of property.

6. Factors and events particularly of an unusual nature having a significant impact on achieved financial results

In the fourth quarter of 2012 events of unusual nature did not occur.

Other events having a significant effect on financial performance of Capital Group in the third quarter of 2012:

- a) Provision for deferred income tax created in the previous periods in the amount of PLN 1 008 thousand, and provision was created in the amount of PLN 522 thousand,
- b) Deferred tax assets were used in the amount of PLN 197 thousand, and created in the amount of PLN 91 thousand,
- c) Provision for holiday benefits created in the previous periods in the amount of PLN 322 thousand, and created in the amount of PLN 168 thousand,
- d) Provision for retirement benefits created in previous periods in the amount of PLN 246 thousand was used and created in the amount of PLN 629 thousand,
- e) Creation of write-down covering amount due in the amount of PLN 103 thousand and dissolution of write-down in the amount of PLN 12 thousand,
- f) Creation of write-down covering value of shares of associated entities in the amount of PLN 580 thousand,
- g) Provision for future costs was created in the amount of PLN 737 thousand and was dissolved in the amount of PLN 57 thousand.

Other events having a significant effect on financial performance of the Issuer in the fourth quarter of 2012:

- a) Provision for deferred income tax created in the previous periods in the amount of PLN 730 thousand was dissolved, and was created in the amount of PLN 122 thousand,

- b) Deferred tax assets were used in the amount of PLN 31 thousand and created in the amount of PLN 11 thousand,
- c) Creation of write-down covering amount due in the amount of PLN 71 thousand and dissolution in the amount of PLN 12 thousand,
- d) Provision for holiday benefits created in previous periods was used in the amount of PLN 136 thousand,
- e) Creation of write-down covering value of shares of associated entities in the amount of PLN 580 thousand,
- f) Provision for future costs was created in the amount of PLN 490 thousand.

7. Explanation 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 does not apply to the Issuer and Prochem S.A. Capital Group.

8. Information on issue, repurchase and repayment of non-equity securities and equity securities

Did not occur.

9. Information on dividend paid (or declared), total value and per one share divided into ordinary and preference shares

During the reporting period Issuer did not pay dividends.

10. Indication of the events that occurred after the date on which shortened quarterly financial statement was prepared, not included in this report, and that may significantly affect the future financial performance of the issuer.

On 7 January 2013 pursuant to a resolution of the General Meeting of the company Pro Inhut. Sp. z o.o. with its registered office in Dąbrowa Górnicza the share capital was raised by PLN 3 thousand from the amount of PLN 50 thousand to PLN 53 thousand through the creation of 6 new shares with a nominal value of PLN 500 each. After changing the articles of association the Issuer's indirect participation in the share capital and voting rights decreased by 5.6 % to 93.4% .

On 13 February 2013 company Prochem Inwestycje Sp. z o.o. (100% subsidiary) has entered into an agreement to sell the shares that the company had in the company PROMIS Sp. z o.o. based in Warsaw. The nominal value of redeemed share amounts to PLN 110 thousand, selling price is PLN 270 thousand. After the transaction the is not a shareholders in the company PROMIS Sp. z o.o.

11. Transactions with related parties

In the reporting period members of the Supervisory Board and Management Board didn't conclude contracts with affiliates.

Transactions with affiliated entities as below were concluded on market conditions and concern sale and purchase of services among others construction and assembly services and hire contract as well as mutually granted loans.

Settlements with affiliated entities include trade balances and loans.

Guarantees and sureties granted to affiliated entities are presented in item 12.

Transactions of the Capital Group with associated entities

Reporting period

In the period from 1 January 2012 to 31 December 2012 there were transactions with associates under financial income – guarantee fee - in the amount of PLN 3 thousand.

Dividends received amounted to PLN 18 thousand.

Net share in profit (loss) for three quarters of 2012 of the entities valued with equity method amounted to PLN 372 thousand.

As at 31 December 2012 settlements with associated entities directly or indirectly on trade payables did not occur.

Comparative data

In the period from 1 January 2011 to 31 December 2011 there were transactions with associated entities covering:

- receivables from interest on loans amounting to – PLN18 thousand,
- financial income from the write-up of a loan in the amount of PLN 240 thousand and interest on loans in the amount of PLN 148 thousand,
- income from sale of shares with the aim of redemption in the amount of PLN 160 thousand.

Net share in profit (loss) for four quarters of 2011 of the entities valued with equity method amounted to PLN 384 thousand.

As at 31 December 2011 settlements with associated entities directly or indirectly on trade payables did not occur.

Transactions of the Issuer with subsidiaries

Data for the reporting period

As at 31 December 2012 settlements between the Issuer and subsidiaries directly or indirectly developed as follows:

Receivables from long-term loans along with interest - PLN 26 985 thousand,

Receivables from short-term loans along with interest - PLN 553 thousand,

Trade receivables other receivables - PLN 9 004 thousand,

Trade payables - PLN 1 920 thousand

In the period from 1 January 2012 to 31 December 2012 there were following transactions between Issuer and direct and indirect subsidiaries:

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

Total income from these transactions amounted to – PLN 4 286 thousand,

Income from interest on loans amounted to - PLN 739 thousand,

Remuneration on account of valorization of contract value - PLN 215 thousand,

Other operation income – PLN 79 thousand,

Received dividends – PLN 3 thousand.

Comparative data

As at 31 December 2011 settlements between the Issuer and subsidiaries directly and indirectly developed as follows:

Receivables from long-term loans with interest - PLN 18 923 thousand,
Receivables from short-term loans with interest – PLN 1 240 thousand,
Trade receivables and other receivables - PLN 8 463 thousand
Trade payables - PLN 12 746 thousand.

In the period from 1 January 2011 to 31 December 2011 there were following transactions between Issuer and subsidiaries directly and indirectly:

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

Total income from these transactions amounted to – PLN 1 006 thousand

Income from interest on loans amounted to - PLN 821 thousand

Remuneration on account of valorization of contract value amounted to - PLN 187 thousand

Received dividends – PLN 3 thousand.

Transactions of the Issuer with associated entities

Reporting period

In the period from 1 January 2012 to 31 December 2012 there were following transactions with associates on account of financial income – guarantee fee – in the amount of PLN 3 thousand

As at 31 December 2012 settlements with associated entities directly or indirectly on trade payables did not occur.

Comparative data

In the period from 1 January 2011 to 31 December 2011 there were transactions between the Issuer and associates as follows:

- sale of construction services

Total income from these transactions amounted to – PLN 10 thousand,

Revenue from interest on loan amounted to – PLN 4 thousand.

As at 31 December 2011 settlements with associates directly or indirectly did not occur.

12. Information on changes in contingent liabilities or contingent assets that have occurred since the end of the last financial year

Contingent liabilities of Capital Group

Title	As at	
	31 December 2012	31 December 2011
Bank guarantee of good performance	18 542	13 481
Guarantee of payment	1 035	832
Tender guarantee	-	450
Warranty protection obligations under the warranty and guarantee – given on behalf of the associate	286	-
Total guarantees	19 863	14 763
L/C for delivery	-	1 719
Total contingent liabilities	19 863	16 482

Contingent assets of the Group

Title	31 Dec. 2012	31 Dec. 2011
Bank guarantee of good performance	2 078	3 768
Guarantees of Bills of exchange securing terms of the agreement	577	4 198
Total contingent assets	2 655	7 966

Contingent liabilities of the Issuer

Title	As at	
	31 Dec. 2012	31 Dec. 2011
Bank guarantee of good performance	12 774	8 353
Guarantee of payment	1 035	832
Tender guarantees	-	450
Warranty protection obligations under the warranty and guarantee – given on behalf of the associate	286	-
Total guarantees	14 095	9 635
L/C for delivery	-	1 719
Total contingent liabilities	14 095	11 354

Contingent assets of the Issuer

Title	As at	
	31 Dec. 2012	31 Dec. 2011
Bank guarantees of good performance	2 078	3 768
Guarantees of Bills of exchange securing terms of the agreement	577	4 198
Total contingent assets	2 655	7 966

13. Changes in the structure of the Capital Group since the beginning of the year including merging of economic units, takeover or sale of subsidiaries and long-term investments, restructuring and discontinued operations

In the 4th quarter of 2012 company IRYDION Sp. z o.o., subsidiary 100% of Prochem S.A., sold to company Prochem S.A. 40 shares in company Elmont- Inwestycje Sp. z o.o. with the nominal value of PLN 100 thousand each for the total amount of PLN 5 000 thousand. Realized gain on the transaction does not affect the financial results of the Prochem S.A. Capital Group for 2012. After the transaction the share (direct or indirect) of the company Prochem S.A. in the share capital and voting rights in the company Elmont- Inwestycje Sp. z o.o. is 85,02%.

In the 4th quarter of 2012 subsidiary Elektromontaż Kraków S.A. repurchased 1 447 shares for a total of PLN 36 thousand. As a result of repurchase of own shares for redemption by company Elektromontaż Kraków has changed the structure of participation. As at 31 December 2012 direct and indirect share of Parent Company increased by 3.53 percentage points to 70.03%.

Jointly from the start of the procedure of buy back of shares up to 31 December 2012 60 886 shares were repurchased for a total of PLN 1.5 m.

In the third quarter of 2012 on the basis of the Resolution No 15 of the Ordinary General Meeting of company Elektromontaż Kraków S.A. of 15 June 2012 on the redemption of shares, the share capital decreased by PLN 257.8 thousand (51 563 shares were redeemed with a nominal value of PLN 5 each).

As at 31 December 2012 were left 9 383 shares repurchased with the aim of redemption but not redeemed.

In the second quarter of 2012 parent company sold 81 455 shares of company Elektromontaż Kraków, i.e. 30.9% share in share capital and voting rights to company Prochem Inwestycje Sp. z o.o. subsidiary 100%. Nominal value of share amounts to PLN 5, selling price was PLN 100 per share. Realized gain on the transaction does not affect the financial result of Prochem S.A. Capital Group for the year 2012.

Company Prochem Inwestycje Sp. z o.o. sold 2 shares of company Prochem Serwis Sp. z o.o. with nominal value of PLN 1 thousand each, for a total of PLN 7.7 thousand.

14. Attitude of the Management Board regarding feasibility of previously published results forecasts for the given year, in the light of the results presented in quarterly report in relation to forecast results

Management Board of the Company Prochem S.A. did not publish forecasts of financial results of the Company and Prochem S.A. for 2012.

15. Shareholders having directly or indirectly through subsidiaries at least 5 % of the total number of votes at the General Meeting of the Issuer on the date of submission of the quarterly report together with the number of shares belonging to those shareholders and their percentage participation in the total number of votes at the General Meeting and an indication of changes in the ownership structure of considerable share packets of the issuer in the period from the previous quarterly report

According to information held by the Company as at the date of this report the following shareholders hold at least 5% of the votes at the General Meeting of Shareholders.

Description	Number of shares held (units)	% of votes in total number of votes	% of share capital
1. Prochem Holding M. Garliński Spółka Komandytowa	941 213	24.17	24.15
2. Steve Tappan	382 751	9.82	9.83
3. ING Towarzystwo Funduszy Inwestycyjnych SA, including:	358 312	9.19	9.20
- ING Parasol Specjalistyczny Fundusz Inwestycyjny Otwarty	228 950	5.87	5.88
4. Otwarty Fundusz Emerytalny PZU „Złota Jesień“	369 000	9.47	8.36
5. Legg Mason Parasol Fundusz Inwestycyjny Otwarty („Legg Mason Parasol FIO”) i Fundusz Własności Pracowniczej PKP Specjalistyczny Fundusz Inwestycyjny Otwarty ora Leeg Mason Akcji Skoncentrowany Fundusz Inwestycyjny Zamknięty - total,	610 138	15.66	15.67
including:			
- Legg Mason Parasol FIO”	284 054	7.29	7.29

In the period from the report of the third quarter of 2012 there was a change in the ownership structure of considerable share packets of the Issuer.

1. Issuer received notice from Legg Mason Towarzystwo Funduszy Inwestycyjnych S.A. the legal successor of Legg Mason Zarządzanie Aktywami S.A. that on 2 January 2013 expired agreement for the management of investment portfolios entitling to exercise the right to vote attached to company's shares at the General Meeting of Shareholders on behalf of customers. As a result of changes the above mentioned funds (item 5 of the statement) are entitled to

exercise voting rights attached to shares held by them. The notice indicates that Funds Legg Mason increased number of shares of the Issuer by 6 456 shares and as at the date of this report hold 610 138 shares, representing 15.66% of the total number of votes at the General Meeting of Shareholders and 15.67% of share capital.

2. Issuer received from Prochem Holding M. Garliński Spółka Komandytowa the notice of resignation of one of the limited partners, who received 21 128 shares of company Prochem S.A. at price PLN 16,14 by way of dismissal from the obligation laid down in the Art. 65§3 of the Commercial Companies Code. The total amount of the transaction was PLN 341 thousand. After the transaction company Prochem Holding hold 941 213 shares of the Issuer, representing 24.14% of total number of votes at the General Meeting of Shareholders and 24.17% of the share capital.

16. Statement of changes in the ownership of the shares of the Issuer or rights to them (options) by persons managing and supervising the Issuer, according to information held by the Issuer in the period from the previous quarterly report

As at the date of quarterly report the following members of the Management Board and Supervisory Board 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 – 37 000 units.;

In the period from the report for 3rd quarter of 2012 change took place in the ownership structure of shares of the Issuer. Mr. Marek Garliński member of the Supervisory Board purchased 1 452 shares of the Issuer and increased his stake to 37,000 shares, which gives the right to 0.95% of the share capital and 0.97% of the right to vote at the General Meeting of Shareholders.

17. Indication of proceedings pending before the court, competent authority for arbitration or public authority including information on:

- a) Proceedings concerning liabilities or debts of the issuer or its subsidiaries whose value is at least 10 % of the equity of the issuer, specifying: the subject matter of the proceedings, the amount in dispute, the date of initiation of proceedings, the parties in proceedings and the position of the issuer,
- b) Two or more proceedings concerning liabilities and debts which total amount constitutes respectively at least 10 % of the equity of the issuer, stating the total value of proceedings separately in the group of liabilities and debts along with the position of the issuer in this case, and for the biggest proceedings in the group of liabilities and group of debts – an indication of their subject, the amount in dispute, the date of initiation of the proceeding and the parties in proceedings.

PROCHEM S.A. is still a party to the proceedings before the court for settlement of the interrupted on 10 Nov. 2005 contract 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 lawsuit to the court for payment of PLN 41,301 thousand for a final settlement of contract. On 18 January 2008 District Court in Warsaw issued a judgment in this case considering claim of Prochem S.A. as to be right in principle, while stating that this commitment is not yet due.

On 26 August 2008 the Court of Appeal in Warsaw issued a final judgment on the appeal lodged by PROCHEM S.A. from the a/m judgment of the District Court, recognizing in it that the claim filed by Prochem S.A. regarding contractual settlement is not premature and at the same time ordered the District Court to make accounting for the mentioned above contract pursuant to the provisions of the contract.

This finding is in compliance with position in a case of PROCHEM S.A.

On 12 August 2010 the hearing was held before the District Court in Warsaw, where the Court decided to appoint an expert, who according to the Court of Appeal will ultimately settle the disputed contract. In April 2011 the case file was forwarded to the expert witness who must issue an opinion. In the opinion which was released in May 2012 the court expert upheld the claims of Prochem S.A. On 5 February 2013 in the District Court in Warsaw next hearing was held with the participation of experts. After hearing the expert opinion the Court set the date of the next hearing on 16 May 2013.

In addition, the total value of the other procedures separately for the group of liabilities and group of debts does not exceed 10% of the equity of the Capital Group of the Issuer.

18. Information on the conclusion by the issuer or its subsidiary one or more transactions with affiliated entities if individually or collectively they are significant and have been concluded on terms other than market terms:

- a) Subject of the transaction,
- b) The relationship of the issuer or its subsidiaries with the entity which is party to the transaction,
- c) The essential terms of transaction, with particular emphasis on financial conditions and an indication of specific conditions determined by parties, specific to this contract, in particular different from those common applied to the type of contract.

In the fourth quarter of 2012 transactions concluded on terms other than market terms did not occur.

19. Information about giving credit guarantees, guarantee for loan or giving a guarantee by the issuer or its subsidiary, including for a single entity or its subsidiary, if the total value of existing guarantees is equivalent to at least 10% of the equity of the issuer

In the fourth quarter of 2012 none of the companies belonging to the Capital Group granted to a third party guarantees or credit guarantees or loan guarantees of such value.

20. Other information which in the opinion of the Issuer is relevant to the assessment of its personnel, property and financial situation, financial result and their changes, and the information that is relevant to assess the possibility of fulfillment of obligations by the Issuer

The low level of debts and the high financial liquidity allow companies belonging to the Capital Group for the current and timely service of obligations what causes that they are a credible partner in business

21. Factors which in the opinion of the Issuer will influence its performance in at least the next quarter

In the next quarter results achieved by the Group will depend mainly on effects achieved on the execution of contracts acquired by the Group, as well as the result of decisions concerning offers submitted by the Group for sale of its services. Possible start of the implementation of development projects prepared by the Capital Group will be also important.

22. Management of financial risk

Activity of Companies belonging to 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, 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. In order to minimize the credit risk the Group is managing the risk through the being in force 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 release the amount due seized by investors on account of the proper 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 by the Group as low.

All entities in which the Group is depositing available funds 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 inside the group loans is regarded by the Group as low. The group isn't identifying threatening to payment of obligations arising from agreements on loans.

Risk of endangered financial assets is reflected by write-downs covering its 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 stiffening of the domestic currency it can have adverse effect 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 from the title of the interest rate resulting from the bank loans based on the floating interest rate WIBOR.

5. Risk of adverse settlement of 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. in 2013 concerning seized guarantee deposits before regaining them from PERN SA. As at the balance sheet date the amount of unpaid deposit to subcontractors amounts to PLN 6.6 m.

A detailed description of the dispute is described in item 17.

23. Reporting according to business and geographical sections

The operation section is component part of the entity:

- which is committing itself to 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 body responsible for the making operating decision 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

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 among others the income from the sublet, sale of photocopy services and other.

All assets used by the segment which comprise mainly receivables, stocks and tangible fixed assets after deduction 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.

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

Operation segments – Prochem S.A. for four quarters of 2012 – income and performance of segments
Current period from 1 January to 31 December 2012

	General contracting	Engineering and design services	Rental of construction services	Other	Items not assigned	Total
Revenue on behalf of outer clients	60 367	18 894	4 036	3 073	-	86 370
Total income of the segment	60 367	18 894	4 036	3 073	-	86 370
Wynik						
Zysk (strata) segmentu	998	-6 247	1 792	362	-	-3 095
Financial income	-	-	-	-	8 593	8 593
Finance costs	-	-	-	-	-1 335	-1 335
Net financial income	-	-	-	-	7 258	7 258
Loss from remaining operating activities	-	-	-	-	-998	-998
Profit before tax	-	-	-	-	3 165	3 165
Income tax	-	-	-	-	104	104
Profit for the current period	-	-	-	-	3 061	3 061
Assets and liabilities						
Assets of the segment (associated with activity)	36 572	4 554	3 117	1 049	-	45 292
Assets not assigned/not allocated (among other shares, stocks and other financial assets)	-	-	-	-	64 038	64 038
Total assets	36 572	4 554	3 117	1 049	64 038	109 330
Depreciation of tangible fixed assets	111	70	263	-	315	759
Amortization of intangible fixed assets	-	-	-	-	65	65

Comparative period from 1 January to 31 December 2011

	General contracting	Engineering and design services	Rental of construction services	Other	Items not assigned	Total
Revenue on behalf of outer customers	97 537	20 562	7 432	2 099	-	127 630
Total income of the segment	97 537	20 562	7 432	2 099	-	127 630
Results						
Profit (loss) of the segment	2 592	-6 529	4 325	-	-	388
Financial income	-	-	-	-	3 626	3 626
Finance costs	-	-	-	-	1 169	1 169
Net financial ioncome	-	-	-	-	2 457	2 457
Profit from remaining operating activities	-	-	-	-	1 062	1 062
Profit before tax	-	-	-	-	3 907	3 907
Income tax	-	-	-	-	697	697
Net profit for the current period	-	-	-	-	3 210	3 210
Assets and liabilities						
Assets of the segment (associated with activity)	56 928	5 343	4 062	350	-	66 683
Assets not assigned/not allocated (among others shares, stocks and remaining financial assets)	-	-	-	-	74 882	74 882
Total assets	56 928	5 343	4 062	350	74 882	141 565
Depreciation of tangible fixed assets	101	105	512	-	585	1 303
Amortization of intangible fixed assets	-	-	-	-	90	90

Operation segments – Prochem S.A. Capital Group for four quarters of 2012 – income and performance of the segments

Current period from 1 January to 31 December 2012

For the period from 1 Jan.2012 to 31 Dec.2012.	General contracting	Design services and engineering	Rental of construction equipment	Assembly of electrical installations	Lease of office space and real estates	Management of real estates	Maintenance	Commercial activity	Development activity	Other IT services	Other	Items not assigned	Total
Income on behalf of outside customers	61 065	19 831	4 036	31 298	4 949	5 743	1 072	5 975	-	482	2 520	-	136 971
Total income of segment	61 065	19 831	4 036	31 298	4 949	5 743	1 072	5 975	-	482	2 520	-	136 971
Results													
Profit (loss) of the segment	942	-6 292	1 792	1 746	730	305	112	254	-	-	-398	-	-809
Financial income	-	-	-	-	-	-	-	-	-	-	-	1 387	1 387
Finance costs	-	-	-	-	-	-	-	-	-	-	-	-1 668	-1 668
Net financial income	-	-	-	-	-	-	-	-	-	-	-	-281	-281
Share in profit of associated entities	-	-	-	-	-	-	-	-	-	-	-	372	372
(Loss) from remaining operating activities	-	-	-	-	-	-	-	-	-	-	-	-1 806	-1 806
(Loss) before tax	-	-	-	-	-	-	-	-	-	-	-	-2 524	-2 524
Income tax	-	-	-	-	-	-	-	-	-	-	-	724	724
(Loss) for the current period	-	-	-	-	-	-	-	-	-	-	-	-3 248	-3 248
Profit assigned to minority shareholders	-	-	-	-	-	-	-	-	-	-	-	693	693
(Loss) net assigned to shareholders of parent company	-	-	-	-	-	-	-	-	-	-	-	-3 941	-3 941
Assets													
Assets of the segment (associated with activity)	30 031	6 755	3 117	14 591	5 971	1 711	354	691	35 676	91	4 021	-	103 809
Assets not assigned/not allocated (among others shares, stocks, other financial assets)	-	-	-	-	-	-	-	-	-	-	-	81 665	81 665
Total assets	30 031	6 755	3 117	14 591	5 971	1 711	354	691	35 676	91	4 021	81 665	185 474
Other information related to segment													
Depreciation of tangible fixed assets	146	117	263	336	37	772	58	-	-	-	25	450	2 204
Amortization of intangible fixed assets	-	14	-	13	-	-	4	-	-	-	-	67	98

Comparative period from 1 January to 31 December 2011

	General contracting	Design services and engineering	Rental of construction equipment	Assembly of electrical installations	Lease of office space and real estates	Management of real estates	Maintenance	Commercial activity	Development activity	Other IT services	Other	Items not assigned	Total
Income on behalf of outside customers	99 148	25 121	7 432	25 965	5 083	5 702	2 500	5 131	-	462	1 879	-	178 423
Total income of segment	99 148	25 121	7 432	25 965	5 083	5 702	2500	5 131	-	462	1 879	-	178 423
Result													
Profit (loss) s of the segment	2 262	-6 634	4 325	5 558	1 103	421	44	152	-	127	-150	-4 816	2 392
Financial income	-	-	-	-	-	-	-	-	-	-	-	1 127	1 127
Finance costs	-	-	-	-	-	-	-	-	-	-	-	1 522	1 522
Net financial income	-	-	-	-	-	-	-	-	-	-	-	-395	-395
Share in profit of associated entities	-	-	-	-	-	-	-	-	-	-	-	384	384
Profit from remaining operating activities	-	-	-	-	-	-	-	-	-	-	-	5 181	5 181
Profit before tax	-	-	-	-	-	-	-	-	-	-	-	7 562	7 562
Income tax	-	-	-	-	-	-	-	-	-	-	-	-1 953	-1 953
Profit for the current period	-	-	-	-	-	-	-	-	-	-	-	5 609	5 609
Profit assigned to minority shareholders	-	-	-	-	-	-	-	-	-	-	-	627	627
Net profit assigned to shareholders of parent entity	-	-	-	-	-	-	-	-	-	-	-	4 982	4 982
Assets and liabilities													
Asset of the segment (associated with activity)	50 006	8 732	4 062	13 607	19 721	1 847	-	1 782	54 381	278	475	-	154 891
Assets not assigned/not allocated (among others shares, stocks and other financial assets)	-	-	-	-	-	-	-	-	-	-	-	63 284	63 284
Total assets	50 006	8 732	4 062	13 607	19 721	1 847	-	1 782	54 381	278	475	63 284	218 175
Other information related to segment													
Depreciation of tangible fixed assets	148	154	512	455	652	160	-	-	-	44	-	755	2 880
Amortization of intangible fixed assets	-	16	-	13	-	6	-	-	1	1	-	90	127

24. Approval of the financial statement

Interim Shortened Financial Statement was approved for issue by the Management Board on 1 March 2013.

Signatures of Management Board Members:

1 March 2013 date	Jarosław Stępniewski first name and surname	Chairman of the Board position signature
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1 March 2013 date	Marek Kiersznicki first name and surname	Vice Chairman of the Board position signature
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1 March 2013 date	Krzysztof Marczak first name and surname	Vice Chairman of the Board position signature
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Signature of the person responsible for maintaining the accounts

1 March 2013 date	Barbara Auguścińska-Sawicka first name and surname	Chief Accountant position signature
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