

## **CONSOLIDATED QUARTERLY REPORT OF THE CAPITAL GROUP OF PROCHEM S.A. FOR 3RD QUARTER OF 2011**

**Containing:**

- Selected Financial Data
- Interim Shortened Consolidated Financial Statement as at and for the period of 9 months ending on 30 September 2011
- Interim Shortened Individual Financial Statement as at and for the period of 9 months ending on 30 September 2011
- Notes on assumed accounting principles (policy) and other explanatory remarks to Interim Shortened Consolidated Financial Statement of Capital Group of Prochem S.A. and company Prochem S.A.

[www.prochem.com.pl](http://www.prochem.com.pl)

**PROCHEM S.A.  
ul. Powązkowska 44C  
01-797 Warszawa**

**Contents**

**I. Selected Financial Data**

**II. Interim Shortened Consolidated Financial Statement of Capital Group of PROCHEM S.A.**

1. Consolidated Statement of Financial Position
2. Statement of Comprehensive Income
3. Consolidated Statement of Changes in Owners' Equity
4. Consolidated Statement of Cash Flow

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

1. Individual Statement of Financial Position
2. Individual Statement of Comprehensive Income
3. Individual Statement of Changes in Owners' Equity
4. Individual Statement of Cash Flow

**IV. Notes on assumed accounting principles (policy) and other explanatory remarks**

## I. Selected Financial Data

Income from sales and profit 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 every month and are amounting to:

- for three quarters of 2010 - 4.0027 PLN/EURO
- for three quarters of 2011 - 4.0414 PLN/EURO

Data included in Statement of Financial Position were 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:

- 3.9603 PLN/EURO as at 31 December 2010
- 4.4112 PLN/EURO as at 30 September 2011

### Selected financial data of Prochem S.A. Capital Group

Description	Reporting period ended on 30 September		Reporting period ended on 30 September	
	2011	2010	2011	2010
	In PLN thousand		In EURO thousand	
<b>Consolidated Statement of Comprehensive Income</b>				
Income from sales	108 956	80 598	26 960	20 136
Gross profit (loss) on sales	12 164	14 613	3 010	3 651
Operating income (loss)	2 279	3 693	564	923
Profit (loss) before tax	2 170	3 226	537	806
Net profit (loss) including assigned to:	1 246	2 596	308	649
shareholders of parent entity	992	2 119	245	529
minority shareholders	254	477	63	119
Profit per one ordinary share/diluted (in PLN/EURO) – assigned to shareholders of parent entity	0.25	0.54	0.06	0.14
<b>Consolidate Statement of Cash Flow</b>				
Net operating cash flow	-11 095	-376	-2 745	-94
Net cash flow from investment activity	3 089	4 110	764	1 027
Net cash flow from financial activity	5 163	-2 730	1 278	-682
Total net cash flow	-2 843	1 004	-703	251

Description	As at 30 Sept.		As at 30 Sept.	
	2011	2010	2011	2010
	In PLN thousand		In EURO thousand	
<b>Consolidated Statement of Financial Position</b>				
Total assets	204 292	187 006	46 312	47 220
Total fixed assets	94 909	101 751	21 515	25 693
Total current (short-term) assets	109 383	85 255	24 797	21 527
Parent entity's equity	108 867	105 626	24 680	26 671
Equity assigned to minority shareholders	14 240	18 021	3 228	4 550
Total equity	123 107	123 647	27 908	31 222
Total long-term liabilities	6 541	8 372	1 483	2 114

Total short-term liabilities	74 644	54 987	16 921	13 885
Weighted average number of shares (units)	3 895 000	3 895 000	3 895 000	3 895 000
Book value per one share (in PLN/EURO) – assigned to shareholders of parent entity	27.95	27.12	6.34	6.85

**Selected financial data of Prochem S.A.**

Description	Reporting period ended on 30 September		Reporting period ended on 30 September	
	2011	2010	2011	2010
	In PLN thousand		In EURO thousand	
<b>Statement of Comprehensive Income</b>				
Income from sales	69 675	31 503	17 240	7 870
Gross profit (loss) on sales	5 885	5 644	1 456	1 410
Operating income (loss)	1 339	243	331	61
Gross profit (loss)	3 482	1 058	862	264
Net profit (loss)	2 857	1 013	707	253
Net profit per one ordinary share (in PLN/EURO)	0.73	0.26	0.18	0.06
<b>Statement of Cash Flow</b>				
Net operating cash flow	-11 458	-2 495	-2 835	-623
Net cash flow from investment activity	6 135	3 406	1 518	851
Net cash flow from financial activity	4 256	-658	1 053	-164
Total net cash flow	-1 067	253	-264	63

Description	As at		As at		
	30 Sept.	31 Dec.	30 Sept.	31 Dec.	
	2011	2010	2011	2010	
		In PLN thousand		In EURO thousand	
<b>Statement of financial position</b>					
Total assets	128 823	105 163	29 204	26 554	
Total fixed assets	33 610	34 685	7 619	8 758	
Total current (short-term) assets	95 213	70 478	21 584	17 796	
Total equity	66 486	63 629	15 072	16 067	
Total long-term liabilities	342	330	78	83	
Total short-term liabilities	61 995	41 204	14 054	10 404	
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)	17.07	16.34	3.87	4.12	

## II. Interim Shortened Consolidated Financial Statement of Capital Group

### Consolidated Statement of Financial Position as at 30 September 2011

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

	As at 30 Sept.2011	As at 31 Dec.2010
<b>Assets</b>		
<b>Fixed assets</b>		
Tangible assets	27 109	32 779
Intangible assets	205	270
Real estate investments	64 362	63 377
Shares and stocks of subsidiaries	1 518	1 518
Shares and stocks of entities valued by the equity method	771	765
Deferred tax assets	944	3 042
<b>Total fixed assets</b>	<b>94 909</b>	<b>101 751</b>
<b>Current assets</b>		
Inventory	4 875	6 261
Trade receivables and other receivables	86 088	60 779
Other financial assets	198	597
Other assets	14 965	11 518
Cash and short-term deposits	3 257	6 100
<b>Total current (short-term) assets</b>	<b>109 383</b>	<b>85 255</b>
<b>Total assets</b>	<b>204 292</b>	<b>187 006</b>
<b>Equity and liabilities</b>		
<b>Equity</b>		
Share capital	3 895	3 895
Retained earnings	104 972	101 731
<b>Parent entity's equity</b>	<b>108 867</b>	<b>105 626</b>
Minority shareholders	14 240	18 021
<b>Total equity</b>	<b>123 107</b>	<b>123 647</b>
<b>Long-term liabilities</b>		
Long-term bank credits	-	234
Provision to deferred income tax	4 706	5 891
Retirement benefit obligations	1 595	1 643
Other provisions	72	208
Other long-term liabilities	168	396
<b>Total long-term liabilities</b>	<b>6 541</b>	<b>8 372</b>
<b>Short-term liabilities</b>		
Short-term bank credits	8 024	2 028
Short-term loans	109	29
Trade payables	58 855	44 939
Liabilities on account of current income tax	35	180
Other liabilities	6 227	7 666
Deferred income	1 394	145
<b>Short-term liabilities</b>	<b>74 644</b>	<b>54 987</b>
<b>Total liabilities</b>	<b>81 185</b>	<b>63 359</b>
<b>Total equity and liabilities</b>	<b>204 292</b>	<b>187 006</b>
Book value - parent entity's equity	108 867	105 626
The number of shares (units)	3 895 000	3 895 000
Book value per one share (in PLN)	27.95	27.12

**Consolidated Statement of Comprehensive Income for the period from 1 January 2011 to 30 September 2011**

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

	3rd Q of 2011 from 1 July 2011 to 30 Sept. 2011	Period of 9 months ended on 30 Sept. 2011	3rd Q of 2010 from 1 July 2010 to 30 Sept. 2010	Period of 9 months ended on 30 Sept. 2010
<b>Net income from sales of services, goods and materials including:</b>	<b>50 441</b>	<b>108 956</b>	<b>29 134</b>	<b>80 598</b>
Net income from sales of services	48 577	104 217	27 412	76 287
Net income from sales of goods and materials	1 864	4 739	1 722	4 311
<b>Cost of services, goods and materials sold including:</b>	<b>45 702</b>	<b>96 792</b>	<b>23 307</b>	<b>65 985</b>
Cost of products sold	44 592	93 224	21 758	62 136
Cost of goods and materials sold	1 110	3 568	1 549	3 849
<b>Gross profit (loss) from sales</b>	<b>4 739</b>	<b>12 164</b>	<b>5 827</b>	<b>14 613</b>
Other income	985	1 970	334	2 121
General and administrative expense	2 880	11 367	3 748	11 736
Other costs	177	488	316	1 305
<b>Profit (loss) from operating activities</b>	<b>2 667</b>	<b>2 279</b>	<b>2 097</b>	<b>3 693</b>
Financial income	118	375	231	475
Profit (loss) from sale of shares of subordinated entities	-	288	-	-
Finance costs	441	1 076	482	1 011
Share in profit of associated entities	262	304	-11	69
<b>Profit (loss) before tax</b>	<b>2 606</b>	<b>2 170</b>	<b>1 835</b>	<b>3 226</b>
Income tax :	544	924	5	630
- current income tax	102	154	357	390
- deferred income tax	442	770	-352	240
Profit from continuing operations				
<b>Net profit (loss)</b>	<b>2 062</b>	<b>1 246</b>	<b>1 830</b>	<b>2 596</b>
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>	<b>2 062</b>	<b>1 246</b>	<b>1 830</b>	<b>2 596</b>
Net profit (loss) assigned to:				
Shareholders of parent entity	1 985	992	1 425	2 119
Minority shareholders	77	254	405	477
Total comprehensive income assigned to:				
Shareholders of parent entity	1 985	992	1 425	2 119
Minority shareholders	77	254	405	477
Weighted average number of ordinary shares (units)	3 895 000	3 895 000	3 895 000	3 895 000
Profit per one ordinary share (in PLN per one share) assigned to shareholders of parent company	0.51	0.25	0.37	0.54
Total comprehensive income per one ordinary share (in PLN per one share) assigned to shareholders of parent company	0.51	0.25	0.37	0.54

## 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	Parent entity's equity	Minority shareholders equity	Total equity
<b>The reporting period from 1 January 2011 to 30 September 2011</b>						
<b>As at the beginning of the period upon transformation</b>	<b>3 895</b>		<b>101 731</b>	<b>105 626</b>	<b>18 021</b>	<b>123 647</b>
Net profit (loss) of the given period			992	992	254	1 246
<i>Other comprehensive income (net)</i>			-	-	-	-
<b>Total comprehensive income</b>	<b>3 895</b>		<b>102 723</b>	<b>106 618</b>	<b>18 275</b>	<b>124 893</b>
Payment of dividend				0	-11	-11
Change of structure of minority shareholder (purchase of shares by Issuer)			70	70	-90	-20
Change of structure of minority shareholder (shares purchased by Elektromontaż with the aim of redemption)			3 023	3 023	-3 023	0
Purchase of shares of parent entity with the aim of redemption			-694	-694	-367	-1 061
Other movements – among others sale of shares of subordinated entities, movements			-150	-150	-544	-694
<b>At the end of the period</b>	<b>3 895</b>	<b>0</b>	<b>104 972</b>	<b>108 867</b>	<b>14 240</b>	<b>123 107</b>
<b>Reporting period from 1 January 2010 to 31 December 2010</b>						
<b>As at the beginning of the period</b>	<b>3 900</b>	<b>-5</b>	<b>94 822</b>	<b>98 717</b>	<b>17 405</b>	<b>116 122</b>
Net profit (loss) of the given period			4 319	4 319	626	4 945
<i>Other comprehensive income (net)</i>			2 078	2 078	705	2 783
<b>Total comprehensive income</b>			<b>6 397</b>	<b>6 397</b>	<b>1 331</b>	<b>7 728</b>
Payment of dividend					-10	-10
Other movements	-5	5	-203	-203	10	-193
<b>At the end of the period – approved data</b>	<b>3 895</b>	<b>0</b>	<b>101 016</b>	<b>104 911</b>	<b>18 736</b>	<b>123 647</b>
Change of presentation			715	715	-715	0
<b>At the end of the period</b>	<b>3 895</b>	<b>0</b>	<b>101 731</b>	<b>105 626</b>	<b>18 021</b>	<b>123 647</b>

**Consolidated Statement of Cash Flow for the period from 1 January 2011 to 30 September 2011 (indirect method)**

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

	<b>3rd Q of 2011 from 1 July 2011 to 30 Sept. 2011</b>	<b>Period of 9 months ended on 30 Sept. 2011</b>	<b>3rd Q of 2010 from 1 July 2010 to 30 Sept.2010</b>	<b>Period of 9 months ended on 30 Sept. 2010</b>
<b>Operating cash flow</b>				
Gross profit (loss)	2 606	2 170	1 835	3 226
Adjustments for:	-11 224	-12 965	1 052	-3 169
Share in profit (loss) of associated entities	-262	-304	11	-69
Amortization and depreciation	630	2 249	975	3 110
Interest and profit sharing (dividends)	81	0	-1 553	-951
(Profit) loss from the title of investment activities	-75	-423	115	-1 145
(Profit) loss on account of sales of tangible assets	-45	-348	19	257
Movements in provisions	-900	-1 033	21	-947
Change in inventory	1 417	1 386	-131	626
Movements in receivables	-30 865	-28 756	2 086	3 201
Movements in current liabilities, with the exception of loans and credits	16 752	13 063	-265	-6 954
Other adjustments	2 043	1 201	-226	-297
Operating cash flow	-8 618	-10 795	2 887	57
Income tax paid	-266	-300	-183	-433
Net operating cash flow	<b>-8 884</b>	<b>-11 095</b>	<b>2 704</b>	<b>-376</b>
<b>Investment cash flows</b>				
Inflows	-2 314	4 138	81	6 099
Sales of intangible assets and tangible assets	89	656	54	2 742
From financial assets including:	-2 403	3 482	27	3 357
a) In affiliated entities	-2 403	3 482	27	3 354
- sale of financial assets	-2 370	3 080	5	5
- dividends and participation in profit	-	-	22	113
- repayment of granted loans	-	393	-	2 797
- repayment of interest	-	9	-	439
- other inflows from financial assets	-33	-	-	-
b) in other entities	-	-	-	3
- other inflows from financial assets	-	-	-	3
Outflows	186	1 049	1 342	1 989
Purchase of intangible assets and tangible assets	122	417	178	323
Investments in real estates and intangible assets	73	141	1 160	1 354
For financial assets including:	-	54	-	301
a) in affiliated entities	-	54	-	301
- purchase of financial assets	-	54	-	301
Other investment outlays	-9	437	4	11
Net cash flow from investment activity	<b>-2 500</b>	<b>3 089</b>	<b>-1 261</b>	<b>4 110</b>



<b>Financial cash flow</b>				
Inflows	6 064	7 233	-953	295
Credits	5 556	6 718	-1 078	166
Other financial inflows	508	515	125	129
Outflows	533	2 070	252	3 025
Outflows under distribution of profit other than payments to shareholders	383	1 072	-	10
Repayment of credits and loans	9	317	-	1 801
Payment from the title of finance lease	6	346	166	767
Interest	136	335	86	447
Other financial outflows	-1	-	-	-
<b>Net cash from financial activity</b>	<b>5 531</b>	<b>5 163</b>	<b>-1 205</b>	<b>-2 730</b>
Total net cash flow	-5 853	-2 843	238	1 004
Increase (decrease) of net cash flow and cash equivalents	-5 853	-2 843	238	1 004
Cash and cash equivalents at the beginning of period	9 110	6 100	6 808	6 042
Cash and cash equivalents at the end of period	3 257	3 257	7 046	7 046

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

#### Individual Statement of Financial Position as at 30 September 2011

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

	As at 30Sept.2011	As at 31Dec.2010
<b>Assets</b>		
<b>Fixed assets</b>		
Tangible assets	2 528	3 603
Intangible assets	134	111
Shares and stocks in subsidiaries	10 625	10 605
Shares and stocks in associated entities	708	708
Deferred tax assets	912	1 538
Other financial assets	18 703	18 120
<b>Total fixed assets</b>	<b>33 610</b>	<b>34 685</b>
<b>Current assets</b>		
Inventory	2 832	2 925
Trade receivables and other receivables	76 589	51 098
Other financial assets	543	997
Other assets	14 242	10 023
Cash and short-term deposits	1 007	2 074
Assets to be disposed	-	3 361
<b>Total current (short-term) assets</b>	<b>95 213</b>	<b>70 478</b>
<b>Total assets</b>	<b>128 823</b>	<b>105 163</b>
<b>Equity and liabilities</b>		
<b>Equity</b>		
Share capital	3 895	3 895
Retained earnings	62 591	59 734
<b>Total equity</b>	<b>66 486</b>	<b>63 629</b>
<b>Long-term liabilities</b>		
Retirement benefit obligations	342	330
Other long-term liabilities	-	-
<b>Total long-term liabilities</b>	<b>342</b>	<b>330</b>
<b>Short-term liabilities</b>		
Short-term bank credits	4 998	277
Trade payables	52 223	37 596
Other liabilities	3 398	3 211
Deferred income	1 376	120
<b>Short-term liabilities</b>	<b>61 995</b>	<b>41 204</b>
<b>Total liabilities</b>	<b>62 337</b>	<b>41 534</b>
<b>Total equity and liabilities</b>	<b>128 823</b>	<b>105 163</b>
The number of shares (units)	3 895 000	3 895 000
Book value per one share (in PLN)	17.07	16.34

**Individual Statement of Comprehensive Income for the period from 1 January 2011 to 30 September 2011**

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

	3rd Q of 2011 from 1 July 2011 to 30 Sept. 2011	Period of 9 months ended on 30 Sept. 2011	3rd Q of 2010 from 1 July 2010 to 30 Sept. 2010	Period of 9 months ended on 30 Sept. 2010
<b>Net income from sales of services, goods and materials including:</b>	<b>35 208</b>	<b>69 675</b>	<b>12 353</b>	<b>31 503</b>
Net income from sale of services	35 094	69 495	12 041	31 168
Net income from sale of goods and materials	114	180	312	335
<b>Cost of services, goods and materials sold including:</b>	<b>-31 554</b>	<b>-63 790</b>	<b>-10 401</b>	<b>-25 859</b>
Cost of services sold	-31 476	-63 644	-10 092	-25 529
Cost of goods and materials sold	-78	-146	-309	-330
<b>Gross profit (loss) from sales</b>	<b>3 654</b>	<b>5 885</b>	<b>1 952</b>	<b>5 644</b>
Other operating income	291	1 134	197	456
Other operating costs	-78	-290	-81	-681
General and administrative expense	-1 725	-5 390	-1 605	-5 176
<b>Profit (loss) from operating activities</b>	<b>2 142</b>	<b>1 339</b>	<b>463</b>	<b>243</b>
Financial income	279	891	221	1 491
Profit (loss) from sale of shares of subordinated entities	-	2 056	-	-
Finance costs	-200	-804	-167	-676
<b>Profit (loss) before tax</b>	<b>2 221</b>	<b>3 482</b>	<b>517</b>	<b>1 058</b>
Income tax :	412	625	-165	45
- current income tax	-	-	-	1
- deferred income tax	412	625	-165	44
<b>Net profit (loss)</b>	<b>1 809</b>	<b>2 857</b>	<b>682</b>	<b>1 013</b>
<b>Other comprehensive income</b>	-	-	-	-
<b>Total comprehensive income</b>	<b>1 809</b>	<b>2 857</b>	<b>682</b>	<b>1 013</b>
Weighted average number of ordinary shares (units)	3 895 000	3 895 000	3 895 000	3 895 000
Profit (loss) per one ordinary share/diluted (in PLN per one share)	0.46	0.73	0.18	0.26
Total comprehensive income per one ordinary share (in PLN per one share)	0.46	0.73	0.18	0.26

## Individual Statement of Changes in Owners' Equity

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

	Share capital	Shares of parent entity	Retained earnings	Total equity
<b>The reporting period from 1 January 2011 to 30 September 2011</b>				
<b>As at the beginning of the period</b>	<b>3 895</b>	-	<b>59 734</b>	<b>63 629</b>
Net profit (loss) of the given period	-	-	<b>2 857</b>	2 857
Net other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	-	-	<b>2 857</b>	<b>2 857</b>
<b>As at the end of period</b>	<b>3 895</b>	-	<b>62 591</b>	<b>66 486</b>

## The reporting period from 1 January 2010 to 31 December 2010

<b>At the beginning of period</b>	<b>3 900</b>	<b>-5</b>	<b>58 367</b>	<b>62 262</b>
Net profit (loss) of the given period	-	-	1 265	1 265
Net other comprehensive income	-	-	184	184
<b>Total comprehensive income</b>	-	-	<b>1 449</b>	<b>1 449</b>
Shares of parent entity purchased with the aim of redemption	-5	5	-82	-82
<b>As at the end of period</b>	<b>3 895</b>	<b>0</b>	<b>59 734</b>	<b>63 629</b>

## Individual Statement of Cash Flow for the period from 1 January to 30 September 2011 (indirect method)

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

	3rd Q of 2011 from 1 July 2011 to 30 Sept. 2011	Period of 9 months ended on 30 Sept. 2011	3rd Q of 2010 from 1 July 2010 to 30 Sept. 2010	Period of 9 months ended on 30 Sept. 2010
<b>Operating cash flow</b>				
Gross profit (loss)	2 221	3 482	517	1 058
<b>Total adjustments for:</b>	<b>-13 061</b>	<b>-14 940</b>	<b>639</b>	<b>-3 553</b>
Amortization and depreciation	324	1 084	460	1 449
Interest and profit sharing (dividends)	-139	-385	-159	-695
(Profit) loss from sale of tangible assets	-	-299	-8	-47
(Profit) loss on account of investment activities	-	-2 056	-	-
Movements in provisions	-28	-62	-19	-753
Change in inventory	-	93	46	417
Movements in receivables	-26 837	-29 707	487	3 400
Movements in current liabilities with the exception of loans and credits	13 213	15 144	-156	-7 198
Other adjustments (including deferred income)	406	1 248	-12	-126
Operating cash flow	-10 840	-11 458	1 156	-2 495
Income tax paid	-	-	-	-

<b>Net operating cash flow</b>	<b>-10 840</b>	<b>-11 458</b>	<b>1 156</b>	<b>-2 495</b>
<b>Investment cash flows</b>				
<b>Inflows</b>	<b>66</b>	<b>6 486</b>	<b>821</b>	<b>3 618</b>
Sales of intangible assets and tangible assets	66	568	-	45
From financial assets in affiliated entities	-	5 918	821	3 573
- sale of financial assets	-	5 450	-	-
- received dividend	-	-	300	302
- repayment of granted loans	-	443	-	2 600
- repayment of interest on granted loans	-	25	521	671
<b>Outflows</b>	<b>121</b>	<b>351</b>	<b>76</b>	<b>212</b>
Purchase of intangible assets and tangible assets	121	297	46	69
For financial assets including:	-	54	30	143
a) in affiliated entities	-	54	30	143
- purchase of financial assets	-	54	30	143
<b>Net cash flow from investment activity</b>	<b>-55</b>	<b>6 135</b>	<b>745</b>	<b>3 406</b>
<b>Financial cash flow</b>				
Inflows from received credits	4 998	4 998	-	957
Repayment of credits	-	-277	-744	-744
Payments from the title of finance lease	-	-253	-109	-648
Interest and commission paid	-70	-212	-29	-223
<b>Net cash flows from financial activity</b>	<b>4 928</b>	<b>4 256</b>	<b>-882</b>	<b>-658</b>
<b>Net total cash flows</b>				
Increase/(decrease) of net cash flow and cash equivalents	-5 967	-1 067	1 019	253
Cash and cash equivalents at the beginning of period	6 974	2 074	2 174	2 940
<b>Cash and cash equivalents at the end of period</b>	<b>1 007</b>	<b>1 007</b>	<b>3 193</b>	<b>3 193</b>

## **IV. 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.**

These Notes contain both consolidated financial results 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 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 Obłój
- Adam Parzydeł

Since the day of publishing Report for the first half of 2011 in composition of Management Board and Supervisory Board no changes took place.

### **3. Description of the 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%);
- 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 (82.7%, including 65.4% of share in 50% share of Elektromontaż Kraków);
- Elmont Inwestycje Sp. z o.o. Kraków – subsidiary indirectly (82.7%, including 65.4% of share in 50% share of Elektromontaż Kraków);
- Elektromontaż Kraków S.A. – subsidiary directly (65.4%) – the company is drawing up consolidated financial statement containing data of the subsidiary in 100%: ELMONT-POMIARY Sp. z o.o. with registered office in Kraków and two associated companies 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 belongs to 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 share belongs to 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 capital belongs to company Prochem Inwestycje Sp. z o.o. subsidiary in 100%);
- ITEL Sp. z o.o. Gdynia – 42.0% of share (18.7% of right of vote and capitals is belonging 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 share , including Prochem Inwestycje Sp. z o.o. subsidiary in 100% holds 7.9 % of share).

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 90%) and Protrade Sp. z o.o. (subsidiary indirectly in 72%).

#### **4. Accepted accounting principles applied by Capital Group and Issuer**

*Declaration about conformity and base for presentation*

Interim Shortened Consolidated Financial Statement of PROCHEM S.A. Capital Group and Individual Interim Shortened Financial Statement for nine months of 2011 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 Financial Statements for the financial year ended on 31 December 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 Prochem S.A. Capital Group and Issuer don't exist.

The duration of activities of individual entities being included into 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 financial statement of the dominant 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 principles*

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.

*Essential accounting principles*

At drawing up this Interim Shortened Consolidated Financial Statement and Interim Shortened Individual Financial Statement for 9 months of 2011 the same accounting principles and the same accounting methods were applied as in Consolidated Financial Statement of Prochem S.A. Capital Group and 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 nine months of 2011.

*Functional currency and presentation currency of the statement*

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

*Transformation of comparative data – change of presentation*

Financial Statement of Capital Group for the period from 1 January to 30 September of 2011 is keeping the comparability in relation to data of statement for the comparative period. For keeping the comparability reclassifications of given items of equity was effected which are resulting from error in distribution of other comprehensive income in 2010 between parent entity and minority shareholders.



	As at 31 December 2010 – accepted data	Change of presentation	As at 31 December 2010 – data in this financial statement
<b>Owners' equity</b>	<b>104 911</b>	<b>+715</b>	<b>105 626</b>
<b>Minority shareholders</b>	<b>18 736</b>	<b>-715</b>	<b>18 021</b>
<b>Total equity</b>	<b>123 647</b>	<b>-</b>	<b>123 647</b>

**5. 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 3rd quarter of 2011 any important events which would influence results achieved by Prochem S.A. Capital Group and Issuer didn't appear .

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

In the 3rd quarter of 2011 events of untypical character didn't appear.

Other events having the significant effect on financial result achieved by the Issuer in the 3<sup>rd</sup> quarter of 2011:

- a) reserves were dissolved established in previous periods to the deferred income tax in the amount of PLN 124 thousand, and reserves were established in the amount of PLN 1,152 thousand,
- b) deferred tax assets were used in the amount of PLN 690 thousand, and established in the amount of PLN 36 thousand.

Within the Capital Group in the 3rd quarter of 2011:

- a) reserves were dissolved established in previous periods to the deferred income tax in the amount of PLN 262 thousand, and reserves were established in the amount of PLN 1,442 thousand,
- b) deferred tax assets were used in the amount of PLN 698 thousand, and established in the amount of PLN 244 thousand.
- d) reserves established in previous periods to leave benefits in the amount of PLN 628 thousand were used.

**7. 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 Prochem S.A. Capital Group.

**8. Information concerning emission, the repurchase and the repayment of not shareholder and capital securities.**

In the first half of 2011 subsidiary Elektromontaż Kraków S.A. started the procedure of repurchase of shares of parent entity with the aim of redemption. For this purpose net profit for 2010 in the amount of PLN 1.8 m was designed.

Until 30 September 2011 42 445 of shares were purchased of total value of PLN 1.1 m.

As the result of purchase of shares of parent company with the aim of redemption by the company Elektromontaż Kraków change of structure of participation took place. As at 30 September 2011 share of parent entity decreased by 8.7 percentage points up to 65,4%.

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

The Issuer didn't paid dividend for the year 2010. Net result in the amount of PLN 1 265 thousand were assigned for reserve capital.

**10. Events after the day as at Shortened Quarterly Financial Statement was drawn-up, not included in this statement but being able to affect future financial results of the issuer in the meaning way.**

On 10 October 2011 Company Prochem Inwestycje Sp. z o.o. (subsidiary in 100%) concluded agreement on sale of part of the share with the aim of redemption along with promise to purchase of remaining part of the share with the aim of redemption of the associated company Zespół Innowacyjny PROMIS Sp. z o.o. with registered office in Warsaw. The nominal value of redeemed part of the share amounts to PLN 110 thousand. Selling price PLN 270 thousand. After the transaction participation of company Prochem Inwestycje Sp. z o.o. in the right of vote in the company Z.I. Promis Sp. z o.o. amounts to 22.5%. Transaction will have no significant effect on financial result of Capital Group.

On 4 November 2011 Issuer granted a loan to company Irydion Sp. z o.o. (subsidiary in 100%). Amount of the granted loan is PLN 900 thousand, with time of repayment till 31 Dec.2012 along with accrued interest set annually according to WIBOR six month rate in force at the end of every calendar year.

On 4 November 2011 Company Irydion Sp. z o.o. granted loan to company Elmont Inwestycje Sp. z o.o. Amount of granted loan is PLN 900 thousand, with time of repayment until 31 Dec. 2012 along with accrued interest set annually according to WIBOR six month rate in force at the end of every calendar year.

**11. Transactions with affiliated entities**

In 2011 members of the Supervisory Board and members of the 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 settlements and from the title of loans.

Guarantees given to affiliated entities are presented in item 12.

**Transactions of the Capital Group with associated entities**

***Reporting period***

In the period from 1 January 2011 to 30 September 2011 transactions with associated entities take place, from the title of income from interest on loans amounted to PLN 4 thousand.

Net share in profit (loss) for three quarters of 2011 of the entities valuated under equity method amounted to PLN 304 thousand

***Comparative data***

In the period from 1 January 2010 to 30 September 2010 the following transactions with associated entities took place:

- Sale and acquisition of construction services,
- Sale of other services (lease of the area) to associates.

Total income from these transactions amounted to PLN 10 thousand.

Received dividends amounted to PLN 91 thousand.

Net share in profit (loss) for three quarters of 2010 of the entities valuated under equity method amounted to PLN 69 thousand.

As at 30 September 2010 settlements with associated entities directly or indirectly on account of trade payables didn't take place.

Net profit/loss for three quarters of 2010 assigned to minority shareholders amounted to PLN 477 thousand.

## Transaction of the Issuer with subsidiaries

### Data for the reporting period

As at 30 September 2011 settlements of the Issuer with subordinated entities directly or indirectly developed as follows:

Receivables on account of long-term loans along with interest – PLN 18,703 thousand.

Receivables on account of short-term loans along with interest – PLN 345 thousand,

Trade receivables and other receivables – PLN 10,984 thousand.

Trade payables – PLN 1,660 thousand

In the period from 1 January 2011 to 30 September 2011 the following transactions of the Issuer with subsidiaries directly or indirectly took place:

- Sale and acquisition of construction services,
- Sale of other services (lease of the area) to subordinated entities.

Total income from these transactions amounted to PLN 873 thousand.

- Income on account of interest on loans amounted to PLN 594 thousand.
- Remuneration on account of valorization of the contract value - PLN 187 thousand.
- Received dividends - PLN 3 thousand.

### Comparative data

As at 30 September 2010 settlement of the Issuer with affiliated entities directly and indirectly developed as follows:

• Receivables on account of long-term loans along with interest - PLN 18,463 thousand,

• Receivables on account of short-term loans along with interest – PLN 1,514 thousand,

• Trade receivables and other receivables – PLN 14,915 thousand

• Trade payables – PLN 1,185 thousand

In the period from 1 January 2010 to 30 September 2010 the following transactions of the Issuer with subordinated entities directly and indirectly took place:

- Sale and acquisition of construction services,
- Sale of other services (lease of the area) to subordinated entities,

Total income from these transactions amounted to – PLN 1,725 thousand.

- Remuneration on account of guarantee for the credit – PLN 18 thousand.
- Remuneration on account of valorization of the contract value – PLN 291 thousand.
- Income on account of interest on loans amounted to – PLN 562 thousand.
- Received dividends PLN 302 thousand.

## 12. Information concerning changes of contingent liabilities or contingent assets which occurred since the end of the last financial year

### Contingent liabilities of Capital Group

	Period ended on 30 Sept. 2011	Period ended on 31 Dec. 2010
Bank guarantee of good performance	14 994	12 385
Guarantee of b/e of the good performance of the contract	-	197
Guarantee of payment	832	827
Performance guarantee for tender	400	366
<b>Total given guarantees</b>	<b>16 226</b>	<b>13 775</b>
L/C for deliveries	7 920	-
<b>Total contingent liabilities</b>	<b>24 146</b>	<b>13 775</b>

**Contingent liabilities of Issuer**

	<b>Period ended on 30 Sept. 2011</b>	<b>Period ended on 31 Dec. 2010</b>
Bank guarantee of good performance	12 431	12 385
Guarantee of b/e of the good performance of the contract	-	197
Guarantee of payment	832	827
Performance guarantee for tender	400	366
Credit guarantee for subsidiary and associated company	-	1 050
<b>Total guarantees</b>	<b>13 663</b>	<b>14 825</b>
L/c for deliveries	7 920	-
<b>Total contingent liabilities</b>	<b>21 583</b>	<b>14 825</b>

**Contingent assets**

	<b>Period ended on 30 Sept. 2011</b>	<b>Period ended on 31 Dec. 2010</b>
Bank guarantee of good performance	8 298	6 933

Total amount of contingent assets of Capital Group from the title of received guarantee of good performance and statutory warranty as at 30 Sept. 2011 amounts to PLN 8 298 thousand and in total concerns contingent assets of the Issuer.

**13. Effects of changes in the structure of the Capital Group from the beginning of a year, including merging of economic entities, the takeover or the sale of subsidiaries and long-term investments, the restructuring and discontinuing activity**

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

Sales/purchase price of shares – PLN 5,450.0 thousand.

Book value of these assets in accounting books of the Issuer as at 31 December 2010 amounted to PLN 3,361 thousand.

On 22 March 2011 company received information that on 17 March 2011 on the basis of 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, with total value of PLN 48,000, representing 80% of all shares of the company PROTRADE Sp. z o.o. with registered office in Gdynia, on behalf of 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 companies ASI Sp. z o.o. and Protrade Sp. z o.o. were excluded from consolidation.

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

**14. Position of the Management Board in relation to the possibility of accomplishment of earlier published 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 Prochem S.A. Capital Group for 2011.

**15. 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 belonging to 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 this report up the following shareholders have at least 5% of the votes at the general meeting of shareholders:

<b>description</b>	<b>Qty of shares (units)</b>	<b>% of votes in total number of votes</b>	<b>% of share capital</b>
1. Prochem Holding M. Garliński Spółka Komandytowa	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 Fundusz Inwestycyjny Otwarty	358 312	9.19	9.20
4. PTE PZU SA	228 950	5.87	5.88
5. Legg Mason Zarządzanie Aktywami S.A	325 521	8.35	8.36
	603 682	15.48	15.50

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.

**16. Statement of changes in the possession s of shares of the Issuer or entitlements to them (of options) by managing and supervising persons 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 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 packets of shares of Issuer didn't take place.

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

- 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,
- 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.

**18. 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 the 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 the 3rd quarter of 2011 transactions of this type didn't take place.

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

In the third quarter of 2011 none of the companies belonging to the Capital Group gave to other entity the guarantee or credit guarantees or loan of this value.

**20. Other information which in the opinion of the Issuer are essential for the evaluation of his personnel, material and financial situation, the financial result and their changes, or the information 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 what causes, that they are a credible partner in trade.

**21. Factors which in the evaluation of the Issuer will influence results achieved by the Issuer in prospect of at least successive quarter**

In the perspective of the consecutive quarter results achieved by the Group will depend mainly on effects achieved on the realization of contracts acquired by the Group, as well as the result of

decisions concerning offers submitted by the Group for sale of its services. A success of development projects which were started by the Capital Group will also be substantial.

## **22. Management of the 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 intergroup 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 revaluating write-downs.

### ***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 (EUR, 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 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. in 2011 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 means for this purpose.

## **20. Reporting according to trade 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.

In the first quarter of 2011 income from activity reached abroad didn't appear.

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 three quarters of 2011 – income and performance of segments**

**Current period from 1 January to 30 September 2011**

	General contracting	Engineering and design services	Rental of construction equipment	Other	Items not assigned	Total
Revenue on behalf of outside customers	48 315	15 611	4 222	1 527		69 675
<b>Total income of the segment</b>	<b>48 315</b>	<b>15 611</b>	<b>4 222</b>	<b>1 527</b>		<b>69 675</b>
<b>Results</b>						
<b>Profit (loss) of the segment</b>	<b>3 269</b>	<b>-4 621</b>	<b>2 038</b>	<b>-191</b>		<b>495</b>
Financial income					2 947	2 947
Finance costs					804	804
Net financial income					2 143	2 143
Profit (loss) from remaining operating activities					844	844
Profit (loss) before tax					3 482	3 482
Income tax					625	625
<b>Profit (loss) for the current period</b>					<b>2 857</b>	<b>2 857</b>
<b>Assets and liabilities</b>						
Assets of the segment (associated with activity)	62 197	9 664	4 009	719	-	76 589
Assets not assigned/not allocated (among others shares, stocks, and other financial assets)					52 234	52 234
<b>Total assets</b>	<b>62 197</b>	<b>9 664</b>	<b>4 009</b>	<b>719</b>	<b>52 234</b>	<b>128 823</b>
Depreciation of tangible fixed assets	76	65	388	-	476	1 005
Amortization of intangible fixed assets	-	-	-	-	79	79

**Comparative period from 1 January to 30 September 2010**

	General contracting	Engineering and design services	Rental of construction equipment	Other	Items not assigned	Total
Income on behalf of outside customers	10 417	17 862	1 871	1 353		31 503
<b>Total income of the segment</b>	<b>10 417</b>	<b>17 862</b>	<b>1 871</b>	<b>1 353</b>		<b>31 503</b>
<b>Results</b>						
<b>Profit (loss) of the segment</b>	<b>3 104</b>	<b>-3 228</b>	<b>503</b>	<b>89</b>		<b>468</b>
Financial income					1 491	1 491
Finance costs					676	676
Net financial income					815	815
Profit (loss) from remaining operating services					-225	-225
Profit (loss) before tax					1 058	1 058
Income tax					45	45
<b>Profit (loss) for the given</b>					<b>1 013</b>	<b>1 013</b>

period

---

**Assets and liabilities**

Assets of the segment (associated with activity)	38 169	8 103	1 951	1 217	-	49 440
Assets not assigned/not allocated (among others shares, stocks and other financial assets)					54 465	54 465
<b>Total assets</b>	<b>38 169</b>	<b>8 103</b>	<b>1 951</b>	<b>1 217</b>	<b>54 465</b>	<b>103 905</b>
Depreciation of tangible fixed assets	59	248	341	-	577	1 225
Amortization of intangible assets	-	-	-	-	224	224

**Operation segments – Prochem S.A. Capital Group for three quarters of 2011 – income and performance of segments**

For the period from 1 Jan. 2011 to 30 Sept. 2011.	General contracting	Engineeri ng and design services	Rental of constructi on equipment	Assembly of electrical installations	Lease of office space and real estate	Manageme nt of real estates	Maintenan ce	Commerci al activity	Developm ent activit y	Other IT ser5vices	Other	Items not assigned	Total
Income on behalf of outside customers	49 583	18 696	4 222	21 019	3 795	3 662	3 090	3 082	-	501	1 306		108 956
<b>Total income of segment</b>	<b>49 583</b>	<b>18 696</b>	<b>4 222</b>	<b>21 019</b>	<b>3 795</b>	<b>3 662</b>	<b>3 090</b>	<b>3 082</b>	<b>-</b>	<b>501</b>	<b>1 306</b>		<b>108 956</b>
<b>Results Profit (loss) of the segment</b>	<b>2 850</b>	<b>-4 969</b>	<b>2 038</b>	<b>547</b>	645	<b>88</b>	44	<b>158</b>	<b>-</b>	<b>33</b>	-637		<b>797</b>
Financial income												663	663
Finance costs												1 076	1 076
Net financial income												-413	-413
Share in profit of associated entities												304	304
<b>Profit(loss) from remaining operating activities</b>												1 482	1 482
<b>Profit(loss) before tax</b>												<b>2 170</b>	<b>2 170</b>
Income tax												924	924
<b>Profit(loss) for the current period</b>												<b>1 246</b>	<b>1 246</b>
<b>Profit (loss) assigned to minority shareholders</b>												<b>254</b>	<b>254</b>
<b>Net profit (loss)</b>												<b>992</b>	<b>992</b>
<b>Assets</b>													
Assets of the segment (associated with activity)	54 932	9 587	4 009	14 238	21 445	1 391	0	2 425	54 129	301	942	-	163 399
Assets not assigned/not allocated among others shares, stocks and other financial assets												40 893	40 893
<b>Total assets</b>	<b>54 932</b>	<b>9 587</b>	<b>4 009</b>	<b>14 238</b>	<b>21 445</b>	<b>1 391</b>	<b>0</b>	<b>2 425</b>	<b>54 129</b>	<b>301</b>	<b>942</b>	<b>40 893</b>	<b>204 292</b>
<b>Other information related to segment</b>													
Depreciation of tangible fixed assets	76	124	388	396	462	69	64	-	-	21	-	539	2 139
Amortization of intangible assets	-	12	-	9	-	-	7	-	2	-	-	80	110
<b>For the period from 1 Jan. 2010 to 30 Sept. 2010</b>	<b>General contracting</b>	<b>Engineerin g and design services</b>	<b>Rental of construction equipment</b>	<b>Assembly of electrical installations</b>	<b>Lease of office space and real estate</b>	<b>Manageme nt of real estates</b>	<b>Maintenan ce</b>	<b>Commerci al activity</b>	<b>Developm ent activity</b>	<b>Other IT services</b>	<b>Other</b>	<b>Items not assigned</b>	<b>Total</b>

Śródroczne skrócone sprawozdanie finansowe na dzień i za okres dziewięciu miesięcy zakończony 30 września 2011 roku

Income on behalf of outside customers	13 454	18 472	1 911	20 343	3 505	3 505	12 273	3 761	2 641	522	211	-	80 598
<b>Total income of segment</b>	<b>13 454</b>	<b>18 472</b>	<b>1 911</b>	<b>20 343</b>	<b>3 505</b>	<b>3 505</b>	<b>12 273</b>	<b>3 761</b>	<b>2 641</b>	<b>522</b>	<b>211</b>	<b>-</b>	<b>80 598</b>
<b>Results</b>													
<b>Profit (loss) of the segment</b>	<b>2 218</b>	<b>-3 683</b>	<b>506</b>	<b>1 730</b>	927	<b>108</b>	327	<b>93</b>	<b>606</b>	<b>59</b>	-14	-	<b>2 877</b>
Financial income													475
Finance costs													1 011
Net financial income													-536
Share in profit of associated entities													69
<b>Profit (loss) from remaining operating activity</b>													816
<b>Profit (loss) before tax</b>													<b>3 226</b>
Income tax													630
<b>Profit (loss) for the current period</b>													<b>2 596</b>
<b>Profit (loss) assigned to minority shareholders</b>													<b>477</b>
<b>Net profit (loss)</b>													<b>2 119</b>
<b>Assets</b>													
Assets of the segment (associated with activity)	26 494	8 094	1 951	11 159	18 162	842	6 686	1 869	51 514	144	361	-	127 276
Assets not assigned/not allocated (among others shares, stocks and other financial assets)													52 830
<b>Total assets</b>	<b>26 494</b>	<b>8 094</b>	<b>1 951</b>	<b>11 159</b>	<b>18 162</b>	<b>842</b>	<b>6 686</b>	<b>1 869</b>	<b>51 514</b>	<b>144</b>	<b>361</b>	<b>52 830</b>	<b>180 106</b>
<b>Other information related to segment</b>													
Depreciation of tangible fixed assets	146	327	341	368	500	90	339	-	1	48	5	635	2 800
Amortization of intangible assets	-	14	-	44	-	-	27	-	1	-	-	224	310

**24. Approval of the financial statement**

Shortened Interim Financial Statement was approved for publication by the Management Board on 14 November 2011.

**Signatures of Management Board Members**

14 Nov. 2011 date	Jarosław Stępniewski first name and surname	Chairman of the Board position	..... signature
----------------------	--	-----------------------------------	--------------------

14 Nov. 2011 date	Marek Kiersznicki first name and surname	Vice Chairman of the Board position	..... signature
----------------------	---	--	--------------------

14 Nov. 2011 date	Krzysztof Marczak first name and surname	Member of the Management Board position	..... signature
----------------------	---	--	--------------------

**Signature of the person to whom the bookkeeping was entrusted**

14 Nov. 2011 date	Krzysztof Marczak first name and surname	Member of the Management Board position	..... signature
----------------------	---	--	--------------------