

**CONSOLIDATED QUARTERLY REPORT
OF THE CAPITAL GROUP OF PROCHEM S.A.
FOR 4TH QUARTER OF 2011**

Containing:

- Selected Financial Data
- Interim Shortened Consolidated Financial Statement as at and for the period of 9 months ending on 31 Dec. 2011
- Interim Shortened Consolidated Financial Statement as at and for the period of 9 months ending on 31 Dec. 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.

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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 4th quarter of 2010 - 4.0044 PLN/EURO
- For 4th quarter of 2011 - 4.1401 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
- 4.4168 PLN/EUR 0 as at 31 December 2011

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

Description	Reporting period ended on 31 December		Reporting period ended on 31 December	
	2011 rok	2010 rok	2011 rok	2010 rok
	In PLN thousand		In EURO thousand	
Statement of Comprehensive Income				
Income from sales	177 910	119 041	42 972	29 728
Gross profit (loss) on sales	18 011	19 840	4 350	4 955
Operating income (loss)	7 326	5 161	1 770	1 289
Profit (loss) before tax	4 569	4 825	1 104	1 205
Net profit (loss) assigned to :				
Shareholders of parent entity	2 383	4 319	576	1 079
Minority shareholders	626	626	151	156
Statement of Cash Flow				
Net operating cash flow	9 093	1 546	2 196	386
Net cash flow from investment activity	3 462	4 255	836	1 063
Net cash flow from financial activity	698	-5 743	169	-1 434
Total net cash flow	13 253	58	3 201	14
	As at 31 Dec. 2011	As at 31 Dec. 2010	As at 31 Dec. 2011	As at 31 Dec. 2010
Description	In PLN thousand		In EURO thousand	
Consolidated Statement of Financial Position				
Total assets	216 558	187 006	49 031	47 220
Total long term assets	95 207	101 751	21 556	25 693
Total current assets	121 351	85 255	27 475	21 527
Parent entity's equity	110 861	105 626	25 100	26 671
Minority shareholders	14 205	18 021	3 216	4 550
Total equity	125 066	123 647	28 316	31 222
Total long-term liabilities	7 010	8 372	1 587	2 114

Interim Shortened Financial Statement as at and for the period of twelve months ended on 31 December 2011

Total short-term liabilities	84 482	54 987	19 127	13 885
Weighted average number of shares (units)	3 895 000	3 895 000	3 895 000	3 895 000
Book value per one ordinary share of parent entity (in PLN/EURO)	28.46	27.12	6.44	6.85

Selected financial data of Prochem S.A.

<i>Description</i>	Reporting period ended on 31 Dec.		Reporting period ended on	
	2011	2010	2011	2010
	In PLN thousand		In EURO thousand	
Statement of Comprehensive Income				
Income from sales	127 117	47 594	30 704	11 885
Gross profit (loss) on sales	7 861	5 718	1 899	1 428
Operating income (loss)	1 175	-936	284	-234
Gross profit (loss)	3 517	6	849	1
Net profit (loss)	3 227	1 265	779	316
Net profit per one ordinary share (in PLN/EURO)	0.83	0.32	0.88	0.08
Statement of Cash Flow				
Net operating cash flow	9 666	1 352	2 335	338
Net cash flow from investment activity	5 071	1 136	1 225	284
Net cash flow from financial activity	-805	-3 354	-194	-838
Total net cash flow	13 932	-866	3 365	-216

Description	As at 31 Dec.		As at 31 Dec.	
	2011	2010	2011	2010
	In PLN thousand		In EURO thousand	
Statement of Financial Position				
Total assets	141 515	105 163	32 040	26 554
Total fixed assets	34 459	34 685	7 802	8 758
Total current (short-term) assets	107 056	70 478	24 238	17 796
Total equity	66 856	63 629	15 137	16 067
Total long-term liabilities	384	330	87	83
Total short-term liabilities	74 275	41 204	16 816	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)	17.16	16.34	3.89	4.12

II. Interim Shortened Consolidated Financial Statement of Capital Group

Consolidated Statement of Financial Position as at 31 December 2011

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

	As at 31 Dec. 2011	As at 31 Dec. 2010
A s s e t s		
Fixed assets		
Tangible assets	26 633	32 779
Intangible assets	195	270
Real estate investments	65 033	63 377
Shares and stocks of subsidiaries	1 423	1 518
Shares and stocks of entities consolidated under equity method	650	765
Deferred tax assets	1 273	3 042
Total fixed assets	95 207	101 751
Current assets		
Inventory	6 064	6 261
Trade receivables and other receivables	76 309	60 779
Other financial assets	435	597
Other assets	18 515	11 518
Cash and short-term deposits	19 353	6 100
Fixed assets to be disposed	675	-
Total current (short-term) assets	121 351	85 255
Total assets	216 558	187 006
Equity and liabilities		
Equity		
Share capital	3 895	3 895
Retained earnings	106 966	101 731
Parent entity's equity	110 861	105 626
Minority shareholders	14 205	18 021
Total equity	125 066	123 647
Long-term liabilities		
Long-term bank credits	-	234
Provision to deferred income tax	5 171	5 891
Retirement benefit obligations	1 593	1 643
Other provisions	95	208
Other long-term liabilities	151	396
Total long-term liabilities	7 010	8 372
Short-term liabilities		
Short-term bank credits	4 291	2 028
Short-term loans	29	29
Trade payables	72 005	44 939
Liabilities on account of current income tax	418	180
Other liabilities	5 322	7 666
Deferred income	2 417	145
Short-term liabilities	84 482	54 987
Total liabilities	91 492	63 359

Total equity and liabilities	216 558	187 006
Book value – parent entity’s equity	110 861	105 626
The number of shares (units)	3 895 000	3 895 000
Book value per one share (in PLN)	28.46	27.12

Consolidated Statement of Comprehensive Income for the period from 1 January 2011 to 31 December 2011

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

	4 th quarter of 2011 from 1. Oct. 2011 to 31 Dec. 2011	Period of 12 months ended on 31 Dec. 2011	4 th quarter of 2010 from 1 Oct. 2010 to 31 Dec. 2010	Period of 12 months ended on 31 Dec. 2010
Net income from sales of services, goods and materials including:	68 954	177 910	38 443	119 041
Net income from sales of services	68 562	172 779	36 669	112 956
Net income from sales of goods and materials	392	5 131	1 774	6 085
Cost of services, goods and materials sold including:	63 107	159 899	33 216	99 201
Cost of products sold	62 271	155 495	31 622	93 758
Cost of goods and materials sold	836	4 404	1 594	5 443
Gross profit (loss) from sales	5 847	18 011	5 227	19 840
General and administrative expense	4 023	15 390	5 693	17 429
Other operating revenues	4 104	6 074	5 456	7 577
Other operating cost	881	1 369	3 522	4 827
Profit (loss) from operating activities	5 047	7 326	1 468	5 161
Financial income	513	888	45	520
Profit (loss) from sale of shares of subordinated entities	-4	284	58	58
Finance costs	3 123	4 199	-1	1 010
Share in profit of associated entities	-34	270	27	96
Profit (loss) before tax	2 399	4 569	1 599	4 825
Income tax :	636	1 560	-750	-120
- current income tax	431	585	225	615
- deferred income tax	205	975	-975	-735
Net profit (loss)	1 763	3 009	2 349	4 945
Other comprehensive income				
Revaluation of fixed assets	-	-	-	3436
Income tax concerning other comprehensive income	-	-	-	653
Other comprehensive income (net)	-	-	-	2783
Total comprehensive income	1 763	3 009	2 349	7 728
Net profit (loss) assigned to :				
Shareholders of parent entity	1 137	2 383	1 723	4 319
Minority shareholders	626	626	626	626
Total comprehensive income assigned to:				
Shareholders of parent entity	511	2 383	1 097	7 102
Minority shareholders	626	626	626	626

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 (in PLN per one share) – assigned to shareholders of parent company	0.29	0.61	0.44	1.11
Comprehensive income per one ordinary share (in PLN per one share) assigned to shareholders of parent company	0.13	0.61	0.28	1.82

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
The reporting period from 1 January 2011 to 31 December 2011						
As at the beginning of the period upon transformation	3 895		101 731	105 626	18 021	123 647
Net profit (loss) of the given period			2 383	2 383	626	3 009
<i>Other comprehensive income (net)</i>				0		0
Total comprehensive income	3 895	0	104 114	108 009	18 647	126 656
Payment of dividend				0	-11	-11
Change of structure of minority shareholders (purchase of shares 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	0
Purchase of shares of parent entity with the aim of redemption			-782	-782	-394	-1 176
Other movements – among others sale of shares of subordinated entities, movements			211	211	-594	-383
At the end of the period	3 895	0	106 966	110 861	14 205	125 066
Reporting period from 1 January 2010 to 31 December 2010						
As at the beginning of the period	3 900	-5	94 822	98 717	17 405	116 122
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
Total comprehensive income			6 397	6 397	1 331	7 728
Payment of dividend					-10	-10
Other movements	-5	5	-203	-203	10	-193

At the end of the period – approved data	3 895	0	101 016	104 911	18 736	123 647
Change of presentation			715	715	-715	0
At the end of the period	3 895	0	101 731	105 626	18 021	123 647

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

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

	4th quarter of 2011 from 1 Oct. 2011 to 31 Dec. 2011	Period of 12 months ended on 31 Dec. 2011	4th quarter of 2010 from 1 Oct. 2010 to 31 Dec. 2010	Period of 12 months ended on 31 Dec. 2010
Operating cash flow				
Gross profit (loss)	2 399	4 569	1 599	4 825
Adjustments for:	17 999	5 034	-142	-3 311
Share in net profit (loss) of associated entities	34	-270	165	96
Amortization and depreciation	687	2 936	976	4 086
Interest and profit sharing (dividends)	2 196	2 196	1 380	429
(Profit) loss from the title of sales of tangible assets	-13	-361	-86	171
(Profit) loss from the title of investment activities	-3 410	-3 833	-2 710	-3 855
Movement in provisions	463	-570	-307	-1 254
Change in inventory	-2 245	-859	-258	368
Movements in receivables	6 190	-22 566	-4 516	-1 315
Movements in current liabilities with the exception of loans and credits	14 850	27 913	5 058	-1 896
Other adjustments	-753	448	156	-141
Operating cash flow	20 398	9 603	1 457	1 514
Income tax paid	210	510	465	32
Net operating cash flow	20 188	9 093	1 922	1 546
Investment cash flow				
Inflows	1 267	5 405	2 027	8 126
Sales of intangible assets and tangible assets	490	1 146	100	2 842
From financial assets including:	677	4 159	1 925	5 282
a) in affiliated entities	677	4 159	1 608	4 962
- sale of financial assets	270	3 350	1 616	1 621
- dividends and profit sharing	-	-	-	113
- repayment of granted loans	241	634	-7	2 790
- repayment of interest	166	175	-1	438
b) in other entities	-	-	317	320
- other inflows from financial assets	-	-	317	320
Other investment inflows	100	100	2	2
Outflows	894	1 943	1 882	3 871
Purchase of intangible assets and tangible	117	534	576	899

Interim Shortened Financial Statement as at and for the period of twelve months ended on 31 December 2011

assets				
Investment in real estates and intangible assets	197	338	710	2 064
For financial assets including:	580	634	592	893
a) in affiliated entities	580	634	592	893
- purchase of financial assets	580	634	174	475
- repayment of loan	-	-	418	418
Other investment outlays	-	437	4	15
Net cash flow from investment activity	373	3 462	145	4 255
Financial cash flow				
Inflows	9	7 242	104	399
Credits	-	6 718	39	205
Other financial inflows	9	524	65	194
Outflows	4 474	6 544	3 117	6 142
Outflows under distribution of profit other than payment to shareholders	115	1 187	-	10
Repayment of credits	4 221	4 538	3 007	4 808
Payment from the title of finance lease	20	366	116	883
Interest	118	453	-9	438
Other financial outflows	-	-	3	3
Net cash from financial activity	-4 465	698	-3 013	-5 743
Total net cash flow	16 096	13 253	-946	58
Increase (decrease) of net cash and cash equivalents	16 096	13 253	-946	58
Cash and cash equivalents at the beginning of period	3 257	6 100	7 046	6 042
Cash and cash equivalents at the end of period	19 353	19 353	6 100	6 100

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

Individual Statement of Financial Position as at 31 December 2011

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

	As at 31 Dec. 2011	As at 31 Dec. 2010
A s s e t s		
Fixed assets		
Tangible assets	2 249	3 603
Intangible assets	126	111
Shares and stocks in subsidiaries	10 626	10 605
Shares and stocks in associated entities	1 288	708
Deferred tax assets	1 247	1 538
Other financial assets	18 923	18 120
Total fixed assets	34 459	34 685
Current assets		
Inventory	3 328	2 925
Trade receivables and other receivables	68 226	51 098
Other financial assets	1 438	997
Other assets	18 058	10 023
Cash and short-term deposits	16 006	2 074
Assets to be disposed	-	3 361
Total current (short-term) assets	107 056	70 478
Total assets	141 515	105 163
Equity and liabilities		
Equity		
Share capital	3 895	3 895
Retained earnings	62 961	59 734
Total equity	66 856	63 629
Long-term liabilities		
Retirement benefit obligations	384	330
Other long-term liabilities	-	-
Total long-term liabilities	384	330
Short-term liabilities		
Short-term bank credits	-	277
Trade payables	70 188	37 596
Other liabilities	1 688	3 211
Deferred income	2 399	120
Short-term liabilities	74 275	41 204
Total liabilities	74 659	41 534
Total equity and liabilities	141 515	105 163
The number of shares (units)	3 895 000	3 895 000
Book value per one share (in PLN)	17.17	16.34

Individual Statement of Comprehensive Income for the period from 1 January 2011 to 31 December 2011

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

	4th quarter of 2011 from 1 Oct. 2011 to 31 Dec. 2011	Period of 12 months ended on 31 Dec. 2011	4th quarter of 2010 from 1 Oct. 2010 to 31 Dec. 2010	Period of 12 months ended on 31 Dec. 2010
Net income from sales of services, goods and materials including:	57 442	127 117	16 091	47 594
Net income from sale of services	57 440	126 935	16 034	47 202
Net income from sale of goods and materials	2	182	57	392
Cost of services, goods and materials sold including:	55 466	119 256	16 017	41 876
Cost of services sold	55 464	119 108	15 962	41 491
Cost of goods and materials sold	2	148	55	385
Gross profit (loss) from sales	1 976	7 861	74	5 718
Other operating income	567	1 701	1 356	1 812
Other operating costs	848	1 138	824	1 505
General and administrative expense	1 859	7 249	1 785	6 961
Profit (loss) from operating activities	-164	1 175	-1 179	-936
Financial income	679	1 570	229	1 720
Profit (loss) from sale of shares of subordinated entities	-	2 056	-	-
Finance costs	480	1 284	102	778
Profit (loss) before tax	35	3 517	-1 052	6
Income tax :	-335	290	-1 304	-1 259
- current income tax	-	-	39	40
- deferred income tax	-335	290	-1 343	-1 299
Net profit (loss)	370	3 227	252	1 265
Other comprehensive income	-	-	-	-
Total comprehensive income	370	3 227	252	1 265
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)	0.10	0.83	0.06	0.32
Total comprehensive income per one ordinary share (in PLN per one share)	0.10	0.83	0.11	0.37

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
The reporting period from 1 January 2011 to 31 December 2011				
As at the beginning of the period	3 895	-	59 734	63 629
Net profit (loss) of the given period	-	-	3 227	3 227
Net other comprehensive income	-	-	-	-
Total comprehensive income	-	-	3 227	3 227
As at the end of the period	3 895	-	62 961	66 856
The reporting period from 1 January 2010 to 31 December 2010				
As at the beginning of the period	3 900	-5	58 367	62 262
Net profit (loss) of the given period	-	-	1 265	1 265
Net other comprehensive income	-	-	184	184
Total comprehensive income	-	-	1 449	1 449
Shares of parent entity purchased with the aim of redemption	-5	5	-82	-82
As at the end of the period	3 895	0	59 734	63 629

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

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

	4th quarter of 2011 from 1 Oct. 2011 to 31 Dec. 2011	Period of 12 months ended on 31 Dec. 2011	4th quarter of 2010 from 1 Oct. 2010 to 31 Dec. 2010	Period of 12 months ended on 31 Dec. 2010
Operating cash flow				
Gross profit (loss)	35	3 517	-1 052	6
Total adjustments for:	21 089	6 149	4 939	1 386
Amortization and depreciation	309	1 393	441	1 890
Interest and profit sharing (dividends)	-570	-955	-104	-799
(Profit) loss from sale of tangible assets	-11	-310	-35	-82
(Profit) loss on account of investment activities	-	-2 056	-	-
Movement in provisions	51	-11	-517	-1 270
Change in inventory	-496	-403	-40	377
Movements in receivables	4 505	-25 202	1 153	4 553
Movement in current liabilities with the exception of loans and credits	18 549	33 693	4 018	-3 180
Other adjustments (including deferred income)	-1 248	-	23	-103

Operating cash flow	21 124	9 666	3 887	1 392
Income tax paid	-	-	-	-40
Net operating cash flow	21 124	9 666	3 887	1 352
Investment cash flows				
Inflows	474	6 960	1 707	5 325
Sales of intangible assets and tangible assets	51	619	52	97
From financial assets in affiliated entities including:	423	6 341	1 655	5 228
- sale of financial assets	-	5 450	-	-
- received dividend	-	3	-	302
- repayment of granted loans	254	694	1 605	4 205
- repayment of interest on granted loans	169	194	50	721
Outflows	1 538	1 889	3 977	4 189
Purchase of intangible assets and tangible assets	58	355	183	252
On financial assets in affiliated entities including:	1 480	1 534	3 794	3 937
- purchase of financial assets	580	634	3 391	3 534
- repayment of loan and interest	-	-	403	403
-granted loans	900	900	-	-
Net cash flow from investment activity	-1 064	5 071	-2 270	1 136
Financial cash flow				
Inflow from received credits	-	-	-	-
Repayment of credits	-4 998	-277	-2 556	-2 343
Payments from the title of finance lease	-	-253	-74	-722
Interest and commission paid	-63	-275	-66	-289
Net cash flow from financial activity	-5 061	4 256	-2 696	-658
Total net cash flows	14 999	13 932	-1 079	-866
Increase/(decrease) of net cash and cash equivalents	14 999	13 932	-1 079	-866
Cash and cash equivalents at the beginning of period	1 007	2 074	3 193	2 940
Cash and cash equivalents at the end of period	16 006	16 006	2 074	2 074

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 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 third quarter 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 the share capital and profit, 69.4% of votes);
- Prochem Zachód Sp. z o.o. with registered office in Warsaw – subsidiary directly (60.0%);
- ELPRO Sp. z o.o. Kraków – subsidiary indirectly (83.2%, including 66.5% of the share in 50% share of Elektromontaż Kraków);
- Elmont Inwestycje Sp. z o.o. Kraków – subsidiary indirectly (83.2%, including 66.5% of the share in 50% share of Elektromontaż Kraków);
- Elektromontaż Kraków S.A. – subsidiary directly (66.5%) – 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 (87.3 % 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 (23% 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 –19.5% of the share capital and 16.6% of right of vote (12.1% of right of vote belongs directly to Prochem S.A. and 4.4% belongs to Prochem Inwestycje Sp. z o.o. subsidiary in 100%).

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 twelve 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 twelve 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 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 31 December 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
Owners' equity	104 911	+715	105 626
Minority shareholders	18 736	-715	18 021
Total equity	123 647	-	123 647

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 4th 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 4th 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 4th^d quarter of 2011:

- a) reserves were dissolved established in previous periods to the deferred income tax in the amount of PLN 149 thousand, and reserves were established in the amount of PLN 237 thousand,
- b) deferred tax assets were used in the amount of PLN 167 thousand, and established in the amount of PLN 573 thousand.
- c) write down covering value of amounts due in the amount of PLN 579 thousand was established, write down covering value of assets in the amount of PLN 465 thousand was dissolved,
- d) write down covering value of granted loans and due interest not used in the amount of PLN 402 thousand was dissolved,
- e) reserves established in previous periods to leave benefits in the amount of PLN 39 thousand were used,
- f) reserves were established to social security benefits in the amount of PLN 34 thousand.

Within the Capital Group in the 4th quarter of 2011:

- a) the evaluation of fair value of real estate investments was effected – increase in value in the amount of PLN 3 493 thousand was parked in other operating income,
- b) write down covering value of interest concerning real estate investment - in - progress in the amount of PLN 1,919 thousand was established,
- c) reserves were dissolved established in previous periods to deferred income tax in the amount of PLN 166 thousand and reserves were established in the amount of PLN 955 thousand,
- d) deferred income tax in the amount of PLN 394 thousand were used and were established in the amount of PLN 602 thousand,
- e) reserves established in previous periods to leave benefits in the amount of PLN 188 thousand were used and established in the amount of PLN 186 thousand,
- f) write down covering value of assets in the amount of PLN 579 thousand was established and write down covering value of assets in the amount of PLN 1,839 thousand was dissolved,
- g) write down covering value of granted loans and due interest not used in the amount of PLN 402 thousand was dissolved,
- h) reserves were established to social security benefits in the amount of PLN 656 thousand, and dissolved in the amount of PLN 197 thousand.

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 31 December 2011 47 055 of shares were purchased of total value of PLN 1.2 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 31 December 2011 share of parent entity increased by 9.8 percentage points up to 66.5%.

On 10 October 2011 Company Prochem Inwestycje Sp. z o.o. (subsidiary in the 100%) entered into the agreement of selling the part of the participation with the aim of redemption along with promising to acquire remaining part of the participation with the aim of redemption in the affiliate Zespół Innowacyjny PROMIS Sp. z o.o. with registered office in Warsaw. The nominal value of the discontinued part of the participation amounts to PLN 110 thousand, selling price is PLN 270 thousand. After the transaction participation of the company Prochem Inwestycje Sp. z o.o. in the right to vote of the company Z.I. Promis Sp. z o.o. amounts to 23%.

Sides established that the agreement of promising to sell the share would be concluded at the latest until 30 June 2013.

9. Information concerning dividend paid (or declared), its 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 report was drawn up, and not included in this report but being able to affect future financial results of the issuer in the meaning way.

On 5 January 2012 company Prochem Zachód Sp. z o.o. with registered office in Warsaw (subsidiary in 60%) entered into the agreement of purchasing of own shares with the aim of redemption with Specjalna Kozrzyńsko-Słubicka Strefa Ekonomiczna S.A. (Special Economic Zone called "KSSSE") with the registered office in Kostrzyn on the base of which sold 6,750 registered shares of KSSSE of nominal value of PLN 675 thousand to the total amount of PLN 1,856 thousand. The result on the transaction in the amount of PLN 1,181 thousand will be affecting the financial result of the capital group of Prochem S.A. for 2012.

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 31 December 2011 following transactions with associated entities took place, from the title:

- income from interest on loans amounted to PLN 18 thousand,
- financial income on account of write up covering 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 – PLN 160 thousand.

Net share in profit (loss) for four quarters of 2011 of the entities valued under equity method amounted to PLN 270 thousand.

Comparative data

In the period from 1 January 2010 to 31 December 2010 the following transactions with associated entities took place:

- sale and acquisition of construction services – PLN 10 thousand,
- income from the title of interest on loans amounted to PLN 78 thousand.

Income from the title of interest on loans amounted to PLN 78 thousand.

Net share in profit (loss) for four quarters of 2010 of the entities valued under equity method amounted to PLN 96 thousand.

As at 31 December 2010 settlements with associated entities directly or indirectly on account of trade payables didn't take place, and receivables on account of short-term loans amounted to PLN 399 thousand.

Transactions of the Issuer with subsidiaries

Data for the reporting period

As at 31 December 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 18,923 thousand.

Receivables on account of short-term loans along with interest – PLN 1,240 thousand,

Trade receivables and other receivables – PLN 8,463 thousand,

Trade payables – PLN 12,765 thousand.

In the period from 1 January 2011 to 31 December 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 1,006 thousand.
- Income on account of interest on loans along with interest amounted to PLN 821 thousand.
 - Remuneration on account of valorization of the contract value - PLN 187 thousand.
 - Received dividends - PLN 3 thousand.

Comparative data

As at 31 December 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 18,120 thousand,
- Receivables on account of short-term loans along with interest – PLN 400 thousand,
- Trade receivables and other receivables – PLN 12,380 thousand

- Trade payables – PLN 1,287 thousand

In the period from 1 January 2010 to 31 December 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 2,692 thousand.
- Remuneration on account of guarantee for the credit – PLN 24 thousand.
 - Remuneration on account of valorization of the contract value – PLN 388 thousand.
 - Income on account of interest on loans amounted to – PLN 803 thousand.
 - Received dividends PLN 302 thousand.

Transactions of the Issuer with associated entities

Reporting period

In the period from 1 January 2011 to 31 December 2011 following transactions with associated entities took place, from the title:

- income from interest on loans amounted to PLN 18 thousand,
- financial income on account of write up covering loan in the amount of PLN 240 thousand and interest on loans in the amount of PLN 148 thousand.

Comparative data

In the period from 1 January 2010 to 31 December 2010 the following transactions with associated entities took place:

- sale and acquisition of construction services – PLN 10 thousand,
- income from the title of interest on loans amounted to PLN 72 thousand.

As at 31 December 2010 settlements with associated entities directly or indirectly on account of trade payables didn't take place, and receivables on account of short-term loans amounted to PLN 399 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

Title	Period ended on 31 December 2011	Period ended on 31 December 2010
Bank guarantee of good performance	13 481	12 385
Guarantee of b/e of the good performance of the contract	-	197
Guarantee of payment	832	827
Performance guarantee for tender	450	366
Credit guarantee for subsidiary and associated company	-	1 050
Total guarantees	14 763	14 825
L/C for deliveries	2 600	-
Total contingent liabilities	17 363	14 825

Contingent liabilities of Issuer

Title	Period ended on 31 December 2011	Period ended on 31 December 2010
Bank guarantee of good performance	8 353	9 805

Guarantee of b/e of the good performance of the contract	-	197
Guarantee of payment	832	827
Performance guarantee for tender	450	366
Credit guarantee for subsidiary and associated company	-	1 050
Tota guarantees	9 635	12 245
L/C for deliveries	2 600	-
Total contingent liabilities	12 235	12 245

Total amount of contingent liabilities of Capital Group on account of given guarantees of good performance and statutory warranty, guarantee of payment and performance guarantee for tender as at 31 December 2011 amounts to PLN 9,635 thousand, and in comparative period PLN 12,245 thousand. In 2011 contingent liabilities decreased by PLN 2,610 thousand. As at 31 December 2011 Group has liabilities from the title of L/C for supplies in the amount of PLN 2,600 thousand.

Contingent assets of Issuer

Title	Period ended on 31 December 2011	Period ended on 31 December 2010
Bank guarantee of good performance	7 966	6 933

Total amount of contingent assets of Capital Group from the title of received guarantee of good performance and statutory warranty as at 31 Dec. 2011 amounts to PLN 7,966 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.

On 10 October 2011 Company Prochem Inwestycje Sp. z o.o. (subsidiary in the 100%) entered into the agreement of selling the part of the participation with the aim of redemption along with promising to acquire remaining part of the participation with the aim of redemption in the affiliate Zespół Innowacyjny PROMIS Sp. z o.o. with registered office in Warsaw. The nominal value of the discontinued part of the participation amounts to PLN 110 thousand, selling price is PLN 270 thousand. After the transaction participation of the company Prochem Inwestycje Sp. z o.o. in the right to vote of the company Z.I. Promis Sp. z o.o. amounts to 23%.

On 23 November 2011 the Issuer took possession of 5,800 shares in the company TEOMA S.A. with registered office in Warsaw. As a result of taking shares the participation in the share capital rose by the 6.65% to the 19.51% and in the right of vote to the 16.55%.

Company Prochem Inwestycje Sp. z o.o. (subsidiary in 100%) on 1 December 2011 signed an agreement of selling shares of company Pasterex Sp. z o.o. with registered office in Warsaw (shares of the Pasterex company were covered by write down).

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 31 December 2011 share of parent entity increased by 9.8 percentage points up to 66.5%.

14. Position of the Management Board in relation to the possibility of accomplishment of earlier published forecast 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, 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:

description	Qty of shares (units)	% of votes in total number of votes	% of share capital
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:		9.19	9.20
- ING Parasol Specjalistyczny Fundusz Inwestycyjny Otwarty	228 950	5.87	5.88
4. PTE PZU SA	325 521	8.35	8.36
5. Legg Mason Zarządzanie Aktywami S.A, w tym:	603 682	15.48	15.50
- Legg Mason Akcji Fundusz Inwestycyjny Otwarty	284 054	7.29	7.29
- Legg Mason akcji Skoncentrowany Fundusz Inwestycyjny Zamknięty	261 769	6.71	6.72

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 possessions 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:

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

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

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

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

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

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 4th 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 fourth 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 personnel, material and financial situation, the financial result and their changes, and 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.

Moreover future financial results of the Capital Group of Prochem S.A. will be also influenced in the significant way by transactions connected with the sale of shares of Kostrzyńsko Słubicka Enterprise Zone with the aim of redemption.

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 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 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 (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 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.

23. 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 fourth 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 four quarters of 2011 – income and performance of segments

Current period from 1 January do 31 December 2011

	General contracting	Engineering and design services	Rental of construction equipment	Other	Items not assigned	Total
Revenue on behalf of outside customers	97 024	20 562	7 432	2 099	-	127 117
Total income of the segment	97 024	20 562	7 432	2 099		127 117
Results						
Profit (loss) of the segment	2 673	-6 341	4 319	-39		612
Financial income					3 626	3 626
Finance costs					1 284	1 284
Net financial income					2 342	2 342
Profit (loss) from remaining operating activities					563	563
Profit (loss) before tax					3 517	3 517
Income tax					290	290
Profit (loss) for the current period					3 227	3 227
Assets and liabilities						
Assets of the segment (associated with activity)	56 051	5 903	4 062	553	-	66 569
Assets not assigned/not allocated (among other shares, stocks, and other financial assets)					74 946	74 946
Total assets	56 051	5 903	4 062	553	74 946	141 515

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Depreciation of tangible fixed assets	105	101	512	585	1 303
Amortization of intangible fixed assets				90	90

Comparative period from 1 January to 31 December 2010

	General contracting	Engineering and design services	Rental of construction equipment	Other	Items not assigned	Tota
Income on behalf of outside customers	19 934	23 355	3 082	1 423		47 794
Total income of the segment	19 934	23 355	3 082	1 423		47 794
Result						
Profit (loss) of the segment	3 984	-4 900	1 014	137		235
Financial income					1 720	1 720
Finance costs					779	779
Net financial income					941	941
Profit (loss) from remaining operating services					244	244
Profit (loss) before tax					1 420	1 420
Income tax					385	385
Profit (loss) for the given period					1 035	1 035
Assets and liabilities						
Assets of the segment (associated with activity)	40 469	10 035	3 300	218		54 022
Assets not assigned/not allocated (among others shares, stocks and other financial assets)					51 141	51 141
Total assets	40 469	10 035	3 300	218	51 141	105 163
Depreciation of tangible assets	117	372	492		625	1 606
Amortization of intangible assets					284	284

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

For the period from 1 Jan. 2011 to 31 Dec. 2011	General contracting	Engineering and design services	Rental of constructi on equipmen t	Assembly of electrical installatio ns	Lease of office space and real estate	Managem ent of real estates	Maintena nce	Commerc ial activity	Devel opment activit y	Other IT services	Other	Items not assigned	Total
Income on behalf of outside customers	98 708	25 872	7 432	25 776	5 204	6 051	3 090	3 905	-	755	1 117	-	177 910
Total income of segment	98 708	25 872	7 432	26 751	5 204	5 076	3 090	3 905	-	755	1 117	-	177 910
Results													
Profit (loss) of the segment	2 339	-6 437	4 319	1 595	1 312	421	44	141	-	127	-401	-839	2 621
Financial income												1 172	1 172
Finance costs												4 199	4 199
Net financial income												-3 027	-3 027
Share in profit of associated entities												270	270
Profit (loss) from remaining operating activities												4 705	4 705
Profit (loss) before tax												4 569	4 569
Income tax												1 560	1 560
Profit (loss) for the current period												3 009	3 009
Profit (loss) assigned to minority shareholders												626	626
Net profit (loss)												2 383	2 383
Assets													
Assets of the segment (associated with activity)	49 131	9 108	4 062	22 337	19 693	2 336	-	1 740	57 952	278	747	-	167 384
Assets not assigned/not allocated (among others shares, stocks and other financial assets)												49 174	49 174
Total assets	49 131	9 108	4 062	22 337	19 693	2 336	-	1 740	57 952	278	747	49 174	216 558
Other information related to segment													
Depreciation of tangible fixed assets	183	138	512	455	652	159	-	-	1	44	-	669	2 813
Amortization of intangible assets	-	16	-	12	-	5	-	-	-	-	-	90	123

For the period from 1Jan. 2010 to 31 Dec. 2010	General contracting	Engineering and design services	Rental of construction equipment	Assembly of electrical installations	Lease of office space and real estate	Management of real estates	Maintenance	Commercial activity	Development activity	Other IT services	Other	Items not assigned	Total
Income on behalf of outside customers	24 107	24 039	3 082	30 494	4 635	5 047	15 913	6 085	3 141	411	2 087	0	119 041
Total income of segment	24 107	24 039	3 082	30 494	4 635	5 047	15 913	6 085	3 141	411	2 087	0	119 041
Result Profit (loss) of segment	2 828	-5 929	1 018	2 023	1 134	108	438	195	539	106	-49	-	2 411
Financial income												578	578
Finance costs												1 010	1 010
Net financial income												-432	-432
Share in profit of associated entities												96	96
Profit loss from remaining operating activity Profit (loss) before tax												2 750	2 750
Income tax												-120	-120
Profit (loss) for the current period Profit (loss) assigned to minority shareholders												4 945	4 945
Net profit (loss)												626	626
Assets													
Assets of the segment (associated with activity)	32 967	11 506	3 300	13 202	19 595	1 399	8 379	1 727	31 780	291	218		124 364
Assets not assigned/not allocated (among others shares, stocks and other financial assets)												62 642	62 642

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Total assets	32 967	11 506	3 300	13 202	19 595	1 399	8 379	1 727	31 780	291	218	62 642	187 006
Other information related to segment													
Depreciation of tangible fixed assets	216	435	492	536	679	114	457			62		729	3 748
Amortization of intangible assets		17		14		4			1			301	337

24. Approval of the financial statement

Shortened Interim Financial Statement was approved for publication by the Management Board on 29 February 2012.

Signatures of Management Board Members:

29 Febr.2012 Date	Jarosław Stępniewski first name and surname	Chairman of the Board position signature
29 Febr.2012 date	Marek Kiersznicki first name and surname	Vice Chairman of the Board position signature
29 Febr. 2012 date	Krzysztof Marczak first name and surname	Member of the Management Board position signature

Signature of the person to whom the bookkeeping was entrusted

29 Febr.2012 date	Barbara Auguścińska-Sawicka first name and surname	Chief Accountant position signature
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