

INTERIM SHORTENED CONSOLIDATED FINANCIAL STATEMENT OF PROCHEM S.A. CAPITAL GROUP

as at and for the period ending on 30 June 2011

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PROCHEM S.A.
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Report for the first half of 2011

Interim Shortened Consolidated Financial Statement of PROCHEM S.A. Capital Group as at and for the period ending on 30 June 2011

Consolidated Statement of Financial Position

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

	Note No	As at 30 June 2011	As at 31 December 2010 (restated data)
Assets			
Fixed assets			
Tangible assets	1	27 724	32 779
Intangible assets		192	270
Real estate investments	2	63 893	63 377
Shares and stocks of subordinated entities and other entities		1 518	1 518
Shares and stocks valued by the equity method	3	772	765
Assets on account of deferred income tax	4	1 358	3 042
Total fixed assets		95 457	101 751
Current assets			
Inventory	5	6 300	6 261
Trade receivables and other receivables	6	54 570	60 779
Other financial assets		197	597
Other assets	7	15 733	11 518
Cash and cash equivalents		9 110	6 100
Total current assets		85 910	85 255
Total assets		181 367	187 006
Equity and liabilities			
Equity			
Share capital	8	3 895	3 895
Retained earnings		102 229	101 731
Owners' equity		106 124	105 626
Minority shareholders		15 436	18 021
Total equity		121 560	123 647
Long-term liabilities			
Long-term bank credits		-	234
Provision on account of deferred income tax	4	4 678	5 891
Retirement benefit obligations		1 557	1 643
Other reserves		75	208
Other long-term liabilities		189	396
Total long-term liabilities		6 499	8 372
Short-term liabilities			
Short-term bank credits	9	2 834	2 028
Short-term loans		123	29
Trade payables	10	45 373	44 939
Liabilities on account of current income tax		1	180
Other liabilities		3 977	7 666
Deferred income		1 000	145
Total short-term liabilities		53 308	54 987
Total liabilities		59 807	63 359
Total equity and liabilities		181 367	187 006

Interim Shortened Consolidated Financial Statement of PROCHEM S.A. Capital Group as at and for the period ending on 30 June 2011

The number of shares (units)	3 895 000	3 895 000
Book value per one share (in PLN) – assigned to shareholders of parent entity	27.25	27.12

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

(all amounts in PLN thousand if not marked otherwise)

	Note No	Period ended on 30 June 2011	Period ended on 30 June 2010
Income from sales including:		58 515	51 464
Income from sales of services		55 640	48 875
Income from sales of goods and materials		2 875	2 589
Cost of sale including :		-51 090	-42 678
Cost of services sold	11	-48 632	-40 378
Cost of goods and materials sold		-2 458	-2 300
Gross profit/loss from sales		7 425	8 786
General and administrative expense		-8 487	-7 988
Other operating income		985	1 787
Other operating costs		-311	-989
Operating income/loss		-388	1 596
Financial income		257	244
Profit from sale of shares of subordinated entities		288	-
Finance costs		-635	-529
Share in profit of associated entities		42	80
Profit/loss before tax		-436	1 391
Income tax		380	625
- current income tax		52	33
- deferred income tax		328	592
Net profit/loss		-816	766
Other comprehensive income (net)		-	-
Total comprehensive income		-816	766

	Period ended on 30 June 2011	Period ended on 30 June 2010
Net profit (loss) assigned to :		
Shareholders of parent entity	-993	694
Minority shareholders	177	72
Total comprehensive income assigned to :		
Shareholders of parent entity	-993	694
Minority shareholders	177	72
Weighted average number of ordinary shares (units)	3 895 000	3 895 000
Profit per one ordinary share (in PLN per one share) assigned to shareholders of parent entity	-0.25	0.18
Comprehensive income per one ordinary share (in PLN per one share) assigned to shareholders of parent entity	-0.25	0.18

Interim Shortened Consolidated Financial Statement of PROCHEM S.A. Capital Group as at and for the period ending on 30 June 2011

Consolidated Statement of Changes in Owners' Equity

(all amounts in PLN thousand if not marked otherwise)

	Share capital	Shares of parent entity	Retained earnings	Equity assigned to shareholders of parent entity	Equity assigned to minority shareholders	Total equity
Reporting period for the period from 1 January 2011 to 30 June 2011						
As at the beginning of period after transformation	3 895	-	101 731	105 626	18 021	123 647
Net profit(loss) in the given period			-993	-993	177	-816
<i>Other comprehensive income(net)</i>			-	-	-	-
Total comprehensive income	3 895	-	100 738	104 633	18 198	122 831
Payment of dividend					-11	-11
Zmiana struktury udziału niekontrolującego (nabycie akcji przez Emitenta)			70	70	-90	-20
Change of structure of minority shareholder (shares purchased by Elektromontaż with the aim of redemption)			1 874	1 874	-1 874	0
Own shares purchased with the aim of redemption			-420	-420	-258	-678
Other movements – among others sale of shares of subordinated entities			-33	-33	-529	-562
As at the end of period	3 895	-	102 229	106 124	15 436	121 560

Reporting period from 1 January 2010 to 31 December 2010

As at the beginning of period	3 900	-5	94 822	98 717	17 405	116 122
Net profit (loss) in 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
As at the end of period – approved data	3 895	-	101 016	104 911	18 736	123 647
Change of presentation			715	715	-715	0
As at the end of period – upon transformation	3 895	0	101 731	105 626	18 021	123 647

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

(all amounts in PLN thousand if not marked otherwise)

	Period ended on 30 June 2011	Period ended on 30 June 2010.
Operating cash flow		
Gross profit /(loss)	-436	1 391
Total adjustments	-1 741	-4 221
Share in profit of associated entities	-42	-80
Amortization and depreciation	1 619	2 135
Interest and profit sharing (dividends)	-81	602
(Profit) loss from sales of tangible assets	-348	238
(Profit) loss on investment included in Profit and loss account	-303	-1 260
Movements in provisions	-133	-968
Change in inventory	-31	757
Movements in receivables	2 109	1 115
Movements in short-term liabilities with the exception of loans and credits	-3 689	-6 689
Other adjustments	-842	-71
Operating cash flow	-2 177	-2 830
Income tax paid	-34	-250
Net operating cash flow	-2 211	-3 080
Investment cash flows		
Inflows	6 452	6 018
Sales of intangible assets and tangible assets	567	2 688
From financial assets including:	5 885	3 330
a) in affiliates	5 885	3 327
- dividends		91
- sales of financial assets	5 450	-
- repayment of granted loans	393	2 797
- repayment of interest on granted loans	9	439
- other inflows from financial assets	33	-
b) in other entities	-	3
- other inflows from financial assets	-	3
Outflows	-863	-647
Purchase of intangible assets and tangible assets	-295	-145
Investments in real estates and intangible assets	-68	-194
On financial assets in affiliates including:	-54	-308
- purchase of financial assets	-54	-301
- other outflows	-	-7
Other investments outflows	-446	-
Net cash flow from investment activity	5 589	5 371
Financial cash flow		
Inflows	1 169	1 248
Bank credits	1 123	1 244
Loans	39	-
Other financial inflows	7	4

Interim Shortened Consolidated Financial Statement of PROCHEM S.A. Capital Group as at and for the period ending on 30 June 2011

	-1 537	-2 773
Consolidated Statement of Cash Flow continuation	Period ended on 30 June 2011	Period ended on 30 June 2010 .
Outflows		
Other than payments to shareholders outflows on account of profit distribution	-689	-10
Repayment of credits	-308	-1 801-
Payment of liabilities on account of financial lease	-340	-601
Interest	-199	-361
Other financial outflows	-1	-
Net cash flow from financial activity	-368	-1 525
Total net cash flow	3 010	766
Increase/(decrease)of net cash flow and cash equivalents	3 010	766
Cash and cash equivalents at the beginning of period	6 100	6 042
Cash and cash equivalents at the end of period	9 110	6 808

Notes on assumed accounting principles (policy) in Capital Group and other explanatory remarks to Interim Shortened Consolidated Financial Statement

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

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

2. Managing bodies of the parent company

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

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

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

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

In the first half of 2011 in composition of Management Board and Supervisory Board no changes took place.

3. Employment

In the first half of 2011 the average employment in Prochem Capital Group was 499 FTEs. As at 30 June 2011 employment in Prochem Capital Group was 516 persons.

4. 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 (80.98%, including 61.96% of share in 50% share of Elektromontaż Kraków);
 - Elmont Inwestycje Sp. z o.o. Kraków – subsidiary indirectly (80.98%, including 61.96% of share in 50% share of Elektromontaż Kraków);
 - Elektromontaż Kraków S.A. – subsidiary directly (61.96%) – 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.;

Interim Shortened Consolidated Financial Statement of PROCHEM S.A. Capital Group as at and for the period ending on 30 June 2011

- 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 5% 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%).

5. Accepted accounting principles

Declaration about conformity and base for presentation

Base for the drawing up

Interim Shortened Consolidated Financial Statement of PROCHEM S.A. Capital Group for the first half of 2011 was drawn up according to International Accounting Standards 34 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). This Interim Shortened Consolidated Financial Statement is not containing information and disclosures required for complete financial reports and should be read along with Consolidated Financial Statement for the financial year ended on 31 December 2010.

This Interim Shortened Consolidated Financial Statement of Prochem S.A. Capital Group was 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 don't exist.

The duration of activities of individual entities being included into capital group 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 (policy)

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

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

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

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

Essential accounting principles

At drawing up this Interim Shortened Consolidated Financial Statement for the first half of 2011 the same accounting principles and the same accounting methods were applied as in consolidated financial statement of Prochem S.A. Capital Group for the year ended on 31 December 2010, except for amended or new standards and definitions which were accepted or announced in the first half of 2011. Amendments

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of IFRS become effective since 1 January 2011 and those announced in the first half of 2011 don't have significant effect on accounting principles adopted by the Group.

At drawing up this statement the same accounting methods were applied as it were applied for consolidated financial statement of Prochem S.A, Capital Group 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 six months of 2011.

Functional currency and presentation currency of the statement

Interim Shortened Consolidated Financial Statement of the Group is 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 June 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