

GRUPA KAPITAŁOWA PROCHEM S.A.

**CONSOLIDATED QUARTERLY REPORT OF THE CAPITAL GROUP
OF PROCHEM S.A. FOR 4TH QUARTER OF 2010**

**CONTAINING SHORTENED STATEMENT OF COMPANY
PROCHEM S.A. FOR 4TH QUARTER OF 2010**

**PROCHEM S.A.
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I. Selected Financial Data

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

- For four quarters of 2009 - 4.3406 PLN/EURO
- For four quarters of 2010 - 4.0044 PLN/EURO

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

- 4.1082 PLN/EURO as at 31 Dec. 2009
- 3.9603 PLN/EURO as at 31 Dec. 2010

Selected Financial Data Concerning the Capital Group of Prochem SA

Capital Group of PROCHEM	Reporting period ended on 31 December		Reporting period ended on 31 December	
	2010	2009	2010	2009
	In PLN thousand		In EURO thousand	
Continuing operations				
Revenue on sales	119 018	170 588	29 722	39 301
Gross profit (loss) on sales	20 077	14 188	5 014	3 269
Profit(loss) from operating activities	6 654	3 460	1 662	797
Gross profit (loss)	6 269	3 036	1 566	699
Net profit (loss)	4 636	980	1 158	226
Assigned to :				
Shareholders of parent entity	4 017	-1 303	1 003	-300
Minority shareholders	619	2 283	155	526
Net cash flow from operating activities	1 338	-5 842	334	-1 346
Net cash flow from investment activity	3 682	-6 392	919	-1 473
Net cash flow from financial activity	-5 543	-441	-1 384	-102
Total net cash flow	-523	-12 675	-131	-2 920
Total assets	187 369	189 014	47 312	46 009
Total fixed assets	101 946	101 929	25 742	24 811
Total current assets	85 423	87 085	21 570	21 198
Equity assigned to shareholders of parent entity	108 617	102 268	27 426	24 894
Equity assigned to minority shareholders	14 668	13 781	3 704	3 355
Total equity	123 285	116 049	31 130	28 248
Total long-term liabilities	10 384	9 384	2 622	2 284
Total short-term liabilities	53 700	63 581	13 560	15 477
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	27.89	26.26	7.04	6.40
Net profit (loss) per one ordinary share/ diluted profit per one ordinary share (in PLN/EURO)-assigned to shareholders of parent entity	1.03	-0.33	0.26	-0.08

GRUPA KAPITAŁOWA PROCHEM S.A.***Selected Financial Data Concerning Prochem SA***

Selected financial data	Reporting period ended on 31 December		Reporting period ended on 31 December	
	2010	2009	2010	2009
	In PLN thousand		In EURO thousand	
Continuing operations				
Revenue on sales	47 794	105 708	11 935	24 353
Gross profit (loss) on sales	7 326	1 949	1 829	449
Profit (loss) from operating activities	493	-7 354	123	-1 694
Gross profit (loss)	1 431	-4 812	357	-1 109
Net profit (loss)	1 045	-4 585	261	-1 056
Net cash from operating activities	937	-8 089	234	-1 864
Net cash flow from investment activity	1 550	-456	387	-105
Net cash flow from financial activity	-3 352	1 031	-837	238
Total net cash flow	-865	-7 514	-216	-1 731
Total assets	105 017	112 694	26 517	27 431
Total fixed assets	34 339	39 058	8 671	9 507
Total current assets	70 678	73 636	17 847	17 924
Total equity	62 478	61 331	15 776	14 929
Total long-term liabilities	1 787	2 017	451	491
Total short-term liabilities	40 752	49 346	10 290	12 012
Weighted average number of ordinary shares (units)	3 895 000	3 895 000	3 895 000	3 895 000
Book value per one share (in PLN/EURO)	16.04	15.75	4.05	3.83
Net profit (loss) per one ordinary share (in PLN/EURO) / Diluted profit per one ordinary share (in PLN/EURO)	0.27	-1.18	0.07	-0.27

II. Interim Shortened Consolidated Financial Statement of Capital Group of PROCHEM S.A. as at 31 December 2010

Consolidated Statement of Financial Position as at 31 December 2010

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

	As at 31 Dec. 2010	As at 30 Sept. 2010	As at 31 Dec. 2009 (transformed)	As at 30 Sept. 2009 (transformed)
Assets				
Fixed assets				
Tangible assets	32 407	31 237	36 702	33 176
Intangible assets	270	307	484	585
Real estate investments	63 276	59 385	56 673	52 521
Shares (stocks) in subsidiaries	1 519	2 869	3 386	3 386
Shares (stocks) in entities consolidated with equity method	788	736	629	853
Assets on account of deferred income tax	3 686	3 933	4 055	3 028
Other financial assets			0	1
Total fixed assets	101 946	98 467	101 929	93 550
Current assets				
Inventory	6 263	6 003	6 629	6 822
Trade receivables and other receivables	60 927	54 103	56 567	76 100
Other financial assets	1 105	558	3 432	3 391
Other assets	11 609	13 763	14 415	13 684
Cash and short-term deposits	5 519	7 046	6 042	7 281
Total current assets	85 423	81 473	87 085	107 278
Total assets	187 369	179 940	189 014	200 828
Liabilities				
Equity				
Share capital	3 895	3 895	3 900	3 900
Shares (stocks) of parent entity(negative value)			-5	-5
Retained earnings	104 722	100 401	98 373	99 882
Equity assigned to shareholders of parent entity	108 617	104 296	102 268	103 777
Minority capital	14 668	13 850	13 781	12 019
Total equity	123 285	118 146	116 049	115 796
Long-term liabilities				
Long-term bank credits	234	378	1 033	1 471
Provision to deferred income tax	7 295	5 941	5 815	3 930
Retirement liabilities	2 390	2 160	1 829	2 440
Other reserves	164	119	12	273
Other long-term liabilities	301	294	695	1 182
Total long-term liabilities	10 384	8 892	9 384	9 296
Short-term liabilities				
Short-term bank credits	2 029	4 108	5 088	5 510
Short-term loans	29	29	776	777
Trade payables	44 811	43 974	49 569	56 840
Liabilities on account of current income tax	71	212	212	13
Other liabilities	6 615	4 451	7 650	12 177
Deferred income	145	128	286	419
Total short-term liabilities	53 700	52 902	63 581	75 736
Total liabilities	64 084	61 794	72 965	85 032
Total equity and liabilities	187 369	179 940	189 014	200 828

Consolidated Statement of Comprehensive Income for the reporting period ended on 31 December

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

	4th Q of 2010 from 1 Oct. 2010 to 31 Dec. 2010	Period ended on 31 Dec. 2010	4th Q of 2009 from 1 Oct. 2009 to 31 Dec. 2009 (transformed)	Period ended on 31 Dec. 2009 (transformed)
Continuing operations				
Net revenue on sales of services, goods and materials, including:	37 397	119 018	29 849	170 588
Net revenue on sales of services	35 675	112 922	28 642	163 297
Net revenue on sales of goods and materials	1 722	6 096	1 207	7 291
Costs of services, goods and materials sold, including:	31 933	98 941	26 581	156 400
Cost of services sold	30 371	93 467	25 552	149 807
Cost of goods and materials sold	1 562	5 474	1 029	6 593
Gross profit (loss) from sale	5 464	20 077	3 268	14 188
Other operating revenues	5 479	7 600	6 004	10 554
Other operating costs	3 570	4 875	3 811	5 500
General management costs	4 412	16 148	4 074	15 782
Profit (loss) from operating activities	2 961	6 654	1 387	3 460
Financial revenues	161	636	366	1 551
Profit (loss) from sale of shares of subordinated entities	58	58	0	0
Finance costs	189	1 199	308	1 895
Share in profit of associated entities	51	120	-186	-80
Profit (loss) before tax	3 042	6 269	1 259	3 036
Income tax :	1 001	1 633	1 177	2 056
- current income tax	84	474	284	411
- deferred income tax	917	1 159	893	1 645
Net profit (loss)	2 041	4 636	82	980
Net profit (loss) assigned to :				
Shareholders of parent entity	1 899	4 017	-1 846	-1 303
Minority shareholders	142	619	1 928	2 283
Total	2 041	4 636	82	980
Other comprehensive income				
Revaluation of fixed assets	3 623	3 623	-	-
Share in other comprehensive income of associated entities	-	-	-	-
Result of changes of accounting policy	-	-	-	-
Income tax concerning other comprehensive income	739	739	-	-
Other comprehensive income (net)	2 884	2 884	-	-
Total comprehensive income	4 925	7 520	82	980
Net comprehensive income assigned to:				
Shareholders of parent entity	4 068	6 186	-1 846	-1 303
Minority shareholders	857	1 334	1 928	2 283
Total	4 925	7 520	82	980
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)				
from continuing operations assigned to parent entity equity	0.49	1.03	-0.47	-0.33
Comprehensive income per one ordinary share (in PLN per one share) – assigned to parent entity equity	1.05	1.59	-0.47	-0.33

Consolidated Statement of Changes in Owners' Equity

(all amounts in PLN thousand if not marked otherwise)

	Share capital	Shares of parent entity	Retained profit	Equity assigned to shareholders of parent entity	Equity assigned to minority shareholders	Total equity
The reporting period from 1 January 2010 to 31 December 2010						
As at the beginning of the period (transformed)	3 900	-5	98 373	102 268	13 781	116 049
Payment of dividend				0	-10	-10
Net profit (loss)			4 017	4 017	619	4 636
Other comprehensive income (net)			2 169	2 169	715	2 884
Total comprehensive income	0	0	6 186	6 186	1 324	7 510
Other movements	-5	5	163	163	-437	-274
As at the end of the period	3 895	0	104 722	108 617	14 668	123 285
The reporting period from 1 January 2010 to 30 September 2010						
As at the beginning of the period (transformed)	3 900	-5	98 373	102 268	13 781	116 049
Payment of dividend				0	-10	-10
Net profit (loss)			2 119	2 119	477	2 596
Total comprehensive income	0	0	2 119	2 119	467	2 586
Other movements	-5	5	-91	-91	-398	-489
As at the end of the period	3 895	0	100 401	104 296	13 850	118 146
The reporting period from 1 January 2009 to 31 December 2009						
As at the beginning of the period	3 900	-2	99 124	103 022	13 421	116 443
Payment of dividend			-506	-506	-1 922	-2 428
Net profit (loss) - after the transformation			-216	-216	2 282	2 066
Other comprehensive income			-29	-29		-29
Total comprehensive income	0	0	-751	-751	360	-391
Own shares purchased with the aim of redemption		-3		-3		-3
As at the end of the period (after the transformation)	3 900	-5	98 373	102 268	13 781	116 049
The reporting period from 1 January 2009 to 30 September 2009						
As at the beginning of the period	3 900	-2	99 124	103 022	13 421	116 443
Payment of dividend			-506	-506		-506
Net profit (loss)			832	832	-1 402	-570
Other comprehensive income			-30	-30		-30
Total comprehensive income	0	0	296	296	-1 402	-1 106
Other movements			462	462		462
Own shares purchased with the aim of redemption		-3		-3		-3
As at the end of the period	3 900	-5	99 882	103 777	12 019	115 796

Consolidated Statement of Cash Flows

For the reporting period ended on 31 December (indirect method)

(all amounts in thousands of PLN if not marked otherwise)	4th Q of 2010 from 1 Oct.2010 to 31 Dec. 2010	Period ended on 31 Dec. 2010	4th Q of 2009 from 1 Oct.2009 to 31Dec. 2009 (transformed)	Period ended on 31 Dec. 2009 (transformed)
Operating cash flow				
Gross profit (loss)	3 042	6 269	1 259	3 036
Adjustments for:	-1 980	-4 250	895	-8 617
Share in profit of associated entities	51	120	-26	80
Amortization and depreciation	975	4 085	1 111	4 557
Interests and profit sharing (dividends)	543	458	311	867
(Profit)loss from sales of tangible assets	-125	132	-39	-141
(Profit)loss on account of investment activities	-3 075	-4 220	-6 127	-6 127
Movements in provisions	1 534	587	452	-1 800
Change in inventory	-258	360	165	-68
Movements in receivables	-1 273	1 268	21 390	71 467
Movements in current liabilities, with the exception of loans and credits	-553	-6 947	-15 442	-74 565
Other adjustments	201	-93	-900	-2 887
Operating cash	1 062	2 019	2 154	-5 581
Income tax paid	-248	-681	458	-261
Net operating cash	814	1 338	2 612	-5 842
Investment cash flows				
Inflows	1 736	7 832	61	422
Sales of intangible assets and tangible assets	126	2 868	61	311
From financial assets including:	1 610	4 964	0	0
a) in associated entities	1 610	4 964	0	0
- sale of financial assets	1 610	1 615	0	0
- received dividends	0	113	0	0
- repayment of granted loans	0	2 797	0	0
- repayment of interest on granted loans	0	439	0	0
Other inflows	0	0	0	111
Outflows	2 018	4 150	3 110	6 814
Purchase of intangible assets and tangible assets	486	809	1 620	2 991
Investments in real estates and intangible assets	710	2 064	587	2 878
For financial assets including:	811	1 262	3	45
a) in affiliated entities	811	1 262	3	45
- purchase of financial assets	0	444	15	45
- repayment of loan	60	60	0	0
- repayment of loan	750	750	0	0
- other expenditures	1	8	-12	0
Other investment expenditures	11	15	900	900
Net cash flow from investment activity	-282	3 682	-3 049	-6 392
Financial cash flow				
Inflows	54	209	22	2 384
Bank credits	0	26	0	2 360
Other financial inflows	54	183	22	24
Outflows	2 107	5 752	824	2 825

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Purchase of own shares (stocks)	0	0	0	3
Outflows under distribution of profit, other than payments to shareholders	0	10	0	983
Repayment of credits and loans	1 959	4 378	418	418
Payments from the title of finance lease	116	883	339	931
Interest and commissions paid	32	481	67	490
Net cash from financial activity	-2 053	-5 543	-802	-441
Total net cash flow	-1 521	-523	-1 239	-12 675
Increase/(decrease)of net cash flow and cash equivalents	-1 521	-523	-1 239	-12 675
Cash and cash equivalents at the beginning of period	7 040	6 042	7 281	18 717
Cash and cash equivalents at the end of period	5 519	5 519	6 042	6 042

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

Individual Statement of Financial Position as at 31 December 2010

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

	As at 31 Dec. 2010	As at 30 Sept. 2010	As at 31 Dec. 2009 (transformed)	As at 30 Sept. 2009 (transformed)
Assets				
Fixed assets				
Tangible assets	3 613	3 714	4 853	5 303
Intangible assets	110	173	398	482
Shares and stocks in subordinated entities	10 604	10 573	10 430	10 430
Shares and stocks in entities consolidated under equity method	708	708	708	708
Assets on account of deferred income tax	1 184	1 540	1 597	766
Other financial assets	18 120	18 462	21 072	21 770
Total fixed assets	34 339	35 170	39 058	39 459
Current assets				
Stock	2 925	2 888	3 302	3 390
Trade receivables and other receivables	51 097	49 440	52 430	73 101
Other financial assets	997	1 749	1 783	1 363
Other assets	10 223	12 767	13 181	13 406
Cash and short-term deposits	2 075	3 193	2 940	3 024
Fixed assets to be disposed	3 361			
Total current assets	70 678	70 037	73 636	94 284
Total assets	105 017	105 207	112 694	133 743
Liabilities				
Equity				
Share capital	3 895	3 895	3 900	3 900
Shares (stocks) of parent entity (negative value)			-5	-5
Retained earnings	58 583	58 367	57 436	62 759
Total equity	62 478	62 262	61 331	66 654
Long-term liabilities				
Provision on account of deferred income tax	1 457	1 468	1 481	933
Retirement liabilities	330	309	283	213
Other reserves				
Other long-term liabilities		23	253	509
Total long-term liabilities	1 787	1 800	2 017	1 655
Short-term liabilities				
Short-term bank credits	277	2 833	2 620	3 484
Trade payables	37 741	37 423	44 274	53 261
Liabilities on account of current income tax				
Other liabilities	2 614	795	2 228	8 295
Deferred income	120	94	224	394
Total short-term liabilities	40 752	41 145	49 346	65 434
Total liabilities	42 539	42 945	51 363	67 089
Total equity and liabilities	105 017	105 207	112 694	133 743

**Individual Statement of Comprehensive Income
For the period ended on 31 December 2010.**

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

	4th Q of 2010 from 1 Oct. 2010 to 31 Dec. 2010.	Period ended on 31 Dec. 2010	4th Q of 2009 from 1 Oct. 2009. to 31 Dec. 2009 (transformed)	Period ended on 31 Dec. 2009. (transformed)
Continuing operations				
Net revenue on sale of services, goods and materials including:				
Net revenue on sale of services	16 291	47 794	12 105	105 708
Net revenue on sale of goods and materials	57	392	0	1 728
Cost of services, goods and materials sold including:				
Cost of services sold	14 609	40 468	12 910	103 759
Cost of goods and materials sold	14 554	40 083	12 906	102 065
	55	385	4	1 694
Gross profit (loss) from sales	1 682	7 326	-805	1 949
Other operating income	1 303	1 759	-20	1 915
Other operating costs	820	1 501	3 121	4 574
General management costs	1 915	7 091	1 724	6 644
Operating profit (loss)	250	493	-5 670	-7 354
Financial revenues	229	1 720	262	3 395
Finance costs	106	782	198	853
Profit (loss) before tax	373	1 431	-5 606	-4 812
Income tax :				
- current	341	386	-283	-227
- deferred	38	39	0	3
Profit from continuing operations	303	347	-283	-230
Net profit (loss)	32	1 045	-5 323	-4 585
Other comprehensive income				
Assessed value of assets available-for-sale				
Revaluation of fixed assets	227	227	-	-
Share in other comprehensive income of associated entities				
Results of changes of accounting policies				
Income tax concerning other comprehensive income	-43	-43	-	-
Other comprehensive income (net)	184	184	-	-
Total comprehensive income	216	1 229	-5 323	-4 585
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 1 share)/; diluted profit per one ordinary share	0.01	0.27	-1.37	-1.18
Total comprehensive income per one ordinary share (in PLN per one share)	0.06	0.32	-1.37	-1.18

Individual Statement of Changes in Owners' Equity

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

	Share capital	Shares of parent entity	Retained profit	Total equity
The reporting period from 1 January 2010 to 31 December 2010				
As at the beginning of the period (after transformation)	3 900	-5	57 436	61 331
Revaluation of assets as at the balance-sheet day			184	184
Net profit (loss) in the given period			1 045	1 045
Total comprehensive income			1 229	1 229
Own shares purchased with the aim of redemption	-5	5	-82	-82
As at the end of the period	3 895	0	58 583	62 478
The reporting period from 1 January 2010 to 30 September 2010				
As at the beginning of the period (after transformation)	3 900	-5	57 436	61 331
Net profit (loss) in the given period			1 013	1 013
Total comprehensive income			1 013	1 013
Own shares purchased with the aim of redemption	-5	5	-82	-82
As at the end of the period (after transformation)	3 895	0	58 367	62 262
The reporting period from 1 January 2009 to 31 December 2009				
As at the beginning of the period	3 900	-2	62 558	66 456
Payment of dividend			-506	-506
Net profit (loss) – after transformation			-4 585	-4 585
Net other comprehensive income			-31	-31
Total comprehensive income			-5 122	-5 122
Own shares purchased with the aim of redemption		-3		-3
As at the end of the period (after transformation)	3 900	-5	57 436	61 331
The reporting period from 1 January 2009 to 30 September 2009				
As at the beginning of the period	3 900	-2	62 558	66 456
Payment of dividend			-506	-506
Net profit (loss) in the given period			738	738
Net other comprehensive income			-31	-31
Total comprehensive income			201	201
Own shares purchased with the aim of redemption		-3		-3
As at the end of the period	3 900	-5	62 759	66 654

**Individual Statement of Cash Flows
for the reporting period ended on 31 December 2010**

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

	4th Q of 2010 from 1 Oct. 2010 to 31 Dec. 2010	Period ended on 31 Dec. 2010	4th Q of 2009 from 1 Oct. 2009 to 31 Dec. 2009 (transformed)	Period ended on 31 Dec. 2009 (transformed)
Operating cash flow				
Gross profit (loss)	373	1 431	-5 606	-4 812
Total adjustments:	3 099	-454	5 984	-3 274
Amortisation and depreciation	440	1 889	521	2 234
Interest and profit sharing (dividends)	-104	-799	-126	-2 397
(Profit) loss from sales of tangible assets	-44	-91	-10	-43

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Movements in provisions	236	-517	567	-928
Changes in stocks	-40	377	88	432
Movements in receivables	1 015	4 415	20 725	62 228
Movements in short-term liabilities, with the exception of loans and credits	1 589	-5 609	-15 617	-62 689
Other adjustments (including deferred income)	7	-119	-164	-2 111
Cash provided by operating activities	3 472	977	378	-8 086
Income tax paid	40	40	3	3
Net cash provided by operating activities	3 432	937	375	-8 089

Investment cash flows

Inflows	1 712	5 325	738	2 848
Sales of intangible assets and tangible assets	57	97	0	228
From financial assets, including::	1 655	5 228	738	2 620
a) in associated entities	1 655	5 228	738	2 620
- dividend received	0	302	0	1 876
- repayment of granted loans	1 605	4 205	700	700
- repayment of interest on granted loans	50	721	38	44
Outflows:	3 568	3 775	0	3 304
Purchase of intangible assets and tangible assets	196	260	0	174
For financial assets including :	3 372	3 515	0	3 130
a) in associated entities	3 372	3 515	0	3 130
- purchase of financial assets	3 362	3 505	0	30
- granting a loan	10	10	0	3 100
Net cash flow from investment activity	-1 856	1 550	738	-456

Financial cash flows

Inflows	0	0	0	3 483
Bank credits			0	3 483
Outflows	2 694	3 352	1 200	2 452
Purchase of own shares (stocks)	0		0	3
Repayment of credits and loans	2 556	2 343	864	864
Dividends and other payments to shareholders	0		0	506
Interest and commission paid	64	287	35	257
Payments from the title of finance lease	74	722	301	822
Net cash flow from financial activity	-2 694	-3 352	-1 200	1 031

Total net cash flow

Increase /(decrease) of net cash and cash equivalents	-1 118	-865	-87	-7 514
Cash and cash equivalents as at the beginning of the period	3 193	2 940	3 027	10 454
Cash and cash equivalents as at the end of the period	2 075	2 075	2 940	2 940

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

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

1. Reporting Entity

Company PROCHEM S.A. (hereinafter called "Prochem", "Company", "Issuer") 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 of the Company 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 Designing and the Implementation of an Investment Project of the Chemical Industry Office). The notary deed and statutes were signed on 1 October of 1991. The company's duration is indefinite.

2. Description of the organization of the capital group with pointing out 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:

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);
- ASI Polska Sp. z o.o. with registered office in Gliwice– subsidiary indirectly (90.0%);
- Prochem Zachód Sp. z o.o. with registered office in Słubice – subsidiary directly (60.0%);
- PROTRADE Sp. z o.o. with registered office in Gdynia– subsidiary indirectly (72%) (ASI Polska Sp. z o.o. subsidiary in 90.0% holds 80.0%)
- ELPRO Sp. z o.o. Kraków – subsidiary indirectly (78.3%, including 56.5% of share in 50% of share of Elektromontażu Kraków)
- Elmont Inwestycje Sp. z o.o. Kraków – subsidiary indirect (78.3%, including 56.5% of share in 50% of share of Elektromontaż Kraków)
- Elektromontaż Kraków S.A. – subsidiary direct (56.5%) – the company is drawing up consolidated financial statement, which contains data of the subsidiary in 100%:
ELMONT-POMIARY Sp. z o.o. with registered office in Krakow and two associates ELPRO Sp. z o.o. and Elmont Inwestycje Sp. z o.o.
- IRYD Sp. z o.o. with registered office in Warsaw – subsidiary indirectly 100%
- ATUTOR Integracja Cyfrowa Sp. z o.o. with registered office in Warsaw – subsidiary indirectly (97.2% of share Holds Company Prochem Inwestycje Sp. z o.o. subsidiary in 100%).

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- Prochem RPI Sp. z o.o. with registered office in Warsaw – subsidiary directly and indirectly in 100%
- PRO PLM Sp. z o.o. with registered office in Warsaw – subsidiary directly and indirectly in 100% (50% of shares holds company Prochem Inwestycje Sp. z o.o. subsidiary in 100%).

Associated entities covered by consolidation under the equity method:

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

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

3. 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 12 (twelve) months of 2010 were drawn according to International Accounting Standards 34 (MSR 34) “Interim Financial Reporting” and Regulation of the Minister of Finance of 19 February 2009 on current and periodical data to be submitted by issuers of securities (Journal of Laws of 2009 No 33, item 259). The accounting principles adopted at drawing up this Interim Shortened Consolidated Financial Statement and Individual Interim Shortened Financial Statement for 12 (twelve) months of 2010 are in conformity with principles applied at drawing up annual financial reports for the financial year ended on 31 December 2009. This Interim Shortened Consolidated Financial Statements are not containing information and disclosures required for complete financial reports and should be read including the Financial Statement for the financial year ended on 31 December 2009.

This Interim Shortened Consolidated Financial Statement of Prochem S.A. Capital Group and Individual Interim Shortened Financial Statement were prepared at assuming continuing economic activity in a foreseeable future and it is stated that circumstances pointing out to the threat to continuing activity by the Issuer’s Capital Group and Issuer don’t exist.

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

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

Interim Shortened Consolidated Financial Statement of the Group and Issuer is being presented in Polish zlotys („zloty” or „PLN”) which is functional and reporting currency.

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

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

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Principles of drawing up consolidated financial statement

At drawing up the Interim Shortened Consolidated Financial Statement of Prochem S.A. Capital Group the following procedures were applied:

- data of subsidiaries were included in financial statement with the full method, consisting in linking financial statements of the dominant entity and of subsidiaries by adding up individual items of assets, liabilities, the equity capital, the income and costs.
- shares in associated companies were evaluated in the consolidated financial statement with the equity method.

Subsidiaries covered by consolidation were included in the Consolidated Financial Statement starting from the day of taking over the control by the parent company.

The goodwill of subsidiaries is a surplus of the purchase price of components of financial assets taken up by the dominant entity above the market value of net assets of the subsidiary, proportionally to the acquired share in the equity capital of this entity.

The negative goodwill of subsidiary is a surplus of the market value of net assets of the subsidiary above the purchase price of financial assets carried by the dominant entity, proportionally to the acquired share in the equity capital of this entity. For the day of purchasing the subsidiary (of including the control), assets, liabilities and contingent liabilities of the subsidiary are being evaluated at fair value.

Subsidiaries sold in the financial year are subject to a consolidation up to the day of the sale. Minority capital is being shown according to assigned value.

Entities are being regarded as associated companies, in which Prochem S.A. has between 20% and 50% of the total number of votes in constituting organs or in other way can exert a significant influence on their financial and operating policy.

Investments in associated companies are being accounted with method of the ownership transfer and at first are included according to the purchase price. Share in the profit or loss of the associated company is shown in the Statement of Comprehensive Income. In case the participation in the loss of the associated company is equal to or exceeds a participation of the Group of Prochem in this entity the Group doesn't recognize further losses, unless assumed an obligation to do it. Unrealized gains among the Group and the associated company are being eliminated to the level of the participation of the Group in this entity.

The price of acquiring shares in associated companies is subject to adjustments reflecting all effects of changes of the fair value of net assets, falling on the value of the held share from the moment of purchase to the date of financial statement as well as effects of impairment.

In the presented Interim Shortened Consolidated Financial Statement adjustments and exclusions were made as mentioned below:

- within the scope of exclusions:
 - of shares (stocks) had by the dominant entity with the share capital of subsidiaries,
 - of mutual receivables and liabilities and other settlements of a similar nature of entities under consolidation,
 - of revenues and expenses on account of mutual operations of the purchase and the sale in the capital group,
 - of dividends calculated or paid by subsidiaries to the dominant entity and other entities covered by consolidation
- within the scope of adjustments:
 - of profits or losses arising as a result of business transactions made between entities under consolidation.

The Interim Shortened Financial Statement was drawn up based on the principle of the historical cost, with the exception of:

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

Transactions in foreign currencies at first are calculated according to the rate of exchange of the National bank of Poland being in effect on the day of the conclusion of a deal. Balance sheet items of assets and

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liabilities expressed in foreign currencies are being evaluated according to the average rate of the National Bank of Poland for the reporting day. Profit and loss arising from accounting for these transactions and balance sheet valuations of assets and obligations expressed in foreign currencies are included in the Statement of the Comprehensive Income.

Items of Financial Statement are being divided into short-term and long-term (current and fixed) in accordance with International Accounting Standards 1 (MSR 1).

Essential Accounting Principles

At drawing up this Interim Shortened Financial Statement the same accounting principles and the same accounting methods were applied as in the Financial Statement of Prochem S.A. Capital Group for the year ended on 31 December 2009.

At drawing up this Interim Shortened Financial Statement the same accounting principles and the same accounting methods were applied as in the Financial Statement of Prochem S.A. for the year ended on 31 December 2009.

New standards, changes and interpretations to existing standards didn't have the significant influence on this Financial Statement.

Changes in Accounting Estimates

There were no changes in principles and methods of accounting applied for establishing estimates in the period of twelve months of 2010.

Transformation of Financial Statements

Interim Shortened Financial Statement for the period from 1 January to 31 December 2010 is keeping comparability in relation to data of the Statement for the period from 1 January to 31 December 2009. For keeping the comparability reclassifications of given items of equity capitals was effected which were presented in the following table.

Changes as below result from the adaptation of on mastics and disclosures to widely accepted and required by International Financial Reporting Standards in the shape being in effect for financial statements drawn up for periods starting on 1 January 2009 and later.

Leading the costs and the result for 2009 to the comparability – including costs of the delivery of the license for construction of plants of fertilizers for Nitrogenmuvek Zrt., as a result of which the company burdened the costs of 2009 with amount of PLN 1,467 thousand.

The amount which influenced the result of 2009 is PLN 1,467 thousand.

Capital Group of PROCHEM S.A.

Consolidated Statement of Financial Position (in PLN thousand)

	As at 31 Dec. 2009	Adjustment/ transformation	As at 31 Dec. 2009 (transformed)
Assets			
Current assets			
Trade receivables and other receivables	57 138	-571	56 567
Cash and short-term deposits	6 192	-150	6 042
Total current assets (short-term)	87 806	-721	87 085
Assets to be disposed			
Total assets	189 735	-721	189 014
Liabilities			
Equity			
Spare capital	50 574	-50 574	0
Revaluation capital	13 663	-13 663	0

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Other reserve capitals	36 836	-36 836	0
Profit (loss) brought forward	-1 397	-70	-1 467
Profit (loss) for the current year	164	-164	0
Retained earnings		99 840	99 840
Parent entity's equity	103 735	-1 467	102 268
Minority capital	13 781		13 781
Total equity	117 516	-1 467	116 049
Long-term liabilities			
Trade payables	47 019	2 550	49 569
Other liabilities	9 454	-1 804	7 650
Short-term liabilities	62 835	746	63 581
Total liabilities	72 219	746	72 965
Total equity and liabilities	189 735	-721	189 014

Statement of Comprehensive Income - transformed

	Period ended on 31 Dec. 2009	Adjustment/ transformation	Period ended on 31 Dec. 2009 (transformed)
Continuing operations			
Costs of services, goods and materials sold, including:	154 933	1 467	156 400
Production cost of products sold	148 340	1 467	149 807
Gross profit (loss) on sales	15 655	-1 467	14 188
Profit (loss) on operating activities	4 927	-1 467	3 460
Profit (loss) before tax	4 503	-1 467	3 036
Net profit (loss)	2 447	-1 467	980
Assigned to :			
Shareholders of parent entity	164	-1 467	-1 303
Minority shareholders	2 283	0	2 283
Total	2 447	-1 467	980
Weighted average number of ordinary shares (units)	3 895 000	3 895 000	3 895 000
Profit assigned to shareholders of parent entity (in PLN)	0.04	-0.38	-0.33
Weighted average number of ordinary shares (units)	3 895 000	3 895 000	3 895 000
Profit (loss) per one ordinary share (in PLN per one share) –			
on continuing operations assigned to parent entity equity	0.04	-0.38	-0.33
Comprehensive income per one ordinary share (in PLN per one share) –			
on continuing operations	0.63	-0.38	0.25

CONSOLIDATED STATEMENT OF CASH FLOWS (all amounts in thousands of PLN, if not marked otherwise)

	Period ended on 31 Dec. 2009	Adjustment/ transformation	Period ended on 31 Dec. 2009 (transformed)
Cash flows from operating activities			
Gross profit (loss)	4 503	-1 467	3 036
Total adjustments	-11 118	2 478	-8 640
Interest and profit sharing (dividends)	503	364	867
Movement in provisions	-1 108	-692	-1 800
Movement in receivables	70 164	1 303	71 467
Movement in current liabilities with the exception of loans and credits	-78 178	3 613	-74 565
Other adjustments	-720	-2 110	-2 830
Operating cash	-6 615	1 011	-5 604
Income tax paid	-261	0	-261

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Net cash from operating activities	-6 876	1 011	-5 865
Investment cash flows			
Inflows	358	64	422
Sales of intangible assets and tangible assets	247	64	311
Outflows	6 771	43	6 814
Purchase of intangible assets and tangible assets	2 948	43	2 991
Net cash from investment activity	-6 413	21	-6 392
Financial cash flow			
Outflows	1 743	1 082	2 825
Purchase of own shares (stocks)		3	3
Payment from the title of finance lease	212	822	1 034
Interest	233	257	490
Net cash flow from financial activity	641	-1 082	-441
Total net cash flows	-12 648	-50	-12 698
Balance transition of financial means	-12 648	-50	-12 698
Financial means at the beginning of period	18 840	-100	18 740
Financial means at the end of period	6 192	-150	6 042

Prochem S.A.**Individual Statement of Financial Position - transformation
(in PLN thousand)**

	As at 31 Dec. 2009	Adjustment/ transformation	As at 31 Dec. 2009 (transformation)
Assets			
Current assets (short-term)			
Trade receivables and other receivables	52 913	-483	52 430
Cash and short-term deposits	3 045	-105	2 940
Total current assets	74 224	-588	73 636
Total assets	113 282	-588	112 694
Liabilities			
Equity			
Spare capital	14 812	-14 812	0
Revaluation capital	766	-766	0
Other reserve capitals	46 443	-46 443	0
Net profit (loss) for the current year	-3 118	3 118	0
Retained profit		57 436	57 436
Equity	62 798	-1 467	61 331
Short-term liabilities			
Trade payables	41 724	2 550	44 274
Other liabilities	3 898	-1 671	2 227
Short-term liabilities	48 467	879	49 346
Total liabilities	113 282	-588	112 694
Book value - entity	62 798	-1 467	61 331
The number of shares (units)	3 895 000	3 895 000	3 900 000
Book value per one share (in PLN)	16.12	-0.38	15.73

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Individual Statement of Comprehensive Income - transformation (in PLN thousand)	Period ended on 31 Dec. 2009	Adjustment / transformation	Period ended on 31 Dec. 2009 (transformation)
Continuing operations			
Costs of services, goods and materials sold, including:	102 292	1 467	103 759
Production cost of products sold	100 598	1 467	102 065
Gross profit (loss) from sale	3 416	-1 467	1 949
Profit (loss) from operating activity	-5 887	-1 467	-7 354
Net profit (loss)	-3 118	-1 467	-4 585

Individual Statement of Cash Flows - transformation (in PLN thousand)	Period ended on 31 Dec. 2009	Adjustment / transformation	Period ended on 31 Dec. 2009 (transformation)
Gross profit (loss)	-3 345	-1 467	-4 812
Total adjustments	-5 758	2 478	-3 274
Interest and profit sharing (dividends)	-2 737	364	-2 397
Movement in provisions	-236	-692	-928
Movement in receivables	60 925	1 303	62 228
Movement in current liabilities, with the exception of loans and credits	-66 332	3 613	-62 689
Other adjustments	-1	-2 110	-2 111
Operating cash	-9 103	1 011	-8 086
Income tax paid	3	0	3
Net cash provided by operating activities	-9 100	1 011	-8 089
Investment cash flows			
Inflows	2 784	64	2 848
Sales of intangible assets and tangible assets	164	64	228
Outflows	3 261	43	3 304
Purchase of intangible assets and tangible assets	131	43	174
Net cash flow from investment activity	-477	21	-456
Financial cash flows			
Outflows	506	1 082	1 588
Buy-back of own shares (stocks)		3	3
Payments from the title of finance lease		822	822
Interest		257	257
Other financial expenses		0	
Net cash flow from financial activity	2 113	-1 082	1 031
Total net cash flow	-7 464	-50	-7 514
Balance transition of financial means	-7 464	-50	-7 514
Financial means at the beginning of period	10 509	-55	10 454
Financial means at the end of period	3 045	-105	2 940

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

In January of 2010 a final agreement was signed, according to which the company Nitrogenmuvek Zrt. took over the built installation, however PROCHEM S.A. was encumbered with contractual penalties for the delay in the realization and he effected lowering the reward stipulated in the contract for its service. On the day of signing an agreement, parties acknowledged, that all current and the future claims associated with the contract mentioned above were satisfied. Financial results of this agreement were included by the Issuer in performance in 2009.

In 2010 the company didn't reach an agreement with the supplier of the license for construction of plants of fertilizers for Nitrogenmuvek Zrt., as result of what the company burdened costs of 2009 with amount of PLN 2,090. 4 thousand- debts with due interest were repaid in January 2011. The amount which influenced the result of 2009 amounts to PLN 1,467 thousand.

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

In the 4th quarter of 2010 on achieved results of the Issuer the following events had the significant effect:

1. the evaluation of fair value of ground, buildings and structures was effected – results of the evaluation were included in other comprehensive income (net) in the amount of PLN 184 thousand
2. reserves were dissolved established in previous periods to the deferred income tax in the amount of PLN 224 thousand, and reserves were established in the amount of PLN 169 thousand.
3. assets from the title of deferred income tax were used in the amount of PLN 364 thousand, and established in the amount of PLN 8 thousand
4. reserves to social security benefits and back leaves in the amount of PLN 4 thousand were dissolved and reserves to social security benefits and back leaves in amount of PLN 239 thousand were established
5. revaluating write off covering value of amounts due in the amount of PLN 80 thousand was dissolved and established in the amount of PLN 551 thousand
6. provisions established for costs in the amount of PLN 8 thousand.

Within the capital group in the 4th quarter of 2010:

1. the evaluation of the real estate investment real to be disposed was effected – revaluating write off – PLN 1,975 thousand
2. the evaluation of fair value of ground, buildings and structures was effected – results of the evaluation were included in other comprehensive income (net) in the amount of PLN 2,884 thousand
3. the evaluation of fair value of real estate investments (land) was effected – increase in value was parked in other operating income in the amount of PLN 3,623 thousand,
4. reserves were dissolved established in previous years to the deferred income tax in the amount of PLN 258 thousand, and reserves were established in the amount of PLN 1 547 thousand,
5. assets from the title of deferred income tax were used in the amount of PLN 213 thousand, and were established in the amount of 234 thousand,
6. revaluating write off in the amount of PLN 487 thousand was dissolved, and established in the amount of PLN 219 thousand,
7. reserves were established to social security benefits and back leaves in the amount of PLN 340 thousand and reserve in the amount of PLN 372 thousand was dissolved,
8. reserves to costs established in previous years in the amount of PLN 569 thousand were used and reserves to costs in the amount of PLN 254 thousand were established.

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

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

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

On 26 August 2010 a procedure of the redemption of 5,000 of bearer shares of PROCHEM S.A. was finished. The number of votes corresponding to redeemed shares is amounting to 5,000. After discontinuing of mentioned above shares the equity of the company amounts to PLN 3,895,000. The total number of votes from all shares amounts to 3,898,660. Structure of equity of the company PROCHEM S.A. after the redemption:

- founding series – 1.817.500,
 - B series – 682.500,
 - C series– 530.000,
 - D series– 865.000
- Total equity 3.895.000

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

In 2009 the Issuer incurred a loss, for this period they didn't pay a dividend.

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

Such events didn't appear.

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

Contingent liabilities – in PLN thousand

Title	Capital Group of Prochem				including Issuer			
	2010		2009		2010		2009	
	31 Dec.	30 Sept.	31 Dec.	30 Sept.	31 Dec.	30 Sept.	31 Dec.	30 Sept.
Bank guarantee of good performance	12 385	14 957	10 673	14 632	9 805	11 964	8 611	12 570
Guarantee of return of the advance payment			1 753				1 753	
B/e guarantee of the good performance of the contract	197	197	197	12 159	197	197	197	12 127
Guarantee of the payment	827	827			827	827		
Performance guarantee for tender	366	134	445	378	366	134	445	378
Guarantee for a credit for subsidiary		500	500			1 500	1 500	1 000
Total	13 775	16 615	13 568	27 169	11 195	14 622	12 506	26 075

For twelve months of 2010 Capital Group recorded the increase in contingent liabilities by amount of PLN 207 thousand, in case of the Issuer liabilities decreased by PLN 1,311 thousand.

Contingent amounts due

Contingent amounts due of the Capital Group concern only an Issuer. These are bank performance guarantees which as at the day amount to:

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title	Capital Group / Issuer		2009	
	31 Dec.	30 Sept.	31 Dec.	30 Sept.
Bank guarantee of good performance	8 997	9 100	10 258	11 438

At the end of 4th quarter of 2010 a decrease in contingent amounts due took place by amount of PLN 1,261 thousand.

11. Effects of changes in the structure of the capital group from the beginning of a year, including merging an economic entities, the takeover or the sale of subsidiaries and long-term investments, the restructuring and discontinuing activity

On 19 March 2010 the Issuer signed the agreement for the sale of shares, on the basis of which purchased 4,520 units of subsidiary Elektromontaż Kraków S.A. of the nominal value of PLN 5 each, to the total amount of PLN 113,000 (say: one hundred thirteen thousand of zlotys). The ownership of the shares was transferred to the Issuer with the day of payment for shares, i.e. on 1 April 2010.

On 11 October 2010 the Issuer signed the agreement for the sale of shares, on the basis of which purchased 1,000 shares of the subsidiary Elektromontaż S.A. of the nominal value of PLN 5 each to the total amount of PLN 30,000 thousand (say: thirty thousands of zlotys). The ownership of the shares was transferred to the Issuer with the day of payment for shares, i.e. on 25 October 2010. After effected transaction the participation of Issuer in capital and votes of the company Elektromontaż Kraków S.A. amounts to 56.48 %.

On 4 November 2010 company Prochem S.A. purchased from IPG - Investimentos, Participacoes Gestao SGPS S.A., joint-stock company of the Portuguese law with the registered office in Lisboa, 25 shares of PRO-PLM sp. z o.o. of nominal value of PLN 25 000. The purchase price amounts to 1 (one) Euro and was paid from individual means of the company.

Purchased assets were regarded as important, since they constitute 50 % of capital of PRO-PLM sp. z o.o. After the transaction the capital of PRO-PLM sp. z o. o. is possessed by:

- 50% PROCHEM INWESTYCJE SP. Z O.O.
- 50% PROCHEM S.A.

At present activity of PRO-PLM sp. z o.o. - subsidiary - is suspended.

On 1 December 2010 subsidiary IRYD Sp. z o.o. with registered office in Warsaw resold 42.5 % of share in the profits of the limited partnership „Iridium limited liability company Investissement Concorde joint-stock company limited partnership” in total amount of PLN 1,610 thousand.

On the basis of the contract of sale of shares of 23 December of 2010 the Issuer bought 90 % shares in ASI Sp. z o.o., from the company Prochem Inwestycje Sp. z o.o. (subsidiary of the Issuer in 100 %).

12. 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 Capital Group of PROCHEM S.A. for 2010.

13. Shareholders having directly or indirectly by subsidiaries at least 5 % of total number of votes at the General Meeting of the Issuer as at the day of submitting the quarterly report together with indicating the number of shares held by these entities, of their percentage share in the share capital, numbers of votes resulting from them and their percentage participation in the

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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 more than 5% of the votes at the general meeting of shareholders.

Description	Qty of shares (units)	% of votes in total number of votes	% of share capital
1. Prochem Holding Sp. z o.o.	962.341	24,65	24,68
2. Steve Tappan	382.751	9,80	9,81
3. ING Towarzystwo Funduszy Inwestycyjnych SA, including ING Parasol Specjalistyczny Fundusz Inwestycyjny Otwarty	358.312	9,18	9,19
4. Union Investment Towarzystwo Funduszy Inwestycyjnych S.A.	228.950	5,86	5,87
5. PTE PZU SA	345.000	8,84	8,85
6. Legg Mason Zarządzanie Aktywami S.A	325.521	8,34	8,35
	201.948	5,17	5,18

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

14. Statement of changes in the possessions of shares of the issuer or entitlements to them (of option) 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 of the company held shares of PROCHEM S.A.:

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

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

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

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

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PROCHEM S.A. filed a suit demanding the payment of PLN 41,301 thousand as the final settlement of contract. On 18 January 2008 District Court in Warsaw delivered a judgment regarding this case admitting a claim of Prochem S.A. as being rightful as for the principle, at the same time judged, that this liability wasn't still due.

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

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

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

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

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

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

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

None of companies of the capital group gave to other entity the guarantee or guarantees of credit or loan of this value.

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

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

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

In the fourth quarter of 2010 the management board of company PROCHEM S.A. made a decision about the selling of 90 % shares held in the company ASI sp. z o.o. with registered office in Zabrze. The management board is holding talks in the purpose of sale. An expected term of selling shares is the first half of 2011. Company ASI obtains the main income from the sale of maintenance services. In 2010 this income constituted 84 % of total revenue from sales.

The management board of company Elmont Inwestycje Sp. z o.o. – subsidiary indirectly in 78.3 % of the Issuer – with the registered office in Cracow made a decision about the sale of investment real estate, with the expenditure incurred so far on preparing planned investment and with the copyright to Documentation, situated in Cracow at Na Dołach Street.

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An expected term of the conclusion of a deal is the first half of 2011.

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

Also possible transactions associated with the selling of shares in the company ASI Sp. z o.o. with registered office in Zabrze and the sale of real estate investment in Cracow at Na Dołach Street in the meaning way will make an impact on future economic performance of the issuer, both to the performance of the Company Prochem S.A. as well as the performance of the capital group of Prochem S.A.

20. Events after the reporting day

Such events didn't take place.

21. Transactions with affiliated entities

Transactions with subsidiaries:

As at 31 December 2010 settlements of accounts of the Issuer with subsidiaries directly and indirectly developed as follows:

Receivables on account of long-term loans – PLN 18,121 thousand,

Receivables on account of short-term loans – PLN 400 thousand,

Trade receivables and other receivables – PLN 12,381 thousand

Trade payables – PLN 2,072 thousand.

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

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

Total income from these transactions amounted to – PLN 3,081 thousand

The income on account of interest on loans amounted to – PLN 762 thousand

The received dividends amounted to - PLN 302 thousand

Remuneration on account of guarantee for the credit – PLN 24 thousand

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

Transactions of the capital group with associates

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

- The sale and the acquisition of construction services - PLN 10 thousand,
- Financial income (interest on loan) – PLN 5 thousand,
- Financial income on account of dividends – PLN 112 thousand

As at 31 December 2010 settlement of accounts with entities associated directly and indirectly on account of trade payables didn't take place.

Comparable data

As at 31 Dec. 2009 settlement of accounts of the Issuer with entities associated directly and indirectly developed as follows:

Receivables on account of long-term loans – PLN 21,072 thousand,

Receivables on account of short-term loans – PLN 1,561 thousand,

Trade receivables and other receivables – PLN 14,573 thousand

Trade payables – PLN 2,072 thousand.

GRUPA KAPITAŁOWA PROCHEM S.A.

In the period from 1 January 2009 do 31 December 2009 the following transactions of the Issuer with subsidiaries directly and indirectly took place:

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

Total income from these transactions amounted to – PLN 3,317 thousand.

Revenues on account of interest on loans amounted to – PLN 843 thousand

Received dividends amounted to - PLN 1,876 thousand

Transactions of capital group with associated entities

In the period from 1 January 2009 to 31 December 2009 the following transactions with associated entities took place:

- The sale and the acquisition of construction services, – PLN 55 thousand,
- Financial revenues (interest on loans) – PLN 5 thousand,
- Financial revenues on account of dividends – PLN 112 thousand

As at 31 December 2010 settlement of accounts with entities associated directly and indirectly didn't take place.

22. Reporting according to trade and geographical sections

Activities of Capital Group were divided into activity in building sector, IT sector, maintenance services, lease of the real estate, real estate management, commercial activity, electrical installations and assembly services. In the building sector the Group sells the services in the scope of: general contracting, design and engineering services, supervisions with function of Contract Engineer, rental of construction equipment and development activity.

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

All operational liabilities, which comprise mainly trade liabilities, current tax liabilities and accrued liabilities, were ranked among liabilities of the segment.

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

The income from activity abroad in the period from 1 January 2010 to 31 December 2010 amounted to PLN 1,921 thousand, i.e. 1.61 % of revenues from sales of products, services and goods, and in the corresponding period of previous year PLN 2,018 thousand i.e. 1.24 % of income from these sales.

Detailed data concerning activities of the Capital Group of Prochem S.A. in individual sections are presented in the following statements.

GRUPA KAPITAŁOWA PROCHEM S.A.

Operation segments – Capital Group of Prochem S.A. for four quarters of 2010 – revenues and performance of segments

For the period from 1 January 2010 to 31 Dec.2010	General contractin g	Engineering and design services	Rental of constructi on equipment	Assembly of electrical installations	Lease of office space and real estate	Management of real estates	Maintenan ce	Commercial activity	Development activity	Other IT services	Other	Items not assigned	Total
Revenues on behalf of outside customers	23 989	25 208	3 082	30 494	4 635	5 059	15 928	5 348	3 141	651	1 422	61	119 018
Total income of the segment	23 989	25 208	3 082	30 494	4 635	5 059	15 928	5 348	3 141	651	1 422	61	119 018
Results													
Profit (loss) of the segment	3 514	-5 173	1 014	2 023	1 131	107	461	139	539	143	137	-106	3 929
Financial revenues												694	694
Finance costs												1 199	1 199
Net financial revenues												-505	-505
Share in profit of associated entities												120	120
Profit (loss) from remaining operating activities												2 725	2 725
Profit (loss) before tax												6 269	6 269
Income tax												1 633	1 633
Profit (loss) in the current period												4 636	4 636
Profit (loss) assigned to minority shareholders												619	619
Net profit (loss)												4 017	4 017
Assets and liabilities													
Assets of the segment (associated with activity)	45 685	14 556	3 300	14 290	19 537	1 434	8 482	1 727	20 929	308	218		130 466
Assets not assigned/not allocated (among others shares, stocks, and other financial assets)												56 903	56 903
Total assets	45 685	14 556	3 300	14 290	19 537	1 434	8 482	1 727	20 929	308	218	56 903	187 369
Other information related to segment													
Depreciation of tangible fixed assets	214	466	514	111	774	1	88	612		2		733	3 515
Amortisation of intangible fixed assets		17		42		2	190		1			318	570

GRUPA KAPITAŁOWA PROCHEM S.A.

Operation segments – Capital Group of Prochem S.A. for four quarters of 2009 – revenues and performance of segments

For the period from 1 January 2009 to 31 Dec. 2009	General contracting	Engineering and design services	Rental of construction equipment	Assembly of electrical installations	Lease of office space and real estate	Management of real estates	Maintenance	Commercial activity	Development activity	Other IT services	Other	Items not assigned	Total
Revenues on behalf of outside customers	76 715	34 945	3 927	25 397	4 201	4 680	12 713	4 837		1 140	1 853	131	170 539
Total income of the segment	76 753	34 956	3 927	25 397	4 201	4 680	12 713	4 837		1 140	1 853	131	170 588
Result													
Profit (loss) of the segment	-12 248	6 756	27	1 841	1 387	-60	-468	194		269	307	-3 524	-5 609
Financial revenues												1 551	1 551
Finance costs												1 895	1 895
Net financial revenues												-344	-344
Profit (loss) from remaining operating activities												9 069	9 069
Share in profit of associated entities												-80	-80
Profit (loss) before tax												3 036	3 036
Income tax												2 056	2 056
Profit (loss) in the current period												980	980
Profit (loss) assigned to minority shareholders												-2 283	-2 283
Net profit(loss) assigned to parent entity equity												-1 303	-1 303
Assets and liabilities													
Assets of the segment	49 614	6 162	3 548	12 506	18 026	1 409	10 781	2 160	52 922	633	59	4 629	162 449
Assets not assigned												26 565	26 565
Total assets	49 614	6 162	3 548	12 506	18 026	1 409	10 781	2 160	52 922	633	59	31 194	189 014
Depreciation of tangible fixed assets	364	477	268	567	622	148	496			65		1 058	4 065
Amortisation of intangible fixed assets		19		14		1	44					414	492

Operation segments - Prochem S.A. for four quarters of 2010 – revenues and performance of segments

For the period from 1 January 2010 to 31 December 2010	General contracting	Engineering and design services	Rental of construction equipment	Other	Items not assigned	Total
Revenues 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	0	47 794
Result						
Profit (loss) of the segment	3 984	-4 900	1 014	137		235
Financial revenues					1 720	1 720
Finance costs					782	782
Net financial revenues					938	938
Profit (loss) from remaining operating activities					258	258
Profit (loss) before tax					1 431	1 431
Income tax					386	386
Profit (loss) in the current period					1 045	1 045
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 other shares, stocks, and other financial assets)					50 995	50 995
Total assets	40 469	10 035	3 300	218	50 995	105 017
Depreciation of tangible fixed assets	117	372	492		625	1 606
Amortisation of intangible fixed assets					283	283

Operation segments - Prochem S.A. for four quarters of 2009 – revenues and performance of segments

For the period from 1 Jan. 2009 do 31 Dec. 2009	General contracting	Engineering and design services	Rental of construction equipment	Other	Items not assigned	Total
Revenues on behalf of outside customers	67 520	32 367	3 927	1 894		105 708
Total income of the segment	67 520	32 367	3 927	1 894		105 708
Result						
Profit (loss) of the segment	-12 527	6 736	27	348	-3 294	-8 710
Financial revenues					3 395	3 395
Finance costs					853	853
Net financial revenues					2 542	2 542
Profit (loss) from remaining operating activities					1 356	1 356
Profit (loss) before tax					-4 812	-4 812
Income tax					-227	-227
Profit (loss) in the current period					-4 585	-4 585
Assets and liabilities						
Assets of the segment (associated with activity)	47 320	4 805	3 548	59		55 732
Assets not assigned/not allocated among other shares, stocks, and other financial assets)					56 962	56 962
Total assets	47 320	4 805	3 548	59	56 962	112 694
Depreciation of tangible fixed assets	230	372	268		950	1 820
Amortisation of intangible fixed assets					414	414

23. Approval of the financial statement

Shortened interim financial statement was approved for publication by the Management Board on 1 March 2011.

Signatures of the Management Board members:

1 March 2011 date	Jarosław Stepniewski first name and surname	Chairman position signature
1 March 2011 date	Marek Kiersznicki first name and surname	Vice Chairman position signature
1 March 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

1 March 2011 date	Krzysztof Marczak first name and surname	Member of the Management Board position signature
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