

REPORT FOR 1ST HALF OF 2012

Containing:

- Interim Shortened Individual Financial Statement of Prochem S.A. as at and for the six months ended on 30 June 2012

and

- Selected Financial Data
- Declaration of Management Board

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

Selected Financial Data

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

- For 1st half of 2012 - 4.2246 PLN/EUR
- For 1st half of 2011 - 3.9673 PLN/EUR

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

- 4.2613 PLN/EUR as at 30 June 2012
- 4.4168 PLN/EUR as at 31 Dec. 2011

Selected financial data of Prochem S.A.

Specification	Reporting period ended on 30 June		Reporting period ended on 30 June	
	2012	2011	2012	2011
	In PLN thousand		In Euro thousand	
<i>Statement of comprehensive income</i>				
Revenue from sales	53 347	34 467	12 628	8 688
Gross profit from sales	3 963	2 231	938	562
Operating loss	-2 525	-803	-598	-202
Profit before tax	5 549	1 261	1 313	318
Net profit	4 767	1 048	1 132	264
Net profit per one ordinary share/diluted (in PLN/EUR)	1.22	0.27	0.29	0.07
<i>Statement of cash flow</i>				
Net operating cash flow	-19 009	-618	-4 500	-156
Net cash flow from investment activity	-205	6 190	-49	1 560
Net cash flow from financial activity	4 368	-672	1 034	-169
Total net cash flow	-14 846	4 900	-3 514	1 235
	Reporting period ended on		Reporting period ended on	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011
	In PLN thousand		In EURO thousand	
<i>Statement of financial position</i>				
Total assets	120 876	141 565	28 366	32 051
Total fixed assets	32 858	34 053	7 711	7 710
Total current assets	88 018	107 512	20 655	24 342
Total equity	71 606	66 839	16 803	15 133
Total long-term liabilities	427	384	100	87
Total short-term liabilities	48 843	74 342	11 461	16 832
Book value per one ordinary share (in PLN/EUR)	18.38	17.16	4.31	3.89
Weighted average number of ordinary shares (units)	3 895 000	3 895 000	3 895 000	3 895 000

Declaration of Management Board

Declaration of Management Board regarding reliability of drawing up Interim Shortened Individual Financial Statement

In compliance with requirements of the regulation of the Minister of Finance dated 19 February 2009 concerning current and interim information submitted by issuers of securities and conditions for regarding information required by the state not being a Member State as being equivalent (Journal of Laws No 33, item 259, as amended), Management of Prochem S.A. declare that to their best knowledge:

- Interim Shortened Individual Financial Statement of Prochem S.A. for the first half of 2012 and comparable data were drawn up in compliance with International Financial Reporting Standards approved by European Union, enacted and being in effect as at the day of drawing up this Financial Statement and mirror in true, fair and clear way the material and financial position and financial result.

Declaration of Management Board regarding the entity entitled to audit Interim Shortened Individual Financial Statement

Management of Prochem S.A. declare that KPMG Audyt Sp. z o.o. Sp. k., being the entity entitled to audit financial statements was chosen pursuant to provisions of the law and this entity and chartered accountants performing audit of Interim Shortened Individual Financial Statement of Prochem S.A. have met the conditions for the release the impartial and independent report on audit according to relevant provisions of the law.

Management Board Member
Krzysztof Marczak

Vice Chairman
Marek Kiersznicki

Chairman
Jarosław Stępniewski

Warsaw, 31 August 2012

INTERIM SHORTENED INDIVIDUAL FINANCIAL STATEMENT OF PROCHEM S.A.

As at and for the period ended on 30 June 2012

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Individual Statement of Financial Position as at 30 June 2012

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

	Note No	As at 30 June 2012	As at 31 December 2011
A s s e t s			
Fixed assets			
Tangible assets	1	1 977	2 249
Intangible assets		176	126
Shares and stocks of subsidiaries	2	10 026	10 626
Shares and stocks valued at equity method		1 288	1 288
Deferred tax assets	3	57	841
Other financial assets	4	19 334	18 923
Total fixed assets		32 858	34 053
Current assets			
Inventory	5	2 324	3 335
Trade receivables and other receivables	6	64 745	67 602
Other financial assets		1 469	1 438
Other assets	7	18 320	19 131
Cash and cash equivalents		1 160	16 006
Total current assets		88 018	107 512
Total assets		120 876	141 565
Equity and liabilities			
Equity			
Share capital		3 895	3 895
Retained earnings		67 711	62 944
Total equity		71 606	66 839
Long-term liabilities			
Retirement benefit obligations		427	384
Total long-term liabilities		427	384
Short-term liabilities			
Short-term bank credits	8	4 463	-
Trade payables	9	41 892	69 995
Other liabilities		2 327	1 948
Deferred income		161	2 399
Total short-term liabilities		48 843	74 342
Total liabilities		49 270	74 726
Total equity and liabilities		120 876	141 565
Weighted average number of ordinary shares (units)		3 895 000	3 895 000
Book value per one share (in PLN)		18.38	17.16

**Individual Statement of Comprehensive Income
for the period from 1 January 2012 to 30 June 2012**

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

	Note No	Period ended on 30 June 2012	Period ended on 30 June 2011
Revenue from sales including:		53 347	34 467
Revenue from sales of services		52 714	34 401
Revenue from sales of goods and materials		633	66
Cost of sales including:		-49 384	-32 236
Cost of services sold	10	-48 757	-32 168
Cost of goods and materials sold		-627	-68
Gross profit from sales		3 963	2 231
General and administrative expense		-3 893	-3 665
Other operating revenues		351	843
Other operating costs		-2 946	-212
Operating loss		-2 525	-803
Financial income		715	612
Profit from sale of shares of subordinated entities		7 545	2 056
Finance costs		-186	-604
Profit before tax		5 549	1 261
Income tax :		782	213
- current income tax		-	-
- deferred income tax		782	213
Net profit		4 767	1 048
Other comprehensive income (net)		-	-
Total comprehensive income		4 767	1 048
Weighted average number of ordinary shares (units)		3 895 000	3 895 000
Profit per one ordinary share/ diluted (in PLN per one share)		1.22	0.27
Comprehensive income per one ordinary share (in PLN per one share)		1.22	0.27

**Individual Statement of Changes in Owners' Equity
for the period from 1 January 2012 to 30 June 2012**

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

	Share capital	Retained earnings	Total equity
Reporting period from 1 January 2012 to 30 June 2012			
As at the beginning of period	3 895	62 944	66 839
Net period of the given period	-	4 767	4 767
Net other comprehensive income	-	-	-
Total comprehensive income	-	4 767	4 767
As at the end of period	3 895	67 711	71 606

Reporting period from 1 January 2011 to 30 June 2011

As at the beginning of period	3 895	59 734	63 629
Net profit of the given period	-	1 048	1 048
Net other comprehensive income	-	-	-
Total comprehensive income	-	1 048	1 048
As at the end of period	3 895	60 782	64 677

**Individual Statement of Cash Flow
for the period from 1 January 2012 to 30 June 2012**

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

	Period ended on 30 June 2012	Period ended on 30 June 2011
Operating cash flow		
Gross profit	5 549	1 261
Total adjustments	-24 558	-1 879
Amortization and depreciation	495	760
Interest and profit sharing (dividends)	-348	-246
(Profit) from sale of tangible assets	-49	-299
(Profit) on investment recognized in statement of comprehensive income	-7 545	-2 056
Movement in provisions	-7	-34
Change in inventory	1 011	93
Movement in receivables	11 882	-2 870
Movement in current liabilities	-27 763	1 931
Other adjustments (including deferred income)	-2 234	842
Operating cash flow	-19 009	-618
Income tax paid	-	-
Net operating cash flow	-19 009	-618

Interim Shortened Individual Financial Statement of PROCHEM S.A. as at and for period ended on 30 June 2012

Investment cash flow		
Inflows	150	6 420
Sale of intangible assets and tangible assets	150	502
From financial assets including:	-	5 918
a) in affiliated	-	5 918
- sale of financial assets	-	5 450
- repayment of loans	-	443
- repayment of interest on loans	-	25
Outflows	355	230
Purchase of intangible assets and tangible assets	353	176
For financial assets including:	2	54
a) in affiliated entities	1	54
- purchase of financial assets	-	54
- loans granted	1	-
b) in other entities	1	-
- loans granted	1	-
Net cash flow from investment activity	-205	6 190
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Financial cash flow		
Proceeds from raised credit	4 463	-
Repayment of credit	-	277
Payment from the title of finance lease	-	253
Interest, commission paid	95	142
Net cash flow from investment activity	4 368	-672
<hr/>		
Total net cash flow	-14 846	4 900
Increase/(decrease) in net cash and cash equivalents	-14 846	4 900
Cash and cash equivalents at the beginning of period	16 006	2 074
Cash and cash equivalents at the end of period	1 160	6 974
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Notes to Interim Shortened Individual Financial Statement as at and for the period ended on 30 June 2012

1. Notes on assumed accounting principles (policy) and other explanatory remarks to financial statement

1.1. Accepted accounting principles

Basis of preparation and statement of compliance

Interim shortened individual financial statement of Prochem S.A. for the period from 1 January to 30 June 2012 was drawn up according to 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 (Journal of Laws of 2009 No 33, item 259). This financial statement is not containing information and disclosures required for complete financial reports and should be read along with financial statement for the financial year ended on 31 December 2011.

Interim shortened individual financial statement contains statement of financial position, statement of comprehensive income, statement of changes in owners' equity, statement of cash flow and selected explanatory notes.

This interim shortened individual financial statement of Prochem S.A. was drawn up at going concern assumption in the foreseeable future and it is concluded that there are no circumstances indicating a threat to the continuation of the business of the Issuer.

The operational activity of the Company doesn't have seasonal character and isn't subject to cyclical trends.

1.2. Essential accounting principles and IFRS changes

In preparing this interim shortened individual financial statement applied accounting principles and calculation methods are the same that were used in the financial statement of Prochem S.A. for the year ended 31 December 2011.

The Company intends to adopt issued but not effective until the date of publication of this interim shortened individual financial statement IFRS changes as of the date of their coming into force. The possible impact of these changes on future financial statements of the Company is being analyzed.

1.3. Changes in accounting estimates

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

1.4. Functional currency and presentation currency of the statement

Financial statement is presented in Polish zloty („zł” or ”PLN”), which are functional and reporting currency.

Signatures of Management Board

31 Aug.2012 Jarosław Stępniewski Chairman of the Board
.....
date first name and surname position signature

31 Aug. 2012 Marek Kiersznicki Vice Chairman of the Board
date first name and surname position signature

31 Aug. 2012. Krzysztof Marczak Vice Chairman of the Board
.....
date first name and surname position signature

Signature of person responsible for maintaining the accounts

31 Aug.2012. Barbara Auguścińska-Sawicka Chief Accountant
.....
date first name and surname position signature