



Prochem S.A.

Report supplementing
the auditor's opinion
on the separate financial
statements
Financial Year ended
31 December 2011

The report supplementing the auditor's opinion
contains 10 pages

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Prochem S.A.

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for the financial year ended 31 December 2011*

*This document is a free translation of the Polish original. Terminology current in
Anglo-Saxon countries has been used where practicable for the purposes of this
translation in order to aid understanding. The binding Polish original should be
referred to in matters of interpretation*

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1. General

1.1. General information about the Company

1.1.1. Company name

Prochem S.A.

1.1.2. Registered office

Powązkowska 44C Street
01-797 Warsaw

1.1.3. Registration in the National Court Register

Registration court:	District Court for the Capital City Warsaw in Warsaw, XII Commercial Department of the National Court Register
Date:	13 June 2001
Registration number:	KRS 0000019753
Share capital as at balance sheet date:	PLN 3,895,000.00

1.1.4. Management of the Company

The Management Board is responsible for management of the Company.

At 31 December 2011, the Management Board of the Company was comprised of the following members:

- Jarosław Stępniewski – President of the Management Board,
- Marek Kiersznicki – Vice President of the Management Board,
- Krzysztof Marczak – Member of the Management Board.

1.2. Auditor information

1.2.1. Key certified auditor information

Name and surname:	Monika Bartoszewicz
Registration number:	10268

1.2.2. Audit firm information

Name:	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
Address:	Chłodna 51 Street, 00-867 Warsaw
Registration number:	KRS 0000339379
Registration court:	District Court for the Capital City Warsaw in Warsaw, XII Commercial Department of the National Court Register
NIP number:	527-26-15-362

KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. is entered in the register of audit firms under number 3546.

1.3. Prior period financial statements

The separate financial statements for the period ended 31 December 2010 were audited by KPMG Audyt Sp. z o.o and received an unqualified opinion with the emphasis of matter, that Prochem S.A. has recognised receivables with respect to guarantee deposits from PERN S.A. with a carrying value of PLN 17,364 thousand that will be a subject to final settlement of the “Rurociąg w relacji ST-1 Adamowo-Baza Surowcowa Plebanka” construction contract as determined by a court appointed expert.

The separate financial statements were approved at the General Meeting on 11 June 2011 where it was resolved to allocate the profit for the prior financial year of PLN 1,265.9 thousand as follows:

- PLN 729.6 thousand to reserve capital,
- PLN 536.3 thousand to cover loss for the prior financial years.

The separate financial statements were submitted to the Registry Court on 16 June 2011 and were published in Monitor Polski B No. 492 on 7 February 2012.

1.4. Audit scope and responsibilities

This report was prepared for the General Meeting of Prochem S.A. seated in Warsaw, Powązkowska 44C Street and relates to the separate financial statements comprising: the separate statement of financial position as at 31 December 2011, the separate statement of comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended and notes to the financial statements, comprising of a summary of significant accounting policies and other explanatory information.

The audited Company prepares its separate financial statements in accordance with International Financial Reporting Standards as adopted by the European Union on the basis of the decision of General Meeting dated 25 June 2005.

The separate financial statements have been audited in accordance with the contract dated 27 June 2011, concluded on the basis of the resolution of Supervisory Board dated 11 June 2011 on the appointment of the auditor.

We conducted the audit in accordance with section 7 of the Accounting Act, national standards on auditing issued by the Polish National Council of Certified Auditors and International Standards on Auditing.

We audited the separate financial statements in the Company’s head office during the period from 23 February 2012 to 2 March 2012.

Management of the Company is responsible for the accuracy of the accounting records and the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations and preparation of the Report on the Company’s activities.

Our responsibility is to express an opinion and to prepare a supplementing report on the separate financial statements and whether the financial statements are derived from properly maintained accounting records based on our audit.

Management of the Company submitted a statement dated the same date as this report as to the true and fair presentation of the separate financial statements presented for audit, which confirmed that there were no undisclosed matters which could significantly influence the information presented in the separate financial statements.

All required statements, explanations and information and all our requests for additional documents and information necessary for expressing our opinion and preparing the report have been fulfilled.

Key certified auditor and KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. fulfill independence requirements as described in Art. 56 points 3 and 4 of the Act on Certified Auditors and Their Government, Audit Firms and Public Oversight dated 7 May 2009 (Official Journal from 2009, No. 77, item 649).

The scope of the work planned and performed has not been limited in any way. The method and scope of our audit is detailed in working papers prepared by us and retained in the offices of KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.

2. Financial analysis of the Company

2.1. Summary of the separate financial statements

2.1.1. Separate statement of financial position

ASSETS	31.12.2011 PLN '000	% of total	31.12.2010 PLN '000	% of total
Non-current assets				
Property, plant and equipment	2 249	1,6	3 603	3,4
Intangible assets	126	0,1	111	0,1
Shares in subsidiaries	10 626	7,5	10 605	10,1
Shares in equity-accounted investees	1 288	0,9	708	0,7
Deferred tax assets	841	0,6	1 538	1,5
Other financial assets	18 923	13,4	18 120	17,2
Total non-current assets	34 053	24,1	34 685	33,0
Current assets				
Inventories	3 335	2,3	2 925	2,8
Trade and other receivables	67 602	47,8	51 098	48,6
Other financial assets	1 438	1,0	997	1,0
Other assets	19 131	13,5	10 023	9,5
Cash and cash equivalents	16 006	11,3	2 074	1,9
Non-current assets held for sale	-	-	3 361	3,2
Total current assets	107 512	75,9	70 478	67,0
TOTAL ASSETS	141 565	100,0	105 163	100,0
EQUITY AND LIABILITIES				
	31.12.2011 PLN '000	% of total	31.12.2010 PLN '000	% of total
Equity				
Share capital	3 895	2,7	3 895	3,7
Retained earnings	62 944	44,5	59 734	56,8
Total equity	66 839	47,2	63 629	60,5
Non-current liabilities				
Provisions for retirement and similar benefits	384	0,3	330	0,3
Total non-current liabilities	384	0,3	330	0,3
Current liabilities				
Current bank loans	-	-	277	0,3
Trade payables	69 995	49,4	37 596	35,7
Other payables	1 948	1,4	3 211	3,1
Deferred income	2 399	1,7	120	0,1
Total current liabilities	74 342	52,5	41 204	39,2
Total liabilities	74 726	52,8	41 534	39,5
TOTAL EQUITY AND LIABILITIES	141 565	100,0	105 163	100,0



2.1.2. Separate statement of comprehensive income

	1.01.2011 - % of total		1.01.2010 - % of total	
	31.12.2011	sales	31.12.2010	sales
	PLN '000		PLN '000	
Revenues from sales	127 630	100,0	47 594	100,0
Revenues from the sale of services	127 448	99,9	47 202	99,2
Revenues from the sale of merchandise and raw materials	182	0,1	392	0,8
Cost of sales	(119 725)	93,8	(41 876)	88,0
Cost of finished services sold	(119 577)	93,7	(41 491)	87,2
Cost of goods sold	(148)	0,1	(385)	0,8
Gross profit on sales	7 905	6,2	5 718	12,0
General and administrative expenses	(7 517)	5,9	(6 961)	14,6
Other income	2 200	1,7	1 812	3,8
Other expenses	(1 138)	0,9	(1 505)	3,2
Results from operating activities	1 450	1,1	(936)	2,0
Finance income	1 570	1,2	1 720	3,6
Profit on the disposal of shares in controlled entities	2 056	1,6	-	-
Finance expenses	(1 169)	0,9	(778)	1,6
Profit before income tax	3 907	3,0	6	-
Income tax expense	697	0,5	(1 259)	2,7
current	-	-	40	0,1
deferred	697	0,6	(1 299)	2,7
Profit for the period	3 210	2,5	1 265	2,7
OTHER COMPREHENSIVE INCOME				
Revaluation of property, plant and equipment	-	-	228	0,5
Income tax on other comprehensive income	-	-	(44)	0,1
Other comprehensive income, net of income tax	-	-	184	0,4
Total comprehensive income	3 210	2,5	1 449	3,0

2.2. Selected financial ratios

	2011	2010
1. Return on sales		
$\frac{\text{profit for the period} \times 100\%}{\text{revenue}}$	2,5%	2,7%
2. Return on equity		
$\frac{\text{profit for the period} \times 100\%}{\text{equity} - \text{profit for the period}}$	5,0%	2,0%
3. Debtors' days		
$\frac{\text{average trade receivables (gross)} \times 365 \text{ days}}{\text{revenue}}$	175 days	415 days
4. Debt ratio		
$\frac{\text{liabilities} \times 100\%}{\text{equity and liabilities}}$	52,8%	39,5%
5. Current ratio		
$\frac{\text{current assets}}{\text{current liabilities}}$	1,4	2,4

- Net revenues are comprised of the sale of finished products, merchandise and raw materials.
- Average trade receivables represent the average of trade receivables at the beginning and at the end of the period, excluding allowances for receivables.

3. Detailed report

3.1. Proper operation of the accounting system

The Company maintains current documentation describing the applied accounting principles adopted by the Management Board to the extent required by Art. 10 of the Accounting Act.

During the audit of the separate financial statements, we tested, on a sample basis, the operation of the accounting system.

On the basis of the work performed, we have not identified material irregularities in the accounting system which have not been corrected and that could have a material impact on the separate financial statements. Our audit was not conducted for the purpose of expressing a comprehensive opinion on the operation of the accounting system.

The Company performed a physical verification of assets in accordance with the requirements and time frame specified in Art. 26 of the Accounting Act.

3.2. Notes to the separate financial statements

All information included in the notes to the separate financial statements, comprising of a summary of significant accounting policies and other explanatory notes, is, in all material respects, presented accurately and completely. This information should be read in conjunction with the separate financial statements.

3.3. Report on the Company's activities

The Report on the Company's activities includes, in all material respects, information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009, No 33, item 259 with amendments) and the information is consistent with the separate financial statements.



3.4. Information on the opinion of the independent auditor

Based on our audit of the separate financial statements as at and for the year ended 31 December 2011, we have issued an unqualified opinion with the emphasis of matter concerning PERN S.A. receivables.

On behalf of KPMG Audyt Spółka z ograniczoną
odpowiedzialnością sp.k. registration number 3546
ul. Chłodna 51, 00-867 Warsaw

Signed on the Polish original

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Certified Auditor No. 10268
Limited Liability Partner
with power of attorney
Monika Bartoszewicz

27 April 2012
Warsaw