



# **REPORT**

supplementing the Opinion  
on auditing the Consolidated Financial Statements

## **of the PROCHEM CAPITAL GROUP**

for the financial year ending  
on 31 December 2009

Misters Audytor Spółka z o.o.  
Warsaw, April 2010

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## **General section of the Report**

### **I. Introduction**

1. This audit was performed on the basis of the Contract of 26.06.2009 signed between PROCHEM S.A. and Mistery Audytor Sp. z o.o., with its seat in Warsaw, at ul. Stepińska 22/30. The said Contract was concluded pursuant to the Resolution of the Supervisory Board of PROCHEM S.A. No. 20/VII of 5 June 2009 on appointing a chartered auditor.
2. Mistery Audytor Sp. z o.o. is entered on a list of entities authorised to perform audits of financial statements of the National Chamber of Statutory Auditors under no. 63.
3. The audit covered the Consolidated Financial Statements comprising the following:
  - 1) Consolidated Statement of Financial Position as per 31 December 2009, showing the total assets and liabilities amounting to **189,735** thousand złoty;  
*(say: one hundred and eighty nine million seven hundred and thirty five thousand złoty)*
  - 2) Consolidated Profit and Loss Account for the financial year from 1 January 2009 to 31 December 2009, showing a net profit in the amount of **2,447** thousand złoty;  
*(say: two million four hundred and forty seven thousand złoty)*
  - 3) Consolidated Comprehensive Income Statement covering the period from 1 January 2009 to 31 December 2009, showing a total income in the amount of **2,447** thousand złoty;  
*(say: two million four hundred and forty seven thousand złoty)*
  - 4) Consolidated Statement of Cash Flows for the financial year from 1 January 2009 to 31 December 2009, showing a decrease of cash by the amount of **12,648** thousand złoty;  
*(say: twelve million six hundred and forty eight thousand złoty)*
  - 5) Consolidated Statement of Changes in Equity Capital, showing an increase in equity capital by an amount of **1,073** thousand złoty;  
*(say: one million seventy three thousand złoty)*
  - 6) Notes on assumed accounting principles (policy) and other explanatory information to the Consolidated Financial Statements.

as well as the consolidation documents for the period from 1 January 2009 to 31 December 2009, constituting the basis for drawing up the Financial Statements.

The dominant entity's Management Board's Report on Business Activity of PROCHEM Capital Group for the financial year 2009 was attached to the Financial Statements.

3. On 26 March 2010 the dominant entity's Management Board submitted its statement on completeness, accuracy and correctness of the Consolidated Financial Statements to be audited and on no occurrence of the circumstances which would considerably affect the data shown in the said Consolidated Financial Statements for the reporting year.
4. During the audit, the entity made available all the data, information, explanations and statements indicated by the Chartered Auditor, necessary to audit the Consolidated Financial Statements.
5. Mistery Audytor Sp. z o.o. is independent of the entities belonging to PROCHEM Capital Group and the scope of our planned and performed works was not limited in any way. The scope and manner of audit performance results from the auditing documentation drawn up and kept by Mistery Audytor Sp. z o.o.
6. The Financial Statements of PROCHEM Capital Group for the financial year from 1 January 2009 to 31 December 2009 constitute an integral part of the Report hereto.

## **II. Basic information on the Capital Group's business activity**

### 1. Dominant Entity

Company operating under the name of PROCHEM S.A. The seat of the Company is in Warsaw, at ul. Powązkowska 44c.

The Company's Articles of Association were drawn up in the form of a notarial deed, before Paweł Błaszczak Notary Public, in his Notarial Office in Warsaw, on 14 June 1991 (Repertry A. no. 5038/91).

The Company was registered in the National Court Register kept in the District Court for the Capital City of Warsaw, XII Commercial Division of the National Court Register under no. KRS 0000019753. The company operates on the basis of the Law – Code of Commercial Partnerships.

### 2. The entities belonging to the Capital Group, covered by the Consolidated Financial Statements are the following:

- Prochem S.A., with its seat in Warsaw – the Dominant Entity,

#### 1. The Group Companies consolidated under the full method:

- Prochem Inwestycje Sp. z o.o., with its seat in Warsaw – directly subordinated (100%),
- Irydion Sp. z o.o., with its seat in Warsaw – directly subordinated (100 %),
- PRO-INHUT Sp. z o.o., with its seat in Dąbrowa Górnicza – indirectly subordinated (99.0 %),
- Pro-Organika Sp. z o.o., with its seat in Warsaw – directly subordinated ( 91.4%),
- Prochem Serwis Sp. z o.o., with its seat in Warsaw – indirectly subordinated (90.0%),
- PREDOM Sp. z o.o., with its seat in Wrocław – indirectly subordinated (81.1%) of the share in the capital and profit, 69.4% of the share in votes);
- ASI Polska Sp. z o.o., with its seat in Gliwice – indirectly subordinated (90.0%),
- Prochem Zachód Sp. z o.o., with its seat in Słubice – directly subordinated (60.0%),
- PROTADÉ Sp. z o.o., with its seat in Gdynia – indirectly subordinated (72 %) (ASI Polska Sp. z o.o. holds 80.0%)
- ELPRO Sp. z o.o. Kraków – indirectly subordinated (77.2%, including 54.5 % of the share in 50% share in Elektromontaż Kraków),
- Elmont Inwestycje Sp. z o.o. Kraków – indirectly subordinated (77.2 %, including 54.5 % of the share in 50% share in Elektromontaż Kraków),
- Elektromontaż Kraków S.A. – directly subordinated (54.5 %),

Elektromontaż Kraków S.A. draws up Consolidated Financial Statements, which comprises data from two companies subordinated in 100%:

- Elektromontaż Kraków Zakład Produkcji Urządzeń Sp. z o.o., with its seat in Kraków,
  - ELMONT-POMIARY Sp. z o.o., with its seat in Kraków,
- and associated companies: ELPRO Sp. z o.o. and ELMONT Inwestycje Sp. z o.o.

- IRYD Sp. z o.o., with its seat in Warsaw – indirectly subordinated (100%),
- ATUTOR Integracja Cyfrowa Sp. z o.o., with its seat in Warsaw – indirectly subordinated (97.2% of the share is held by Prochem Inwestycje Sp. z o.o., a company subordinated in 100% to the Dominant Entity).

#### 2. The Group Companies consolidated under the equity method:

- PRO PLM Sp. z o.o., with its seat in Warsaw – indirectly subordinated (50% of the share is held by Prochem Inwestycje Sp. z o.o.),
- PROMIS Sp. z o.o., with its seat in Warsaw – indirectly subordinated (45% of the share in votes and by 97.6 % of the share in equity capital is held by Prochem Inwestycje Sp. z o.o.),
- ITEL Sp. z o.o. Gdynia - (35.2% of the share),

- TEOMA S.A., with its seat in Warsaw – indirectly subordinated (12.8% of the share, including Prochem Inwestycje Sp. z o.o., subordinated in 100%, which holds 7.9 % of the share).

Entities excluded from consolidation, because they did not commence their business activity. The financial data of such companies do not distort the information on the financial results of the PROCHEM Capital Group.

- Pasterex Sp.z o.o., with its seat in Warsaw – associated company,
- Predom Projektowanie Sp. z o.o., with its seat in Wrocław – subordinated company,
- Prochem RPI Sp.z o.o. – subordinated company.

### 3. The Capital Group's subject of business activity

- a) According to a copy from the National Court Register, the subject of the Dominant Entity's (Prochem SA) business activity, is as follows:

1. 41,10, Implementation of construction projects relating to the erection of buildings
2. 41,20 building works relating to the erection of residential and non-residential buildings
3. 42,21, works relating to the construction of transmission pipelines and distribution networks,
4. 42,22, works relating to the construction of telecommunication and power lines,
5. 43,11,12, dismantling and demolishing of building structures, preparation of building sites
6. 43,13, performing excavating works and geological and engineering drilling,
7. 43,21,22,29 performing electric, water-supply and sewage, heating, gas and air-conditioning installations and other building installations,
8. 43,31,32,33,34,39, plastering works, joinery installation, floor-laying, wall-paper placing and wall-facing works, painting and glazing, performing other finishing Works,
9. 43,99, remaining specialistic building works, not classified elsewhere,
10. 68,20, rental and management of own or leased real properties,
11. 71,11, activities relating to architecture
12. 71,12, activities relating to engineering and related technical assistance,
13. 71,20, other technical tests and analyses,
14. 74,10, activity in the scope of specialistic design.

- b) According to relevant copies from the National Court Register, the subject of the Group Companies' business activity, is as follows:

– Prochem Inwestycje Sp. z o.o.

1. 41.10,Z, implementation of construction projects relating to the erection of buildings
2. 41,20,Z, building works relating to the erection of residential and non-residential buildings
3. 42,11,Z, works relating to the construction of roads and highways
4. 41,12,Z, works relating to the construction of ground-based railroads and underground railways
5. 42,13,Z, works relating to the construction of bridges and tunnels
6. 42,21,Z, works relating to the construction of transmission pipelines and distribution networks,
7. 42,22,Z works relating to the construction of telecommunication and power lines,
8. 42,91,Z, works relating to the construction of water engineering structures
9. 42,99,Z, works relating to the erection of other civil and water engineering structures, not classified elsewhere
10. 43,11,Z, dismantling and demolishing building structures
11. 43,12,Z, preparation of the building site for construction works,
12. 43,13,Z, performance of excavating works and geological and engineering drilling
13. 43,21,Z, performance of electric installations

14. 43,22,Z, performance of water-supply and sewage, heating, gas and air-conditioning installations
  15. 43,29,Z, performance of remaining building installations
- Others, mentioned in the NCR up to item 43.

- Irydion Sp. z o.o.

1. 41,10, Z, implementation of construction projects relating to the erection of buildings
  2. 41,20,Z, building works relating to the erection of residential and non-residential buildings
  3. 42,11,Z, works relating to the construction of roads and highways
  4. 42.12,Z, works relating to the construction of ground-based railroads and underground railways
  5. 42,13,Z, works relating to the construction of bridges and tunnels
  6. 42,21,Z, works relating to the construction of transmission pipelines and distribution networks,
  7. 42,21,Z, works relating to the construction of telecommunication and power lines,
  8. 42,22,Z, works relating to the construction of water engineering structures
  9. 42,99,Z, works relating to the construction of civil and water engineering structures, not classified elsewhere
  10. 43,11,Z, dismantling and demolishing building structures
  11. 42,12,Z, preparation of the building site for construction works,
  12. 43,13,Z, preparation of the building site for construction works,
  13. 43,13,Z, performing excavating works and geological and engineering drilling
  14. 43,21,Z, performance of electric installations
  15. 43,22,Z, performance of water-supply and sewage, heating, gas and air-conditioning installations
- Others, mentioned in the NCR up to item 32.

- ASI Polska Sp. z o.o.

1. 74,14, A, advising in the scope of performing business activity and management,
2. 74,14,B, management and control in the scope of performing business activity,
3. 72,20,A, activity in the scope of construction, urban and technological designing,
4. 74,30,Z technical tests and analyses,
5. 29,24,B, servicing activity in the scope of the installation, repair and maintenance of general purpose machinery,
6. 74,20,Z, lease of real properties on its own account,
7. 72,10,Z advising on hardware

- Prochem Serwis Sp. z o.o.

1. 68,32,Z, real property management performed upon order
  2. 81,29,Z, other cleaning services
  3. 81,21,Z, non-specialist cleaning services in industrial buildings and structures
  4. 81,22,Z, specialist cleaning services in industrial buildings and structures
  5. 81,30,Z, servicing activity relating to the development of greenery
  6. 33,14,Z, repair and maintenance of electric appliances
  7. 64,99,Z, other financial services, not classified elsewhere, excluding insurance and old-age pension funds
  8. 69,20, Z, finance and accounting activity, tax advising
  9. 74,30,Z other technical tests and analyses
  10. 56,21 ,Z, preparation and delivery of food for external customers (catering)
- Others, mentioned in the NCR up to item 40.

- „PREDOM ” Przedsiębiorstwo Konsultingowo-Inżynieryjne Sp. z o.o.

1. 74,20, activity in the scope of architecture, engineering and similar technical assistance
2. 45,21, general construction works and civil engineering
2. 70,20,Z, lease of real properties on its own account
3. 70,32, property management.

- PRO-INHUT Sp. z o.o.

1. 71,11,Z, activities relating to architecture
2. 71,12,Z, activities relating to engineering and related technical assistance,
3. 41,10, Z, implementation of construction projects relating to the erection of buildings
4. 41,20,Z, building works relating to the erection of residential and non-residential buildings
5. 43,11,Z, dismantling and demolishing building structures
6. 43.12,Z, preparation of the building site for construction works,  
Others, mentioned in the NCR up to item 67.

- „Prochem – Zachód „, Sp. z o.o.

1. 74,84,B, marketing activity
2. 45,21,A, performance of construction services
3. 74,20,A, performance of designing services
4. 51,..... trade
5. 63,40,C, freight forwarding

- „PRO- ORGANIKA” S.A.

1. 74, performance of designing works relating to buildings and installation of construction works, technical and administrative works
2. 51, performance of trading activity, domestically and abroad
3. 51, performance of works relating to the sale of industrial goods, domestically and abroad

- „PROTRADE” Sp. z o.o.

1. conducting trading and servicing activity in the following areas:
  - construction
  - wholesale and commission sale, excluding trade in cars and motorcycles
  - retail sale, excluding trade in cars
  - rental of unattended machinery and appliances and furnishing personal and domestic use articles
  - IT

- Elektromontaż Kraków SA

1. 45,21, performance of construction, assembly and installation works and services, domestically and abroad, including designing
2. performance of electrical assembly works and production works
3. adjustment and measurement works, commissioning works
4. performance of maintenance works of installations and power appliances
5. performance of services relating to equipment and transport and freight forwarding services, domestically and abroad
6. rental and lease of assets
7. performing social services
8. soliciting customers and activity of agents relating to construction and assembly works and services
9. export and import of industrial goods, machinery and appliances, materials and equipment

10. wholesale in industrial goods, machinery and equipment
11. retail sale in industrial goods, machinery and appliances, materials and equipment, produced domestically and imported

- Elmont Inwestycje Sp. z o.o.

- management and sale of real properties on its own account,
  - purchase and sale of real properties on its own account,
  - commissioned property management,
  - lease of real properties on its own account,
  - activity in the scope of construction, urban and technological designing,
  - performing general construction works relating to building erection,
- In total, 22 entries set out in the NCR.

4. As per 31 December 2009, the Dominant Entity's initial capital amounted to PLN 3900 thousand zloty and was divided into 3900000 shares, with par value of PLN 1.00 each .

The Issuer purchased 3000 of its own shares in 2009 for redemption purposes. An average unit purchase price amounted to PLN 15.50 per share. The par value of the shares purchased amounted to PLN 3000. As per the day on which the information was drawn up, Prochem SA had 5000 shares for redemption purposes, which constitutes 0.13 % of its equity capital, which corresponded to 5000 votes at the General Meeting of Shareholders.

5. A financial year for the Capital Group shall be a calendar year.
6. As per the end of the reporting period, the following persons composed the Management Board of the Dominant Entity (Prochem S.A.):
  - President of the Management Board - Jarosław Stepniewski
  - Vice-President of the Management Board - Marek Kiersznicki
  - Member of the Management Board - Krzysztof Marczak

On 6 June 2009, the Dominant Entity's (Prochem SA) Supervisory Board appointed the Management Board with the foregoing composition for the following 3-year term of office.

As per the end of the reporting period, the Dominant Entity's Supervisory Board composed of the following persons:

- Andrzej Karczykowski – President
- Marek Garliński - Vice-President
- Dariusz Krajowski- Kukiel
- Krzysztof Obłój
- Steven G. Tappan

### **III. Other information**

1. The Capital Group's activity in 2008 closed with a net profit towards the Dominant Entity, amounting to 2 721 thousand zloty.
2. The General Meeting of the Shareholders approving the Consolidated Financial Statements for the year 2008 was held on 06.06.2009.

On 06.06. 2009, by means of the Resolution no. 2, the Ordinary General Meeting of Shareholders approved the Dominant Entity's Financial Statements for 2008 and pursuant to the Resolution no. 5 it decided to distribute the generated net profit amounting to PLN 2 010 570.14 as follows: PLN 506 350.00 to be paid as dividends in favour of the Company's shareholders, PLN 90 215,66 to



cover the loss of previous years, PLN 30 000.00 for charity purposes and PLN 1 413 974.48 for the Company's supplementary fund. An arithmetic error was made (an improper amount was inserted) in the Resolution of the General Meeting of Shareholders, in the entry concerning the reserve fund.

In Note no. 35 in the Explanatory Notes to the Financial Statements on the financial position of the Company, the Dominant Entity's Board notifies about undertaking necessary actions to remove the differences.

The Consolidated Financial Statements for the financial year 2008 were submitted in the District Court in Warsaw on 23.06.2009 and published in Monitor Polski B no 2485 08.12.2009.

3. The final balance for the financial year 2008 was recorded in the books as an initial (opening) balance of the year 2009.
4. The aim of the audit of the Financial Statements for 2009 was to give a written opinion, supplemented with a report, whether the Consolidated Financial Statements are correct and whether they give a true and fair view of the PROCHEM Capital Group's material and financial position and its financial result.
5. The Consolidated Financial Statements were signed by all Members of the Dominant Entity's Management Board. This means that the Board assumed responsibility for the correctness of the accounting, as well as for statement that the Dominant Entity correctly applied the accounting principles, ensuring reliable and clear presentation of its material and financial position and financial result. The obligation for all members of the Management Boards to sign the Financial Statements results from the provisions of the Law on accounting.
6. Information on audited financial statements of the entities included in the Consolidated Financial Statement.

**Dominant Entity**

PROCHEM SA

**Chartered Auditor**

Jadwiga Kaźmierczak  
Chartered Auditor no. 6062

Opinion with a reservation and a supplementary explanatory note:

“As per the end of the reporting period, the Company showed receivables with regards to guarantee deposits due from PERN „PRZYJAŻŃ” SA amounting to PLN 17,363,930.00, the repayment deadline for which expired on 13 February 2009. According to the statement presented in item 6.13 of the Report of the Management Board, these receivables shall not be covered by a revaluating write-off. The foregoing receivables are overdue, doubtful and they were not confirmed by the creditors as per the end of the reporting period and, in our opinion, they should not be shown as the Company's assets”.

The supplementary explanatory note:

“With no other reservations towards the correctness and reliability of the Financial Statements than those stated above, we would like to underline that civil proceedings have been pending in the case against PERN „Przyjaźń” S.A., initiated by Prochem S.A. The petitioner demands the payment of 41,301 thousand złoty, as the final settlement of the performed investment.

PERN „Przyjaźń” S.A. filed a counter-claim against Prochem S.A., demanding the payment of 129,444 thousand złoty, as reimbursement of remuneration, which was unduly overpaid towards Prochem S.A. with regards to the performed investment, in the opinion of PERN „Przyjaźń” S.A.

The detailed description is included in item 5 to the „The Management Board's Report on the Business Activity of Prochem S.A. in 2009.”

As per the day, on which the Opinion was issued, taking into account that no final resolution was made, the results of the case pending in the Regional Court in Warsaw cannot be assessed. Consequently, the Company did not establish any reserves to cover possible liabilities, which could arise if the court decision was not favourable for Prochem SA.

<b>Subordinated entities</b>	<b>Chartered Auditor</b>
PROCHEM INWESTYCJE Sp.z o.o.	Jadwiga Darabasz Chartered Auditor ID no. 9879 Opinion with no reservations
IRYDION Sp. z o.o	Jadwiga Darabasz Chartered Auditor ID no. 9879  Opinion with the following reservation:
	“According to assumed accounting principles (policy), the Company evaluates its investment properties according to their fair value. As per 31 December 2009, an independent Property Appraiser evaluated their market value as amounting to 26 350 thousand złoty. Pursuant to the Decision of the Company’s Management Board, 90 % of the appraised value of the property right to the plot of land stated by the Property Appraiser was assumed and shown in the Financial Statements as amounting to 25 348,2 thousand złoty.
ASI Polska Sp. z o.o.	Krystyna Mistygacz Chartered Auditor ID no. 5737 Opinion with no reservations
PROCHEM –SERWIS Sp. z o.o.	Not subject to audit
PREDOM Sp.z o.o.	Barbara Żoła Chartered Auditor ID no. Opinion with no reservations
PRO-INHUT Sp.z o.o.	Not subject to audit
Prochem - Zachód Sp.z o.o.	Not subject to audit
Pro-Organika Sp.z o.o	Kazimierz Wiśniewski Chartered Auditor ID no. 2995 Opinion with no reservations
PROTRADE Sp. z o.o.	Not subject to audit
Elektromontaż Kraków S.A.	Jadwiga Kaźmierczak Chartered Auditor

ID no. 6062  
Opinion with no reservations

ELMONT INWESTYCJE Sp. z o.o.                      Krystyna Walczyk  
Chartered Auditor  
ID no. 4243  
Opinion with no reservations

IRYD Sp. z o.o.                                      Jadwiga Darabasz  
Chartered Auditor  
ID no. 9879

Opinion with no reservations with a supplementary explanatory note:

„With no reservations towards the correctness and reliability of the audited Financial Statements, we would like to underline that the Company showed in its Financial Statements negative equity capital amounting to (-) 584,8 thousand złoty. A total loss of previous years and the current year amounted to (-) 734,77 thousand złoty, while the initial capital amounted to 150 thousand złoty. Pursuant to the provisions of art. 233 of the Law of 15 September 2000 – Code of Commercial Partnerships (Journal of Laws of 2000 no. 94, item 1037, as amended), the Company’s Management Boards shall immediately call a General Meeting of Shareholders to adopt a resolution concerning the Company’s further operation.

At the same time, in the explanatory note no. 1 to its Financial Statements the Company stated that in February 2010 its Management Board decided to resell shares in IRYD Spółka z ograniczoną odpowiedzialnością (Ltd) CONCORDE INVESTISSEMENT Spółka Akcyjna - Spółka Komandytowa (Joint-Stock co. – Limited Partnership). As a result of the resale, the Company would retrieve the value of shares contributed in the amount of 1.350 thousand złoty and interest and percentage on the said shares in the forecasted amount of 350 thousand złoty.”

## V. Financial Analysis of the PROCHEM Capital Group

### General analysis of the Consolidated Financial Statements

#### Statement of Financial Position (unless specified otherwise, the data are stated in thousand zloty)

ASSETS	31.12.2009	% of the balance sum	31.12.2008	% of the balance sum
<b>LONG-TERM FIXED ASSETS</b>				
Tangible fixed assets	36 702	19,34%	38 462	14,74%
Intangible assets	484	0,25%	968	0,37%
Investment real assets	56 673	29,88%	47 527	18,21%
Stocks and shares in subordinated entities	3 386	1,78%	3 386	1,30%
Stocks and shares in entities consolidated under the equity method	629	0,33%	715	0,27%
Assets due to deferred income tax	4055	2,14%	3499	1,34%
Other long-term assets		0,00%	1	0,00%
<b>Total long-term assets</b>	<b>101 929</b>	<b>53,72%</b>	<b>94 558</b>	<b>36,23%</b>
<b>WORKING (short-term) ASSETS</b>				
Inventory	6 629	3,49%	6 737	2,58%
Trade receivables and other receivables	57 138	30,12%	126 217	48,36%
Other short-term assets and remaining assets	17 847	9,41%	14 635	5,61%
Cash and short-term deposits	6 192	3,26%	18 840	7,22%
<b>Total working (short-term) assets</b>	<b>87 806</b>	<b>46,28%</b>	<b>166 429</b>	<b>63,77%</b>
<b>ASSETS IN TOTAL</b>	<b>189 735</b>	<b>100,00%</b>	<b>260 987</b>	<b>100,00%</b>

LIABILITIES	31.12.2009	% of the balance sum	31.12.2008	% of the balance sum
<b>Equity capital</b>				
Initial capital	3 900	2,05%	3 900	1,49%
Own stocks (shares) - negative value	-5	0,00%	-2	
Supplementary capital	50 574	26,66%	38 643	14,81%
Revaluation capital	13 663	7,20%	13 697	5,25%
Other reserve funds	36 836	19,41%	35 433	13,58%
Profit (loss) of previous years	-1 397	-0,74%	-1 370	-0,52%
Net profit (loss)	164	0,09%	12 721	4,87%
<b>Equity capital attributed to Dominant Entity's owners</b>	<b>103 735</b>	<b>54,67%</b>	<b>103 022</b>	<b>39,48%</b>
<b>Non-controlling shares</b>	<b>13 781</b>	<b>7,26%</b>	<b>13 421</b>	<b>5,14%</b>
<b>Equity capital in total</b>	<b>117 516</b>	<b>61,93%</b>	<b>116 443</b>	<b>44,62%</b>
<b>Long-term liabilities</b>				
Long-term bank credits	1 033	0,54%	1 471	0,56%
Reserve due to deferred income tax	5 815	3,07%	3 710	1,42%
Liabilities towards old-age pensions	1 829	0,97%	3 744	1,43%
Remaining reserves	12	0,0%	275	0,11%
Other long-terms liabilities	695	0,37%	1 690	0,65%
<b>Total long-term liabilities</b>	<b>9 384</b>	<b>4,95%</b>	<b>10 890</b>	<b>4,17%</b>
<b>Short-term liabilities</b>				
Credits and loans	5 864	3,09%	3 305	1,27%
Trade liabilities	47 019	24,78%	105 973	40,60%
Liabilities towards current income tax	212	0,12%	1 822	0,70%
Other liabilities	9 454	4,98%	20 078	7,69%
Income of future periods	286	0,15%	2 476	0,95%
<b>Total short-term liabilities</b>	<b>62 835</b>	<b>33,12%</b>	<b>133 654</b>	<b>51,21%</b>
<b>LIABILITIES IN TOTAL</b>	<b>189 735</b>	<b>100,00%</b>	<b>260 987</b>	<b>100,00%</b>
Accounting value	103 735		103 022	
Number of stocks (pcs)	3 895 000		3 900 000	
Accounting value per one share (in PLN)	26,63		26,42	

## Consolidated Profit and Loss Account and Statement of Comprehensive Income

(unless specified otherwise, the amounts are stated in thousand zloty)

### PROFIT AND LOSS ACCOUNT

	01.01.2009 - 31.12.2009	of the income on sales	1.01.2009 - 31.12.2009	of the income on sales
<b>Net income on sale of services, goods and materials</b>				
Income on sale of services	163 297	95,73%	354 277	97,00%
Net income on sale of goods and materials	7 291	4,27%	10 958	3,00%
	<b>170 588</b>	<b>100,00%</b>	<b>365 235</b>	<b>100,00%</b>
<b>Cost of sold services, goods and materials</b>				
Production costs of sold services	148 340	86,89%	317 848	94,61%
Value of sold goods and materials	6 593	3,87%	9 819	2,92%
	<b>154 933</b>	<b>90,76%</b>	<b>317 848</b>	<b>97,53%</b>
<b>Gross profit/(loss) on sales</b>	<b>15 655</b>	<b>9,18%</b>	<b>37 568</b>	<b>10,29%</b>
<b>Other income</b>	<b>10 544</b>	<b>6,18%</b>	<b>10 010</b>	<b>2,74%</b>
<b>Administration costs</b>	<b>15 782</b>	<b>9,24%</b>	<b>18 097</b>	<b>5,39%</b>
<b>Cost of sales</b>	<b>0</b>	<b>0,00%</b>	<b>0</b>	<b>0,00%</b>
<b>Remaining costs</b>	<b>5 500</b>	<b>3,22%</b>	<b>10 103</b>	<b>3,01%</b>
<b>Profit (loss) on operating activity</b>	<b>4 927</b>	<b>2,89%</b>	<b>19 378</b>	<b>5,30%</b>
<b>Financial income</b>	<b>1 551</b>	<b>0,91%</b>	<b>2 670</b>	<b>0,73%</b>
<b>Profit (loss) on sale of shares in subordinated entities</b>	<b>0</b>	<b>0,00%</b>	<b>85</b>	<b>0,02%</b>

<b>Financial costs</b>	<b>1895</b>	<b>1,11%</b>	<b>1 144</b>	<b>0,34%</b>
<b>Share in profit (loss) of subordinated entities</b>	<b>-80</b>	<b>-0,05%</b>	<b>-226</b>	<b>-0,06%</b>
<b>Profit/ loss before taxes</b>	<b>4 503</b>	<b>2,64%</b>	<b>20 763</b>	<b>5,68%</b>
<b>Income tax</b>	<b>2 056</b>	<b>45,65%</b>	<b>5 362</b>	<b>25,83%</b>
- current amount	411	9,1%	3 780	18,21%
- deferred amount	1 645	36,53%	1 582	7,62%
<b>Net profit (loss)</b>	<b><u>2 447</u></b>	<b>1,43%</b>	<b><u>15 401</u></b>	<b>4,22%</b>
<b>including net profit (loss) attributed to:</b>				
Shareholders of the Dominant Entity	164		12 721	
Non-controlling shares	2 283		2 680	
Total	2 447		15 401	
Weighted average of the number of ordinary shares (in pcs)	3 895 000		3 900 000	
Profit / Loss per one ordinary share in the Dominant Entity (in PLN)	0,04		3,26	

STATEMENT OF COMPREHENSIVE INCOME	01.01.2009- 31.12.2009	01.01.2008- 31.12.2008
<b>Total (net) income</b>	<b>2 447</b>	<b>15 401</b>

\* - percentage of individual types income in the total amount of income, percentage of individual costs in the total amount of costs, types of activities in the total amount of income

\*\* - percentage of income tax and other charges in gross profit

## Selected financial ratios

### RATIOS FOR THE REPORT TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT BY FUNCTION

(with no regards to inflation)

		2009	2008
<b>AACTIVITY EFFECTIVENESS</b>			
<b>Return on basic activity</b>			
result on operating activity x 100			
income on sale of services	%	3,02%	5,47%
<b>Return on assets (ROA)</b>			
net financial result x 100			
assets	%	1,29%	5,90%
<b>Return on equity capital (ROE)</b>			
net financial result x 100			
equity capital	%	2,08%	13,23%
<b>Net return on sales</b>			
net financial result x 100			
income on the sale of products, goods and materials	%	1,43%	4,22%
<b>Gross return on sales</b>			
gross financial result x 100			
income on the sale of products, goods and materials	%	2,64%	5,68%
<b>Receivables turnover rate</b>			
trade receivables and other receivables x 360 days			
income on the sale of products, goods and materials	days	120	124
<b>BFINANCING</b>			
<b>Debt ratio</b>			
total liabilities x 100			
assets	%	38,05%	55,38%
<b>Liquidity I</b>			
working assets in total			
short-term liabilities		1,40	1,25
<b>Liquidity II</b>			
working assets - inventory			
short-term liabilities		1,29	1,19
<b>CCAPITAL MARKET RATIOS</b>			
<b>Profitability ratio per one share</b>			
Dominant Entity's net profit			
number of issued shares	PLN	0,04	3,26
<b>Net accounting value of assets per one share</b>			
Dominant Entity's equity capital			
number of issued shares	PLN	26,63	26,42



## **Interpretation for the ratios**

### **Return on basic activity**

When compared with 2008, the return on basic activity in 2009 decreased by 2.4 percentage points and amounted to 3.02%.

### **Receivables turnover rate**

In 2009, the turnover rate for trade receivables and other receivables amounted to 120 days and it slightly decreased, when compared with 2008.

### **Debt rate**

In 2009, the debt rate amounted to about 38.05 % and decreased by 17.33 percentage points, when compared with the previous year.

### **Liquidity ratio**

When compared with 2008, the current liquidity ratio slightly increased in 2009 and amounted to 1.40. the liquidity ratios were in 2009 on a level higher than the optimum level.

### **Return on equity capital**

When compared with the previous year, the return on equity capital ratio, measured by a net profit, decreased by 11.15 % and amounted to 2.08 %.

When compared with the previous year, the total assets in 2009 decreased by 71 252 thousand złoty, what constituted a decrease by about 16 %.

## **Detailed section of the Report**

### **I. Accounting books**

The Financial Statements of the entities covered by the Consolidated Financial Statements were drawn up as per the same end of the reporting period as the Financial Statements of the Dominant Entity.

### **II. Principles for drawing up the Consolidated Financial Statement**

The Consolidated Financial Statements of the PROCHEM Capital Group were drawn up in accordance with the International Financial Reporting Standards, which were confirmed by the European Union and in cases, which have not been regulated by these Standards, pursuant to the requirements of the Law of 29 September 1994 on accounting (Journal of Laws of 2002 no. 76, item 694, as amended) and executory provisions issued on its basis, as well as on the basis of requirements relating to issuers of securities admitted to trading on the market of official stock-exchange trading.

Consolidation documents constitutes the basis for drawing up the Consolidated Financial Statements, issued pursuant to the requirements set out in the Regulation of the Minister of Finance of 12 December 2001 on detailed principles for drawing up financial statements of associated entities by entities other than banks and insurance companies (Journal of Laws of 2001 no. 152, item 1729), providing for, in particular, the following:

- financial statements of consolidated entities,
- adjustments and exemptions made during consolidation, necessary for drawing up the consolidated financial statements,
- calculation of the fair value of the subordinated entity's net assets,
- calculation of goodwill of subordinated entities,
- determination of non-controlling shares.

### **III. Consolidation method**

The financial statements of the entities subordinated to PROCHEM S.A., directly controlled by the Dominant Entity or indirectly controlled by subordinated entities, under full consolidation method, were included in the Consolidated Financial Statements.

The shares in associated entities were evaluated in the Consolidated Financial Statements with the use of equity method.

Firstly, the amounts stated in individual statements of financial position, profit and loss accounts of the Dominant Entity and subordinated entities were added.

After that, consolidation exemptions and adjustments were made.

### **IV. Goodwill following consolidation and manner of its settlement**

According to IFRS, the goodwill shall not be subject to depreciation since the day, on which IFRS were assumed as valid. The goodwill shall be subject to the calculation of its annual impairment.

### **V. Methods for the consolidation of capitals and determination of non-controlling shares**

The Capital Group's initial capital shall be the initial capital of the Dominant Entity, amounting to 3,900 thousand zloty.

Calculation of the remaining constituents of the Capital Group's equity capital was performed by adding the individual constituents of the Dominant Entity's equity capital and the relevant constituents of the equity capital of the subordinated entities covered by the Consolidated Financial Statements,

corresponding to the Dominant Entity's share in the ownership of a given subordinated entity, as per the end of the reporting period, i.e. 31.12.2009.

Only those parts of the equity capital constituents of subordinated entities were included in the Capital Group's equity capital that were generated since the day, on which the Dominant Entity began to control them.

Calculation of the non-controlling shares in the subordinated entity covered by the Consolidated Financial Statements was performed on the basis of the percentage those shareholders had in the subordinated entity's equity capital as per the end of the reporting period. As per 31.12.2009, the PROCHEM Capital Group's non-controlling shares amounted to 13 781 thousand zloty.

## **VI. Exemption of counter-settlements**

Consolidation exemptions relating to settlements within the Capital Group were made – receivables concerning trade settlements amounting to 49 737 thousand zloty.

The data that constituted the basis for exemptions were taken from the accounting books of PROCHEM S.A. and verified with the data from subordinated entities.

## **VII. Exemption of internal turnover**

Consolidation exemptions concerning the sale performed between the Dominant Entity and its subordinated entities covered by the Consolidated Financial Statements as per 31.12.2009 were made, amounting to 11 017 thousand zloty.

The data that constituted the basis for exemptions were taken from the accounting books of PROCHEM S.A. and verified with the data from subordinated entities.

## **VIII. Other consolidation exemptions**

No transactions were performed within the Capital Group that would result in unrealised results to be included in the assets section.

The condition of PROCHEM Capital Group and the degree of dependence of the entities subordinated to the Dominant Entity changed in the financial year 2009.

The Dominant Entity's Management Board presented the effects of the said changes in the Capital Group's structure in 2009 in Note 4 of the „Explanatory Notes to the Consolidated Financial Statements for the period from 1 January 2009 to 31 December 2009.”

## **IX. Additional and explanatory Notes**

The Dominant Entity presented completely and correctly the data included in the Additional and Explanatory Notes to the Consolidated Financial Statements. The Additional and Explanatory Notes constitute an integral part of the Consolidated Financial Statements.

## **X. Consolidated Statement of Cash Flows**

The Consolidated Statement of Cash Flows was drawn up correctly and properly corresponds to the Consolidated Statement of Financial Position and the Consolidated Profit and Loss Account.

It was drawn up through:

- summing up relevant items of the Statement of Cash Flows of the subordinated entities covered by the Consolidated Financial Statements under the full method and those of the Dominant Entity,
- making consolidation adjustments, consisting in excluding all cash flows between the entities covered by the Consolidated Financial Statements.

## **XI. The Management Board's Report on the PROCHEM Capital Group's Business Activity**

The Management Board's Report on the PROCHEM Capital Group's Business Activity, drawn up by the Management Board of the Dominant Entity, i.e. PROCHEM SA is complete within the meaning of art. 49 par. 2 of the Law on accounting. The data included in the said Report provide for the provisions of the Regulation of the Minister of Finance of 19 February 2009 on current and periodical data to be submitted by issuers of securities and on conditions under which such information may be recognized as being equivalent to information required by the regulations of law of a state which is not a member state and they are consistent with the data presented in the annual Consolidated Financial Statements of the PROCHEM Capital Group.

On behalf of **Misters Audytor Spółka z o.o.**  
Warsaw, ul. Stępińska 22/30  
Entity entered into the list of entities  
authorised to perform audits under entry no. 63

### **Key Chartered Accountant**

**Jadwiga Kaźmierczak**

**President of the Board  
Barbara Misterska - Dragan**

.....  
**Chartered Auditor  
No. 6062**

.....  
**Chartered Auditor  
No. 2581  
on behalf of  
Misters Audytor Spółka z o.o.**

Warsaw, date: 26 April 2010.