



TRANSLATION

Prochem S.A. Group

Report supplementing
the auditor's opinion
on the consolidated financial
statements

Financial Year ended
31 December 2011

The report supplementing the auditor's opinion
contains 12 pages

Report supplementing the auditor's opinion
on the consolidated financial statements
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 Identification of the Group

1.1.1 Name of the Group

Prochem S.A. Group

1.1.2 Registered office of the Parent Company of the Group

Powązkowska 44C Street
01-797 Warsaw

1.1.3 Registration of the Parent Company 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 Parent Company

The Management Board is responsible for management of the Parent Company.

At 31 December 2011, the Management Board of the Parent 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 Information about companies comprising the Group

1.2.1 Companies included in the consolidated financial statements

As at 31 December 2011, the following companies were consolidated by the Group:

Parent Company:

- Prochem S.A.

Subsidiaries consolidated on the full consolidation basis:

- Prochem Inwestycje Sp. z o.o.,
- Irydion Sp. z o.o.,
- PRO-INHUT Sp. z o.o.,
- Pro-Organika Sp. z o.o.,
- Prochem Serwis Sp. z o.o.,

- PREDOM Sp. z o.o.,
- Prochem Zachód Sp. z o.o.,
- ELPRO Sp. z o.o.,
- Elmont Inwestycje Sp. z o.o.,
- Elektromontaż Kraków S.A. Group,
 - Elektromontaż Kraków S.A. (the Parent Company)
 - Elmont Pomiary Sp. z o.o. (full consolidation).
- IRYD Sp. z o.o.,
- ATUTOR Integracja Cyfrowa Sp. z o.o.,
- Prochem RPI Sp. z o.o.,
- PRO PLM Sp. z o.o.,

The following subsidiaries were consolidated until the date control by the Parent ceased:

- ASI Sp. z o.o. – subject to consolidation for the period from 1 January 2011 to 21 March 2011,
- Protrade Sp. z o.o. – subject to consolidation for the period from 1 January 2011 to 21 March 2011.

1.2.2 Entities excluded from consolidation

As at 31 December 2011, the following subsidiaries of the Group were not consolidated:

- Predom Projektowanie Sp. z o.o.

The above mentioned entity is dormant and its financial data does not distort information on financial results of Prochem S.A. Group.

1.3 Auditor information

1.3.1 Key certified auditor information

Name and surname: Monika Bartoszewicz
Registration number: 10268

1.3.2 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.

1.4 Prior period consolidated financial statements

The consolidated financial statements for the financial year ended 31 December 2010 were audited by KPMG Audyt Sp. z o.o. and received opinion with emphasis of matter concerning receivables from PERN S.A. with respect to guarantee deposits 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 consolidated financial statements were approved at the General Meeting on 11 June 2011.

The consolidated 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.

1.5 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 consolidated financial statements comprising: the consolidated statement of financial position as at 31 December 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, comprising of a summary of significant accounting policies and other explanatory information.

The consolidated financial statements have been audited in accordance with the contract dated 27 June 2011, concluded on the basis of the resolution of General Meeting 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 consolidated financial statements in the Parent Company’s head office during the period from 26 March 2012 to 6 April 2012.

Management of the Parent Company is responsible for the preparation and fair presentation of the consolidated 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 financial statements.

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

1.6 Information on audits of the financial statements of the consolidated companies

1.6.1 Parent Company

The financial statements of the Parent Company for the year ended 31 December 2011 were audited by KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k., certified auditor number 3546, and received an unqualified opinion with the following emphasis of matter:

“Without qualifying our opinion, we draw attention to the fact 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, according to the decision of the Regional Court in Warsaw dated 12 August 2010, 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. As described in notes no. 8 and 36 to the attached separate financial statements the final result of the settlement is not yet known.”

1.6.2 Other consolidated entities

Entity's name	Authorised auditor	Type of auditor's opinion
Prochem Inwestycje Sp. z o.o.	KPMG Audyt Sp. z ograniczoną odpowiedzialnością Sp.k.	unqualified
Irydion Sp. z o.o.	KPMG Audyt Sp. z ograniczoną odpowiedzialnością Sp.k.	unqualified
PRO-INHUT Sp. z o.o.		<i>not subject to audit</i>
Pro-Organika Sp. z o.o.	CONSORT FIN Sp. z o.o.	unqualified
Prochem Serwis Sp. z o.o.	Biuro Finansowo - Księgowe Biegłego Rewidenta Krystyna Borudziuk	unqualified
PREDOM Sp. z o.o.	Accord'ab Biegli Rewidenci Sp. z o.o.	unqualified
Prochem Zachód Sp. z o.o.		<i>not subject to audit</i>
ELPRO Sp. z o.o.	Centrum Badania Bilansów i Usług Księgowych OMEGA-W Krystyna Walczyk	unqualified
Elmont Inwestycje Sp. z o.o.	Centrum Badania Bilansów i Usług Księgowych OMEGA-W Krystyna Walczyk	unqualified
Grupa Kapitałowa Elektromontaż Kraków S.A.	Misters Audytor Sp. z o.o.	unqualified
IRYD Sp. z o.o.	KPMG Audyt Sp. z ograniczoną odpowiedzialnością Sp.k.	unqualified opinion with emphasis of matter concerning obligation of the Management of the Company to call Shareholders' Meeting in order to adopt a resolution on the continued existence of the Company
ATUTOR Integracja Cyfrowa Sp. z o.o.	CONSORT FIN Sp. z o.o.	unqualified
Prochem RPI Sp. z o.o.		<i>not subject to audit</i>
PRO PLM Sp. z o.o.		<i>not subject to audit</i>

2 Financial analysis of the Group

2.1 Summary of the consolidated financial statements

2.1.1 Consolidated statement of financial position

ASSETS	31.12.2011		31.12.2010	
	PLN '000	% of total	PLN '000 (*)	% of total
Non-current assets				
Property, plant and equipment	26 631	12,2	32 779	17,5
Intangible assets	194	0,1	270	0,1
Investment property	66 904	30,6	63 377	33,9
Shares in subsidiaries and other entities	843	0,4	1 518	0,8
Shares in equity - accounted investees	1 344	0,6	765	0,4
Deferred tax assets	404	0,2	3 042	1,6
Total non-current assets	96 320	44,1	101 751	54,3
Current assets				
Inventories	6 071	2,8	6 261	3,3
Trade and other receivables	75 656	34,7	60 779	32,5
Other financial assets	435	0,2	597	0,3
Other assets	19 668	9,0	11 518	6,2
Cash and cash equivalents	19 350	8,9	6 100	3,4
Non-current assets held for sale	675	0,3	-	-
Total current assets	121 855	55,9	85 255	45,7
TOTAL ASSETS	218 175	100,0	187 006	100,0
EQUITY AND LIABILITIES				
	31.12.2011	% of total	31.12.2010	% of total
	PLN '000		PLN '000 (*)	
Equity				
Share capital	3 895	1,8	3 895	2,1
Retained earnings	108 991	50,0	101 731	54,4
Total equity attributable to equity holders of the parent	112 886	51,7	105 626	56,5
Non-controlling interest	14 206	6,5	18 021	9,6
Total equity	127 092	58,3	123 647	66,1
Non-current liabilities				
Long term bank loans	-	-	234	0,1
Deferred tax liabilities	4 674	2,1	5 891	3,2
Provision for retirement and similar benefits	1 592	0,7	1 643	0,9
Other provisions	-	-	208	0,1
Other long term liabilities	151	0,1	396	0,2
Total non-current liabilities	6 417	2,9	8 372	4,5
Current liabilities				
Current bank loans	4 291	2,0	2 028	1,1
Short term borrowings	29	-	29	-
Trade payables	71 841	32,9	44 939	24,0
Income tax liabilities	421	0,2	180	0,1
Other payables	5 667	2,6	7 666	4,1
Deferred income	2 417	1,1	145	0,1
Total current liabilities	84 666	38,8	54 987	29,4
Total liabilities	91 083	41,7	63 359	33,9
TOTAL EQUITY AND LIABILITIES	218 175	100,0	187 006	100,0

(*) restated data

2.1.2. Consolidated statement of comprehensive income

	01.01.2011 - 31.12.2011 PLN '000	% of total sales	01.01.2010 - 31.12.2010 PLN '000	% of total sales
Revenue from sales	178 423	100,0	119 041	100,0
Revenue from sales of services	173 292	97,1	112 956	94,9
Revenue from sales of merchandises and raw materials	5 131	2,9	6 085	5,1
Cost of sales	(160 486)	89,9	(99 201)	83,3
Cost of finished services sold	(156 082)	87,4	(93 758)	78,7
Cost of goods sold	(4 404)	2,5	(5 443)	4,6
Gross profit on sales	17 937	10,1	19 840	16,7
General and administrative expenses	(15 545)	8,7	(17 429)	14,6
Other operating income	6 573	3,6	7 577	6,4
Other operating expenses	(1 392)	0,8	(4 827)	4,1
Results from operating activities	7 573	4,2	5 161	4,4
Finance income	843	0,5	520	0,4
Profit on the disposal of shares in controlled entities	284	0,2	58	-
Finance expenses	(1 522)	0,9	(1 010)	0,8
Share of profit of equity - accounted investees	384	0,2	96	0,1
Profit before tax	7 562	4,2	4 825	4,1
Income tax expense	(1 953)	1,1	120	0,1
current	(605)	0,3	(615)	0,5
deferred	(1 348)	0,8	735	0,6
Profit	5 609	3,1	4 945	4,2
Net profit attributable to:	5 609		4 945	
Shareholders of the Parent Company	4 982		4 319	
Non-controlling interests	627		626	
Other comprehensive income				
Revaluation of property, plant and equipment	-	-	3 436	2,9
Income tax on other comprehensive income	-	-	(653)	0,6
Other comprehensive income (net)	-	-	2 783	2,3
Total comprehensive income	5 609	3,1	7 728	6,5
Total comprehensive income attributable to:				
Shareholders of the Parent Company	4 982		6 397	
Non-controlling interests	627		1 331	
Weighted average number of ordinary shares (units)	3 895 000		3 895 000	
Earnings per ordinary share (PLN per one share) attributable to the Shareholders of the Parent Company:				
Basic/Diluted earnings per share (PLN)	1,28		1,11	
Total comprehensive income per ordinary share (PLN per one share) attributable to the Shareholders of the Parent Company:				
Basic/Diluted total comprehensive income per share (PLN)	1,28		1,64	

2.2 Selected financial ratios

	2011	2010
1. Return on sales		
$\frac{\text{net profit} \times 100\%}{\text{net revenues}}$	3,1%	4,2%
2. Return on equity		
$\frac{\text{net profit} \times 100\%}{\text{equity} - \text{net profit}}$	4,6%	4,2%
3. Debtors turnover		
$\frac{\text{average trade receivables (gross)} \times 365 \text{ days}}{\text{net revenues}}$	143 days	191 days
4. Debt ratio		
$\frac{\text{liabilities} \times 100\%}{\text{equity and liabilities}}$	41,7%	33,9%
5. Current ratio		
$\frac{\text{current assets}}{\text{current liabilities}}$	1,4	2,0

- 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 Accounting principles

The Parent Company maintains current documentation describing the accounting principles applied by the Group and adopted by the Management Board of the Parent Company.

The accounting principles are described in the notes to the consolidated financial statements to the extent required by International Financial Reporting Standards as adopted by the European Union.

Entities included in the Group apply common accounting principles consistent with the accounting principles applied by the Parent Company.

The financial statements of the entities included in the consolidated financial statements were prepared at the end of the same reporting period as the financial statements of the Parent Company.

3.2 Basis of preparation of the consolidated financial statements

The consolidated financial statements of the Prochem S.A. Group were prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations.

The consolidated financial statements were prepared on the basis of the consolidation documentation prepared in accordance with the requirements the Decree of the Ministry of Finance dated 25 September 2009 on principles for the preparation of consolidated financial statements of a capital group by companies other than banks and insurance companies (Official Journal from 2009 r., No 169, item 1327).

3.3 Method of consolidation

The method of consolidation is described in note 5 of the notes to the consolidated financial statements, comprising of summary of significant accounting policies and other explanatory information.

3.4 Consolidation of equity and calculation of non-controlling interest

The share capital of the Group is equal to the share capital of the Parent Company.

Other equity items of the Group are determined by adding the equity balances of subsidiaries included in the consolidated financial statements in the proportion reflecting the Parent Company's share in the subsidiaries' equity as at the end of the reporting period to the corresponding positions of the equity of the Parent Company.

Only equity of subsidiaries arising after the Parent Company obtained control of the subsidiary is included in the equity of the Group.

Non-controlling interests in subsidiaries included in the consolidated financial statements were determined based on the non-controlling interests' share in the subsidiaries' equity as at the end of the reporting period.

3.5 Consolidation eliminations

Intercompany balances within the Group were eliminated on consolidation.

Sales between entities and other intercompany operating revenues and expenses and financial revenues and expenses were eliminated on consolidation.

The consolidation eliminations were based on the accounting records of Prochem S.A. and agreed with information received from the subsidiaries.

3.6 Notes to the consolidated financial statements

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

3.7 Report of the Management Board of the Parent Company on the Group's activities

The Report of the Management Board of the Parent Company on the Group's activities includes, in all material respects, the 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 consolidated financial statements.

3.8 Information on the opinion of the independent auditor

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

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

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

27 April 2012
Warsaw