

PROCHEM S.A. FINANCIAL STATEMENT
FOR THE PERIOD FROM JANUARY 1ST TO DECEMBER 31ST 2009

PROCHEM S.A.

Financial statement prepared in accordance with International Accounting Standards for the period from 1 January 2009 to 31 December 2009

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Selected Financial Data

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

- for 2008 - 3.5463 PLN/Euro
- for 2009 - 4.3406 PLN/Euro.

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

- 4.1724 PLN/Euro as at 31 December 2008,
- 4.1082 PLN/Euro as at 31 December 2009

Selected Financial Data	Reporting period ended on 31 December		Reporting period ended on 31 December	
	2009	2008	2009	2008
	in PLN thousand		in Euro thousand	
Activity continued				
Income from sales	105 708	289 757	24 353	81 707
Gross profit (loss) on sales	3 416	17 125	787	4 829
Profit (loss) from operating activities	-5 887	1 430	-1 356	403
Gross profit (loss)	-3 345	3 790	-771	1 069
Net profit (loss)	-3 118	2 011	-718	567
Net cash from operating activities	-9 100	-9 783	-2 096	-2 759
Net cash flow from investment activity	-477	-3 188	-110	-899
Net cash flow from financial activity	2 113	-2 835	487	-799
Net cash flow, total	-7 464	-15 806	-1 720	-4 457
Total assets	113 282	181 748	27 575	43 560
Total tangible assets	39 058	37 313	9 507	8 943
Total current assets	74 224	144 435	18 067	34 617
Total equity	62 798	66 456	15 286	15 928
Total long-term liabilities	2 017	2 248	491	539
Total current liabilities	48 467	113 044	11 798	27 093
Weighted average number of ordinary shares (units)	3 895 000	3 900 000	3 895 000	3 900 000
Book value per one share (in PLN/EUR)	16.12	17.04	3.92	4.08
Profit (loss) per one ordinary share (in PLN/EUR)	-0.80	0.52	-0.18	0.15

Weighted average number of ordinary shares was corrected by the number of shares repurchased for the purpose of redemption (500 units).

PROCHEM S.A. Financial Statement
for the period from 1 January 2009 to 31 December 2009

Statement of Financial Position

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

	Note No.	As at 31 Dec. 2009	As at 31 Dec. 2008
A s s e t s			
Tangible assets			
Fixed assets	1	4 853	6 547
Intangible assets	2	398	811
Shares and stocks in subordinated entities and others	3	10 430	10 400
Shares and stocks in units consolidated under equity method	4	708	708
Deferred tax assets	5	1 597	742
Other financial assets	6	21 072	18 105
Total Tangible Assets		<u>39 058</u>	<u>37 313</u>
Current Assets			
Stock	7	3 302	3 734
Trade receivables and other receivables	8	52 913	117 631
Other financial assets	9	1 783	1 534
Other assets	10	13 181	11 027
Cash and cash equivalents		3 045	10 509
Total Current Assets		<u>74 224</u>	<u>144 435</u>
Total Assets		<u>113 282</u>	<u>181 748</u>
L i a b i l i t i e s			
Equity			
Share capital	11	3 900	3 900
Shares (stocks) of parent entity (negative value)		-5	-2
Spare capital	12	14 812	14 812
Revaluation fund		766	766
Other capital reserves	13	46 443	45 059
Profit (loss) from previous years			-90
Profit (loss) of current year		-3 118	2 011
Total Equity		<u>62 798</u>	<u>66 456</u>
Long-term Liabilities			
Long-term loans and bank credits		-	-
Deferred tax provision	14	1 481	857
Retirement liabilities		283	379
Other long-term liabilities	15	253	1 012
Total Long-term Liabilities		<u>2 017</u>	<u>2 248</u>
Current Liabilities			
Short-term loans and bank credits	16	2 620	1
Trade liabilities	17	41 724	97 444
Other liabilities	18	3 898	13 261
Deferred income	19	225	2 338
Total Current Liabilities		<u>48 467</u>	<u>113 044</u>
Total Liabilities		<u>50 484</u>	<u>115 292</u>
Total Equity and Liabilities		<u>113 282</u>	<u>181 748</u>

Book value	62 798	66 456
Number of shares (units)	3 895 000	3 900 000
Book value per one share (in PLN)	16.12	17.04

Statement of Total Income for the period from 1 January 2009 to 31 December 2009

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

PROFIT AND LOSS ACCOUNT (calculation variant)	Note No.	Period ended on 31 Dec. 2009	Period ended on 31 Dec. 2008
Activity continued			
Net income from sales of services, goods and materials, including:		105 708	289 757
Net income from sales of services	20	103 980	285 814
Net income from sales of goods and materials	21	1 728	3 943
Cost of sales, including:	22	102 292	272 632
Manufacturing cost of sold services		100 598	268 891
Value of goods and materials sold		1 694	3 741
Gross profit (loss) on sales		3 416	17 125
Other income	23	1 915	487
Other costs	24	4 574	7 883
General management costs		6 644	8 299
Profit (loss) from operating activities		-5 887	1 430
Financial income	25	3 395	2 899
Financial costs	26	853	539
Profit (loss) before tax		-3 345	3 790
Corporate income tax:	27	-227	1 779
- current		3	1 246
- deferred		-230	533
Profit (loss) from activity continued		-3 118	2 011
Other total income			
Net profit (loss)		3 118	2 011
Effects of the evaluation of available financial assets for the sale -		-	-
Update of tangible assets		-	-
Share in other total income of affiliated entities		-	-
Effects of changes of the politics of accounting		-	-
Hedge accounting		-	-
Actuarial profit and loss		-	-
Income tax concerning other total income		-	-
Other total income (net)		-	-
Total income all in all		3 118	2 011
Weighted average number of ordinary shares (units)		3 895 000	3 900 000
Profit (loss) per one ordinary share (in PLN per one share)			
from activity continued		-0,80	0,52
Total income per one ordinary share (in PLN per one share) –			
From activity continued		-0,80	0,52

Statement of Changes in Equity Capital

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

	Share capital	Shares (stocks) of parent entity (negative value)	Spare capital	Revaluation capital	Other reserve capitals	Undistributed outcome from previous years	Profit (loss) for the financial year	Total equity
Reporting period from 1 January 2009 to 31 December 2009								
At the beginning of period	3 900	-2	14 812	766	45 059	1 921		66 456
Distribution of outcome from previous years					1 384	-1 384		
Repurchase with aim of redemption		-3						-3
Dividend payment						-506		-506
Payment to the charity fund						-31		-31
Net profit(loss) in given period							-3 118	-3 118
Other total income								
At the end of period	3 900	-5	14 812	766	46 443	0	-3 118	62 798
Preceding year for the period from 1 January to 31 December 2008								
At the beginning of period	3 903		14 812	766	41 092	6 760		67 333
Distribution of outcome from previous years					4 070	-4 070		-
Repurchase with aim of redemption		-2						-2
Dividend payment						-2 730		-2 730
Payment to the charity fund						-50		-50
Redemption of own shares	-3				-103			-106
Net profit(loss) in given period							2 011	2 011
Other total income								
At the end of period	3 900	-2	14 812	766	45 059	-90	2 011	66 456

Statement of Cash Flows

for the period from 1 January 2009 to 31 December 2009 (indirect method)

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

	Period ended on 31 Dec. 2009	Period ended on 31 Dec. 2008
Cash flows from operating activities		
Gross profit (loss)	-3 345	3 790
Total adjustments for	-5 758	-10 988
Amortisation and depreciation	2 234	2 692
Interests and profit sharing (dividends)	-2 737	-1 190
Profit(loss) from investments in Profit and Loss Account		
Profit(loss) from sales of fixed assets	-43	-172
Loss on account of the depreciation for trade receivables	79	2 555
Reversal of depreciation charges for trade receivables	-210	-36
Foreign exchange profits/losses net	315	-1 219

Statement of Cash Flows
for the period from 1 January 2009 to 31 December 2009 (indirect method)

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

	Period ended on 31 Dec. 2009	Period ended on 31 Dec. 2008
Movements in provisions	-597	6 354
Change in stocks	432	-2 732
Movements in receivables	61 417	-32 430
Movements in short-term liabilities, with the exception of loans and credits	66 647	15 186
Other adjustments	-1	4
Operating cash	-9 103	-7 198
Income tax paid	-3	-2 585
Net cash provided by operating activities	-9 100	-9 783
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Investment cash flows		
Inflows	2 784	453
Sales of tangible assets	164	277
From financial assets in associated entities, of which:		
- dividends and profit sharing	1 876	176
- loans repaid	700	
- interests	44	
Outflows	3 261	3 641
Purchase of tangible fixed assets	131	1 360
From financial assets in associated entities, of which:	3 130	2 281
- purchase of financial assets/stocks in subsidiaries	30	111
- loans granted	3 100	2 170
Net cash flow from investment activity	-477	-3 188
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Financial cash flows		
Inflows	14 930	4 099
Credits and loans	14 930	4 099
Outflows	12 817	6 934
Buy-back of own shares (stocks)		106
Outflows under distribution of profit, other than payments to shareholders	506	2 730
Repayment of credits and loans	12 311	4 098
Net cash flow from financial activity	2 113	-2 835
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Increase/decrease of net cash flow and cash equivalents	-7 464	- 15 806
Cash and cash equivalents at the beginning of period	10 509	26 315
Cash and cash equivalents at the end of the period	3 045	10 509
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Notes on assumed accounting principles (policy) and other explanatory remarks

1. The formation of a company and the basic scope of its activity

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 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" (Designing and the Implementation of an Investment Project of the Chemical Industry Office). The notarial deed and statutes were signed on 1 October of 1991. The company's duration is indefinite.

2. Managing and supervising bodies of the Issuer

Management Board of Prochem S.A. comprises following persons as at the date of drawing up this financial statement:

Jarosław Stępniewski – Chairman of the Management Board
Marek Kiersznicki - Vice Chairman
Krzysztof Marczak - Management Board Member

On 6 June 2010 Supervisory Board of Prochem S.A. appointed above mentioned persons from the Management Board for next three-year term of office.

In 2009 Management Board of Prochem S.A. composition did not change.

Supervisory Board of Prochem S.A. comprises following persons as at the date of drawing up of this financial statement:

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

In 2009 Supervisory Board composition did not change.

3. Employment

Average employment in 2009 was 235 FTEs. Level of employment in persons on 31 December 2009 was 232 persons.

4. Base for the presentation and preparing the financial statement

The financial statement of PROCHEM S.A. and comparable financial data don't contain joint data because organizational units drawing up independent financial statements aren't members of a Company. In the period for which the financial statement was drawn up a merger didn't take place.

Financial statement of PROCHEM S.A. for the period from 1 January to 31 December 2009 and corresponding period of the comparable year was drawn up according to International Accounting Standards and International Financial Reporting Standard.

Financial statement of PROCHEM S.A. as at 31 December 2009 was prepared at assuming continuing economic activity in a foreseeable future it is stated that circumstances pointing out to the threat of continuing activity by the Issuer don't exist.

The operational activity of the company doesn't have seasonal character.

The financial statement is being presented in Polish zlotys ("zloty" or "PLN") which are functional currency and presentation currency.

The 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,
- real estates (land) investments,
- allocating assets for the sale,
- 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 liabilities expressed in foreign currencies are being evaluated according to the average rate of the National Bank of Poland for the balance sheet 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 profit and loss account, except for differences of exchange concerning assets under construction which are being included in costs of these assets and treated as corrections of interest costs of credits in foreign currencies.

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

Applied accounting principles followed by the Company are introduced below.

Tangible assets and intangible assets

Tangible assets are presented in accordance with International Accounting Standards (MSR 16).

Tangible assets comprises capital assets and expenditure on the capital assets under construction which the entity is going to exploit in their activity for administrative needs in the period longer than one year, and which in the future will result in benefit to the entity.

Expenditure on the capital assets include investment outlay as well as incurred expenses for future deliveries of machinery, equipment and services connected with manufacturing of capital assets (transferred advance payments).

Tangible assets at first are being evaluated according to the purchase price or the manufacturing costs.

Principles of valuation following the initial approach:

- Land, buildings and constructions buildings are shown in the post-revaluation amount, constituting the fair price of it for the day of the revaluation, set by experts, reduced by the amount of the later accumulated amortization and later accumulated revaluating write-off. Fair price will be set by experts regularly every two years.
- Other tangible assets are being shown according to the purchase price or the manufacturing cost, increased by possible costs of improvements, but reduced by the accumulated amortization and accumulated revaluating write-off.

An increase in the value resulting from the revaluation of land, buildings and constructions is being included in other total revenues and is showing the surplus from the revaluation in the total amount of the equity capital, except for the situation, when the increased value is reversing the earlier writing off for the same item included in the profit and loss account. A decrease in the

value resulting from the revaluation of land, building and constructions is being included in cost in the period, being ahead of an amount of earlier evaluation of this asset item included in other entire revenues. A decrease resulting from revaluation included in other total revenues is reducing the total surplus from the revaluation included in the equity capital.

The company treats perpetual usufructs as land.

Value of capital assets allocated for liquidation, withdrawn from use as a result of the change of technology or other reasons, is being updated by writing off. This writing off is carried to the debit of other operating costs.

Fixed assets allocated for sale are shown according to International Financial Reporting Standards (MSSF 5).

Expenditure on the capital assets borne later are included in balance-sheet total, when it is probable that the entity will benefit from it and it is possible to evaluate this cost credibly. All other costs of repairs and maintenance of fixed assets are being included in the profit and loss account in reporting periods, in which they were carried. Profit and loss from selling capital assets are being set by comparing the sales revenue with the balance value of the given capital asset and included in the profit and loss account.

Tangible assets are amortized. Allowance for depreciation on capital assets is provided by systematic, scheduled dividing the initial value into the established service life of the asset component. A straight line depreciation method is applied. Land isn't subject to a depreciation.

Capital assets in progress coming into existence for purposes of the conducted operational activity, as well as for purposes not yet determined, are being presented in the financial statement at the production cost reduced by revaluating write-offs. The manufacturing cost includes all payments and costs of the external financing capitalized according to applied accounting principles. The amortization concerning these capital assets is starting in the moment of beginning using them.

Fixed assets are being subjected to the test for the depreciation if premises pointing at appearing of the depreciation exist, in addition for the capital assets in progress in the period of the realization, possible depreciation is determined for every balance sheet day. Effects of the depreciation are being taken back into other operating costs. Management Board of the company thinks that conditions pointing out to the depreciation of fixed assets didn't appear in 2009. Fixed assets shown in this report were included in appropriate values.

As at the balance sheet day capital assets which are different from ground, buildings and structures, evaluated in the post-revaluation amount, and the evaluated capital assets in progress are estimated according to the cost reduced by made depreciation allowances and possible impairment write offs.

Intangible assets are being shown according to International Accounting Standards MSR 38. The component of intangible assets is being evaluated according to the purchase price reduced by depreciation allowances (amortization) and revaluating write off.

Intangible assets, apart from the goodwill are being amortized. Allowance for depreciation on intangible assets is provided by systematic, scheduled dividing the initial value into the established service life of the asset component. A straight line depreciation method is applied.

Intangible assets are being subjected to the impairment test if premises pointing at appearing of the depreciation exist. Effects of the depreciation are being taken back into other operating costs. Management Board of the company thinks that conditions pointing out to the depreciation of intangible assets didn't appear in 2009. Intangible assets shown in this report

were included in appropriate values. As at the balance sheet day intangible assets are estimated according to the cost reduced by made depreciation allowances and possible impairment write-offs.

Leasing - asset components being a leased object are being included in the amount established at the moment of commencing the use. Every lease payment is being divided into the part constituting the obligation and the financial part. The liability is being shown in balance in the position "Other obligations". Finance charges are charging the profit and loss account. Capital assets constituting the leased object are being amortized by the economic service life of the asset. A straight line depreciation method is applied.

Costs of the external financing according to International Accounting Standards 23 (MSR 23) - costs of the external financing are being included as costs in the period, in which they were carried, except for costs which it is possible directly to assign for the purchase, the building or producing the asset component (capital assets, investment real estate).

Activating of costs of the external financing is starting when:

1. costs of the external financing are being incurred,
2. an expenditure on this asset component is being incurred,
3. action essential to prepare the asset component for his planned use or the sale is being conducted.

Activating of costs of financing is being suspended in case of stopping active conducting the investment activity for the longer time. Costs of the external financing are subject to activating to the time of allocating the asset component for the use or of the sale.

Investments in subsidiaries, associated or in joint undertakings are included according to International Accounting Standards 39 (MSR 39) - in the moment of the initial take the element of financial assets is being evaluated in the goodwill through the financial result.

Shares in other entities are being evaluated according to the purchase price reduced by impairment write-offs. The value of financial assets is determined based on their utility established on the basis of forecasts of future receipts for a period of at least five years, with the application of the discount rate.

As at 31 December 2009 Company's Management Board made an appraisal whether premises pointing out to the depreciation of shares held in given entities exist. After carrying out an analysis, the premises which would appoint to the need to recognize the allowance for depreciation weren't identified.

Investment real estates - it is a real estate (ground, the building or the part of a building or both these elements) which the company treats as the source of the income from rents to or is holding in possession on account of the increase in their value, comparatively for both these benefits, in addition such a real estate isn't:

- being used in the operational activity,
- allocated for sale as part of the normal investment activity.

Profits or losses arising on the sale/liquidation of the real estate are determined as the difference between the sales revenue and the balance value of these positions and they are being included in the profit and loss account.

Since 1 January 2009 International Accounting Standards 40 (MSR 40) is applicable to real estates under construction which in the future will be exploited as investment real estates, it means that they can be evaluated not only in the production cost, but also at the fair price. On the condition that it will be possible to determine credibly the fair price, if not, until the moment, in which the company will be able to determine credibly fair value, the real estate under construction is being evaluated according to the production cost. Effects of the evaluation on account of the difference between the balance value of the real estate under construction and the fair value of the investment real estate should be included in the financial result.

Before the change investment real estate under construction were subject to International Accounting Standards 16 (MSR 16) regulations - tangible fixed assets - it means that these real

estates were evaluated in the production cost all the way to the moment of moving the investment under construction real estate to investment real estates. In the moment of the transfer company should establish the fair value of the real estate. If the fair value differed from the production cost, differences should be included directly in the financial result.

Current assets

Stock - materials, goods, semi-finished products and the work in progress are being shown in the item of stock. Stocks are being evaluated originally in the purchase price.

As at the balance sheet day the evaluation of materials and goods is held in compliance with principles of the conservative estimate, namely these categories are being evaluated according to the purchase price, the production cost or the net value possible to get, depending on which one from them is lower.

Stocks of goods and materials are being included in allowance for depreciation according to the following principles:

- goods and materials stored over 1 year - 30 % balance sheet value,
- goods and materials stored over 2 years – 100% balance sheet value,
- goods and materials slowly rotating - according to the individual assessment of the price possible to get for the balance sheet day.

The expenditure of supplies is held with the application of the FIFO method - "first in - first off". Revaluating write-off concerning supplies, as well as reversals of provisions, are ranked among other costs and the operating income.

Loans - are coming into existence when the entity is issuing financial means directly to the debtor, not intending to enter their amount due into the trading. They are being ranked among current assets, provided the date of their maturity doesn't exceed 12 months from the balance sheet day.

Loans with the maturity date exceeding 12 months from the balance sheet day are being ranked among fixed assets.

The amounts due are formulated at first according to the fair price (of amounts originally invoiced), and next they are being evaluated according to the amortised cost with applying the effective interest rate, including the allowance for the depreciation. Revaluating writing-off for the amount due is formed when objective evidence exist that the entity won't receive all amounts due resulting from primary conditions of the amount due, and is included in the profit and loss account in the item - other operations cost. The amount of writing-off constitutes a difference between the balance value of the amount due and the current value of estimated future cash flows discounted according to the effective interest rate.

Cash and cash equivalents cover the cash in hand and on banking accounts, deposits with the original maturity date up to three months and financial assets evaluated in the fair value by the financial result meeting the requirements of the definition of the monetary equivalent. Cash is being evaluated in the nominal value. Cash equivalents classified as financial assets are being evaluated in the fair value by the financial result. The fair value is being established on the basis of market quotations for every balance sheet day.

Current liabilities are established according to amounts originally invoiced - in the amount requiring the payment.

Long-term liabilities are being evaluated according to the amortised cost with applying the effective interest rate.

Payments of dividends for shareholders of the company are being included as liability in the financial statement of the company in the moment, in which the appropriate resolution was passed at the General Meeting of Shareholders of the Company.

Reserves - are established in the justified, credibly assessed value. Reserves are being created when an existing legal obligation is resting with the company (legal or customary) resulting from past events and when it is probable, that fulfilling this duty will cause the necessity of the outflow of financial means as well as it is possible to effect credible estimation of the amount of this obligation.

Social benefits - the group is paying the contributions of the compulsory pension program subject to the gross remuneration, under effective laws and regulations. The company doesn't have other pension programs. With a view to establishing the current value of future obligations concerning retirement gratuities and the costs of the current employment associated with them, actuarial evaluation is applied.

Equity capitals and remaining assets and liabilities - in the nominal value, including:

- equity capitals - the share capital was shown in the nominal value of issued and registered shares,
- spare capital is being created from surpluses of the sale of shares beyond their nominal value, from writing down from annual profits net and of write-offs from the result of the revaluation of fixed assets in previous years.

The income from sales includes the fair value of the income from sales of services and goods. The income from building services is being evaluated according to International Accounting Standards 11 (MSR 11) - *Agreements for the building service*.

The income from performing the not finished building service under an agreement, made as at the balance sheet day is being set proportionally to the degree of the progress of the service. The degree of the progress of the service is being measured with the participation of costs incurred since the date of the conclusion of contract up to the day of setting the income in total costs of the service.

The correctness of adopted methods of establishing the degree of the progress of the service, as well as expected total costs and the income from the provided service is being verified at the end of every quarter.

The costs which are arising in the uneven way in the sequence of the financial year are being accounted in the time.

Income tax - fiscal charges contain the current taxation with corporate income tax and the change in reserves or assets on account of the deferred income tax. Current tax liabilities are being set on the basis of current tax regulations and the set taxable income.

Shares in joint undertakings - joint undertaking means arrangements stipulated in the contract, by virtue of which two or more sides are undertaking the business activity being subject to a co-control. Joint undertakings can have different forms and structures, among others: jointly controlled activity, jointly controlled assets and co-controlled entities.

Jointly controlled activity - the most often it is Agreement of the Consortium concluded with a view to increasing production capacities or acquiring the potential essential for realization/acquiring of determined investment topic (of wider scope of work). The Agreement of the Consortium usually regulates the way of the distribution to partners of the income from sales of shared product/services and all joint expenses. Each partner is using its own tangible assets and has own supplies. Each partner of the undertaking is also incurring own costs, entering into obligations as well as raising funds to finance own activity what results in the occurrence of his own obligations.

The Leader of the Consortium most often represents the Consortium towards Orderer, is signing records of acceptance of works performed by the Consortium on the basis of which is issuing an

invoice on Orderer. The Leader of Consortium is including the total income into the income shown in profit and loss account and the costs of members of a Consortium for their participation in the accomplishment of the task is including into costs.

Co-controlled entities - it is a joint undertaking which requires establishing the legal person, the partnership or other subject, in which each partner of the undertaking is holding shares. Such an entity is acting on the same principles, as other economic entities, except for the fact that arrangements stipulated in the contract between partners of the undertaking are establishing the co-control over the business activity of the subject. Co-controlled entity is controlling assets of a joint undertaking, entering into obligations, bearing costs and bringing income, concluding a contract in his own name, acquiring financial measures with a view to allocating them for the activity of the joint undertaking. This entity is keeping books, drawing up and submitting financial statements. Every partner is contributing to the co-controlled entity in the form of financial means. The contributions should be included in the accounting records of the partner and in the individual financial statement as investment in the co-controlled entity. The partner is evaluating the share in the co-controlled entity under the equity pick-up method irrespective of it, whether he has such investments in subsidiaries and whether determines his reports as consolidated reports. The partner is stopping applying the equity pick-up method with the moment of ceasing exercising the co-control over the co-controlled entity or significant exerting of influence on such an entity.

Shares in the co-controlled entity categorised as allocated for the sale are being included according to International Financial Reporting Standards 5 (MSSF 5).

5. Transformation of financial statements

The financial statement of PROCHEM S.A. for the period from 01 January to 31 December 2009 is keeping the comparability in relation to data given in statement for the period from 01 January to 31 December 2008.

6. Description of factors and events having the significant effect on achieved financial results in the current reporting period

In 2009 transactions of untypical character, having the significant effect on achieved financial results weren't concluded.

In 2009 on achieved results of the Issuer the following events had the significant effect:

- a) reserves were established for the deferred income tax in the amount of PLN 1,081 thousand and reserves were dissolved for the deferred income tax of the amount of PLN 456 thousand established in previous periods,
- b) the deferred income tax assets from the title were used in the amount of PLN 606 thousand and were established in the amount of PLN 1169 thousand,
- c) reserves for amounts due in the amount of PLN 78 thousand were established, reserves for amounts due in the amount of PLN 210 were dissolved,
- d) reserve for unused leave in the amount of PLN 83 thousand was dissolved,
- e) dissolved reserves for social_security benefits in the amount of PLN 246 thousand,
- f) a financial result of 2009 was encumbered with the amount of PLN 4,015 thousand by way of calculated and paid penalties,
- g) reserves established in previous years in the amount of PLN 5,900 thousand for penalties for delays on the site and other costs were used.

7. Non-financial other information

Non-financial other information among others, such as objectives and the politics of the financial risk management of Issuer were described in the management board's report on the company's activities.

8. Explanatory notes to Statement of Financial Position as at 31 December 2009

Note No 1 – tangible assets

	As at 31 Dec.2009	As at 31 Dec. 2008
a) capital assets, including:	4 851	6 545
- land,	54	62
- buildings, premises and objects of the civil engineering,	78	14
- technical devices and machines,	1 238	1 566
- means of transport,	1 825	2 600
- other capital assests	1 656	2 303
b) capital assests in progress	2	2
Total tangible assets	4 853	6 547

Tangible assets - ownership structure

	As at 31 Dec.2009	As at 31 Dec. 2008
a) own	3 195	4 105
b) used on the basis of the tenancy agreement, the lease or other agreement, including leasing agreements, including:	1 658	2 442
- leasing of means of transport	1 604	2 380
- value of the right of perpetual usufruct	54	62
Total balance capital assests	4 853	6 547

Movements in capital assets in 2009

	Land, includ. the right of perpetual usufruct	Buildings, premises, objects of the civil engineering	Technical devices and machines	Means of transport	Other capital assets	Capital assets in progress	Total
Gross value							
As at 1 January 2009	101	56	5 414	4 257	7 813	2	17 643
a)increase(by way of)		70	56	3	61		190
- purchase of capital assets		70	56	3	61		190
b)decrease(by way of)			255	63	222		540
- sale of capital assets				63	13		76
- liquidation of capital assets			255		209		464
As at 31 December 2009	101	126	5 215	4 197	7 652	2	17 293

The redemption and the depreciation

As at 1 January 2009							
accumulated depreciation (redemption)	39	42	3 848	1 657	5 510		11 096
Depreciation in the period (on the score of)	8	6	129	715	486		1 344
- increase (calculated redemption)	8	6	384	778	642		1 818
- decrease on the score of liquidation of capital assets			255		148		403
- decrease on the score of sale				63	8		71
As at 31 December 2009 – accumulated depreciation (redemption)	47	48	3 977	2 372	5 996		12 440
Net value of capital assets as at 31 December 2009	54	78	1 238	1 825	1 656	2	4 853

Comparative data

Movements in capital assets in 2008

	Land, includ. the right of perpetual usufruct	Buildings, premises, objects of the civil engineering	Technical devices and machines	Means of transport	Other capital assets	Capital assets in progress	Total
Gross value							
As at 1 January 2008	101	56	5 798	4 004	7 620	0	17 579
a)increase(by way of)	0	0	253	1 035	300	2	1 590
- purchase of capital assets			253	1 035	300	2	1 590
b)decrease(by way of)	0	0	637	782	107	0	1 526
- sale of capital assets				782	84		866
- liquidation of capital assets			637		23		660
As at 31 December 2008	101	56	5 414	4 257	7 813	2	17 643

The redemption and the depreciation

As at 1 January 2008 accumulated depreciation (redemption)	30	40	3 947	1 647	4 950	0	10 614
Depreciation in the period (on the score of)	9	2	-99	10	560	0	482
- increase (calculated redemption)	9	2	539	1 033	685		2 268
- decrease on the score of sale and liquidation of capital assets			638	1 023	125		1 786
As at 31 December 2008 – accumulated depreciation (redemption)	39	42	3 848	1 657	5 510	0	11 096
Net value of capital assets as at 31 December 2008	62	14	1 566	2 600	2 303	2	6 547

Tangible assets shown in this report were included in appropriate values. In this account year a depreciation didn't take place.

Note No 2 – intangible assets

INTANGIBLE ASSETS	As at 31 Dec. 2009	As at 31 Dec. 2008
Acquired concessions, patents, licences and similar including the software	398	811
Total intangible assets	398	811

INTANGIBLE ASSETS (OWNERSHIP STRUCTURE)

	As at 31 Dec. 2009	As at 31 Dec. 2008
Own	398	811
Total intangible assets	398	811

MOVEMENTS IN INTANGIBLE ASSESTS in 2009

	Acquired concessions, patents, licences and similar including the software	Total intangible assets
a) gross value at the beginning of the period	3 484	3 484
b) gross value at the end of the period	3 484	3 484
c) accumulated depreciation (redemption) at the beginning of the period	2 673	2 673
d) depreciation in the period (on the score of) - increase (calculated redemption)	413 413	413 413
e) accumulated depreciation (redemption) at the end of the period	3 086	3 086
f) net value at the end of the period	398	398

Comparative data

MOVEMENTS IN INTANGIBLE ASSETS IN 2008

	Acquired concessions, patents, licences and similar including the software	Total intangible assets
a) gross value at the beginning of the period	2 969	2 969
b) increase (on the score of) - purchase	515 515	515 515
c) gross value at the end of the period	3 484	3 484
d) accumulated depreciation (redemption) at the beginning of the period	2 006	2 006
e) depreciation in the period (on the score of) - increase (calculated redemption)	667 667	667 667
f) accumulated depreciation (redemption) at the end of the period	2 673	2 673
g) net value at the end of the period	811	811

Intangible assets shown in this report were included in appropriate values. In this account year a depreciation didn't take place.

Note No 3 – shares and stocks in subordinated entities and others

SHARES AND STOCKS IN SUBORDINATED ENTITIES

	As at 31 Dec. 2009	As at 31 Dec. 2008
a) in subsidiaries	9 937	9 907
b) in associated companies not covered by consolidation	493	493
Shares and stocks, net value	10 430	10 400
Revaluating wrting-off of value of financial fixed assets	160	160
Shares and stocks, gross value	10 590	10 560

MOVEMENTS IN SHARES AND STOCKS IN SUBORDINATED ENTITIES

	As at 31 Dec. 2009	As at 31 Dec. 2008
a) at the beginning of the period	10 400	10 289
-shares and stocks	10 400	10 289
b) increase (on the score of) - purchase of shares of subsidiaries	30 30	111 111
c) at the end of the period	10 430	10 400
- shares and stocks	10 430	10 400

MOVEMENTS IN REVALUATING WRITE OFFS THE VALUE OF SHARES AND STOCKS IN SUBORDINATED ENTITIES AND REMAINING

	As at 31 Dec. 2009	As at 31 Dec. 2008
At the beginning of the period	160	484
Decrease (on the score of)		324
- use of the revaluating write off the value of shares		324
At the end of the period	160	160

On 24 February 2009 the Issuer signed the contract of sale of shares on the basis of which the Issuer purchased 1000 shares of the subsidiary of the nominal value of PLN 5 each, in total amount of PLN 30,000 (say: thirty thousand of zlotys). Ownership of the shares to the Issuer was transferred on the pay-day for shares that is on 10 March 2009. After the effected transaction participation of PROCHEM S.A. in capital and votes of the company Elektromontaż Cracow is 54.45 %.

As at 31 Dec. 2009 the Company the company made an appraisal whether premises pointing out to the depreciation of shares held in given individuals exist. After carrying out analysis, the premises which would appoint to the need to recognize allowance for depreciation weren't identified.

Joint undertakings - the company PROCHEM S.A. signed the Agreement of the Consortium for joint carrying out the contract by the Consortium Members concluded with Orderer for acting as the Engineer for the task: 2: The Modernization and the Expansion of the Czajka Sewage Treatment Plant. The Agreement of the Consortium is in effect from the day of signing of the contract with Orderer to the expiry date of claims advanced by the Orderer and resulting from the contract. The participation of PROCHEM S.A. in the consortium constitutes 51 %. The Issuer being the Leader of the Consortium represents the Consortium towards Orderer, and is signing records of acceptance of works performed by the Consortium on the basis of which is issuing an invoice on Orderer. The Leader of Consortium is including the total income into the income shown in profit and loss account and the costs of consortium members for their participation in the accomplishment of the task is including into costs.

Returns invoiced on Orderer and included in Profit and Loss Account are as follows:

	For the period from 1 Jan.2009 to 31 Dec. 2009 (in PLN thousand)	For the period from 1 Jan.2008 to 31 Dec. 2008 (in PLN thousand)
Revenues from sale of services to Orderer	687	0
Cost of a project	959	133
Including: value of services provided by consortium member (according to the participation)	330	0

Shares and stocks in subordinated entities

Item No.	a	b	c	d	e	f	g	h	i	j	k
	Name of the entity and legal form	Registered office	Objects of the company	Character of the connection (subsidiary, co-subsidiary, associated, with specifying direct and indirect connections)	Applied consolidation method / valued under the equity pick-up method or showing that entity isn't subject to a consolidation/ estimation under the equity pick-up method	Date of commencement of controlling/ co-controlling/ gaining substantial influence	Value of shares according to the purchase price	Corrections updating the value (total)	Balance value of shares	Percentage of held capital	Participation in the total number of votes at the General Meeting
1.	IRYDION Sp. z o.o.	Warsaw	lease of the real estate on own account	subsidiary	fully	24 March 2000	4 500		4 500	100.0%	100.0%
2.	PROCHEM INWESTYCJE Sp. z o.o.	Warsaw	Consulting on business activity and management	subsidiary	fully	22 June 1992	2 999		2 999	100.0%	100.0%
3.	PRO-ORGANIKA S.A.	Warsaw	building services	subsidiary	fully	28 June 1996	320	160	160	91.4%	91.4%
4.	PREDOM Sp. z o.o.	Wrocław	Building, technological design, urban planning,	indirect subsidiary	fully	19 July 2002	177		177	5.7%	4.8%
5.	PROCHEM ZACHÓD Sp. z o.o.	Słubice	marketing activity, building and design service, the trade and forwarding	subsidiary	fully	18 March 1998	960		960	60.0%	60.05
6.	ELEKTROMONTAŻ KRAKÓW S.A.	Cracow	work associated with wirings and electric accessories	subsidiary	equity pick-up method	10 Dec. 2001	1 000		1 000	54.5%	54.5%
7.	PROCHEM RPI Sp. z o.o.	Warsaw	development activities	subsidiary	isn't subject to a consolidation	8 April 1998	493		493	96.7%	96.7%

Shares and stocks in subordinated entities – continuation

Item No	a	b						c			d			e	f
		Name of the entity	Equity, including:					Liabilities and reserves for including:	Receivables, including:			Total assets	Revenues from sales		
			Share capital	Spare capital	Other capital, including:		Profit/loss from previous years		Net profit (loss)	Long-term liabilities	Short-term liabilities				
1.	IRYDION Sp. z o.o.	19 850	4 500	15 122	228	173		55				19 547	19 545	2	3 578
2.	PROCHEM INWESTYCJE Sp. z o.o.	4 075	3 000	467	608		608	17 989	4 048	13 941	470		470	22 064	3 593
3.	PRO-ORGANIKA S.A.	217	350		-133	-175	42	2 359	5	2 354	1 650		1 650	2 576	3 079
4.	PREDOM Sp. z o.o.	6 307	600	1 490	4 217		197	1 853	1 180	673	869		869	8 160	4 207
5.	PROCHEM ZACHÓD Sp. z o.o.	1 319	1 600		-281	-271	-10	189		189	8		8	1 510	
6.	ELEKTROMONTAZ KRAKÓW S.A.	23 531	1 600	13 486	8 445		2 488	8 096	1 427	6 669	11 685		11 685	31 627	28 036
7.	PROCHEM RPI Sp. z o.o.	464	600		-136	-144	8	1		1	20		20	465	

Shares and stocks in other entities

Item No.	a	b	c	d	e		f	g
	Name of the entity and legal form	Registered office	Objects of the company	Balance value of shares	Equity	Share capital	% of held capital	Participation in the total number of votes at the General Meeting
1.	Kostrzyńsko Słubicka Specjalna Strefa Ekonomiczna SA	Kostrzyń on the Oder	Consulting on business activity and management	1500	95 560	28 059	5.4%	5.4%
2.	IRYD Sp. z o.o. CONCORDE Investissement S.A. Sp. K.	Warsaw	developing and the sales of real estate on own account	1350	2 300	2 701	50.0%	50.0%

Note No 4 – shares and stocks in entities consolidated under the equity pick-up method

Item No.	a	b	c	d	e	f	g	h	i	j	k
	Name of the entity and legal form	Registered office	Objects of the company	Character of the connection (subsidiary, co-subsidiary, associated, with specifying direct and indirect connections)	Applied consolidation method / valued under the equity pick-up method or showing that entity isn't subject to a consolidation/ estimation under the equity pick-up method	Date of commencement of controlling/ co-controlling/ gaining substantial influence	Value of shares according to the purchase price	Corrections updating the value (total)	Balance value of shares	Percentage of held capital	Participation in the total number of votes at the General Meeting
1.	TEOMA S.A.	Warsaw	performing all building, installation, assembly work at home and abroad	associate	under the equity pick-up method	30 Sept. 2000	1 500	95 512	28 059	5.4%	5.4%
2.	ITEL Sp. z o.o.	Gdynia	making remaining wirings	associate	under the equity pick-up method	13 Sept. 2005	1350	2 300	2 701	50.0%	50.0%

Item No	a	b						c			d			e	f
		Name of the entity	Equity, including:					Liabilities and reserves for including:	Receivables, including:			Total assets	Revenues from sales		
			Share capital	Spare capital	Other capital, including:		Long-term liabilities		Short-term liabilities	Long-term receivables	Short-term receivables				
				Profit/loss from previous years	Net profit (loss)										
1.	TEOMA S.A.	-564	5 050	2 364	-7 978	-7 759	-219	18 370	3 140	15 230	10 260	3 966	6 294	17 806	32 453
2.	ITEL Sp. z o.o.	-178	686	292	-1 156	-55	-1 101	2 349	146	2 203	663		663	2 171	4 100

Shares and stocks in entities consolidated under the equity pick-up method

	As at 31 Dec. 2009	As at 31 Dec. 2008
- shares and stocks	708	708
Net value of shares and stocks	708	708
- revaluating write off covering value of shares or stocks	918	918
Gross value of shares and stocks	1 626	1 626

In 2009 a change in the value of the shares and stocks consolidated under the equity pick-up method didn't take place. In this account year a depreciation didn't take place.

Note No 5 – deferred tax assets

Change in assets on the score of deferred tax

	As at 31 Dec. 2009	As at 31 Dec. 2008
1.Assets on the score of deferred tax at the beginning of the period, including:	742	614
a) taken back to the financial result	685	557
- reserves established to future costs	281	41
- revaluating write off covering value of the amount due	4	5
- unpaid remuneration on account of contracts to order and contracts for performing a specified task or work	43	25
- reserve to costs of the current period concerning the movable part of the remuneration, payment in the next period	168	287
- reserve to pensionary benefits	66	67
- reserve to holiday benefits	83	99
- unpaid contribution to social security benefits (ZUS)	34	32
- unpaid fringe benefits	6	1
b) taken to the equity capital	57	57
- reserve to pensionary benefits	57	57
2.Increase	1461	895
a) taken to the financial result for the period in relation to negative temporary differences (on the score of)	1461	895
- reserves established to further costs	15	262
- unpaid remuneration on the score of contracts to order and contracts for performing a special task or work	30	43
- reserve to costs of the current period concerning the movable part of the remuneration, payment in the next period		149
- reserve to pensionary benefits		32
- reserve to holiday benefits		1
- unpaid contribution to social security benefits (ZUS)		34
- unpaid fringe benefits	3	6
- establishing reserves to the tax loss	1413	368
3.Decrease	606	767
a) taken to the financial result for the period in relation to negative temporary differences (on the score of)	606	767
- exploiting the reserve established to costs	289	22
- exploiting the reserve established to amounts due		1
- paid remuneration on the score of contracts to order and contracts for performing a special task or work, ranked into costs of the previous period	43	25

- payment of the movable part of remuneration, ranked into costs of the previous period	168	268
- payment of pensionary benefits	47	33
- dissolving the reserve to fringe benefits	6	1
- payment of holiday benefits entered in the books into costs of the previous period	19	17
- paid contribution to social security benefits (ZUS) entered in the books into costs of the previous period	34	32
- exploiting the reserve to 1/2 of the tax loss for 2006		368
4. Total assets on the score of deferred income tax for the end of period, including:	1597	742
a) taken to the financial result	1540	685
- reserves established to further costs	7	281
- revaluating write off covering value of the amount due	4	4
- unpaid remuneration on the score of contracts to order and contracts for performing a special task or work	30	43
- reserve to costs of the current period concerning the movable part of the remuneration	0	168
- reserve to pensionary benefits	19	66
- reserve to holiday benefits	64	83
- unpaid contribution to social security benefits (ZUS)		34
- unpaid fringe benefits	3	6
- reserve to the tax loss for 2009	1413	
b) taken to the equity capital in relation to negative temporary differences (on the score of)	57	57
- reserve to pensionary benefits	57	57

Increase on account of coming into existence of temporary differences caused by the dissimilarity of the moment of regarding the cost as borne in accordance with tax regulations as at Dec. 31 2009:

title	value (in PLN thousand)	tax amount (19%) (in PLN thousand)
- reserve established to further costs	79	15
- reserve established to costs of unpaid fringe benefits	16	3
- reserve established to unpaid remuneration for contracts to order and contracts for performing a special task or work	158	30
- reserve established to the tax loss for 2009	7436	1413

Decrease of assets on account of deferred income tax as at 31 Dec. 2009 for:

title	value (in PLN thousand)	tax amount (19%) (in PLN thousand)
- exploited reserves to temporary costs	1521	289
- paid remuneration for contracts to order and contracts for performing a special task or work, included in costs of the previous period	226	43
- payment of the movable part of remuneration, ranked into costs of the previous period	884	168
- payment of pensionary benefits	247	47
- payment of holiday benefits entered in the books into costs of the previous period	100	19
- paid contribution to social security benefits (ZUS) entered in the books into costs of the previous period	179	34
- dissolving the reserve to costs of unpaid fringe benefits	32	6

As at 31 Dec. 2009 the balance of negative temporary differences taken to the financial result comprises:

title	value (in PLN thousand)	tax amount (19%) (in PLN thousand)
- reserve established to further costs	37	7
- revaluating write off of value of amount due	21	4
- reserve established to unpaid remuneration for contracts to order and contracts for performing a special task or work,	158	30
- reserve to pensionary benefits	100	19
- reserve to holiday benefits	337	64
- unpaid fringe benefits	16	3
- reserve to the tax loss for 2009	7436	1413

The expiration date of negative temporary differences is determined as at 31 December of 2010 except for the reserve to pensionary benefits which expiration date is determined as in 2030.

Note No 6 – other financial assets

OTHER FINANCIAL ASSETS

	As at 31 Dec. 2009	As at 31 Dec. 2008
a) In subsidiaries	21 072	18 105
- loans granted	21 072	18 105
Total other financial assets	21 072	18 105

Loans granted – as at 31 December 2008:

- Loan granted to subsidiary IRYDION Sp. z o.o. with registered office in Warsaw in the amount of PLN 14,704 thousand including: loan amount PLN 13,750 thousand, interest set annually according to the WIBOR 6 M, term of a loan - 31.Dec. 2012. The amount of the accrued interest for the balance sheet day is PLN 954 thousand.,
- Loan granted to subsidiary Prochem Inwestycje Sp. z o.o. – in the amount of PLN 3,225 thousand, including: loan amount PLN 3,000 thousand, interest set annually according to the WIBOR 6 M in force at the end of every calendar year, term of a loan - 31 Dec. 2009. The amount of the accrued interest for the balance sheet day is PLN 225 thousand.
- Loan granted to indirect subsidiary IRYD Sp. z o.o. with registered office in Warsaw in the amount of PLN 176 thousand, including: loan amount PLN 170 thousand, interest set annually according to the WIBOR 6 M, term of a loan – 31 Dec. 2010. The amount of accrued interest for the balance sheet day is PLN 6 thousand.

Increase:

- Loan granted to subsidiary Irydion Sp. z o.o. with registered office in Warsaw in the amount of PLN 650 thousand, interest set annually according to the WIBOR 6M, term of a loan – 31 Dec. 2012.
- Loan granted to subsidiary Irydion Sp. z o.o. with registered office in Warsaw in the amount of PLN 2,450 thousand, interest set annually according to the WIBOR 6M, term of a loan – 31 Dec. 2012.
- Accrued interest on the loan granted to the subsidiary Irydion Sp. z o.o. – PLN 649 thousand.
- Accrued interest on the loan granted to Prochem Inwestycje Sp. z o.o. – PLN 132 thousand.

Decrease:

- Repayment a loan by the subsidiary Irydion Sp. z o.o. with registered office in Warsaw, contracted on 4 November 2008 in the amount of PLN 519 thousand, including: loan amount - PLN 500 thousand, interest PLN 19 thousand.
- Part repayment a loan by the subsidiary Irydion Sp. z o.o. with registered office in Warsaw, contracted on 15 April 2009 in the amount of PLN 219 thousand, including: loan amount PLN 200 thousand, interest PLN 19 thousand.
- Reclassification of the loan granted to the company Iryd Sp. z o.o. to short-term assets in the amount of PLN 176 thousand.

Loans granted – as at 31 December 2009:

- Loan granted to subsidiary IRYDION Sp. z o.o. with registered office in Warsaw in the amount of PLN 17,715 thousand, including: loan amount PLN 16,150 thousand. Interest set annually according to the WIBOR 6M, term of a loan – 31 December 2012. The amount of accrued interest for the balance sheet day is PLN 1,565 thousand.
- Loan granted to subsidiary Prochem Inwestycje Sp. z o.o. in the amount of PLN 3,357 thousand including: loan amount PLN 3,000 thousand, the amount of accrued interest PLN 357 thousand. Interest set annually according to WIBOR 6M in force at the end of every calendar year, term of o loan – 31 December 2009.

Note no 7 – stock

STOCK

	As at 31 Dec. 2009	As at 31 Dec. 2008
Materials	3 302	3 734
Total stock	3 302	3 734

Amount of materials taken to the cost of the given period is PLN 332 thousand. In the given financial year an appraisal of materials and goods being on a stock was made. Costs of revaluating write off covering stock amount to PLN 169 thousand and were included in other operating costs.

Note No 8 - Trade receivables and other receivables

TRADE RECEIVABLES AND OTHER RECEIVABLES

	As at 31 Dec. 2009	As at 31 Dec. 2008
Trade receivables		
from related entities	14 525	16 819
- from sales of services, with repayment:	14 525	16 819
- up to 12 months	2 502	1 362
- above 12 months	12 023	15 457
from other entities	36 936	97 913
- from sales of services, with repayment	36 936	95 705
- up to 12 months	28 214	78 612
- above 12 months	8 722	17 093
- advance		2 208
Total net short-term trade receivables	51 461	114 732
revaluating write off covering value of trade receivables	3 248	3 366
Total gross short-term receivables	54 709	118 098
Other receivables		
from related entities	48	79
- with repayment up to 12 months	48	79

from other entities	1 404	2 820
- with repayment up to 12 months	762	901
- on account of taxes, the subsidy, the customs, the social insurance and health and other benefits	642	1 919
Total net short-term other receivables	1 452	2 899
revaluating write off covering other receivables	2 164	2 314
Total gross short-term other receivables	3 616	5 213
Total net short-term trade receivables and other receivables	52 913	117 631
revaluating write off covering value of receivables	5 412	5 680
Total gross short-term trade receivables and other receivables	58 325	123 311

TRADE RECEIVABLES AND OTHER RECEIVABLES FROM RELATED ENTITIES

	As at 31 Dec. 2009	As at 31 Dec. 2008
trade receivables, including:	14 525	16 819
- from subsidiaries	14 525	16 819
other, including:	48	79
- from subsidiaries	47	78
- from associates	1	1
Total net short-term trade receivables and other from related entities	14 573	16 898
revaluating write off covering value of receivables from related entities	508	531
Total gross short-term trade receivables and other from related entities	15 081	17 429

Movement in revaluating write off covering value of trade receivables and other receivables

	As at 31 Dec. 2009	As at 31 Dec. 2008
At the beginning of the period	5 680	3 232
a) increase (on the score of)	79	2 554
- establishment of reserves	79	2 554
b) decrease (on the score of)	347	106
- received payments	347	37
- using the reserve created in previous periods		69
Revaluating write off covering value of short-term trade receivables and other at the end of the period	5 142	5 680

Gross trade receivables and other receivables (monetary structure)

	As at 31 Dec. 2009	As at 31 Dec. 2008
a) in Polish currency	58 191	119 187
b) in foreign currencies (according to currencies and after converting into PLN)	134	4 124
b1.unit/currency USD/th in thousands of PLN	0	1
b2.unit/currency EUR/th in thousands of PLN	32	655
Total short-term trade receivables and other	58 325	123 311

Amounts due from supplies and services (gross)- with remaining repayment period since balance sheet day

	As at 31 Dec. 2009	As at 31 Dec. 2008
a) up to 1 month	3 438	64 975
b) above 1 month to 3 months	3 491	2 207
c) above 3 months to 6 months	450	12 913
d) above 6 months to 1 year	21 676	4 234
e) above 1 year	20 745	16 843
f) amounts overdue	4 909	16 926
Total (gross) amounts due from supplies and services	54 709	118 098
g) revaluating write off covering value of amounts due from supplies and services	3 248	3 366
Total (net) amounts due from supplies and services	51 461	114 732

The balance of amounts due from supplies and services includes also overdue amounts of the balance value of PLN 17,364 thousand from the title of bail on account of statutory warranties, to which the company didn't establish reserves, since a substantial change of the quality of this debt didn't take place, in relation to what still they are being regarded as regained. The company has security in the form of seized bails from the title of statutory warranty from subcontractors in the amount of PLN 16,515 thousand.

In majority of contracts signed by the company the date of payment for services is determined in the period from 14 up to 60 days.

Analysis of age of overdue amounts due on account of supplies and services (gross), overdue (gross) - with the division into amounts due not paid off in the period:

	As at 31 Dec. 2009	As at 31 Dec. 2008
a) up to 1 month	492	2 029
b) above 1 month up to 3 months	495	2 878
c) above 3 months up to 6 months	342	4 317
d) above 6 months up to 1 year	212	5 153
e) above 1 year	3 368	2 549
Total (gross) overdue amounts due on account of supplies and services,	4 909	16 926
f) revaluating write off covering value of amounts due on account of supplies and services, overdue	3 248	3 366
Total (net) overdue amounts due on account of supplies and services	1 661	13 560

Note No 9 – other financial assets

Other financial assets

	As at 31 Dec. 2009	As at 31 Dec. 2008
- due loans from subsidiaries indirectly and directly:	1 561	1 330
- due loans from other entities:	222	204
Total other financial assets	1 783	1 534

Loans granted as at 31 Dec. 2008

- Loans granted to subsidiary PROCHEM ZACHÓD Sp. z o.o. with registered office in Słubice:
 1. Loan in the amount of PLN 50 thousand, interest on a loan established according to the rate of the rediscount credit on an annual basis, term of a loan – 31 Dec. 2008.
 2. Accumulated loan in the amount of PLN 30 thousand, interest set according to the rate of the rediscount credit on an annual basis, term of a loan – 31 Dec. 2008.
- Loan granted to subsidiary PRO ORGANIKA Sp. z o.o. in the amount of PLN 246 thousand, including: loan amount is PLN 155 thousand, amount of the accrued interest as at the balance sheet day is PLN 91 thousand, interest set in the amount of 7 % annually, term of a loan - 31 December 2008.
- Loan granted to indirect subsidiary IRYD Sp. z o.o. in the amount of PLN 1,004 thousand including: loan amount PLN 935 thousand, amount of the accrued interest as at the balance sheet day is PLN 69 thousand, interest set annually according to the WIBOR 6M in force at the end of every calendar year, term of o loan – 31 Dec. 2008.
- Loan granted to the Civil Committee of the Structure of the Cardiological Hospital of the Marshal Józef Piłsudski in Warsaw in the amount of PLN 204 thousand, including; loan amount is PLN 132 thousand, amount of the accrued interest is PLN 72 thousand, interest set in the amount of statutory interest, term of a loan – 30 June 2008.

Increase

- Interest accrued on the loan granted to IRYD Sp. z o.o. in the amount of PLN 41 thousand,
- Interest accrued on the loan granted to Pro Organika Sp. z o.o. in the amount of PLN 13 thousand,

- Interest accrued on the loan granted to the Civil Committee of the Structure of the Cardiological Hospital in the amount of PLN 18 thousand,
- Loan granted to indirect subsidiary IRYD Sp. z o.o. with registered office in Warsaw in the amount of PLN 176 thousand, including: loan amount PLN 170 thousand, interest set annually according to the WIBOR 6M, term of a loan 31 Dec. 2010. Amount of accrued interest as at the balance sheet day is PLN 6 thousand - reclassification from long-term assets,
- Interest accrued on the loan granted to company Iryd Sp. z o.o. in the amount of PLN 7 thousand.

Decrease

- payment of the interest of the granted loan by the subsidiary Pro Organika Sp. z o.o. in the amount of PLN 6 thousand.

Loans granted as at 31 Dec. 2009

- Loans granted to subsidiary PROCHEM ZACHÓD Sp. z o.o. with registered office in Słubice:
 1. Loan in the amount of PLN 50 thousand, interest on a loan established according to the rate of the rediscount credit on an annual basis, term of a loan – 31 Dec. 2010.
 2. Accumulated loan in the amount of PLN 30 thousand, interest set according to the rate of the rediscount credit on an annual basis, term of a loan – 31 Dec.2010.
- Loan granted to subsidiary PRO ORGANIKA Sp. z o.o. in the amount of PLN 252 thousand, including: loan amount is PLN 155 thousand, amount of the accrued interest as at the balance sheet day is PLN 97 thousand, interest set in the amount of 7 % annually, term of a loan - 31 December 2010.
- Loan granted to indirect subsidiary IRYD Sp. z o.o. in the amount of PLN 1,045 thousand including: loan amount PLN 935 thousand, amount of the accrued interest as at the balance sheet day is PLN 110 thousand, interest set annually according to the WIBOR 6M in force at the end of every calendar year, term of o loan – 31 Dec. 2010.
- Loan granted to the Civil Committee of the Structure of the Cardiological Hospital of the Marshal Józef Piłsudski in Warsaw in the amount of PLN 222 thousand, including; loan amount is PLN 133 thousand, amount of the accrued interest is PLN 89 thousand, interest set in the amount of statutory interest, term of a loan – 30 June 2010.
- Loan granted to indirect subsidiary IRYD Sp. z o.o. with registered office in Warsaw in the amount of PLN 184 thousand, including: loan amount PLN 170 thousand, interest set annually according to the WIBOR 6M, term of a loan 31 Dec. 2010. Amount of accrued interest as at the balance sheet day is PLN 14 thousand.

Note No 10 – other assets

Other assets (by types)

	As at 31 Dec. 2009	As at 31 Dec. 2008
a) active accrued costs and prepayments	402	422
- costs of property and personal insurance	120	146
- maintenance costs of softwares	223	175
- subscriptions	28	33
- advertisement		12
- initial rent from leasing agreements	21	44
- other	10	12
b) other accrued costs and prepayments	12 779	10 605
- surplus of the receivables on account of production not completed above advance payments	12 779	10 605
Total other assets	13 181	11 027

In the item – other accrued costs and prepayments – an evaluation of construction contracts for building was included, being under the accomplishment as at the balance sheet day.

Note No 11 – share capital

SHARE CAPITAL (THE STRUCTURE)							
Series/ emission	Type of the share	Nature of share preference	Number of shares	Value of series/emission according to the nominal value	Way of covering capital	Registration date	Dividend right (from the date)
Founding	registered	3 votes	1840	1840	cash	23.07.1991	01.10.1991
Founding	registered	For 1 share	15 754	15 754	cash	23.07.1991	01.10.1991
Founding	bearer		1 799 906	1 799 906	cash	23.07.1991	01.10.1991
B	registered		5 250	5 250	cash	29.07.1993	01.01.1993
B	bearer		677 250	677 250	cash	29.07.1993	01.01.1993
C	bearer		530 000	530 000	cash	20.04.1994	01.01.1994
D	bearer		870 000	870 000	cash	05.09.1994	01.01.1994
Total number shares			3 900 000				
Total share capital				3 900 000			
Nominal value of 1 share = PLN 1							

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 Shareholders Meeting

Description	number of shares (units)	% of votes of total number of votes	of capital share
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, of which ING Parasol Specjalistyczny Fundusz Inwestycyjny Otwarty	228,950	5.86	5.87
4.Union Investment Towarzystwo Funduszy Inwestycyjnych S.A.	345,000	8.84	8.85
5.PTE PZU S.A.	325,521	8.34	8.35
6.Legg Mason Zarządzanie Aktywami SA	201,948	5.17	5.18

In the period from transmitting the previous annual report the change in the structure the ownership of considerable share packets of the issuer concerns:

1. Prochem Holding Sp. z o.o. - the number of the shares possessed was reduced by 37,659 units. It means reducing the percentage share in the total number of votes by 0.97 % and of share in the equity capital by 0.96 %.
2. PTE PZU S.A. – the number of shares possessed was increased by 31,080 units. It means increase of the percentage share in the total number of votes and os share in the equity capital by 0.80%
3. Millenium Towarzystwo Funduszy Inwestycyjnych SA on 17 March 2010 sold the part to the Issuer's share, as a result of which reducing the share in the Company took place below 5%. After the transaction the fund announced that was in the possession of 166 553 shares what constitute the 4.2706 % of share in the capital and the 4.2666 % share in the total number of votes.
4. On 17 March 2010 Legg Mason Zarządzanie Aktywami S.A., acquired for the account of the Fundusz Własności Pracowniczej Polskich Kolei Państwowych SFIO and Legg Mason Akcji skoncentrowany FIZ shares of company PROCHEM. As at this day on an account of the Fund are being found 201,948u units of company shares what constitute 5.18% of capital of the company and the 5.17% of total number of votes.

In 2009 the Issuer purchased 3,000 units of shares with the aim of redemption. the average unit price of acquiring of shares amounted to PLN 15.50 per 1 unit. The nominal value of purchased shares amounts to PLN 3 000.

As at the day of drawing the information up 5,000 own shares purchased for the purpose of redemption are in possession of PROCHEM S.A. what constitutes 0.13 % of the share capital and gives 5,000 votes at the General Meeting of Shareholders i.e. 0.13 %.

Note No 12 – spare capital

Spare capital

	As at 31 Dec. 2009	As at 31 Dec. 2008
a) from the sale of shares above their nominal value	14 037	14 037
b) created by law	172	172
c) other (by type)	603	603
- value of the participation brought in in the form of assets	72	72
- moving the difference of the net value, incurred as a result of the revaluation of fixed assets in case of their sale or liquidation	531	531
Total spare capital	14 812	14 812

Note No 13 – other capital reserves

Other capital reserves (according to the aim of the allocation)

	As at 31 Dec. 2009	As at 31 Dec. 2008
- reserve fund allocated for investments	45 432	44 048
- reserve fund allocated for purchase with the aim of redemption	1 011	1 011
Total other capital reserves	46 443	45 059

Pursuant to the resolution No. 5 of the Ordinary General Meeting of Shareholders from 6 June 2009 the profit for 2008 in the amount of PLN 1,384 thousand was assigned for the reserve capital.

Note No 14 – reserve on the account of deferred tax provision

Movement in the reserve on the account of deferred tax provision

	As at 31 Dec. 2009	As at 31 Dec. 2008
1. Reserve on the account of deferred tax provision at the beginning of the period, including:		
a) taken to financial result	857	563
- accrued interest from the loan	857	563
- update of long-term financial assets	300	107
- depreciation of long-term financial assets	136	136
- depreciation of fixed assets covered by investment allowance	3	50
- estimation of the income tax liability in Hungary		165
- income from performing uncompleted service	373	65
- difference between the instalment of the operating lease and the leased fixed assets depreciation included in costs	45	40
2. Increase	1 081	603
a) taken to financial result for the period on account of positive transition differences (on account of)		
- accrued interest from the loan	1 081	603
- income from performing uncompleted service	164	193
- difference between the instalment of the operating lease and the leased fixed assets depreciation included in costs	803	372
3. Decrease	114	38
a) taken to financial result for the period on account of positive transition differences (on account of)		
- paid interest from the loan	457	309
- depreciation of fixed assets covered by investment allowance	28	47
- estimation of the income tax liability in Hungary	3	165
- income from performing uncompleted service	373	64

- difference between the instalment of the operating lease and the leased fixed assets depreciation included in costs	53	33
4. Total reserve on the account of deferred tax provision at the end of the period	1 481	857
a) taken to financial result	1 481	857
- accrued interest from the loan	436	300
- using the update of long-term financial assets	136	136
- depreciation of fixed assets covered by investment allowance		3
- income from performing uncompleted service	803	373
- difference between the instalment of the operating lease and the leased fixed assets depreciation included in costs	106	45

Decrease and increase of reserve on account of deferred tax provision concern the following groups of assets and liabilities:

Title	base of calculating the reserve (in th. PLN)	tax provision (rate 19%) in th. PLN
I. Increase on account of transition differences for:		
- accrued interest from the loan	863	164
- difference between the instalment of the operating lease and the leased fixed assets depreciation included in costs	600	114
- income from performing uncompleted service(margin)	4 226	803
II. Decrease on account of reversals of transition differences (exploiting the reserve to the deferred income tax) for:		
- depreciation of fixed assets covered by investment allowance	16	3
- income from performing uncompleted service	1 963	373
- paid accrued interest from the loan	147	28
- difference between the instalment of the operating lease and the leased fixed assets depreciation included in costs	279	53

Title	As at 01.01.2009 in th. PLN	Tax amount in th. PLN	As at 31.12.2009 in th. PLN	Tax amount in th. PLN
- Value of fixed assets covered by investment allowance	16	3		
- Accrued interest from the loan	1,578	300	2,294	436
- Difference between the instalment of the operating lease and the leased fixed assets depreciation included in costs	237	45	558	106
- income from performing uncompleted service (margin)	1,963	373	4,227	803
- update of long-term financial assets	716	136	716	136

Total amount of transition differences connected with investments in subordinated entities, to which tax provisions were created amount to PLN 80 thousand and concern:

- interest on long-term loans granted to subsidiaries – PLN 243 thousand,
- interest on short-time loans granted to subsidiaries and associates - PLN 30 thousand.

Note No 15 – other long-term liabilities

Other long-term liabilities	As at 31 Dec. 2009	As at 31 Dec. 2008
a) to remaining entities	253	1 012
- agreements of the financial lease	253	1 012
Total long-term liabilities	253	1 012

Note No 16 - Short-term loans and bank credits

Credits in overdraft – secured	As at 31 Dec. 2009	As at 31 Dec. 2008
	2 620	1

Credits from financial institutions (banks) with the fixed interest determined as WIBOR plus the profit margin, with maturity periods not exceeding one year from the balance sheet day.

The company is securing the repayment of this credit with promissory notes blank and with authorization.

Note No 17 – trade liabilities

Trade liabilities	As at 31 Dec. 2009	As at 31 Dec. 2008
a) to subsidiaries	2 071	4 000
- on account of supplies and services of the maturity period:	2 071	4 000
- up to 12 months	1 673	3 150
- above 12 months	398	850
b) to associates	21	
- on account of supplies and services of the maturity period:	21	
- up to 12 months	21	
c) to remaining entities	39 632	93 444
- on account of supplies and services of the maturity period:	39 632	93 444
- up to 12 months	22 426	73 167
- above 12 months	17 206	20 277
Total trade liabilities	41 724	97 444

Note No 18 – other liabilities

Other liabilities	As at 31 Dec. 2009	As at 31 Dec. 2008
a) to remaining entities	1 627	3 896
- on account of taxes, the customs, the social insurance and other benefits	541	2 556
- on account of the remuneration	135	320
- other (by types)	951	1 020
obligations to employees		28
to shareholders	2	2
liabilities arising from the leasing	723	677
other	226	313
b) remaining short-term reserves	1 662	8 655
- reserve to costs entered in the books to the current year on the basis of invoices received in the next year		3
- reserve to costs entered in the books to the previous year, applying to long-term contracts	0	3 389
- reserve to costs of penalties entered in the books to the previous year, applying to long-term contracts	1 124	3 635

- provision for future expenses - movable part of the remuneration	0	882
- costs of the audit	44	51
- short-term reserve to post-retirement benefits	112	262
- reserve to back leaves	382	433
c) special funds	609	710
Total other liabilities	3 898	13 261

Note No 19 – deferred income

Deferred income		
	As at 31 Dec. 2009	As at 31 Dec. 2008
- deferred income entered in the books	225	2 334
- received subsidies		4
Total other short-term liabilities	225	2 338

Explanatory notes to Profit and Loss Account and Statement of Total Income drawn up for the period from 1 January 2009 to 31 December 2009

Note No 20 – net income from sales of services

Net income from sales of services (material structure - type of activity)

	For the period from 1 January 2009 to 31 December 2009	For the period from 1 January 2008 to 31 December 2008
- income from sales of services	103 980	285 814
- of which: from related entities	3 305	6 882
Total net income from sales of services	103 980	285 814
- of which: from related entities	3 305	6 882

Net income from sales of services (territorial structure)

	For the period from 1 January 2009 to 31 December 2009	For the period from 1 January 2008 to 31 December 2008
a) domestic	103 684	283 445
- of which: from related entities	3 305	6 882
b) export	296	2 369
Total net income from sales of services	103 980	285 814
- of which: from related entities	3 305	6 882

Note No 21 – net income from sales of goods and materials

Net income from sales of goods and materials (material structure - type of activity)

	For the period from 1 January 2009 to 31 December 2009	For the period from 1 January 2008 to 31 December 2008
- income from sales of goods	1 724	3 943
- income from sales of materials	4	
Total net income from sales of goods and materials	1 728	3 943

Net income from sales of goods and materials (territorial structure)

	For the period from 1 January 2009 to 31 December 2009	For the period from 1 January 2008 to 31 December 2008
a) domestic	6	3 943
b) export	1 722	
Total net income from sales of goods and materials	1 728	3 943

Note No 22 – cost of sales

Costs by types

	For the period from 1 January 2009 to 31 December 2009	For the period from 1 January 2008 to 31 December 2008
Total costs by type		
a) depreciation	2 234	2 692
b) material and energy consumption	1 074	1 232
c) out-sourced services	84 287	240 216
d) taxes and payments	109	117
e) remunerations	18 762	24 549
f) social insurance and other benefits	3 034	3 896
g) other costs by type (acc. to titles)	1 206	1 719
- property insurance and personal	443	571
- business trips	279	553
- State Fund for Rehabilitation of Disabled Persons PFRON	183	195
- other	301	400
Total costs by types	110 706	274 421
Movement in stocks, goods and accrued costs and prepayments	-3 463	2 769
General and administrative expenses (negative value)	-6 644	-8 299
Cost of products sold	100 598	268 891

Note No 23 – other income

Other income

	For the period from 1 January 2009 to 31 December 2009	For the period from 1 January 2008 to 31 December 2008
profit from sales of non-financial durable goods	43	173
reversals of revaluating write off (on account of)	210	36
- covering amounts due	210	36
other, of which:	1 662	278
- reimbursement of costs of judicial proceedings	23	29
- received compensations, fines and penalties	1 406	95
- income from company car hire	112	111
- accounting for stock-taking		5
- making a list of prescribed obligations	79	17
- other	42	21
Total operating income	1 915	487

Note No 24 – other costs

Other costs

	For the period from 1 January 2009 to 31 December 2009	For the period from 1 January 2008 to 31 December 2008
creation of revaluating write off (on account of)	247	2 555
- receivables	78	2 555
- value of stock	169	
other, of which:	4 327	5 328
- donations	1	4
- costs of judicial proceedings	163	157
- write off covering barred claims	61	
- paid compensations, fines and penalties	4 077	5 147
- other	25	20
Total operating costs	4 574	7 883

Note No 25 – financial income

Financial income	For the period ended on 31 December 2009	For the period ended on 31 December 2008
income on account of dividends and shares in the profits:		
- from subsidiaries	1 876	176
accrued interest from the loan:	1 876	176
- from subsidiaries	859	1 014
- from associates	842	995
- from other entities	17	19
other interest	105	490
- from other entities	105	490
surplus of positive exchange differences		1 219
- reversal of write off created for covering financial operations	137	
others, of which:	418	
- valorizing remuneration	406	
- remuneration for the credit collateral	12	
Total financial income	3 395	2 899

Note no 26 – financial costs

Financial costs	For the period ended on 31 December 2009	For the period ended on 31 December 2008
interest on credit and loans	162	133
- for other entities	162	133
other interest	75	87
- for other entities	75	87
surplus of exchange losses	315	
other, acc. to titles:	301	319
- commissions from bank guarantees	179	252
- commissions from credit	97	36
- commission from letter of credit		9
- initial rent from leasing agreements	25	22
Total financial costs	853	539

Note No 27 – corporate income tax

	For the period ended on 31 December 2009	For the period ended on 31 December 2008
1. Gross profit (loss)	- 3 345	3 790
2. Differences between the gross profit (loss) and tax base for income tax (according to titles)	- 4 091	2 765
a) income which are not ranked among the tax income	- 15 915	- 12 177
- accrued interest from loan granted and deposits	- 830	-1 014
- dissolving the reserve to amounts due not constituting tax deductible expenses in previous periods	- 347	- 36
- other expenses not ranked among to tax deductible expenses in previous periods	3	-6
- income entered in the books from performing the not completed production	-12 865	-10 945
- received dividends	-1 876	-176
b) tax income which were included as the income in assessment periods	10 696	4 828
- received interest	5	

- income from contracts finished in part which in the previous year didn't constitute the income	10 945	9 132
- income ranked according to accounting rules to the income of the current year taxed in the previous year	-340	- 4 644
- income invoiced and ranked according to accounting rules among the income of the next year	86	340
c) costs not being expenses deductible from tax	1 128	12 008
- depreciation expense and intangible assets amortisation covered by investment allowance	15	23
- depreciation expense not ranked among tax deductible expenses	78	79
- State Fund for Rehabilitation of Disabled persons	183	179
- membership fee	7	23
- donations	0	4
- provision for future expenses	-2 173	2 254
- passenger cars insurance in part exceeding set limit	6	17
- difference between the calculated depreciation of fixed assets used on the basis of the leasing agreement and paid leasing instalment	-15	-189
- revaluating write off of value of the amount due	79	2 555
- revaluating write off of value of stock	169	
- other costs BFP – paid in next month	-69	227
- provision for audit fees	-38	
- contributions from the title of the social insurance not paid to Social Insurance Office (ZUS)	-178	178
- deferred expense – domestic production in progress	8 612	8 987
- deferred expense–production in progress in Hungary	-1 846	-4 469
- domestic production in progress as at 31 Dec. 2008 taxed in 2009	-4 518	-3 625
- costs not being expenses deductible from tax in previous periods	-286	-2 109
- other costs not ranked among tax costs	492	376
- interest up to budget	1	2
- surplus of costs incurred on activity in Hungary	610	7 496
d) deduction from income	0	1 894
loss from previous years		1 894
4. Base for income tax	-7 436	6 555
5. Income tax according to rate 19 % on territory of Poland		1 246
6. Income tax paid in Hungary	3	0

Deferred income tax disclosed in the profit and loss account

	For the period ended on 31Dec 2009	For the period ended on 31 Dec 2008
- decrease (increase) on account of the coming into existence and reversing of transition differences	-230	533
Total deferred income tax	-230	533

Note No 28 - operation segments

Analysis of the income and the performance of the company in individual segments covered by the report were described below:

For the period from 1 Jan. 2009 to 31 Dec. 2009	General contracting	Engineering and design	Investor's supervision and contract engineer	Rental of construction equipment	Other	Items not assigned	Total
Income for external customers	67 520	30 061	2 306	3 927	1 894		105 708
Total income of the segment	67 520	30 061	2 306	3 927	1 894	0	105 708
Result							
Profit (loss) of the segment	-11 060	6 685	52	27	348	-3 294	-7 243
Profit (loss) from activity continued before tax and financial costs	-11 060	6 685	52	27	348	1 356	-5 887
Net financial income						2 542	2 542
Profit (loss) before taxes	-11 060	6 685	52	27	348	603	-3 345
Income tax							-227
Profit (loss) for the current period							-3 118
Assets and liabilities							
Assets of the segment	42 847	4 323	482	3 548	59	1 654	52 913
Assets not assigned						60 369	60 369
Total assets	42 847	4 323	482	3 548	59	62 023	113 282
Liabilities of the segment	37 658	1 288	241	92	39	2 403	41 721
Liabilities not assigned						8 763	8 763
Equity						62 798	62 798
Total liabilities and equity	37 658	1 288	241	92	39	73 964	113 282
Other information related to segment							
Investment outlay:							
On tangible assets				5	104	22	131
Depreciation expense	230	338	34	268		950	1 820
Amortisation of intangible assets value						414	414

Operation segments- continuation

For the period from 1 Jan. 2009 to 31 Dec. 2009	General contracting	Engineering and design	Investor's supervision and contract engineer	Rental of construction equipment	Other	Items not assigned	Total
Income for external customers	242 492	34 008	3 995	7 839	1 423		289 757
Total income of the segment	242 492	34 008	3 995	7 839	1 423		289 757
Result							
Profit (loss) of the segment	-742	5 574	909	2 414	671	-3 635	5 191
Profit (loss) from activity continued before tax and financial costs	-742	5 574	909	2 414	671	-7 396	1 430
Net financial income						2 360	2 360
Profit (loss) before taxes						-5 036	3 790
Income tax							1 779
Profit (loss) for the current period							2 011
Assets and liabilities							
Assets of the segment	92 784	23 126	1 815	3 325	315		121 365
Assets not assigned						60 383	60 383
Total assets	92 784	23 126	1 815	3 325	315	60 383	181 748
Liabilities of the segment	76 865	19 617	407	2 734	159		99 782
Liabilities not assigned						15 510	15 510
Equity						66 456	66 456
Total liabilities and equity	76 865	19 617	407	2 734	159	81 966	181 748
Other information related to segment							
Investment outlay:							
On tangible assets	335	485		165	50	553	1 588
On intangible assets						515	515
Depreciation expense	232	300	18	521		1 197	2 268
Amortisation of intangible assets value						667	667

For the purposes of the management company's activity is divided into four operation departments – General contracting, engineering and design, investors's supervision with contract engineer service and rental of construction equipment.

All assets used by the segment which comprise mainly receivables, supplies 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 reached abroad in the period from 1 January 2009 to 31 December 2009 amounted to PLN 2,018 thousand, that is 1.9 % of revenue from sales products, services and goods, and in the corresponding period of previous year to PLN 2,369 thousand that is 0.8 % of income from this sale.

Note No 29 – profit per one share

Net profit (loss) per 1 share in trading for the balance sheet day amounts to PLN 0.83.

	For the period from 1 Jan.2009 to 31 Dec.2009	For the period from 1 Jan.2008 to 31 Dec. 2008
Weighted average number of ordinary shares (units)	3 895 000	3 900 000
Profit (loss) per one ordinary share (in PLN/1 share)		
from activity continued	-0.80	0.52
Total income per 1 ordinary share (in PLN/1 share)		
from activity continued	-0.80	0.52

Note No 30 - profit distribution

Net profit of the Issuer for 2008 in the amount of PLN 2, 010,570.14 with Resolution No. 5 of the Ordinary Meeting of Shareholders from 6 June 2009 was divided as follows:

- dividend	PLN 506,350.00
- capital reserve	PLN 1,413,974.48
- charity purposes	PLN 30,000.00
- loss coverage from previous years	PLN 90,215,66

An arithmetical error appeared in the Resolution of the General Meeting of Shareholders - in the item - reserve capital - was written down wrong amount of PLN 1,413,974.48 should be PLN 1,384,004.48 A proper amount of PLN 1,384,004.48 was being carried forward to capital. Arithmetical error which appeared in the Resolution No. 5 of General Meeting will be corrected on the General Meeting of Shareholders approving the financial statement for 2009.

Management Board of Prochem S.A. proposes to cover the loss for the 2009 from the reserve capital.

Note No 31 – dividends

The Ordinary General Meeting of Shareholders on 6 June 2009 passed a resolution in the matter of the payment of dividend from the profit for 2008 in the amount of PLN 506 thousand that is PLN 0.13 per one share. The day of the dividend right was set on 22 June 2009 and payday on 13 July 2009.

In 2008 the dividend was paid out from 2007 net profit in total amount of PLN 2,730 thousand. That is PLN 0.70 per 1 share.

Note No 32 – transactions with affiliates

Transactions with subsidiaries

As at 31 December 2009 settlements of the issuer with subsidiaries directly and indirectly developed as follows:

Long-term loans receivables - PLN 21,072 thousand (including interest PLN 1,922 thousand)

Short-term loans receivables – PLN 1,561 thousand (including interest PLN 201 thousand)

Trade receivables and other receivables – PLN 14,573 thousand

Trade liabilities – PLN 2,072 thousand.

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

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

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

The income on account of interest on loans amounted to PLN 843 thousand.

The received dividends amounted to PLN 1,876

Transactions with associates

In the period from 1 January 2009 to 31 December 2009 the following transactions of the Issuer with associates took place:

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

Total income from these transactions amounts to PLN 55 thousand.

As at 31 December 2009 settlements of the Issuer with associated companies directly and indirectly developed as follows:

Trade receivables and other receivables – PLN 1 thousand

Trade liabilities – PLN 21 thousand

Nota No 33 - additional disclosures to the cash flow statement

Cash appearing in balance-sheet was ranked among cash taken to the cash flow statement.

The following statement depicts the structure of cash (in PLN thousand)

	As at 1 Jan 2009	As at 31 Dec 2009	Change
1) Cash on hand	62	94	32
2) Cash at bank account	10 447	2,951	-7,496

Operational activity comprises basic activity and turnovers from the other operational activity.

Investing activity comprises turnovers in the scope of investment in property, plant and equipment, intangible assets, capital investments and securities for the trading.

Credits and bank loans granted and paid off are being ranked among the financial activity.

Differences between amounts set directly from the report but disclosed in the report of flows result from moving individual notes from the operational activity for the investment activity and financial activity.

They concern following balance sheet items:

Change in short-term receivables	PLN 61,417 thousand
Receivables as at 1 January 2009	PLN 117,631 thousand
Oter assets as at 1 January 2009	PLN 11,027 thousand
Amounts due from sold fixed assets	PLN (41) thousand
Opening balance sheet after corrections	PLN 127,617 thousand
Receivables as at 31 December 2009	PLN 52,421 thousand

Other assets as at 31 Dec. 2009	PLN 14,834 thousand
Amounts due from sold fixed assets	PLN (55) thousand
After corrections	PLN 67,200 thousand
Change in short-term liabilities (except for loans and credits) and special purpose funds	PLN 66,332 thousand
Liabilities as at 1 January 2009	PLN 97,444 thousand
Other liabilities as at 1 January 2009	PLN 14,196 thousand
Investment liabilities	PLN (2) thousand
Liabilities arising from of the operating lease	PL:N (619) thousand
Liabilities arising from credit	PLN (1) thousand
Obligations to shareholders	PLN (2) thousand
Opening balance sheet after corrections	PLN 111,016 thousand
Liabilities as at 31 December 2009	PLN 41,409 thousand
Other liabilities as at 31 December 2009	PLN 6,250 thousand
Liabilities arising from credit	PLN (2,620) thousand
Obligations to shareholders	PLN (2) thousand
Liabilities arising from of the operating lease	PLN (668) thousand
Balance sheet cut-off as at 31 December 2009	PLN 44,369 thousand

Other corrections aren't significant for the presentation of the cash flow statement. The cash flow statement was drawn up with indirect method.

Note No 34 – contingent liability and contingent assets

Contingent liability - these are bank performance guarantees, of return of the advance payment, payments and tender and b/e guarantees of the good workmanship of the agreement amounting to as at:

Description	As at 31 Dec. 2009	As at 31 Dec. 2008
Bank performance guarantee	8 611	25 149
Guarantee of return of the advance payment	1 753	3 333
B/e guarantees of the good workmanship of the agreement	197	12 127
Guarantee of payment		883
Tender guarantee	445	420
Total	11 006	41 912

In 2009 the issuer recorded the decrease in contingent liabilities for the amount of PLN 30 906 thousand.

Moreover in 2009 the Issuer guaranteed a bank loan for subsidiary indirectly and for associate. The total amount of guaranteed credit amounts to PLN 1,500 thousand with the payment deadline in 2010.

Contingent amounts due – are bank performance guarantees amounting to as at:

As at 31 Dec. 2009 in PLN thousand	As at 31 Dec. 2008 in PL:N thousand
10 258	23 915

PROCHEM S.A. is still a party in the lawsuit regarding settlement of accounts for the contract given up on the day 10.11.2005 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. PROCHEM S.A. filed a suit demanding the payment of PLN 41,301 thousand as the final settlement of contract. PERN S.A. filed a counter-claim against PROCHEM S.A. demanding the payment of PLN 129,444 thousand as the settlement of contract. On 18 January 2008 District Court in Warsaw delivered a judgment regarding this case by virtue of which rejected a claim filed by PROCHEM S.A. (Consortium GRI) and also refused a counter-claim filed by PERN "Przyjaźń" S.A. It results from grounds for a judgement delivered by Court that:

- The Court admitted a claim for payment of the amount of PLN 41,301 thousand by PERN "Przyjaźń" S.A. as being rightful as for the principle, at the same time the Court judged, that this liability wasn't still due
- The Court acknowledged that there is no ground for admission of a counter-claim filed by PERN "Przyjaźń" S.A.

After getting acquainted with the grounds for the judgment in writing PROCHEM S.A. lodged an appeal from this judgement in this part, in which the District Court declared claim for the payment of the amount of PLN 41,301 thousand by PERN "Przyjaźń" S.A. premature and still undue and in this part in which PROCHEM S.A. demanded taking over by PERN "Przyjaźń" S.A. obligation towards contractors/suppliers to return guarantee deposits.

PERN "Przyjaźń" S.A. lodged too an appeal from the judgement, in which District Court rejected their claim from filed counter-claim.

On 26 August 2008 Court of Appeal in Warsaw delivered a judgement regarding an appeal lodged by PROCHEM S.A. from the judgement of District Court of 18 January 2008 regarding case at law against PERN S.A. for payment of amount of PLN 41 301 495.22 as the final settlement of contract for construction management of an investment project under the name "Pipeline in a section from the ST- 1 Adamowo - to raw material base Plebanka".

Court of Appeal in mentioned above judgement decided to relegate the case to the District Court for decision by making settlement of accounts for the mentioned above contract. It results among others from the grounds delivered by Court of Appeal that claim filed by PROCHEM S.A. regarding settlement of accounts for contract is not premature as it was earlier recognised by the District Court. Apart from that the Court of Appeal stated that settlement of accounts for the contract should be made pursuant to the provisions of the contract. This establishment is in compliance with position in a case of PROCHEM S.A.

Against above decision PERN S.A. lodged the petition for the cassation into the Supreme Court. On the meeting on 15 January 2010 the Supreme Court dismissed the petition for the cassation stating the lack of reasonable bases in it, requiring the evaluation with reference to the appealed part of the judgment. At present the dossier is in a District Court in Warsaw, and sides are waiting for setting the date of the trial.

The value of these proceedings exceeds the 10 % of equity of the 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 Issuer.

Note No 35 – post balance-sheet events

After the balance sheet day in the associate ITEL Sp. z o.o. with registered office in Gdynia a share capital has been risen by the amount of PLN 605.5 thousand.

PROCHEM RPI Sp. z o.o. the subsidiary of PROCHEM S.A. took 86 shares to the value of PLN 301 thousand what is giving 23.3 % share in the capital and the right to vote.

The direct participation of PROCHEM S.A. and the indirect participation through the company Prochem RPI Sp. z o.o. in capital and the right to vote of the company ITEL constitute 42.01 %.

On 19 March 2010 the Issuer purchased 4 520 shares of subsidiary Elektromontaż Kraków S.A. of the nominal value of PLN 5 each. The total purchase price for shares amounted to PLN 113,000. After the effected transaction participation of PROCHEM S.A. in capital and votes of the company Elektromontaż Kraków SA constitutes 55.86%

Note No 36 - approval of the financial statement

This financial statement for 2009 is approved by Management Board of PROCHEM S.A.

Notes to Financial Statement

Executive compensation

The amount of executive compensation paid to members of the Management Board in 2009 in the enterprise of the Issuer in 2009:

1. Jarosław Stępniewski - PLN 413 thousand, including remuneration set from the profit in 2008 and amounting to PLN 20 thousand
2. Marek Kiersznicki - PLN 364 thousand, including remuneration set from the profit in 2008 and amounting to PLN 18 thousand
3. Krzysztof Marczak - PLN 363 thousand, including remuneration set from the profit in 2008 and amounting to PLN 18 thousand

The amount of executive compensation paid to members of the Supervisory Board in 2009 in the enterprise of the Issuer in 2009:

1. Andrzej Karczykowski - PLN 46 thousand, including remuneration set from the profit in 2008 and amounting to PLN 16 thousand
2. Krzysztof Obłój - PLN 46 thousand, including remuneration set from the profit in 2008 and amounting to PLN 16 thousand
3. Marek Garliński - PLN 38 thousand, including remuneration set from the profit in 2008 and amounting to PLN 8 thousand
4. Dariusz Krajowski-Kukiel - PLN 38 thousand, including remuneration set from the profit in 2008 and amounting to PLN 8 thousand
5. Steven Tappan - PLN 38 thousand, including remuneration set from the profit in 2008 and amounting to PLN 8 thousand

Financial rewards for the members of management boards and supervisory boards in companies being included in a capital group for services rendered in 2009:

- | | |
|-------------------------|-----------------|
| 1. Jarosław Stępniewski | PLN 52 thousand |
| 2. Krzysztof Marczak | PLN 44 thousand |

Signatures of the Management Board members

26 March 2010	Jarosław Stępniewski	Chairman
date	full name	position
26 March 2010	Marek Kiersznicki	Vice Chairman
date	full name	position
26 March 2010	Krzysztof Marczak	Management Board Member
date	full name	position

Signature of the person to whom the bookkeeping was entrusted

26 March 2010	Krzysztof Marczak	Financial Director
date	full name	position