

REPORT FOR THE THIRD QUARTER OF 2017

Contents:

- Interim condensed consolidated financial statements of the Capital Group of PROCHEM S.A. as at and for the period of 9 months ended 30 September 2017
- Financial information of PROCHEM S.A.

and

- Selected financial data
- Statement of the Management

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PROCHEM S.A.
Łopuszańska 95 Street
02-457 Warsaw

Selected financial data

Revenues from sales and profit expressed in PLN and the statement of cash flows are translated into EURO at the exchange rate set as the arithmetic mean of average exchange rates announced by the Chairman of the National Bank of Poland on the last day of each month and amounted to:

- For three quarters of 2017 - 4.2566 PLN/EUR
- For three quarters of 2016 - 4.3688 PLN/EUR

The data in balance sheet were translated at the average exchange rate announced by the Chairman of the National Bank of Poland as at the date of financial statements, which as at balance sheet date amounted to:

- 4.3091 PLN/EUR as at 30 September 2017
- 4.4240 PLN/EUR as at 31 December 2016

Selected financial data of PROCHEM S.A. Capital Group

Description	Reporting period ended 30 September		Reporting period ended 30 September	
	2017	2016	2017	2016
	In PLN thousands		In EURO thousands	
Consolidated statement of profit and loss				
Revenues from sales	82 559	127 900	19 394	29 276
Gross profit on sales	7 477	-10 993	1 757	-2 516
Results from operating activities	6 587	-22 250	1 547	-5 093
Before tax profit	7 007	-24 167	1 646	-5 532
Profit for the period assigned to:	7 220	-20 319	1 696	-4 651
Shareholders of parent entity	7 142	-20 389	1 678	-4 667
Non-controlling interest	78	70	18	16
Profit/diluted profit per one share (in PLN//EURO)- assigned to shareholders of parent company	1.83	-5.23	0.43	-1.20
Consolidated statement of cash flows				
Net cash provided by (used in) operating activities	-5 142	-11 376	-1 208	-2 604
Net cash provided by (used in) investing activities	1 271	3 727	299	853
Net cash provided by (used in) financing activities	3 542	-11 222	832	-2 569
Total cash flow, net	-329	-18 871	-77	-4 319

Description	As at		As at	
	30 September 2017	31 December 2016	30 September 2017	31 December 2016
	In PLN thousands		In EURO thousands	
Consolidated statement of financial position				
Total assets	159 506	159 820	37 016	36 126
Total non-current assets	82 754	83 187	19 204	18 804
Total current assets	76 752	76 633	17 812	17 322
Equity attributable to owners of parent company	95 477	88 195	22 157	19 936
Non-controlling interest	6 458	6 448	1 499	1 458
Total equity	101 935	94 643	23 656	21 393
Total non-current liabilities	5 514	4 726	1 280	1 068
Total current liabilities	52 057	60 451	12 081	13 664
Book value per one ordinary share (in PLN/EURO)- assigned to shareholders of parent company	24.51	22.64	5.69	5.12
Weighted average number of shares (units)	3 895 000	3 895 000	3 895 000	3 895 000

Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group as at and for the period of 9 months ended 30 September 2017

Selected financial data of PROCHEM S.A.

Description	Reporting period ended 30 September		Reporting period ended 30 September	
	2017	2016	2017	2016
	In PLN thousands		In EURO thousands	
<i>Statement of profit and loss</i>				
Revenues from sales	36 092	91 824	8 479	6 767
Gross profit on sales	2 143	-16 645	503	674
Results from operating activities	5 626	-23 250	1 322	267
Before tax profit	6 058	-24 458	1 423	315
Profit for the period assigned to:	6 468	-20 442	1 520	265
Shareholders of parent entity	1.66	-5.25	0.39	0. 07
<i>Statement of cash flows</i>				
Net cash provided by (used in) operating activities	-4 869	-11 375	-1 144	-2 604
Net cash provided by (used in) investing activities	1 670	-629	392	-144
Net cash provided by (used in) financing activities	3 110	-3 512	731	-804
Total cash flows, net	-89	-15 516	-21	-3 552
	As at		As at	
	30 September 2017	31 December 2016	30 September 2017	31 December 2016
	In PLN thousands		In EURO thousands	
<i>Statement of financial position</i>				
Total assets	105 822	102 293	24 558	23 122
Total non-current assets	57 615	57 353	13 371	12 964
Total current assets	48 207	44 940	11 187	10 158
Equity attributable to shareholders of parent company	59 666	53 071	13 847	11 996
Non-controlling interest	7 690	7 555	1 785	1 708
Total equity	38 466	41 667	8 927	9 418
Book value per one ordinary share (in PLN/EURO)	15.32	13.63	3.55	3.08
Weighted average number of ordinary shares (units)	3 895 000	3 895 000	3 895 000	3 895 000

Statement of the Management Board

Statement of the Management Board on the reliability of interim condensed consolidated financial statements

In compliance with the requirements of the Regulation of the Minister of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non - Member State (Journal of Laws No 33, item 259, as amended), the Management Board of PROCHEM S.A. declares hereby that according to their best knowledge:

- interim condensed consolidated financial statements of PROCHEM S.A Capital Group and separate financial statements for nine months of 2017 and comparable data were prepared according to International Accounting Standard 34 „Interim Financial Reporting”, which was adopted by European Union and reflects in true, fair and clear way financial position and financial performance of PROCHEM S.A. Group.

Vice President
Krzysztof Marczak

Vice President
Marek Kiersznicki

President of the Management Board
Jarosław Stępniewski

Warsaw, 14 November 2017

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF PROCHEM S.A. CAPITAL GROUP

**As at and for the period of nine months ended
30 September 2017**

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PROCHEM S.A.
Łopuszańska 95 Street
02-457 Warsaw

Consolidated statement of financial position

(all amounts in PLN thousands if not stated otherwise)

	Note No.	As at 30 September 2017	As at 31 December 2016 (restated)
A s s e t s			
Non-current assets			
Property, plant and equipment	1	22 132	22 713
Intangible assets		281	391
Investment property	2	11 311	12 750
Shares		830	830
Shares valued using the equity method	3	23 595	22 678
Deferred tax assets	4	5 987	5 491
Other financial assets	5	18 618	18 334
Total non-current assets		82 754	83 187
Current assets			
Inventories	6	1 825	4 865
Trade and other receivables	7	55 931	56 652
Other financial assets	8	-	198
Other assets	9	15 542	11 135
Cash and cash equivalents		3 454	3 783
Total current assets		76 752	76 633
Total assets		159 506	159 820
E q u i t y a n d l i a b i l i t i e s			
Equity			
Share capital	10	3 895	3 895
Revaluation reserve		11 322	12 146
Retained earnings		80 260	72 154
Equity assigned to shareholders of the Parent Entity		95 477	88 195
Non-controlling interest		6 458	6 448
Total equity		101 935	94 643
Non-current liabilities			
Non-current bank loans	11	933	299
Provision to deferred income tax	4	2 437	2 348
Provision for retirement and similar benefits		1 755	1 755
Other non-current liabilities		389	324
Total non-current liabilities		5 514	4 726
Current liabilities			
Bank loans	11	13 926	10 400
Trade payables	12	32 002	39 525
Liabilities under current income tax		25	55
Other liabilities	14	4 121	8 086
Deferred income	13	1 983	2 385
Total current liabilities		52 057	60 451
Total liabilities		57 571	65 177
Total equity and liabilities		159 506	159 820
Weighted average number of ordinary shares (units)		3 895 000	3 895 000
Book value per one share (in PLN)- assigned to shareholders of the Parent Entity		24.51	22.64

Explanatory notes to interim condensed consolidated financial statements constitute the integral part thereof.

Consolidated statement of profit and loss

(all amounts in PLN thousands if not stated otherwise)

	Note No.	Period ended 30 September 2017	Period ended 30 September 2016 (restated)
Revenues from sales, including:		82 559	127 900
Revenues from sale of services	15	82 402	122 760
Revenues from sale of goods and materials		157	5 140
Cost of sales, including :		-75 082	-138 893
Costs of services sold	16	-74 944	-134 473
Cost of merchandise and raw materials		-138	-4 420
Gross profit on sales		7 477	-10 993
General and administrative expenses	16	-9 644	-12 025
Other operating income	17	10 502	989
Other operating expenses	18	-1 748	-221
Results from operating activities		6 587	-22 250
Financial income	19	346	546
Finance expenses	20	-843	-1 823
Profit sharing in entities valued using the equity method		917	-640
Before tax profit		7 007	-24 167
Income tax		-213	-3 848
- current tax		65	861
- deferred tax		-278	-4 709
Profit for the period		7 220	-20 319

Profit for the period assigned to :

Shareholders of the Parent Entity	7 142	-20 389
Non-controlling interest	78	70
Profit/diluted profit (in PLN per one share) assigned to owners of the Parent Entity	1.83	-5.23

Consolidated statement of comprehensive income

Profit for the period	7 220	-20 319
Other comprehensive income (net):	-824	4
Revaluation of fixed assets	-824	-
Exchange differences on translation of foreign operations	-	4
Total comprehensive income	6 396	-20 315

Total comprehensive income assigned to :

Shareholders of the Parent Entity	6 318	-20 385
Non-controlling interest	78	70
Weighted average number of ordinary shares (units)	3 895 000	3 895 000
Total comprehensive income per ordinary share (in PLN per share) assigned to owners of the Parent Entity	1.62	-5.23

Explanatory notes to interim condensed consolidated financial statements constitute the integral part thereof.

Consolidated statement of changes in equity

(all amounts in PLN thousands if not stated otherwise)

	Share capital	Revaluation reserve	Retained earnings	Equity assigned to shareholders of the Parent Entity	Equity assigned to non-controlling interest	Total equity
Reporting period from 1 January 2017 to 30 September 2017						
As at the beginning of the period (audited)	3 895	12 146	72 542	88 583	6 448	95 031
prior period adjustment of error			-388	-388		-388
As at the beginning of the period (restated)	3 895	12 146	72 154	88 195	6 448	94 643
Net profit of the given period			7 142	7 142	78	7 220
<i>Other comprehensive income (net)</i>		-824	951	127	-	127
Total comprehensive income	0	-824	8 093	7 269	78	7 347
Payment of dividend				0	-55	-55
Other changes – among others./ sale of shares in subsidiaries			13	13	-13	-
As at the end of the period	3 895	11 322	80 260	95 477	6 458	101 935

	Share capital	Revaluation reserve	Retained earnings	Equity assigned to shareholders of the Parent Entity	Equity assigned to non-controlling interest	Total equity
Reporting period from 1 January 2016 to 30 September 2016						
As at the beginning of the period (audited)	3 895	11 584	100 878	116 357	8 738	125 095
Error adjustment			-391	-391		-391
As at the beginning of the period (restated)	3 895	11 584	100 487	115 966	8 738	124 704
Net profit of the given period			-20 389	-20 389	70	-20 319
<i>Other comprehensive income (net)</i>		4	-	4	-	4
Total comprehensive income	-	4	-20 389	-20 385	70	-20 315
Dividend paid			-6 193	-6 193	-143	-6 336
Repurchase of own shares for redemption (Elektromontaż) – change in the structure of shareholding		263	525	788	-1 051	-263
Acquisition of shares in Elektromontaż Kraków S.A. from non-controlling shareholder		305	475	780	-1 150	-370
Other changes		-3	8	5	-13	-8
As at the end of the period	3 895	12 153	74 913	90 961	6 451	97 412

Explanatory notes to interim condensed consolidated financial statements constitute the integral part thereof.

Consolidated statement of cash flows

(all amounts in PLN thousands if not stated otherwise)

	Note No.	Period ended 30 September 2017	Period ended 30 September 2016
Cash flows – operating activities			
Before tax profit		7 007	-24 167
Total adjustments		-12 054	14 893
Share in profit in entities valued using the equity method		-917	640
Amortization and depreciation		1 519	1 744
Interest and profit sharing (dividends)		112	95
(Gain)/Loss on disposal of property, plant and equipment		-1	17
Loss on investment		371	-
Change in provisions		-1 224	-34
Change in inventories	6	3 040	1 874
Change in receivables and other assets	7	-4 133	23 590
Change in current liabilities, except for loans and borrowings	12	-10 553	-8 127
Other adjustments (including change in deferred income)		-268	-4 906
Cash provided by (used in) operating activities		-5 047	-9 274
Income tax paid		95	2 102
Net cash provided by (used in) operating activities		-5 142	-11 376
Cash flows – investing activities			
Inflows		2 023	5 370
Disposal of intangible assets and property, plant and equipment		19	5 293
Disposal of real estate		1 439	-
Inflows from financial assets, including:		565	77
a) in subsidiaries		367	77
- disposal of non-financial assets (shares)		367	-
- repayment of loan with interest		-	77
b) in other entities		198	-
- repayment of loan with interest		198	-
Outflows		-752	-1 643
Acquisition of intangible assets and property, plant and equipment		-752	-1 227
Outlays on financial assets, including:		-	-416
a) acquisition of financial; assets in related entities		-	-373
a) other outflows in other entities:		-	-43
Net cash provided by (used in) investing activities		1 271	3 727
Cash flows – financing activities			
Inflows		4 161	118
Bank loans		4 161	118
Outflows		-619	-11 340
Dividend paid		-	-6 187
Other than payments to shareholders, expenses under profit distribution		-54	-427
Repayment of bank loans		-	-4 302
Payment of liabilities under finance lease agreement		-170	-31
Interest		-395	-393
Net cash provided by (used in) financing activities		3 542	-11 222
Total cash flows, net		-329	-18 871
Cash and cash equivalents at the beginning of the period		3 783	23 595
Cash and cash equivalents at the end of the period		3 454	4 724

Explanatory notes to interim condensed consolidated financial statements constitute the integral part thereof.

Explanatory notes to interim condensed consolidated financial statements

1. Establishment of the Company and principal activity

Company PROCHEM S.A. (hereinafter called „Prochem”, „Company”, „Issuer” or „Parent Company”) seated in Warsaw, 95 Łopuszańska Street. The company is registered in the National Court Register (KRS) by the District Court for the Capital City Warsaw, XIII Commercial Department of the National Court Register under KRS number 0000019753. Principal activity according to Polish Business Classification (PKD 2007) determines symbol 7112Z - engineering activities and related technical consulting. According to Warsaw Stock Exchange classification PROCHEM belongs to construction sector. PROCHEM S.A. is a Parent Company of the Capital Group and prepares consolidated financial statements. PROCHEM S.A. was established through transformation of a state-owned enterprise under the name of Przedsiębiorstwo Projektowania I Realizacji Inwestycji Przemysłu Chemicznego „Prochem”. The notarial deed and Company’s Articles of Association were signed on 1 October 1991. Duration of the Company is unlimited.

In 2013 the Company commenced implementation of investment project „Turnkey construction of system for the production of highly purified paraffin, oils, lubricant and cooling greases and pattern material with the expansion of power complex in Belarus”. Therefore, for the period of implementation of the project the Representation Office was established. Term of the activity of the Representation Office was prolonged until 29 July 2019.

2. The Management Board and Supervisory Authorities of the Parent Company

As at the date of preparation hereby of financial statements the Management Board of PROCHEM S.A. comprises of the following persons:

- Jarosław Stępniewski - President of the Management Board
- Marek Kiersznicki - Vice President of the Management Board
- Krzysztof Marczak - Vice President of the Management Board

In the third quarter of 2017 there were no changes in composition of the Management Board.

As at the date of the interim condensed consolidated financial statements The Supervisory Board comprised the following persons:

- Marek Garliński
- Karol Żbikowski
- Andrzej Karczykowski
- Krzysztof Obłój
- Marcin Pędziński

In the third quarter of 2017 there were no changes in composition of the Supervisory Board.

3. Employment

Average employment in the Capital Group of PROCHEM for three quarters of 2017 was 411 FTEs, and for the three quarters of 2016 461 FTEs.

Level of employment in the Capital Group of PROCHEM on 30 September 2017 in persons was 418, and on 30 September 2016 469.

4. Description of the organization of the Capital Group, with indication of consolidated entities.

PROCHEM S.A. Capital Group (hereinafter referred to as „Capital Group”, „Group”), in addition to the data of the Parent Company comprises the following subsidiaries directly and indirectly:

Subsidiaries covered by full consolidation:

- Prochem Inwestycje Sp. z o. o. seated in Warsaw – subsidiary directly (100.0%);
- PRO-INHUT Sp. z o. o. seated in Dąbrowa Górnicza – subsidiary indirectly (93.2%);
- PREDOM Sp. z o. o. seated in Wrocław – subsidiary indirectly (81.7% of share in capital and profit, 72.3% of votes);
- Prochem Zachód Sp. z o. o. seated in Warsaw – subsidiary indirectly (80.0%);
- ELPRO Sp. z o. o. seated in Krakow – subsidiary indirectly (92.7%, including 85.4% in the 50% share of Elektromontaż Kraków);
- Elmont Inwestycje Sp. z o. o. seated in Krakow – subsidiary indirectly (92.7%, including 85.4% in the 50% share of Elektromontaż Kraków);
- Elektromontaż Kraków S.A. seated in Krakow – subsidiary indirectly (85.4%), including 73.0% of capital and votes belongs to company Prochem Inwestycje subsidiary in 100%. Elektromontaż Kraków S.A. prepares consolidated financial statements, which contains data of subsidiary in 100%: ELMONT-POMIARY Sp. z o. o. seated in Krakow and two associated companies ELPRO Sp. z o. o. and Elmont-Inwestycje Sp. z o. o.;
- IRYD Sp. z o. o. seated in Warsaw – subsidiary indirectly in 100%;
- ATUTOR Integracja Cyfrowa Sp. z o. o. seated in Warsaw – subsidiary indirectly (87.3% of share belongs to Prochem Inwestycje Sp. z o. o. subsidiary in 100%);
- Prochem RPI Sp. z o. o. seated in Warsaw – subsidiary in 100% (including 3.3% of share in capital and voting rights belongs to Prochem Inwestycje).

Jointly controlled entities and associated entities valued using the equity method:

- ITEL Sp. z o. o. seated in Gdynia – 42.0% of share (18.7% of votes and capital belongs directly to PROCHEM S.A., and 23.3% holds Prochem RPI Sp. z o. o. subsidiary in 100%);
- Irydion Sp. z o. o. seated in Warsaw – 50% of share;

Consolidated subsidiaries were included in the consolidated financial statements from the date of acquiring control until the date of loss of control by the Parent Company, and the jointly-controlled entities and associates from the date of exercising of joint control and of exertion of significant influence.

Company P.K.I Predom made a redemption of 40 shares of the Company from a net profit. As a result of the redemption, the Parent Entity increased its share, which constituted 81.7% of the capital and 72.3% share in votes.

Company Predom Projektowanie Sp. z o. o. was excluded from consolidation. The company has not commenced activities. Value of shares was included in the impairment losses.

5. Adopted accounting principles

Principle of presentation

Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group for the nine months of 2017 was prepared according to IAS 34 “Interim Reporting”, in the shape it was approved by European Union, and in accordance with Minister of Finance Regulation of 19 February 2009 on current and periodic information provided by issuers of securities and conditions for recognition as equivalent required by the law of a non-Member State (Official Journal from 2009 No. 33, item 259 with further amendments). The interim condensed consolidated financial statements do not contain the information

and disclosures required for complete financial statements and should be read together with the financial statements for the financial year ended 31 December 2016.

The interim condensed consolidated financial statements of PROCHEM S.A. Capital Group hereby, was prepared assuming at a going concern in foreseeable future.

The duration of the activities of the individual units within the Group is not limited.

Financial statements of all the subsidiaries were prepared for the same reporting period as financial statements of the Parent Entity, using consistent accounting policies.

The financial year of the Parent Company and companies belonging to the Group is the calendar year.

Seasonality

Operational activity of the Parent Entity and companies from the Group does not have seasonal character and is not subject to cyclic trends, except for the segment of the general contracting and rental of construction equipment, which are characterized by a seasonality, which to a large extent depends on weather conditions. Weather conditions have an impact on the volume of the revenues generated in these segments. Lower revenues are achieved during the winter season, when weather conditions do not allow for execution of some construction work.

Principles of preparation of consolidated financial statements

The consolidated financial statements were prepared based on the principle of the historical cost, apart from:

- land buildings and construction measured at revalued amount,
- investment properties (land) measured at fair value.

Significant accounting policies and changes in IFRS

In preparing of the interim condensed consolidated financial statements hereby, were applied the same accounting principles and the same calculation methods which were applied in the consolidated financial statements of PROCHEM S.A. Capital Group for the year ended 31 December 2016.

New standards, interpretations and changes in published IFRS

A number of new standards, amendments to standards and interpretations not yet effective for annual periods ended 31 December 2016 and have not been applied in the consolidated financial statements.

The Capital Group will apply changes in IFRS and IAS published but not effective on the day of publication of the hereby interim condensed consolidated financial statements in accordance with their effective date.

The possible impact of these changes on the financial statements is a subject of analyses being carried.

Changes in estimates

In the applied accounting principles the greatest significance, besides accounting estimates, has the professional judgment of the management, which has an impact on the amounts reported in the financial statements, including those in explanatory notes. Assumptions of such estimates are based on the Management Board best knowledge in relation to current and future events and actions in particular areas

of activity. They relate to the valuation of pension benefits, assessing the stage of execution, and the profitability of long-term contracts (gross margin).

Functional currency and presentation currency of financial statements

Consolidated financial statements of the Group is presented in Polish Zloty ('zloty' or 'PLN'), which is the reporting currency of the Group, and the functional currency of the Parent Entity.

The financial result and financial position of the Representation Office are translated using the following principles:

- assets and liabilities shall be translated at the closing rate as at the date of statement of financial position,
- revenues and expenses shall be translated at the average exchange rate, and
- arisen exchange differences are recognized in other comprehensive income.

6. Restatement of financial statements

On 1 January 2017, the Group made the error adjustment resulting from the lack of deferred income tax on revenues determined on the basis of valuation of long-term contracts.

The table below presents adjustments in the consolidated statement of financial position and in the consolidated statement of profit and loss for comparable periods.

Consolidated statement of financial position as at 31 December 2016 - restated

(all amounts in PLN thousands if not stated otherwise)

A s s e t s	31 December 2016 (audited)	adjustment	31 December 2016 restated
Non-current assets			
Deferred tax assets	5 879	-388	5 491
Total non-current assets	83 575	-388	83 187
<hr/>			
Total assets	160 208	-388	159 820
<hr/>			
E q u i t y a n d l i a b i l i t i e s			
Equity			
Retained earnings	72 542	-388	72 154
Owners' equity	88 583	-388	88 195
Total equity	95 031	-388	94 643
Total equity and liabilities	160 208	-388	159 820

Consolidated statement of profit and loss
From 1 January 2016 to 30 September 2016
(all amounts in PLN thousands if not stated otherwise)

	30 September 2016	adjustment	30 September 2016 restated
Before tax profit	-24 167	-	-24 167
Income tax :	-3 065	-783	-3 848
- current tax	861	-	861
- deferred tax	-3 926	-783	-4 709
Profit for the period	-21 102	783	-20 319

Separate statement of financial position as at 31 December 2016 - restated
(all amounts in PLN thousands if not stated otherwise)

A s s e t s	31 December 2016 (audited)	adjustment	31 December 2016 restated
Non-current assets			
Deferred tax assets	5 054	-388	4 666
Total non-current assets	57 741	-388	57 353
Total assets	102 681	-388	102 293
Equity and liabilities			
Equity			
Retained earnings	48 727	-388	48 339
Total equity	53 459	-388	53 071
Total equity and liabilities	102 681	-388	102 293

Separate statement of profit and loss
from 1 January 2016 to 30 September 2016
(all amounts in PLN thousands if not stated otherwise)

	30 September 2016	adjustment	30 September 2016 restated
Before tax profit	-23 603	-	-23 603
Income tax :	-2 341	-783	-3 124
- current tax	1	-	1
- deferred tax	-2 342	-783	-3 125
Profit for the period	-21 262	783	-20 479

Explanatory Notes to interim condensed consolidated financial statement

<i>Note No. 1 – Property, plant and equipment</i>	As at 30 September 2017	As at 31 December 2016
Property, plant and equipment, including:	21 879	22 695
- land	4 234	4 313
- buildings, premises and civil engineering objects	15 232	15 729
- machinery and equipment	473	649
- vehicles	1 014	939
- other PPE	926	1 065
Construction under progress	253	18
Total property, plant and equipment	22 132	22 713

PPE – ownership structure	As at 30 September 2017	As at 31 December 2016
a) own	10 208	10 365
b) used under rental, lease or other agreement, including:	11 924	12 348
- lease	620	653
- outlays on not-own property, plant and equipment	10 752	11 143
- value of the right of perpetual usufruct	552	552
Total carrying amount of property, plant and equipment	22 132	22 713

In pursuance to the agreement dated July 23, 2004, the Group leases property consisting of 3 buildings with a total area of 6 227.5 m², on a plot of 3,311 m² located in Warsaw at Emilia Plater 18 Street and Hoża 76/78. The duration of the contract is 30 years from the date of signing the contract.

Land, buildings and constructions are carried at revalued amount, being its fair value at the date of the revaluation, set by experts, less any subsequent accumulated depreciation, and subsequent accumulated impairment losses. Pursuant to the Accounting Policy adopted by the Group, fair value is measured with sufficient frequency so that the carrying amount did not significantly differ from fair value, wherein not less frequently than once every two years.

Carrying amount as at 30 September 2017 does not significantly differ from fair value. The measurement at fair value as at 31 December 2016 was made by the independent valuers not associated with the Group. The valuers have the right qualifications to carry out valuations of land, buildings and structures, as well as current experience in such valuations in locations where are located assets of the Group. Valuation was carried out by reference to the market transaction prices for similar assets.

Changes in PPE

	Change in PPE for the period from 1 January 2017 to 30 September 2017	Change in PPE for the period from 1 January 2016 to 31 December 2016
Gross value – as at opening balance sheet	38 576	43 655
increase (due to)	814	1 688
- acquisition	814	1 521
- other changes including revaluation of non-current assets at fair value	-	167
decrease (due to)	-420	-6 767
- disposal of PPE	-185	-851
- liquidation of PPE	-235	-1 370
- transfer to investment property	-	-3 753
- derecognition from consolidation of non-current assets of sold subsidiary	-	-649
- other changes, including revaluation of PPE at fair value	-	-144
Gross value at closing balance sheet	38 970	38 576
Depreciation and impairment		
Accumulated depreciation – as at opening balance sheet	15 706	19 841
- increase (depreciation for the period)	1 380	2 140
- decrease due to disposal	-174	-771
- decrease due to liquidation	-211	-1 369
- transfer to investment property	-	-3 507
- the value of the depreciation of non-current assets of the subsidiary sold	-	-626
- other changes, including revaluation of non-current assets at fair value	-	-2
Accumulated depreciation – as at closing balance sheet	16 701	15 706
Impairment of non-current assets	-137	-157
PPE net value - as at closing balance sheet	22 132	22 713

Note No. 2 – Investment property

	As at 30 September 2017	As at 31 December 2016
Property under construction	1 128	1 128
Buildings and constructions	5 916	6 270
Land	4 267	5 352
Total investment property	11 311	12 750

Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group as at and for the period of 9 months ended 30 September 2017

<i>Investment properties by titles</i>	Change in investment property for the period from 1 January 2017 to 30 September 2017	Change in investment property for the period from 1 January 2016 to 31 December 2016
Investment property - land		
As at opening balance sheet	5 352	4 690
- increase due to transfer from PPE	-	166
- increase due to measurement at fair value	-	496
- decrease due to disposal of property	-1 085	-
As at closing balance sheet	4 267	5 352
Investment property under construction		
As at opening balance sheet	1 128	1 122
- change due to:		
a) increase due to acquisition	-	6
As at closing balance sheet	1 128	1 128
Investment property - buildings and constructions		
As at opening balance sheet	6 270	6 148
- change due to:		
a) increase due to measurement at fair value	-	42
b) increase due to transfer from PPE	-	80
c) decrease due to disposal	-354	-
As at closing balance sheet	5 916	6 270
Total investment properties by type – net as at balance-sheet date	11 311	12 750

Pursuant to the Accounting Policy adopted by the Group, fair value is measured with sufficient frequency so that the carrying amount did not significantly differ from fair value, wherein not less frequently than once every two years.

Carrying amount as at 30 September 2017 does not significantly differ from fair value. The measurement at fair value as at 31 December 2016 was made by the independent valuers not associated with the Group. The valuers have the right qualifications to carry out valuations of investment properties, as well as current experience in such valuations in locations where are located assets of the Group. Valuation was carried out by reference to the market transaction prices for similar assets.

Details concerning investment property and information on the hierarchy of fair values as at 30 September 2017.

	Level 1	Level 2	Level 3	Fair value as at 30 September 2017
	In PLN thousands	In PLN thousands	In PLN thousands	In PLN thousands
Investment property	-	-	11 311	11 311

There were no displacements between the levels 1, 2 and 3 during three quarters of the year 2017.

Note No. 3 – Shares valued using the equity method

	As at 30 September 2017	As at 31 December 2016
- Shares – net value	23 595	22 678
- Write-downs of shares	1 011	1 011
Shares, gross value	24 606	23 689

Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group as at and for the period of 9 months ended 30 September 2017

Change in shares valued using the equity method	As at 30 September 2017	As at 31 December 2016
a) as at the beginning of the period	22 678	24 000
- shares at cost	22 678	24 000
b) changes (due to)	917	-1 322
- share in the current year result	917	-1 110
- write-downs of shares in connection with the arrangement proceedings	-	-212
As at the end of the period, net value	23 595	22 678
d) write-down	1 011	1 011
As at the end of the period, gross value	24 606	23 689

Note No. 4 – Deferred income tax

Changes in the values of provisions, and deferred income tax assets for the three quarters of 2017 are shown in the table below.

Deferred income tax assets	As at 30 September 2017	As at 31 December 2016
As at the beginning of the period	8 890	5 662
Increase	3 336	6 128
Decrease	-2 252	-2 900
As at the end of the period	9 974	8 890

provision for deferred income tax	As at 30 September 2017	As at 31 December 2016
As at the beginning of the period	5 747	5 829
Increase	2 658	2 113
Decrease	-1 981	-2 195
As at the end of the period	6 424	5 747

Surplus of deferred income tax asset	As at 30 September 2017	As at 31 December 2016
Deferred income tax assets	9 974	8 890
Provision for deferred income tax	-6 424	-5 747
Surplus of deferred income tax asset	3 550	3 143

Presentation in the statement of financial position	As at 30 September 2017	As at 31 December 2016
Deferred income tax assets	5 987	5 491
Provision for deferred income tax	-2 437	-2 348
Surplus of deferred income tax asset	3 550	3 143

Note No. 5 – Other financial assets

Total other financial assets	As at 30 September 2017	As at 31 December 2016
a) from jointly-controlled entities	18 618	18 334
- borrowings	18 618	18 334
Total other financial assets	18 618	18 334

Loans granted – as at 30 September 2017

- Loans granted to jointly-controlled company Irydion Sp. z o. o. seated in Warsaw:
 - in the amount of PLN 12 068 thousand, including: amount of the loan PLN 11 000 thousand, accrued interest as at the balance sheet day amounts to PLN 1 068 thousand. The interest rate is set annually according to WIBOR 6M rate, repayment date 22 September 2031.
 - in the amount of PLN 6 550 thousand, including: amount of the loan PLN 6 000 thousand, accrued interest as at the balance sheet day amounts to PLN 550 thousand. The interest rate is set at fixed rate of 3% per year, repayment date 22 September 2031.

Increase:

- Accrued interest on loans granted in the amount of PLN 284 thousand.

Loans granted – as at 31 December 2016

- Loans granted to jointly-controlled company Irydion Sp. z o. o. seated in Warsaw:
 - In the amount of PLN 11 918 thousand, including amount of the loan PLN 11 000 thousand, accrued interest PLN 918 thousand. The interest rate is set annually according to WIBOR 6M rate, the repayment date of the loan with interest was set on 22 September 2031.
 - In the amount of PLN 6 416 thousand, including: amount of the loans PLN 6 000 thousand, accrued interest amounts to PLN 416 thousand. The interest rate is set annually at fixed rate of 3% per year, the repayment date of the loan with interest was set on 22 September 2031.

Note No. 6 – Inventories

	As at 30 September 2017	As at 31 December 2016
Materials	1 302	4 865
Semi-finished products and work-in-process	523	-
Total inventories	1 825	4 865
Write-downs of inventories	577	578

Note No. 7 - Trade and other receivables

	As at 30 September 2017	As at 31 December 2016
Trade receivables, including:	48 439	59 426
Write-downs of trade receivables	-5 271	-5 449
Trade receivables, net including:	43 168	53 977
- with repayment period up to 12 months	40 285	49 950
- with repayment period over 12 months	2 883	4 027
Receivables from taxes, subsidies, customs duties, social and health insurance and other benefits	442	420
Other receivables	12 723	2 657
Write-downs of other receivables	-402	-402
Net other receivables	12 321	2 255
Total other receivables, net	55 931	56 652

Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group as at and for the period of 9 months ended 30 September 2017

Trade and other receivables from related entities	As at 30 September 2017	As at 31 December 2016
Trade receivables, including:	1 081	2 301
- from jointly-controlled entities	1 081	2 301
Total current trade and other receivables from related entities, net	1 081	2 301
Write-downs of receivables from related entities	-	-
Total current trade and other receivables from related entities, gross	1 081	2 301

Change in write-downs of trade and other receivables	As at 30 September 2017	As at 31 December 2016
As at the beginning of the period	5 851	7 806
a) increase (due to)	2	117
- write-downs of receivables	2	117
b) decrease (due to)	179	2 072
- payments received	178	118
- the use of write-downs made in the previous periods	-	1 831
- other derecognition of the company from the consolidation (sale of shares in subsidiary)	-	122
- resolving of write-down	1	1
Write-downs of trade and other receivables	5 682	5 851

In the majority of contracts signed by the Group, time of payment for services was determined in the range from 14 to 60 days.

Note No. 8 – Other financial assets

	As at 30 September 2017	As at 31 December 2016
a) from other entities :	-	198
- current loans granted	-	198
Total other financial assets	-	198

Decrease:

- Repayment of the loan by the Committee Civic of the Construction of the Cardiologic Hospital of the name of Marshal Józef Piłsudski in Warsaw in the amount of PLN 198 thousand, including: amount of the loan PLN 133 thousand, accrued interest PLN 65 thousand.

Loan granted - as at 31 December 2016

- A loan for the Committee Civic of the Construction of the Cardiologic Hospital of the name of Marshal Józef Piłsudski in Warsaw in the amount of PLN 198 thousand, including: amount of the loan PLN 133 thousand, accrued interest PLN 65 thousand. The interest rate set according to the statutory interests, repayment date 30 June 2008. Receivables secured by a mortgage on the right of perpetual usufruct, in the land register – KW No. 136324.

Note No. 9 – Other assets

Other assets by type :	As at 30 September 2017	As at 31 December 2016
a) prepayments	2 257	1 952
- cost of property and personal insurance	400	353
- software maintenance costs	609	764
- subscriptions	10	26
- deferred costs	1 235	807
- other	3	2
b) other prepayments	13 285	9 183
- amounts due from the ordering parties under long-term contracts	13 285	9 183
Total other assets	15 542	11 135

The item - *other prepayments* - comprises the valuation of contracts for construction services that are in progress at the balance sheet date.

Note N. 10 – Share capital

SHARE CAPITAL (THE STRUCTURE)							
Series / emission	Type of share	Type of share preference	Number of shares	Series/ emission at nominal value	Method of coverage of capital	Registration date	Right to dividend (from)
Founding	inscribed	3 votes per 1 share	580	580	Cash	23July1991	1 October 1991
Founding	inscribed	-	6 816	6 816	Cash	23July1991	1 October 1991
Founding	bearer	-	1 810 104	1 810 104	Cash	23July1991	1 October 1991
B	inscribed	-	750	750	Cash	29July1993	1 January 1993
B	bearer	-	681 750	681 750	Cash	29July1993	1 January 1993
C	bearer	-	530 000	530 000	Cash	20April 1994	1 January 1994
D	bearer	-	865 000	865 000	Cash	5 September 1994	1 January 1994
Total number of shares			3 895 000				
Total share capital				3 895 000			
Nominal value of 1 share = PLN 1.00							

The share capital of the Company amounts to PLN 3 895 thousand and is divided into 3 895 000 shares with the nominal value of PLN 1 each. The number of shares did not change with comparison to as at 31 December 2016.

Total number of votes from all shares is 3 896 160.

Changing the rights from the issuer's securities

According to the information held by the Group at the date of this report the following shareholders hold at least 5% of votes at the general meeting of shareholders:

Name of the shareholder	Number of shares held (in pcs)	Number of votes	% of votes in total number of votes	% of share capital
1. Steven Tappan	830 060	830 060	21.30	21.30
2. Porozumienie PHC	683 061	684 161	17.56	17.54
3. Legg Mason Parosol Fundusz Inwestycyjny Otwarty („Legg Mason Parosol FIO”), Fundusz Własności Pracowniczej PKP Specjalistyczny Fundusz Inwestycyjny Otwarty and Legg Mason Akcji Skoncentrowany Fundusz Inwestycyjny zamknięty.				
Total above mentioned funds, including:	560 549	560 549	14.39	14.39
- Legg Mason Parosol Fundusz Inwestycyjny Otwarty („Legg Mason Parosol FIO”)	284 054	284 054	7.29	7.29
- Legg Mason Akcji Skoncentrowany*	261 773	261 773	6.72	6.72
4. QUERCUS Parosolowy SFIO, QUERCUS Absolute Return FIZ, QUERCUS Absolutnego Zwrotu FIZ, QUERCUS Parosol SFIO Agresywny				
Total above mentioned funds, including:	476 380	476 380	12.23	12.23
- QUERCUS Parosolowy SFIO*	280 614	280 614	7.20	7.20
5. Otwarty Fundusz Emerytalny PZU „Złota Jesień”.	387 521	387 521	9.95	9.95
6. Value Fund Poland Activist Fundusz Inwestycyjny Zamknięty	233 168	233 168	5.98	5.98

In the period since the publication of the annual report for 2016, the Group has received the following information about the change in the number of shares held:

- On 26 May 2017 the Group was informed by Quercus Towarzystwo Funduszy Inwestycyjnych S.A., which acts on behalf of managed investment funds: QUERCUS Parosolowy SFIO, QUERCUS Absolutnego Zwrotu FIZ and QUERCUS Absolute Return FIZ, that the above-mentioned Funds in jointly increased their participation in the total number of votes. On 24 May 2017 the Funds held 476 380 shares of PROCHEM S.A., representing 12.23 % of the company’s share capital. Shares held give rights to 476 380 votes at the General Meeting of the Company, which constituted 12.23% of the total number of votes at the General Meeting. Prior to the change the Funds held 471 880 of shares in PROCHEM S.A., representing 12.11% of the company’s share capital. Shares held give rights to 471 880 votes in PROCHEM S.A., representing 12.11% of the total number of votes at the General Meeting.

- On 10 June 2017 at the General Meeting of Shareholders the Group was notified about change in number of shares held by Value Fund Activist Fundusz Inwestycyjny Zamknięty (hereinafter „the Fund”) managed by Copernicus Towarzystwo Funduszy Inwestycyjnych S.A. - increased participation in total number of votes in PROCHEM S.A. by 29 713 shares. As of the date of the receiving of information, the Funds jointly hold 233,168 shares of the Issuer, which constitutes 5.98% of the share capital and 5.99% of the total number of votes at the General Meeting.

- On 24 October 2017, the Group received information from Mr. Andrzej Karczykowski, a member of Porozumienie PHC about the increasing in the number of shares held by him by 19,400 shares of PROCHEM S.A. As a result, the share of PHC Agreement in voting rights was increased to 17.56%, while in the share capital to 17.54%.

Note No. 11 – Bank loans

	As at 30 September 2017	As at 31 December 2016
- non-current bank loans	13 926	10 400
- current bank loans	933	299
Total loans	14 859	10 699

Bank loans

Name of the bank	Registered office	Amount of the loan acc. to agreement (in PLN thousands)	Amount of the loan to be repaid (in PLN thousands)	Terms of interest	Repayment date	Collateral
NON_CURRENT LOANS						
By Pro-Inhut Sp. z o. o.						
ING Bank Śląski	Sosnowiec	200 working capital loan	188	WIBOR 1 monthly plus margin	17 May 2019	Guarantee provided by Bank Gospodarstwa Krajowego under a portfolio agreement, promissory note in blank
ING Bank Śląski	Sosnowiec	300 working capital loan	166	WIBOR 1 monthly plus margin	8 December 2018	Guarantee provided by Bank Gospodarstwa Krajowego under a portfolio agreement, promissory note in blank
ING Bank Śląski	Sosnowiec	579 working capital loan	579	WIBOR 1 monthly plus margin	28 February 2018	Guarantee provided by Bank Gospodarstwa Krajowego under a portfolio agreement, promissory note in blank
CURRENT LOANS						
By Prochem S.A.						
mBank SA	Warsaw	6,000 Credit in overdraft	5 045	WIBOR for O/N deposits in PLN + margin	30 October 2017	Promissory note in blank
mBank SA	Warsaw	6,000 Revolving working capital loan	2 850	WIBOR for 1 month deposits in PLN + margin	29 December 2017	Promissory note in blank
ING Bank Śląski S.A.	Katowice	3,000 Credit in overdraft	2 787	WIBOR for 1 month deposits in PLN + margin	14 November 2017	Statement on submission to forfeiting
By Company Elektromontaż Kraków SA						
ING Bank Śląski	Kraków	2 500	2 249	WIBOR for 1 month deposits in PLN + margin	20 November 2017	Mortgage
Deutsche Bank	Kraków	500	485	WIBOR for 1 month deposits in PLN + margin	15 July 2018	Mortgage
Zaciągnięte przez Atutor Integracja Cyfrowa Sp. z o.o.						
Bank Millennium S.A.	Warsaw	150	150	WIBOR 1 monthly plus margin	15 April 2018	Granting the bank a power of attorney for collection and for the repayment from the accounts, and authorization for the blocking the funds in the case when loan is not repaid in time
Zaciągnięte przez Pro-Inhut Sp. z o.o.						
ING Bank Śląski	Dąbrowa Górnicza	400 Credit in overdraft	360	WIBOR 1 monthly plus margin	24 September 2017	Guarantee provided by Bank Gospodarstwa Krajowego under a portfolio agreement, promissory note in blank

In spite of the fact, that Parent Company did not fulfil one of the obligations stipulated in the agreements and referred to in the report for the first half of 2017, this did not affect the presentation of loans in the statement of financial position as at 30 September 2017, because according to the signed agreements, the loans are to be repaid in the period less than 12 months.

Note No. 12 – Trade payables

	As at 30 September 2017	As at 31 December 2016
a) to associated entities and to jointly-controlled entities -	271	385
- from supplies and services, with maturity period:	271	385
- up to 12 months	271	385
b) to other entities -	31 731	39 140
- from supplies and services, with maturity period:	31 731	39 140
- up to 12 months	27 760	34 718
- above 12 months	3 971	4 422
Total trade payables	32 002	39 525

Note No. 13 – Deferred income

	As at 30 September 2017	As at 31 December 2016
Advanced payments received	1 503	462
Amounts due to the ordering parties under long-term contracts	156	1 599
Other	324	324
Deferred income as at the end of the period, including:	1 983	2 385
Non-current liabilities	-	-
Current liabilities	1 983	2 385

Note No. 14 – Other liabilities

	As at 30 September 2017	As at 31 December 2016
a) to other entities	2 878	3 742
- due to taxes, duties, insurance and other benefits	1 713	2 463
- due to remuneration	434	402
-other (by type)	731	877
• liabilities to employees	9	13
• to shareholders	30	28
• under lease agreement	429	23
• other	263	813
b) other short-term provisions	1 243	4 344
- provision for costs relating to long-term contracts	140	644
- provision for costs (movable part of salary, contracts of mandate)	1	1 875
- cost of audit	-	87
- short-term provision for retirement benefits	377	433
- provision for unused annual leaves	725	1 305
Total other liabilities	4 121	8 086

Note No. 15 - Revenues from sale of services

Revenues from sale of services (type of service and type of activity)	Period ended 30 September 2017	Period ended 30 September 2016
Revenues from sale of services, including:	82 402	122 760
- from jointly-controlled entity	5 886	16 380

Revenues from sales (territorial structure)	Period ended 30 September 2017	Period ended 30 September 2016
Domestic market	82 402	104 923
- including from jointly-controlled entities	5 886	16 380
Exports	-	17 837

Revenues under contracts for construction services (general contracting) and other services are presented in Note No. 22.

The gross amount due from ordering parties/buyers for the work under the contracts was presented in Note No. 9.

Information on major customers, whose total value of revenues from sales of services exceeds 10% of the total revenues of the entity for the nine months of 2017 is included in Note No. 22.

Note No. 16 - Cost of services sold

	Period ended 30 September 2017	Period ended 30 September 2016
a) amortization and depreciation	1 519	1 744
b) consumption of materials and energy	16 408	14 893
c) outsourcing	38 743	95 766
d) taxes and levies	734	1 535
e) remuneration	22 063	25 226
f) social security and other benefits	4 291	4 914
g) other types of costs (by category)	3 274	4 647
- property and personal insurance	615	676
- business trips	1 040	1 455
- State Fund for Rehabilitation of Disabled Persons (PFRON)	164	168
- rental of cars	700	822
- cost of Representation Office	56	875
- other	699	651
Total costs by type	87 032	148 725
Change in inventories, products and accruals and prepayments	-2 444	-2 227
General and administrative expenses (negative value)	-9 644	-12 025
Cost of services sold	74 944	134 473

Note No. 17- Other operating income

	Period ended 30 September 2017	Period ended 30 September 2016
a) gain on sale of non-financial non-current assets	437	36
b) reversal of write downs of	44	100
- receivables	44	100
c) other, including:	10 021	853
- Income adjudged in a court judgment	9 888	-
- reimbursement of litigation costs	4	8
- received compensation, fines and penalties	75	756
- revenues under rental of cars	-	4
- other	54	85
Total other operating income	10 502	989

Note No. 18 – Other operating expenses

	Period ended 30 September 2017	Period ended 30 September 2016
a) loss on disposal of non-financial non-current assets	6	43
b) write-downs :	29	119
- of receivables	29	119
c) other, including:	1 713	59
- litigation costs	16	8
- fines, penalties and, compensation paid	5	1
- cost of materials	1 668	-
- other	24	50
Total other operating expenses	1 748	221

Note No. 19 – Financial income

	Period ended 30 September 2017	Period ended 30 September 2016
a) interest on loans granted	284	283
- from jointly-controlled entities	284	283
b) other interest	19	95
- from other entities	19	95
c) the surplus of foreign exchange gains	9	167
d) other	34	1
Total financial income	346	546

Note No. 20 – Finance costs

	Period ended 30 September 2017	Period ended 30 September 2016
a) interest on bank loans	319	336
b) other interest	74	10
- for other entities	74	10
c) the surplus of foreign exchange losses	45	1 080
d) other, due to :	405	397
- commission on bank guarantees	198	238
- commission on loans	76	82
- costs under discount of financial assets	94	-
- other	37	77
Total finance costs	843	1 823

Note No. 21– Additional disclosures to the statement of cash flows

Differences between the amounts established directly from the financial statements and those presented in the statement of cash flows resulted from a transfer of particular amounts from operating activity to investing activity and financing activity.

These relate to the following balance sheet items (data in PLN thousands):

	In 2017	In 2016
Change in current receivables	-4 133	23 590
Receivables as at 1 January	56 652	83 991
Other assets as at 1 January	11 135	15 197
Receivables under non-current assets sold	-18	-45
Receivables from sale	-	-5 240
Receivables from disposal of assets	-367	-
Receivables under income tax	-342	-497
As at opening balance sheet after adjustments	67 060	93 406
Receivables as at 30 September	55 931	58 089
Other assets as at 30 September	15 542	12 072
Receivables under non-current assets sold	-15	-34
Receivables under income tax	-265	-311
As at closing balance sheet after adjustments	71 193	69 816
Change in current liabilities except for current borrowings and special funds	- 10 563	17 678
Trade payables as at 1 January	39 525	51 451
Other liabilities as at 1 January	8 086	8 142
Provision to current retirement benefits	-433	-587
Provision to annual leaves	-1 305	-1 464
Provision to audit	-87	-104
Provision to current other costs	-641	-385
Other differences due to discount of liabilities	250	250
Investment commitments	-	-46
Liabilities under operating lease	-	-40
Liabilities to shareholders	-29	-3

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As at opening balance sheet after adjustments	45 366	57 214
Trade payables as at 30 September	32 002	45 929
Other liabilities as at 30 September	4 121	5 479
Provision to current retirement benefits	-377	-565
Provision to annual leaves	-725	-1 250
Investment commitments	-94	-10
Provision to current other costs	-140	-719
Other differences due to discount of liabilities	221	250
Liabilities under lease	-180	-19
Liabilities to shareholders	-25	-8
As at closing balance sheet after adjustments	34 803	49 087
Change in other adjustments as of September 30, 2017	-268	4 906
Change in deferred income - advances received	1 059	-6 183
Amounts due to the ordering parties under long-term contracts	-1 443	-1 099
The security deposit securing a bank guarantee of reimbursement of advance payment *)	-	2 526
Adjustments of sales of subsidiary	-18	6
Other adjustments	134	-156

*) In connection with the implementation of the investment project in Belarus, in order to secure the return of received advance payment the Company has granted a bank guarantee of refund of advance to the amount of EURO 7,230 thousand. As the collateral of the guarantee, the Company, under a contract on the security deposit in cash, has placed the security deposit in the bank in the amount of EURO 2,191 thousand. On September 30, 2016, both the deposit and the advance payment have been settled.

Note No. 22- Information on operating segments

Operating segment is a component part of the entity:

- that engages in business activity in connection with which it can obtain income and incur expenses,
- entity's operating results are regularly reviewed by the body responsible for making operating decisions in the Group,
- in case of this entity is available a separate financial information.

Revenues of the segment are revenues from sale to external customers.

Expenses of the segment are the expenses composed of costs relating to the sale to external customers.

Segment result is determined at the level of operating result, without considering other operating activities.

The activity of the Capital Group for the purpose of managing has been divided into eleven basic operational sectors such as: construction services presented within the general contracting, design services and other engineering services (supervisions along with the project engineer service), rental of construction equipment, the assembly of electrical equipment, the lease of office space and real estate, property management, maintenance, commercial activity, IT services and other activities. Segment assets include all assets used by a segment, consisting primarily of receivables, inventories and property, plant and equipment diminished by the value of provisions and write-downs.

Some assets in the joint use are assigned to these segments based on reasonable weights.

Assets of the Representation Office in Belarus as at 30 September and as at 31 December 2016 do not exceed 10% of balance sheet amount.

In the period from 1 January 2017 until 30 September 2017 there were no revenues outside Polish border (exports), in the analogous period of the previous year revenues amounted to PLN 12 019 thousand (i.e. 33% of sales revenues).

In the third quarter of 2017, revenues from sales to any of the clients did not exceeded 10% of the total value of sales.

Unallocated assets to segments are the primarily shares in the jointly-controlled entities and in associates, and loans granted. With respect to the above-mentioned assets were not identified any premises attesting to the loss of value as at 30 September 2017. In addition, as at the balance sheet date the Group has carried out the analysis of contracts for construction services at relation to results budgeted. For all contracts, where a budgeted cost was higher than budgeted income, the Group established provisions to cover losses at the balance sheet day. Detailed data on the activities of the companies belonging to the Group in separate segments are presented in the following tables.

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For the period from 1 January 2017 to 30 September 2017	General contract ing	Design services and other engineering services	Rental of the construction equipment	Electrical installations	Rental of office space and real estate	Property management	Maintenance	Commercial activity	Other IT services	Other	Items not assigned	Total
Revenues from external clients	14 920	32 046	1 991	28 643	3 466	-	195	157	145	996	-	82 559
Total segment revenues	14 920	32 046	1 991	28 643	3 466	-	195	157	145	996	-	82 559
Result of the segment	534	-3 337	427	303	530	-	-168	19	-253	-222	-	-2 167
Financial income											346	346
Finance costs											-843	-843
Net financial income/finance costs											-497	-497
Profit sharing in associated entities											917	917
Profit on other operating activities											8 754	8 754
Before tax profit											7 007	7 007
Income tax											-213	-213
Profit for the current period											7 220	7 220
Profit assigned to non-controlling interest											78	78
Profit for the period assigned to shareholders of the parent entity											7 142	7 142
Assets as at 30 September 2017												
Segment assets (related to activity)	25 582	8 352	626	10 606	16 606	-	431	408	-	69	-	62 680
Unallocated assets (among others shares and other financial assets)											96 826	96 826
Total assets	25 582	8 352	626	10 606	16 606	-	431	408	-	69	96 826	159 506
Other information related to segment												
For the period from 1 January 2016 to 30 September 2017												
Depreciation of property, plant and equipment	76	54	71	361	524	-	52	-	-	210	32	1 380
Amortization of intangible assets	-	13	-	13	7	-	-	-	-	-	106	139

Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group as at and for the period of 9 months ended 30 September 2017

Note
operating segments - continuation

For the period from 1 January 2016 to 30 September 2016	General contract ing	Design services and other engineering services	Rental of the construction equipment	Electrical installations	Rental of office space and real estate	Property management	Maintenance	Commercial activity	Other IT services	Other	Items not assigned	Total
Revenues from external clients	75 692	21 672	2 412	17 830	3 579	-	834	5 140	96	645	-	127 900
Total segment revenues	75 692	21 672	2 412	17 830	3 579	-	834	5 140	96	645	-	127 900
Result of the segment	-16 477	-8 174	827	160	656	-	122	510	-220	-422	-	-23 018
Financial income											546	546
Finance costs											-1 823	-1 823
Net financial income/finance costs											-1 277	-1 277
Profit sharing in associated entities											-640	-640
Profit on other operating activities											768	768
Before tax profit											-24 167	-24 167
Income tax											-3 848	-3 848
Profit for the current period											-20 319	-20 319
Profit assigned to non-controlling interest											70	70
Profit for the period assigned to shareholders of the parent entity											-20 389	-20 389
Assets as at 30 September 2016												
Segment assets (related to activity)	36 035	10 610	590	7 974	17 133	-	417	1 659	-	13	-	74 431
Unallocated assets (among others shares and other financial assets)											89 675	89 675
Total assets	36 035	10 610	590	7 974	17 133	-	417	1 659	-	13	89 675	164 106
Other information related to segment												
For the period from 1 January 2016 to 30 September 2017												
Depreciation of property, plant and equipment	42	96	75	308	529	-	66	-	-	415	57	1 588
Amortization of intangible assets	-	11	-	17	5	-	1	-	-	-	122	156

Information about the geographical areas

Geographical breakdown of sales revenues revealed in statement of profit and loss was presented in accordance with country of the seat of the ordering party.

	1 January-30 September 2017	1 January-30 September 2016
Poland	82 559	109 202
Belarus	-	18 698
Total sale revenues	82 559	127 900

Geographical breakdown of property, plant and equipment and intangible assets

	31 March 2017	31 December 2016
Poland	22 413	23 104
Belarus	-	-
Total property plant and equipment and intangible assets	22 413	23 104

Note No. 23 - Collateral granted and received and contingent liabilities and contingent assets

	As at		including Prochem S.A. As at	
	30 September 2017	31 December 2016	30 September 2017	31 December 2016
<i>Collateral granted</i>				
bank guarantee of good performance and statutory warranty	24 439	22 235	19 387	16 680
guarantee of return of advance payment	1 177		1 177	
Tender guarantee	1 269	37	1 269	37
Total collateral granted	26 885	22 272	21 833	16 717
Contingent liabilities				
- surety of promissory notes issued by subsidiary Pro-Inhut sp. z o. o. seated in Dąbrowa Górnicza for the benefit of investor in order to secure the claims in the scope of a good performance	247	247	247	247
Total collateral granted and contingent liabilities	27 132	22 519	22 080	16 964

	As at		including Prochem S.A. As at	
	30 September 2017	31 December 2016	30 September 2017	31 December 2016
<i>Collateral received</i>				
bank guarantee of good performance	5 230	5 087	5 230	5 087
Total collateral	5 230	5 087	5 230	5 087

Contingent receivables from PERN described in Note No 28.

Note No. 24 - profit distribution and loss coverage

The Group's net profit is not subject to distribution. Pursuant to the resolution No. 17 of the Annual General Meeting dated 10 June 2017 the Issuer's net loss for 2016 in the amount of PLN 23,601 thousand will be covered from the reserve capital.

Note No. 25 - Financial instruments and financial risk management

Financial assets

As at 30 September 2017 (in PLN thousands)	Categories of financial instruments		
	Note No.	Loans, receivables and other	Total
Classes of financial instruments			
Receivables from supplies and services	7	43 168	43 168
Cash		3 454	3 454
Loans granted	5,8	18 618	18 618
Total		65 240	65 240

stan na 31 grudnia 2016 roku (in PLN thousands)	Categories of financial instruments		
	Note No.	Loans, receivables and other	Total
Classes of financial instruments			
Receivables from supplies and services	7	53 977	53 977
Cash		3 783	3 783
Loans granted	5,8	18 532	18 532
Total		76 292	76 292

Financial liabilities

As at 30 September 2017 (in PLN thousands)	Categories of financial instruments			Total
	Note No.	Financial liabilities measured at amortized costs	Liabilities excluded from IAS 39	
Classes of financial instruments				
Loans	11	14 859	-	14 859
Finance lease		-	711	711
Trade payables	12	32 002	-	32 002
Total		46 861	711	47 572

As at 31 December 2016 (in PLN thousands)	Categories of financial instruments			Total
	Note No.	Financial liabilities measured at amortized costs	Liabilities excluded from IAS 39	
Classes of financial instruments				
Loans	11	10 699	-	10 699
Finance lease		-	236	236
Trade payables	12	39 525	-	39 525
Total		50 224	236	50 460

The fair value of financial instruments approximates the carrying amount due to their short-term nature and the floating interest.

Liquidity risk connected with the concentration of sales revenues

In three quarters of 2017, the Group generated sales revenues of PLN 82,559 thousand, in the comparable period: PLN 127,900 thousand of which PLN 17 837 thousand related to a Belarussian client. In connection with the above, the Group has disclosed in the statement of financial position the following financial instruments related to the implementation of the above contract.

Classes of financial instruments	As at 30 September 2017	% of share in total assets	As at 31 December 2016	% of share in total assets
Financial assets				
Receivables from supplies and services	215	0.1%	2 279	1.4%
Total financial assets	215	0.1%	2 279	1.4%
Financial liabilities				
Payables	2 633	1.7%	6 442	4.0%
Total financial liabilities	2 633	1.7%	6 442	4.0%

Note No. 27 - Transactions with related parties and key management personnel

Related entities include entities controlled and jointly-controlled entities, as well as those on which the Issuer has an influence or is a member of key management personnel of the entity or Parent Entity, and close family members of this staff (hereinafter referred to related persons).

Key management personnel comprise the Members of the Management Board of the Parent Entity, and the Members of the Supervisory Board of the Parent Entity.

In the third quarter of 2017 key management personnel and persons related to key management personnel, in addition to remuneration did not conclude other transactions with the companies from the Capital Group of PROCHEM S.A.

Remuneration of the key management personnel

In three quarters of 2017 in the Issuer's enterprise was paid:

1. remuneration to the Members of the Management Board in total amount of PLN 691.0 thousand,
2. remuneration to the Members of the Supervisory Board in total amount of PLN 233.0 thousand.

In three quarters of 2017 the remuneration paid to the Members of the Management Board for performing functions in the Management Boards and in the Supervisory Boards of companies belonging to the Capital Group amounted to PLN 321.0 thousand.

Below are presented transactions with related parties, which include the jointly-controlled entities or the associated entities, as well as ones, on which the Issuer has an influence or is a member of the key management personnel of the entity or the parent company. All transactions of related entities were concluded on market conditions and they relate to sale and purchase of services, among others - of construction and assembly services, and rental services, as well as granting mutually loans.

Settlements with related entities include trade settlements and under loans.

Guarantees and sureties granted to related entities are presented in Note No. 23.

Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group as at and for the period of 9 months ended 30 September 2017

Reporting period

(in PLN thousands)

from 1 January 2017 to 30 September 2017

	Sale of services	Purchase of services	Financial income – interest on loans	Finance costs – interest on borrowing
Jointly-controlled entities and associated entities	5 886	2 738	284	-
	Trade and other receivables	Receivables under loans granted	Trade payables	Liabilities under borrowings
Jointly-controlled entities and associated entities	1 081	18 618	271	-

Comparative period

(in PLN thousands)

from 1 January 2016 to 30 September 2016

	Sale of services	Purchase of services	Financial income – interest on loans		
Jointly-controlled entities and associated entities	16 380	515	283		
	Trade receivables	Receivables under loans granted	Trade payables	Liabilities under borrowings	
Jointly-controlled entities and associated entities	2 689	18 238	16	-	

Note No. 28 – Information on significant proceedings pending before the court

PROCHEM S.A. was a party to the proceedings before the court concerning the settlement of the interrupted on 10 November 2005 contract for the 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. with a member of the consortium (share of 50%) filed a lawsuit to the court for payment of PLN 41, 301 thousand under the final settlement of the contract, of which PLN 17,364 thousand is recognized in the statement of financial position as a receivable under seized guarantee deposit, and the remaining amount falling on PROCHEM is the contingent receivable. On 18 January 2008 District Court in Warsaw issued a judgment in this case considering claim of PROCHEM S.A. as justified, while stating that this liability is not yet due.

On 26 August 2008 the Court of Appeal in Warsaw issued a final judgment on the appeal lodged by PROCHEM S.A. from the a/m judgment of the District Court, recognizing in it that the claim filed by PROCHEM S.A. regarding accounting for the contract is not premature, and at the same time obligated the District Court to make the accounting for the contract mentioned above pursuant to the provisions of the contract. This finding is in compliance with position of PROCHEM in a legal proceeding.

On 12 August 2010 hearing was held before the District Court in Warsaw, where the Court decided to appoint an expert - Warsaw University of Technology - Department of Civil Engineering, who according to the recommendations of Court of Appeal will make a final accounting for the contract which was the subject in dispute. In April 2011, the case file was forwarded to the court expert witness, who in an opinion published in May 2012 confirmed the amount of the claim of PROCHEM S.A. By order of May 31, 2012, the District Court granted the Warsaw University of Technology a remuneration for opinion in the case, against this order the defendant PERN lodged a complaint.

According to PERN SA the prepared opinion could not be the basis of the findings of facts of the case for the Court, because it is contrary to the thesis of the Court in which was determined the basis and scope of the opinion.

The Court of Appeal in Warsaw, I Civil Division has lifted the decision of the District Court which was contested by PERN SA and the request for remuneration for the drafting of an opinion, which was issued by an expert witness, has transferred to the District Court for reconsideration.

On 5 February 2013 before the District Court in Warsaw, a hearing was held with the participation of experts, after which the court decided to oblige the parties to submit the pleadings with the final conclusions of evidence in the scope of complementing the expert opinions, and postponed the hearing until 16 May 2013.

By order dated February 25, 2013, the District Court in Warsaw XXVI Economic Department upheld the previous decision of the Court, and finally has awarded a remuneration for the expert for drafting the opinion. In grounds for the judgment the Court determined that, at the hearing on 5 February 2013, the certified expert has carefully explained the methodology that has been adopted for the preparation of the legal opinion and it is not inconsistent with the thesis of the Court, and there are no legitimate grounds to complaint that the methodology adopted by the experts is not correct.

On 14 May 2013, the Issuer received a notice from the District Court in Warsaw of revocation of hearing scheduled for 16 May 2013 and the next date of hearing has not been appointed yet.

On 9 August 2013, the Issuer received from the District Court in Warsaw, the decision as of 1 August 2013 undertaken at the closed session of the Court. At this meeting, the Court decided to admit evidence from a supplementary opinion of research institute - Warsaw University of Technology in Warsaw, concerning of determining the value of services, supplies, and other liabilities made by PROCHEM S.A. and directly related to the implementation of the agreement, the ones which have been executed after the date of withdrawal from the contract on the basis of commitments contracted prior to the withdrawal from the contract. In November 2013 the experts appointed by the court have started the work associated with the preparation of the supplementary opinion.

On 25 February 2014, the Court received the supplementary opinion that confirms the amount of the claim of PROCHEM S.A.

On 24 October 2014 the court suspended of its own motion the hearing until the removal of formal obstacles that have currently been removed and on February 6, 2015, a request was made to continue the proceedings and set a date for the next meeting.

On 4 March 2015 the District Court in Warsaw has scheduled a hearing for 30 April 2015.

At the hearing on 30 April 2015, the Regional Court in Warsaw has pledged experts to supplement the opinion.

On 6 May 2015 in relation to the doubts raised against some aspects of the expert's opinions and in the interest of a faster conclusion of the case, PROCHEM limited the action for payment by the amount of PLN 139 thousand to the amount of PLN 41 162 thousand, along with statutory interest.

On 17 July 2015 the Company received a copy of the supplementary opinion of the expert witness, which in all cases had confirmed the standpoint of PROCHEM S.A.

On 22 October 2015 the District Court in Warsaw, XXVI Commercial Division announced judgment in the above matter, in which:

- in the main action, jointly and severally for the benefit of the Issuer and a member of the consortium adjudged from PERN:
 - ✓ amount of PLN 35 086 589.26, with statutory interest from 23 March 2006 until the date of payment;
 - ✓ amount of PLN 4 879 883.58, with statutory interest from 22 March 2006 until the date of payment;
 - ✓ amount of PLN 126 400.44 with statutory interest from 16 January 2007 until the date of payment.
- dismissed the counterclaim of PERN in its entirety.

PERN S.A. lodged an appeal from the above judgment, which on October 30, 2017, was dismissed by the Court of Appeal in Warsaw.

Due to the dismissal of the appeal, the verdict of 22 October 2015 became final and binding. Together with interest, the adjudged amount exceeds PLN 90 million. The Group's share in the adjudged

amount is approximately 50%. As at the date of this report the adjudged cash was transferred to the Issuer's account.

The Group presents receivables from PERN S.A. as at 30 September 2017 under guarantee deposits with a value of PLN 17,364 thousand retained during the contract execution, which are the subject of the final settlement of the contract and pending proceedings, and also part of the main claim, which falls on the Group in the amount of PLN 9,888 thousand.

The value of this proceeding exceeds 10% of the equity of the Capital Group.

In addition, the total value of the other proceedings separately for the group of liabilities and the group of claims, does not exceed 10% of the equity of the Capital Group.

Note No. 29 – Events after reporting date

On October 30, 2017, the Court of Appeal in Warsaw, I Civil Department, announced the judgment in which dismissed the appeal of PERN S.A. and adjudged the costs of legal representation: for PROCHEM S.A. PLN 16,200, for a member of the consortium PLN 5,400.

Due to the dismissal of the appeal filed by PERN S.A. the judgment of 22 October 2015 became final and binding. According to the estimates of the Issuer's Management Board, the impact of this event on the gross financial result of 2017 will amount to approximately PLN 25 million.

Note No. 30 - Other explanatory notes to interim condensed consolidated financial statements

Description of factors and events having a significant impact on the financial results achieved in the current reporting period

The results for the third quarter of 2017 included partial settlements within the framework of the Prochem-Megagaz consortium related to a favorable outcome of a court case with PERN S.A.

Factors which in the opinion of the issuer will have an impact on its financial performance in the prospect of at least the subsequent quarter

The final settlement of the court case against PERN will have a major impact on the financial result for the fourth quarter of this year. In addition, the results of subsequent quarters will mainly depend on the Issuer's possibility to acquire new contracts for the sale of its services and the continuation of construction, and commercialization of the Center Astrum Business Park in Warsaw.

The position of the Management Board in relation to the possibility of accomplishment of previously published forecast of results for the given year, in the light of results presented in the quarterly report with respect to the forecasted results

Company PROCHEM S.A. did not publish any forecast of financial results neither for the Company nor for the PROCHEM S.A. Capital Group for 2017.

Information on granting surety of loan or borrowing or guarantee by the Issuer or by its subsidiary - jointly to one entity or to its subsidiary, if the total value of existing surety or guarantee is equivalent to at least 10% of the Issuer's equity

In the third quarter of 2017 the companies belonging to the Capital Group did not grant any sureties and guarantees to related entities.

Statement of changes in the shareholding of Issuer's shares or rights to them (options) held by Management Board and Supervisory Board, in accordance with the Issuer's knowledge, since submission of the previous quarterly report

As at the date of the financial statements hereby, according to the statements received, the following members of the Management Board and Supervisory Board of the company held shares of PROCHEM S.A.:

- Jarosław Stepniewski – 80,943 units.;
- Marek Kiersznicki – 70,393 units;
- Krzysztof Marczak – 43,700 units;
- Andrzej Karczykowski – 134,586 units
- Marek Garliński – 88,000 units.

From the date of submission of the previous report, there has been a change in the number of shares held by members of the Supervisory Board. On October 24, 2017, Andrzej Karczykowski purchased 19,400 shares at PLN 16.80 each.

Financial information of PROCHEM S.A.

Unconsolidated statement of financial position

(all amounts in PLN thousands if not stated otherwise)

	As at 30 September 2017	As at 31 December 2016 (restated)
A s s e t s		
Non-current assets		
Property, plant and equipment	950	1 249
Intangible assets	209	310
Investment properties	246	246
Shares in subsidiaries	9 642	9 642
Shares in equity-accounted investees	4 502	4 502
Deferred tax assets	5 206	4 666
Other financial assets	36 860	36 738
Total non-current assets	57 615	57 353
Current assets		
Inventories	23	1 698
Trade and other receivables	39 957	38 042
Other financial assets	-	198
Other assets	8 071	4 757
Cash and cash equivalents	156	245
Total current assets	48 207	44 940
Total assets	105 822	102 293
E q u i t y a n d l i a b i l i t i e s		
Equity		
Share capital	3 895	3 895
Revaluation reserve	13	837
Retained earnings	55 758	48 339
Total equity	59 666	53 071
Non-current liabilities		
Non-current loans	7 141	7 002
Provision for retirement and similar benefits	539	539
Other non-current liabilities	10	14
Total non-current liabilities	7 690	7 555
Current liabilities		
Current bank loans	10 682	7 303
Trade payables	24 423	27 139
Other liabilities	1 702	5 182
Deferred income	1 659	2 043
Total current liabilities	38 466	41 667
Total liabilities	46 156	49 222
Total equity and liabilities	105 822	102 293
Weighted average number of ordinary shares (units)	3 895 000	3 895 000
Book value per one share (in PLN)	15.32	13.63

Unconsolidated statement of profit and loss for the period from 1 January 2017 to 30 September 2017

(all amounts in PLN thousands if not stated otherwise)

	Period ended 30 September 2017	Period ended 30 September 2016 (restated)
Revenues from sale, including:	36 092	91 824
Revenues from sale of services	36 092	90 963
Revenues from sale of goods and materials	-	861
Cost of sales, including:	-33 949	-108 469
Cost of services sold	-33 949	-107 722
Cost of merchandise and raw materials sold	-	-747
Gross profit on sales	2 143	-16 645
General and administrative expenses	-4 836	-7 477
Other operating income	10 035	947
Other operating expenses	-1 716	-75
Results from operating activities	5 626	-23 250
Financial income	1 289	628
Finance expenses	-857	-1 836
Before tax profit	6 058	-24 458
Income tax expense :	-410	-4 016
- current tax	2	1
- deferred tax	-412	-4 017
Profit for the period	6 468	-20 442
Weighted average number of ordinary shares (units)	3 895 000	3 895 000
Profit/diluted profit per one ordinary share (in PLN per one share)	1.66	-5.25

Unconsolidated statement of comprehensive income

Profit for the period	6 468	-20 442
Other comprehensive income (net):	-824	4
Total comprehensive income	5 644	-20 438
Weighted average number of ordinary shares (units)	3 895 000	3 895 000
Total comprehensive income per one ordinary share (in PLN per one share)	1.45	-5.25

Unconsolidated statement of changes in equity

(all amounts in PLN thousands if not stated otherwise)

Reporting period from 1 January 2017 to 30 September 2017

	Share capital	Revaluation reserve	Retained earnings	Total equity
As at the beginning of the period (audited)	3 895	837	48 727	53 459
Error adjustment			-388	-388
As at the beginning of the period (restated)	3 895	837	48 339	53 071
Net profit (loss) of the given period			6 468	6 468
<i>Other comprehensive income (net)</i>		-824	951	127
Total comprehensive income	0	-824	7 419	6 595
As at the end of the period	3 895	13	55 758	59 666

Comparative period from 1 January 201 to 30 September 2016

	Share capital	Revaluation reserve	Retained earnings	Total equity
As at the beginning of the period (audited)	3 895	859	78 521	83 275
Error adjustment			-391	-391
As at the beginning of the period (restated)	3 895	859	78 130	82 884
Net profit (loss) of the given period			-23 601	-23 601
<i>Other comprehensive income (net)</i>		-22		-22
Total comprehensive income	0	-22	-23 601	-23 623
Payment of dividend			-6 193	-6 193
As at the end of the period	3 895	837	48 727	53 459

Unconsolidated statement of cash flows
For the period from 1 January 2017 to 30 September 2017
(all amounts in PLN thousands if not stated otherwise)

	Note No.	Period ended 30 September 2017	Period ended 30 September 2016
Cash flows – operating activities			
Before tax profit		6 058	-24 458
Total adjustments		-10 929	14 256
Amortization and depreciation		425	684
Interest and profit sharing (dividends)		-846	-257
(Profit) loss on disposal of property, plant and equipment		-	-18
Change in provisions		-1 043	175
Change in inventories		1 675	3 254
Change in receivables		-5 676	26 817
Change in current liabilities except for loans and borrowings		-5 181	-12 544
Other adjustments (including change in deferred income)		-283	-3 855
Cash provided by (used in) operating activities		-4 871	-10 202
Income tax paid		2	1 173
Net cash provided by (used in) operating activities		-4 869	-11 375
Cash flows – investing activities			
Inflows		1 701	102
Disposal of intangible assets and property, plant and equipment		3	37
Proceeds from financial assets		1 698	65
- in related entities		1 500	65
Inflows from sale of financial assets		367	-
Dividend received		741	65
Repayment of interest on loans granted		392	-
- in other entities		198	-
Repayment of loans granted		133	-
Repayment of interest on loans granted		65	-
Outflows		-31	-731
Acquisition of intangible assets and property, plant and equipment		-31	-731
Net cash provided by (used in) investing activities		1 670	-629
Cash flows – financing activities			
Inflows		3 380	6 000
Bank loans		3 380	-
Borrowings		-	6 000
Outflows		-270	-9 512
Dividend paid		-	-6 187
Repayment of bank loans		-	-3 024
Interest, commission (loan) paid		-270	-301
Net cash provided by (used in) financing activities		3 110	-3 512
Total cash flows, net		-89	-15 516
Cash and cash equivalents as at the beginning of the period		245	16 769
Cash and cash equivalents as at the end of the period		156	1 253

Approval of the financial statements

Hereby the interim condensed consolidated financial statements of the PROCHEM S.A. Capital Group for the period from January 1, 2017 to September 30, 2017, containing the financial information of the company PROCHEM S.A., has been approved for publication by the Management Board of the Parent Company PROCHEM S.A. on November 14, 2017.

Signatures of the Members of the Management Board

14 November 2017 Jarosław Stepniewski President of the Management Board

date first name and surname position signature

14 November 2017 Marek Kiersznicki Vice President
of the Management Board

date first name and surname position signature

14 November 2017 Krzysztof Marczak Vice President
of the Management Board

date first name and surname position signature

Signature of the person responsible for bookkeeping

14 November 2017 Barbara Auguścińska-Sawicka Chief Accountant

date first name and surname position signature