REPORT FOR THE FIRST QUARTER OF 2017

Contents:

- Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group as at and for the period of three months ended 31 March 2017
- Financial information of PROCHEM S.A.

and

- Selected financial data
- Statement of the Management Board

www. prochem.com.pl

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 the first quarter of 2017 - 4.2891 PLN/EUR
- For the first quarter of 2016 - 4.3559 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:

- 4.2198 PLN/EUR as at 31 March 2017
- 4.4200 PLN/EUR as at 31 December 2016

Selected financial data of PROCHEM S.A. Capital Group

Description	Reporting period ended 31 March		Reporting period ended 31 March	
	2017	2016	2017	2016
	In PLN thousands		In EURO thousands	
Consolidated statement of profit and loss				
Revenues from sales	27 054	36 826	6 308	8 454
Gross profit on sales	3 555	4 314	829	990
Results from operating activities	218	1 228	51	282
Before tax profit	-133	1 179	-31	271
Profit for the period assigned to:	156	916	36	210
Shareholders of the Parent Entity	106	925	25	212
Non-controlling interest	50	-9	12	-2
Profit/diluted profit per one ordinary share (in PLN/EURO)-assigned to shareholders of the Parent Entity	0.03	0.24	0.01	0.05
Consolidated statement of cash flows				
Net cash provided by (used in) operating activities	105	-5 486	24	-1 259
Net cash provided by (used in) investing activities	-169	4 964	-39	1 140
Net cash provided by (used in) financing activities	209	2 674	49	614
Total cash flows, net	145	2 152	34	494

Description	As at		As at	
	31 March 2017	31 December 2016	31 March 2017	31 December 2016
	In PLN thousands		In EURO thousands	
Consolidated statement of financial position`				
Total assets	145 204	160 208	34 410	36 213
Total non-current assets	83 399	83 575	19 764	19 191
Total current assets	61 805	76 633	14 646	31 128
Equity attributable to owners of parent entity	88 599	88 583	20 996	27 304
Non-controlling interest	6 588	6 448	1 561	2 050
Total equity	95 187	95 031	22 557	29 355
Total non-current liabilities	4 712	4 726	1 117	1 209
Total current liabilities	45 305	60 451	10 736	19 755
Book value per one ordinary share (in PLN/EURO)-assigned to shareholders of the Parent Entity	22.75	22.74	5.39	5.14
Weighted average number of shares (units)	3 895 000	3 895 000	3 895 000	3 895 000

Selected financial data of PROCHEM S.A.

Description	Reporting period ended 31 March		Reporting period ended 31 March	
	2017	2016	2017	2016
	In PLN thousands		In EURO thousands	
Separate statement of profit and loss				
Revenues from sales	8 452	29 475	1 971	6 767
Gross profit on sales	1 542	2 937	360	674
Results from operating activities	-211	1 163	-49	267
Before tax profit	-255	1 374	-59	315
Profit for the period	90	1 154	21	265
Net profit per one ordinary share /diluted (in PLN/EURO)	0.02	0.30	0.01	0.07
Statement of cash flows				
Net cash provided by(used in) operating activities	-1 130	-6 027	-263	-1 384
Net cash provided by (used in) investing activities	135	120	31	28
Net cash provided by (used in) financing activities	1 333	2 609	311	599
Total cash flow, net	338	-3 298	79	-757

	As at		As at	
	31 March 2017	31 December 2016	31 March 2017	31 December 2016
	In PLN thousands		In EURO thousands	
Separate statement of financial position				
Total assets	94 814	102 681	22 469	23 210
Total non-current assets	57 962	57 741	13 736	13 052
Total current assets	36 852	44 940	8 733	10 158
Total equity	53 549	53 459	12 690	12 084
Total non-current liabilities	7 585	7 555	1 797	1 708
Total current liabilities	33 680	41 667	7 981	9 418
Book value per one ordinary share (in PLN/EURO)	13.75	13.73	3.26	3.10
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 three 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	Vice President	President of the Management Board
Krzysztof Marczak	Marek Kierysznicki	Jarosław Stępniewski

Warsaw, 15 May 2017

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

As at and for the period of three months ended 31 March 2017

Contents

www.prochem.com.pl

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 31 March 2017	As at 31 December 2016 audited
A s s e t s			
Non-current assets			
Property, plant and equipment	1	22 399	22 713
Intangible assets		362	391
Investment property	2	12 747	12 750
Shares		830	830
Shares valued using the equity method	3	22 413	22 678
Deferred tax assets	4	6 221	5 879
Other financial assets	5	18 427	18 334
Total non-current assets		**83 399**	**83 575**
Current assets			
Inventories	6	3 686	4 865
Trade and other receivables	7	41 220	56 652
Other financial assets	8	198	198
Other assets	9	12 773	11 135
Cash and cash equivalents		3 928	3 783
Total current assets		**61 805**	**76 633**
Total assets		**145 204**	**160 208**
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		12 092	12 146
Retained earnings		72 612	75 542
Equity assigned to shareholders of the Parent Entity		**88 599**	**88 583**
Non-controlling interest		**6 588**	**6 448**
Total equity		**95 187**	**95 031**
Non-current liabilities			
Non-current loans	11	271	299
Provision for deferred income tax	4	2 350	2 348
Provision for retirement and similar benefits		1 755	1 755
Other non-current liabilities		336	324
Total non-current liabilities		**4 712**	**4 726**
Current liabilities			
Bank loans	11	10 751	10 400
Trade payables	12	27 264	39 525
Liabilities under current income tax		-	55
Other liabilities	14	5 571	8 086
Deferred income	13	1 719	2 385
Total non-current liabilities		**45 305**	**60 451**
Total liabilities		**50 017**	**65 177**
Total equity and liabilities		**145 204**	**160 208**
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		22.75	22.74

Explanatory notes to interim condensed consolidated financial statements are an integral part thereof.

Consolidated statement of profit and loss

(all amounts in PLN thousands if not stated otherwise)

	Note No.	Period ended 31 March 2017	Period ended 31 March 2016
Revenues from sale, including:		27 054	36 826
Revenue from sale of services	15	27 042	35 717
Revenue from sale of goods and materials		12	1 109
Costs of sales, including:		-23 499	-32 512
Cost of services sold	16	-23 489	-31 448
Cost of merchandise and materials sold		-10	-1 064
Gross profit on sale		**3 555**	**4 314**
General and administrative expenses	16	-3 465	-3 190
Other operating income	17	140	125
Other operating expense	18	-12	-21
Results from operating activities		**218**	**1 228**
Financial income	19	161	346
Finance costs	20	-247	-230
Profit sharing in entities valued using the equity method		-265	-165
Before tax profit		**-133**	**1 179**
Income tax		-289	263
- current tax		49	795
- deferred tax		-338	-532
Profit for the period		**156**	**916**

Profit for the period assigned to:		
Shareholders of the Parent Entity	106	925
Non-controlling interest	50	-9
Profit/diluted profit per one ordinary share (in PLN per one share) assigned to owners of Parent Entity	0.03	0.24

Consolidated statement of comprehensive income

Profit for the period	**156**	**916**
Other comprehensive income (net):	**-**	**-**
Total comprehensive income	**156**	**916**

Total comprehensive income assigned to :		
Shareholders of the Parent Entity	106	925
Non-controlling interest	50	-9
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) assigned to owners of the Parent Entity	0.03	0.24

Explanatory notes to interim condensed consolidated financial statements are an 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 parent entity	Equity assigned to non-controlling interest	Total equity
Reporting period from 1 January 2017 to 31 March 2017						
As at the beginning of the period (is under audit)	**3 895**	**12 146**	**72 542**	**88 583**	**6 448**	**95 031**
Net profit/(loss) of the given period	-	-	106	**106**	50	**156**
Other comprehensive income (net)	-	-	-	-	-	-
Total comprehensive income	**-**	**-**	**106**	**106**	**50**	**156**
Other changes	-	-54	-36	**-90**	90	-
As at the end of the period	**3 895**	**12 092**	**72 612**	**88 599**	**6 588**	**95 187**

	Share capital	Revaluation reserve	Retained earnings	Equity assigned to shareholders of parent entity	Equity assigned to non-controlling interest	Total equity
Reporting period from 1 January 2016 to 31 March 2016						
As at the beginning of the period (is under audit)	**3 895**	**11 584**	**100 878**	**116 357**	**8 738**	**125 095**
Net profit/(loss) of the given period	-	-	925	**925**	-9	**916**
Other comprehensive income (net)	-	-	-	-	-	-
Total comprehensive income	**-**	**-**	**925**	**925**	**-9**	**916**
Transactions with shareholders						
Repurchase of own shares for redemption (Elektromontaż,) - change in the structure of shareholding	-	15	21	**36**	-47	**-11**
As at the end of the period	**3 895**	**11 599**	**101 824**	**117 318**	**8 682**	**126 000**

Explanatory notes to interim condensed consolidated financial statements are an integral part thereof.

Consolidated statement of cash flows

(all amounts in PLN thousands if not stated otherwise)

	Note No.	Period ended 31 March 2017	Period ended 31 March 2016
Cash flows – operating activities			
Gross profit (loss)		-133	1 179
Total adjustments		291	-4 642
Share in profit of entities valued using the equity method		265	165
Amortization and depreciation		532	569
Interest and profit sharing (dividends)		-48	24
Gain on disposal of property, plant and equipment		-7	-5
Change in provision		-574	-238
Change in inventories	6	1 179	-58
Change in receivables and other assets	7	13 741	18 544
Change in current liabilities, except for borrowings and loans	12	-14 214	-17 677
Other adjustments (including change in deferred income)		-583	-5 966
Cash provided by (used in) operating activities		**158**	**-3 463**
Income tax paid		-53	2 023
Net cash provided by (used in) operating activities		**105**	**-5 486**
Cash flows – investing activities			
Inflows		**10**	**5 327**
Disposal of intangible assets and property, plant and equipment		10	5 252
Inflows from financial assets, including:		-	75
a) in subsidiaries		-	75
- repayment of loan with interest		-	75
b) in other entities		-	16
- other inflows		-	16
Outflows		**-179**	**-363**
Acquisition of intangible assets and property, plant and equipment		-179	-341
For financial assets, including:		-	-22
a) other outflows in other entities:		-	-22
Net cash provided by (used in) investing activities		**-169**	**4 964**
Cash flows – financing activities			
Inflows		**1 404**	**2 967**
Bank loans		1 404	2 967
Outflows		**-1 195**	**-293**
Other than payments to shareholders, expenses under profit distribution		-	-11
Repayment of bank loans		-1 086	-152
Payment of liabilities under finance lease agreements		-	-11
Interest		-109	-119
Net cash provided by (used in) financing activities		**209**	**2 674**
Total cash flows, net		145	2 152
Cash and cash equivalents as at the beginning of the period		**3 783**	**23 595**
Cash and cash equivalents as at the end of the period		**3 928**	**25 747**

Explanatory notes to interim condensed consolidated financial statements are an integral part thereof.

Explanatory Notes to interim condensed consolidated financial statements

1. Establishment of the Parent Entity 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, XII 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 Entity

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 first half 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 comprises of:

- Andrzej Karczykowski
- Krzysztof Obłój
- Marcin Pędziński
- Michał Suflida
- Karol Żbikowski

In the first half of 2017 there were no changes in composition of the Supervisory Board.

3. Employment

Average employment in PROCHEM Capital Group for the first quarter of 2017 was 416 FTEs, and in the first quarter of 2016 466 FTEs.
Level of employment in PROCHEM Capital Group as at 31 March 2017 was 422 persons, and as at 31 March 2016 483.

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

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

Subsidiaries coverd 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 (80.7% of share in capital and profit, 71.1% of votes);
- Prochem Zachód Sp. z o.o. seated in Warsaw – subsidiary directly (80.0%);
- ELPRO Sp. z o.o. seated in Kraków – subsidiary indirectly (92.7%, including 85.4% in the 50% share of Elektromontaż Kraków);
- Elmont Inwestycje Sp. z o.o. seated in Kraków – subsidiary indirectly (92.7%, including 85.4% in the 50% share of Elektromontaż Kraków);
- Elektromontaż Kraków S.A. seated in Kraków – subsidiary indirectly (85.4%), including 73.0% of the capital and votes belongs to Prochem Inwestycje subsidiary in 100%. Elektromontaż Kraków S.A. prepares consolidated financial statements, which contains data of the subsidiary in 100%: ELMONT-POMIARY Sp. z o.o. seated in Kraków 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 the share in capital and voting rights held by the company Prochem Inwestycje).

Jointly controlled entities and associates 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% held 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 the associates from the date of exercising of joint control and of exertion of significant influence.

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

Principles of presentation

Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group for three months of 2017 was prepared according to IAS 34 "Interim Reporting", in the way it was adopted by European Union and 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.

Presented interim condensed consolidated financial statements of PROCHEM S.A. Capital Group was prepared assuming that the Capital Group will continue to operate as a going concern in foreseeable future.

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

Financial statements of subsidiaries were prepared for the same reporting period as financial statements of 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 condition. 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), investment property under construction measured at fair value.

.

Significant accounting policies and changes in IFRS

In preparing the interim condensed consolidated financial statements were applied the same accounting principles and the same calculation methods which were applied in the 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.

Standards and Interpretations which were adopted by the EU, but not yet effective for annual periods ended 31 December 2016 and Standards and Interpretations, which are waiting for approval:

Standards and Interpretations endorsed by the EU	**Type of anticipated change in accounting policies**	**Possible impact on the financial statements**	**The date of entry into force for periods beginning on the day or later**
IFRS *15 Revenue from Contracts with Customers*	This standard contains principles that will replace most of the detailed guidelines on revenue recognition that are existing currently in IFRS. In particular, following the adoption of the new standard will cease to apply IAS 18 *Revenue,* IAS 11 *Construction Contracts* and related to them interpretations. According to the new standard, entities will apply a five-step model for determining when to recognize revenue and how much revenue to recognize. This model assumes that revenue should be recognized when (or in the extent in which) the entity transfers the control over the goods or services to the	At the time of initial application, the impact of the Standard will depend on the specific facts and circumstances relating to the customer agreements in which the Group will be a party. The Group is currently analyzing the impact of the Standard on its financial statements, however, it assumes that the new Standard will have an impact on construction contracts concluded. The application of the new principles	1 January 2018

Standards and Interpretations endorsed by the EU	**Type of anticipated change in accounting policies**	**Possible impact on the financial statements**	**The date of entry into force for periods beginning on the day or later**
	customer, and revenues should be recognized in such amount, to which entity expects to be entitled. Depending on the meeting of determined criteria, the revenues: - are distributed over time in a way that reflects the implementation of the contract by the entity, or - are recognized once, in such a time when the control over the goods or services is transferred to the customer. The standard contains new disclosure requirements, both quantitative and qualitative, designed to enable users of financial statements to understand the nature, the amount, the moment of recognition and the uncertainty in relation to revenues and cash flows arising from contracts with customers.	will have an impact on recognition of the revenues from long-term contracts, and on capitalization of the implementation costs, and acquiring of new contracts	
IFRS 9 *Financial instruments (2014)*	The new standard replaces the IAS 39 Financial Instruments: Recognition and Measurement, Guidance on Classification and Measurement of Financial Assets, including Impairment Guidance. IFRS 9 also eliminates the existing categories of financial assets in IAS 39: held to maturity, available-for- sale and loans and receivables. In accordance with the requirements of the new standard at the moment of initial recognition, financial assets should be classified into one of three categories: • financial assets measured at amortized cost; • financial assets measured at fair value through profit or loss; or • financial assets measured at fair value through other comprehensive income. Component of financial assets is classified into the category of measured on initial recognition at amortized cost if the following two conditions are met: • the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and • its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. If the above conditions are not met (as, for example in the case of equity instruments of other entities), the financial asset is measured at fair value. Gains and losses on measurement of financial assets measured at fair value are recognized in profit and loss of the current period, except for assets held within a business model whose objective is to hold assets in order both to receive cash flows from the contracts and selling of them - for these assets, gains and losses from the measurement are recognized in other comprehensive income. In addition, if an investment in an equity instrument is not held for trading, IFRS 9 provides an opportunity to make n irrevocable decision on the measurement of such financial instrument at initial recognition at fair value through other comprehensive income. This choice can be made for each instrument separately. The values recognized in other comprehensive income according to the valuation as above cannot be reclassified to the result of the current period, in the later periods. New standard retains almost all of the existing requirements from IAS 39 on the classification and measurement of financial liabilities and derecognition of financial assets and financial liabilities. But IFRS 9 requires the amount of change in fair value attributable to changes in the credit risk of financial liability designated at initial recognition as fair value through profit or loss to be presented in other comprehensive income. Remaining amount of the total gain or loss from revaluation at fair value is recognized in financial results	It is expected that at the time of initial application, the new Standard will have a significant impact on the financial statements. However, until the first application of this standard, the Group is in the process of analyzing the impact of the Standard on the financial statements.	1 January 2018

Standards and Interpretations endorsed by the EU	Type of anticipated change in accounting policies	Possible impact on the financial statements	The date of entry into force for periods beginning on the day or later
	in the current period. In case, however, as if the application of this requirement had resulted in lack of commensurability of revenues and costs, or if financial liability was a result of commitments of granting a loan or financial guarantee contracts, the entire change in fair value would be recognized in profit or in loss of current period. As regards the estimation of the impairment of financial assets, IFRS 9 replaces the model of "loss incurred" in IAS 39 with the "expected loss" model, which means that the event causing the loss would not have to precede the recognition and write off. The new rules aim at preventing situations where the write-offs of credit losses are created too late and they are in the insufficient height. W In short, the model of the expected loss uses two approaches to estimation of a loss, according to which the loss is determined on the basis of: • the 12-month expected credit loss, or • full life-time expected loss). Which approach will be used depends on whether, whether in the case of the given asset after initial recognition has been a significant increase in credit risk. In the event that the credit risk associated with financial assets did not increase significantly compared to its initial recognition, the impairment loss of these financial assets will be equal to the loss expected in the 12-months period. If, however, a significant increase in credit risk occurs, the impairment loss of these financial assets will be equal to the expected loss over the life of the instrument, thereby increasing the recognized impairment loss. Standard assumes that - in the absence of contrary arguments - a sufficient criterion for the recognition of the life-time expected loss is occurrence of the delay in payment of 30 days..		
IFRS 14 *Regulatory Deferral Accounts*	This transitional standard: • Allows the entities being first-time adopters of IFRS to continue to apply the principles of recognition used so far for regulatory assets and liabilities, both at the initial application of IFRS and in the financial statements for subsequent periods; • requires from entities to present regulatory assets and liabilities and their changes in separate items in the financial statements; and • requires detailed disclosures which enables to identify the type and risks associated with regulated rates in connection to which regulatory assets and liabilities have been recognized in accordance with this transitional standard.	It is not expected that discussed transitional standard will have a significant impact on the financial statements of the Group since the standard includes only entities adopting IFRS for the first time.	1 January 2016 *(The European Commission has decided not to endorse this transitional standard in expectation of the proper standard)*
The Sale or Transfer of Assets Between an Investor and Associated Company, or Joint Venture (Amendments to IFRS 10 *Consolidated Financial Statements* and to IAS 28 *Investment in Associates and Joint Ventures 28*)	The amendments have removed the existing inconsistency between the requirements of IFRS 10 and IAS 28 on recognition of loss of control of a subsidiary that is contributed to an associate or joint venture. While IAS 28 limits the gain or loss resulting from the contribution of non-monetary assets to the associated company or joint venture to the amount of capital involvement of other entities in an associate, or a joint venture, IFRS 10 requires the recognition of all gain or loss which is resulted from the loss of control over subsidiary. Amendments require the recognition of the entire profit or loss in case the assets transferred meet the definition of a project within the meaning of IFRS 3 Business Combinations (irrespectively whether the entity is a subsidiary or not). Partial recognition of gain or loss (to the amount of	The Group does not expect the amendments to have material impact on the consolidated financial statements.	1 January 2016 *(The European Commission has decided to postpone the approval of these changes indefinitely)*

Standards and Interpretations endorsed by the EU	Type of anticipated change in accounting policies	Possible impact on the financial statements	The date of entry into force for periods beginning on the day or later
	capital engagement of other entities) will occur in case if the transaction relates to the assets not constituting a venture, even if those assets were located in the subsidiary.		
MSSF 16 *Leases*	IFRS 16 replaces IAS 17 Leases and interpretations related to it. With regard to the lessees new standard eliminates the current distinction between operating and finance leases. Recognition of operating leases in the statement of financial position will result in a recognition of the new asset - the right to use of the subject of the lease - and a new liability - the liability to make payments under lease. The rights to use leased assets will be subject to redeem, whereas the interest will be accrued on the liabilities. This will result in arising of higher costs during the initial leasing phase, even if the parties agreed on a fixed annual fee. The recognition of lease agreements at the lessor in most cases will remain unchanged in connection with maintained division into operating lease agreements and finance lease.	At the time of the initial application, the impact of the Standard will depend on the specific facts and circumstances related to lease agreements, in which the Group is / will be a party. It is expected that at the time of its initial application, the Standard will have a material impact on assets and liabilities in the consolidated financial statements of the Group, in particular in relation to 71 lease agreements and office space.	1 January 2019
Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12 Income Taxes)	The amendments clarify, among other things, that the unrealized losses related to debt instruments measured at fair value in the financial statements, for which the tax value is their initial cost, may give rise to negative temporary differences.	The Group does not expect the changes to have a material impact on its financial statements at the time they are adopted, as the manner, in which the Group applies IAS 12 is in line with the approach presented in the amendments.	1 January 2017
Disclosure Initiative (Amendments to IAS 7 *Statement of Cash Flows*)	Amendments include presentation of disclosures by the entities in order to enable users of financial statements assessment of changes in the value of liabilities arising from financial activities, including changes resulting both from cash flows, and non-monetary changes. One of the ways to meet these requirements is the presentation of the reconciliation of the opening balance and closing balance of liabilities arising from financial activities.	The Group does not expect the changes to have a material impact on its consolidated financial statements at the time they are adopted.	1 January 2017
Amendments IFRS *15 Revenue from Contracts with Customers*	Amendments to IFRS 15 clarify some requirements of the Standard and are providing additional transitional relief for companies that are implementing the new Standard. The amendments clarify the existing guidance for: • Identification of performance obligation (a promise in the contract to transfer to a customer goods or services); • Determining whether the company is a principal or an agent based on whether it controls the underlying goods or services; and • Determining whether revenue from a licensing agreement is either recognized over time or at a point in time. In addition, the changes contain two additional simplifications that aim to facilitate the first application of the Standard by the companies, and reduce the associated costs.	At the time of initial application, the impact of the Standard will depend on the specific facts and circumstances relating to the customer agreements in which the Group will be a party. The Group is currently analyzing the impact of the Standard on its financial statements, however, it assumes that the new Standard will have an impact on construction contracts concluded. The application of the new principles will have an impact on recognition of the revenues from long-term contracts, and on capitalization of the implementation costs, and acquiring of new contracts.	1 January 2018
Amendments to IFRS 2 *(Share-based Payment Transactions)*	Amendments, which are clarifying the method of the recognition of some share-based payment transactions, include recognition requirements: • the effect of vesting conditions and terms other than vesting conditions on the valuation of cash-settled share-based payment transactions; • share-based transactions with the characteristics of net settlement with regard to the obligations arising from the tax requirements; and • modification of the terms and conditions of share-based transactions that change the classification of	The Group does not expect changes to affect its consolidated financial statements because such transactions do not occur.	1 January 2018

Standards and Interpretations endorsed by the EU	Type of anticipated change in accounting policies	Possible impact on the financial statements	The date of entry into force for periods beginning on the day or later
	these transactions from cash-settled to equity-settled. ●		
Annual Improvements to IFRS Standards 2014-2016 Cycle	Annual Improvements to IFRS Standards 2014-2016 Cycle include 3 amendments to standards. The main amendments: deleted the short-term exemptions for first-time adopters of IFRS (IFRS 1 First-time Adoption of International Financial Reporting Standards) relating to, among other things, the transitional provisions of IFRS 7 *Financial Instruments: Disclosures* - regarding disclosures of comparative data and transfers of financial assets, and IAS 19 *Employee Benefits*; clarified that requirements of IFRS 12 *Disclosure of Interests in Other Entities* (except for the disclosure of condensed financial information in accordance with paragraphs B10-B16 of this standard) apply to an entity's interest in subsidiary, associated company, joint-ventures and structured entities not covered by consolidation, that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*; and they explain that the election regarding a derogation from the application of the equity method in accordance with IAS 28 *Investments in Associates and Joint Ventures* should be made separately for each associated company or joint venture, and they explain when this choice have to be made.	The Group does not expect the changes to have an impact on its consolidated financial statements at the time they are adopted.	1 January 2018 (Except for amendments to IFRS 12 that apply to annual periods beginning on or after 1 January 2017)
IFRIC 22 *Foreign Currency Transactions and Advance Consideration*	IFRIC 22 provides guidance on the currency exchange rate, that should be applied for the presentation of transaction in foreign currency (such as trade revenue) in case the payment is made earlier or received earlier, as advance payment, and it clarifies that the date of the transaction is the day of initial recognition of Prepayments, or Deferred Income, that are related to this advance payment. For transactions involving a series of payments made or received, a separate transaction date is set for each transaction.	The Group does not expect the changes to have an impact on its consolidated financial statements at the time they are adopted.	1 January 2018.
Amendments to IAS 40 *Investment Property*	The changes include clarifications on the transfer to or from investment properties: transfers to, or from, investment properties should only be made in the event of a change in the use of the property; and with the change in the way the property is used, the property should be assessed as to whether the property qualifies as an investment property	The Group does not expect the changes to have an impact on its consolidated financial statements at the time they are adopted.	1 January 2018

The Capital Group will apply new mentioned above standards, and changes in standards and interpretations of IFRS published by the International Accounting Standards Board, that are not effective as at the day of approval for the publication of the financial statements in accordance with their effective date.

Changes in estimates values

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).

Transactions in foreign currencies

Transactions in foreign currencies are initially recognized at the exchange rate of the NBP effective as at the transaction date. Balance sheet items of assets and liabilities expressed in foreign currencies are measured at the average NBP exchange rate in force at the balance sheet date. Gains and losses arising from the settlement of such transactions and carrying value of assets and liabilities expressed in foreign currencies are recognized in the statement of profit and loss.

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 procedures:

- 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.

Explanatory notes to interim condensed consolidated financial statements as at and for the period ended 31 March 2017

Note No. 1 – Property, plant and equipment

	As at 31 March 2017	**As at 31 December 2016**
Property, plant and equipment, including:	22 383	22 695
- land	4 287	4 313
- buildings, premises and civil engineering objects	15 563	15 729
- machinery and equipment	577	649
- vehicles	957	939
- other PPE	999	1 065
Construction under progress	16	18
Total property, plant and equipment	**22 399**	**22 713**

PPE – ownership structure	**As at 31 March 2017**	**As at 31 December 2016**
a) own	10 205	10 365
b) used under rental, lease or other agreement, including:	12 194	12 348
- lease	661	653
- outlays on not-own property, plant and equipment	10 981	11 143
- value of the right of perpetual usufruct	552	552
Total property, plant and equipment of balance sheet	**22 399**	**22 713**

The Group, pursuant to an agreement dated 23 July 2004 leases property consisting of 3 buildings with a total area of 6 227.5 m^2, on a plot of 3 311 m^2 located in Warsaw at Emilia Plater Street No. 18 and Hoża No. 76/78. The duration of the contract, from the date of its conclusion, is 30 years.

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 in order that the carrying amount did not significantly differ from fair value, wherein not less frequently than once every two years.
Carrying amount as at 31 March 2017 does not significantly differ from fair value. The measurement at fair value as at 31 December 2016 was made by independent valuers not associated with the Group. 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 in the period from1 January 2017 to 31 March 2017	Change in PPE in the period from 1 January 2016 to 31 December 2016
Gross value - as at opening balance sheet	**38 576**	**43 655**
increase (due to)	160	1 688
- acquisition	160	1 521
- other changes including revaluation of non-current assets to fair value	-	167
decrease (due to)	-110	-6 767
- disposal of PPE	-94	-851
- liquidation of PPE	-16	-1 370
- transfer to investment property	-	-3 753
- derecognition from consolidation of non-current assets of sold subsidiary	-	-649
- other changes, including revaluation of non-current assets to fair value	-	-144
Gross value at closing balance sheet	**38 626**	**38 576**
Depreciation and impairment		
Accumulated depreciation – as at opening balance sheet	**15 706**	**19 841**
- increase (depreciation for the period)	474	2 140
- decrease due to sale	-94	-771
- decrease due to liquidation	-16	-1 369
- transfer to investment property	-	-3 507
- other changes, including revaluation of non-current assets to fair value	-	-2
Accumulated depreciation as at closing balance sheet	**16 070**	**15 706**
Impairment of non-current assets	**-157**	**-157**
PPE net – as at closing balance sheet	**22 399**	**22 713**

Note No. 2 – Investment property

	As at 31 March 2017	As at 31 December 2016
Property under construction	1 128	1 128
Buildings and constructions	6 267	6 270
Land	5 352	5 352
Total investment property	**12 747**	**12 750**

Investment properties by titles	Change in investment properties in the period from 1 January 2017 to 31 March 2017	Change in investment properties in the period from 1 January 2016 to 31 December 2016
Investment properties - land		
As at opening balance sheet	5 352	4 690
- increase due to transfer from PPE	-	166
- decrease due to sale of investment property	-	-496
As at closing balance sheet	5 352	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 properties - buildings and constructions		
As at opening balance sheet	6 270	6 148
- change due to:	-	122
a) increase due to revaluation to fair value	-	42
b) increase due to transfer from PPE	-	80
c) decrease due to depreciation	-3	-
As at closing balance sheet	6 267	6 270
Total investment properties by type – net as at balance-sheet date	**12 747**	**12 750**

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

The measurement at fair value as at 31 December 2016 was made by independent valuers not associated with the Group. 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.

Details concerning investment property and information on the hierarchy of fair values as at 31 March 2017.

	Level 1	**Level 2**	**Level 3**	**Fair value as at 31 March 2017**
	In PLN thousands	In PLN thousands	In PLN thousands	In PLN thousands
Investment property	-	-	12 747	12 747

There were no displacements between the levels 1, 2 and 3 during the first quarter of 2017.

Note No. 3 - Shares valued using the equity method

	As at 31 March 2017	**As at 31 December 2016**
- Shares – net value	22 413	22 678
- Write-downs of shares	1 011	1 011
Gross value of shares	**23 424**	**23 689**

Change in shares valued using the equity method	**As at 31 March 2017**	**As at 1 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)	- 265	-898
- share in the current year result	-265	-1 110
- write-downs of shares in connection with the arrangement proceedings	-	212
As at the end of the period, net value	**22 413**	**22 678**

d) write-down	1 011	1 011
As at the end of the period, gross value	**23 424**	**23 689**

Note No. 4 – Deferred income tax

Changes in the values of reserves, and deferred income tax assets for the first quarter of 2017 are shown in the table below.

	As at 31 March 2017	**As at 1 December 2016**
deferred income tax assets		
As at the beginning of the period	8 598	5 662
Increase	2 322	5 747
Decrease	-1 689	-2 811
As at the end of the period	**9 231**	**8 598**

provision for deferred income tax	**As at 31 March 2017**	**As at 1 December 2016**
As at the beginning of the period	5 067	5 829
Increase	1 386	1 433
Decrease	-1 093	-2 195
As at the end of the period	**5 360**	**5 067**

	As at 31 March 2017	**As at 1 December 2016**
Deferred income tax assets	9 231	8 598
Provision for deferred income tax	-5 360	-5 067
Surplus of deferred income tax asset	**3 871**	**3 531**

Presentation in the statement of financial position	**As at 31 March 2017**	**As at 1 December 2016**
Deferred income tax assets	6 221	5 879
Provision for deferred income tax	-2 350	- 2 348
Surplus of deferred income tax asset	**3 871**	**3 531**

Note No. 5 – Other financial assets

	As at 31 March 2017	**As at 1 December 2016**
a) from jointly-controlled entities	18 427	18 334
- borrowings	18 427	18 334
Total other financial assets	**18 427**	**18 334**

Loans granted - as at 31 March 2017

- Loans granted to the jointly-controlled company Irydion sp. z o. o. seated in Warsaw:
- In the amount of PLN 11 967 thousand, including: amount of the loan PLN 11 000 thousand, accrued interest as at the balance sheet day amounts to PLN 967 thousand. The interest rate is set annually according to WIBOR 6M rate, repayment date 22 September 2031;
- In the amount of PLN 6 460 thousand, including: amount of the loans PLN 6 000 thousand, accrued interest as at the balance sheet day amounts to PLN 460 thousand. The interest rate is set annually at 3% per year, repayment date 22 September 203.

Increase:

- Accrued interest on loans granted in the amount of PLN 93 thousand.

Loans granted – as at 31 December 2016

- Loans granted to 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 as at the balance sheet day 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 31 March 2017	**As at 1 December 2016**
Materials	3 686	4 865
Total inventories	**3 686**	**4 865**
Write-down of inventories	578	578

Note No. 7 – Trade and other receivables

	As at 31 March 2017	**As at 1 December 2016**
Trade receivables, including:	43 858	59 426
Write-down of receivables	-5 280	-5 449
Net trade receivables, including:	**38 578**	**53 977**
- with repayment period up to 12 months	35 025	49 950
- with repayment period over 12 months	3 553	4 027
Receivables from taxes, subsidies, customs duties, social and health insurance and other benefits	**481**	**420**
Other receivables	2 563	2 657
Write-down of other receivables	-402	-402
Net other receivables	**2 161**	**2 255**
Total receivables, net	**41 220**	**56 652**

Trade and other receivables from related entities	**As at 31 March 2017**	**As at 1 December 2016**
Trade receivables, including:	2 123	2 301
- from jointly-controlled entities	2 123	2 301
Total current trade receivables and other from related entities, net	**2 123**	**2 301**
Write-down of receivables from related entities	-	-
Total current trade receivables and other receivables from related entities, gross value	**2 123**	**2 301**

Change in write-down of trade and other receivables	**As at 31 March 2017**	**As at 1 December 2016**
As at the beginning of the period	**5 851**	**7 806**

a) increase (due to)	-	117
- write-down for receivables	-	117
b) decrease (due to)	169	2 072
- payment received	168	118
- the use of write-downs which were created in the previous periods	-	1 831
- other exclusion of the company from 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.

As at 30 September 2016 the outstanding balance of trade receivables includes receivables overdue with a carrying amount of PLN 17 364 thousand from security deposit under the statutory warranty, to which the Group did not create write-downs. The Group considers that they will be recovered, what was described in Note No 27 – *Information on significant proceedings pending before the court.*

Note No. 8 - Other financial assets

	As at 31 March 2017	**As at 1 December 2016**
a) from other entities:	198	198
- current loans granted	198	198
Total other financial assets	**198**	**198**

Loans granted - as at 31 March 2017

- A loan for Committee Civic for the Building 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.

Loans granted - as at 31 December 2016

- A loan for Committee Civic for the Building 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 31 March 2017**	**As at 1 December 2016**
a) prepayments	2 247	1 952
- cost of property and personal insurance	434	353
- software maintenance costs	644	764
- subscriptions	16	26
- deferred costs	53	13
- other	1 100	796
b) other prepayments	10 526	9 183
- amounts due from the ordering parties under long-term contracts	10 526	9 183
Total other assets	**12 773**	**11 135**

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

Note No. 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	1October1991
Founding	inscribed	-	6 816	6 816	Cash	23July1991	1October1991
Founding	bearer	-	1 810 104	1 810 104	Cash	23July1991	1October1991
B	inscribed	-	750	750	Cash	29July1993	1January1993
B	bearer	-	681 750	681 750	Cash	29July1993	1January1993
C	bearer	-	530 000	530 000	Cash	20April1994	1January1994
D	bearer	-	865 000	865 000	Cash	5September1994	1January1994
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 Parent 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 information in the Group's possession as at the day of the statements the following shareholders have at least 5% of the 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	817 500	817 500	20.98	20.99
2. Porozumienie PHC	662 663	662 849	17.04	17.02
3. Legg Mason Parasol Fundusz Inwestycyjny Otwarty („Legg Mason Parasol FIO"), Fundusz Własności Pracowniczej PKP Specjalistyczny Fundusz Inwestycyjny Otwarty and Legg Mason Akcji Skoncentrowany Fundusz Inwestycyjny zamknięty. Total above mentioned funds, including: - Legg Mason Parasol Fundusz Inwestycyjny Otwarty („Legg Mason Parasol FIO") - Legg Mason Akcji Skoncentrowany*	560 649 284 054 261 773	560 549 284 054 261 773	14.39 7.29 6.72	14.39 7.29 6.72
4. QUERCUS Parosolowy SFIO, QUERCUS Absolute Return FIZ, QUERCUS Absolutnego Zwrotu FIZ, QUERCUS Parasol SFIO Agresywny Total above mentioned funds, including: - QUERCUS Parosolowy SFIO*	415 532 221 266	415 532 221 266	10.67 5.68	10.67 5.68
5. Otwarty Fundusz Emerytalny PZU „Złota Jesień".	387 521	387 521	9.95	9.95

6. Value Fund Poland Activist Fundusz Inwestycyjny Zamknięty	203 455	203 455	5.22	5.22

In the period since the publication of the annual report for 2016, the Group has not received any information about the change in the number of shares held:

Note No. 11 –Bank loans

	As at 31 March 2017	As at 1 December 2016
- current loans	10 751	10 400
- non-current loans	271	299
Total loans	11 022	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
By Prochem S.A.						
mBank SA	Warsaw	6000 Credit in overdraft	2 709	WIBOR for O/N deposits in PLN + margin	30 June 2017	Promissory note in blank, pledge by court on shares
mBank SA	Warsaw	6000 Revolving working capital loan	4 650	WIBOR for 1 month deposits in PLN + margin	30 June 2017	Promissory note in blank, pledge by court on shares
ING Bank Śląski S.A.	Katowice	3,000 Credit in overdraft	1 348	WIBOR for 1 month deposits in PLN + margin	15 November 2017	Statement on submission to forfeiting, mortgage on real estate
By Spółkę Elektromontaż Kraków SA						
ING Bank Śląski	Kraków	2 500	1 312	WIBOR for 1 month deposits in PLN + margin	20 November 2017	Mortgage up to PLN 3750 thousand on real estate
Deutsche Bank	Kraków	500	293	WIBOR for 1 month deposits in PLN + margin	15 July 2017	Mortgage up to PLN 2 250 thousand on real estate
By Atutor Integracja Cyfrowa Sp. z o.o.						
Bank Millennium S.A.	Warsaw	150	36	WIBOR for 1 month deposits in PLN + margin	Not applicable	Granting the bank a power of attorney for collection and repayment from the accounts, and to block the funds in the case when loan is not repaid in time
By Pro-Inhut Sp. z o.o.						
ING Bank Śląski	Dąbrowa Górnicza	450 Credit in	403	WIBOR for 1 month deposits in PLN +	24September 2017	No collateral

		overdraft		margin		
ING Bank Śląski S.A.	Dąbrowa Górnicza	300	271	3 WIBOR for 1 month deposits in PLN + margin	20 July 2020	No collateral

Note No. 12 – Trade payables

	As at 31 March 2017	As at 1 December 2016
a) to associated entities and to jointly-controlled entities -	18	385
- from supplies and services, with maturity period:	18	385
- up to 12 months	18	385
b) to other entities -	27 246	39 140
- from supplies and services, with maturity period:	27 246	39 140
- up to 12 months	22 896	34 718
- above 12 months	4 350	4 422
Total trade payables	**27 264**	**39 525**

Note No. 13 – Deferred income

	As at 31 March 2017	As at 1 December 2016
Advanced payments received	777	462
Amounts due to the ordering parties under long-term contracts	618	1 599
Other	324	324
Deferred income as at the end of the period, including:	**1 719**	**2 385**
Non-current liabilities	**-**	**-**
Current liabilities	**1 719**	**2 385**

Note No. 14 – Other liabilities

	As at 31 March 2017	As at 1 December 2016
a) to other entities	3 169	3 742
- due to taxes, duties, insurance and other benefits	1 566	2 463
- due to remuneration	424	402
-other (by type)	1 179	877
• liabilities to employees	19	13
• to shareholders	28	28
• under lease agreement	272	23
• other	860	813
b) other short-term provisions	2 402	4 344
- provision for costs relating to long-term contracts	123	644
- provision for costs (movable part of salary, contracts of mandate)	510	1 875
- cost of audit	72	87
- short-term provision for retirement benefits	433	433
- provision for unused annual leaves	1 264	1 305
Total other liabilities	**5 571**	**8 086**

Note No. 15 - Revenues from sale of services

Revenues from sale of services (type of service and type of activity)	Period ended 31 March 2017	Period ended 31 March 2016
Revenues from sale of services, including:	**27 042**	**35 717**
- from jointly-controlled entity	457	5 034

Revenues from sales (territorial structure)	Period ended 31 March 2017	Period ended 31 March 2016
Domestic market	27 042	26 377
- including from jointly-controlled entities	457	5 034
Exports	-	9 340

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 three months of 2017 is included in Note No. 22.

Note No. 16 – Cost of services

	Period ended 31 March 2017	Period ended 31 March 2016
a) amortization and depreciation	532	569
b) consumption of materials and energy	6 455	2 376
c) outsourcing	10 409	24 408
d) taxes and levies	480	393
e) remuneration	7 192	8 133
f) social security and other benefits	1 548	1 896
g) other types of costs (by category)	1 144	1 641
- property and personal insurance	129	144
- business trips	357	428
- State Fund for Rehabilitation of Disabled Persons (PFRON)	56	40
- rental of cars	234	270
- cost of operation of the Representation Office	28	357
- other	340	402
Total costs by type	**27 760**	**39 416**
Change in inventories, products and accruals and prepayments	-806	-4 778
General and administrative expenses (negative value)	-3 465	-3 190
Cost of services sold	**23 489**	**31 448**

Note No. 17- Other operating income

	Period ended 31 March 2017	Period ended 31 March 2016
a) gain on sale of non-financial non-current assets	40	7
b) reversal of impairment allowance (due to)	5	78

- for receivables	5	78
c) other, including:	95	40
- reimbursement of litigation costs	-	12
- received compensation, fines and penalties	74	4
- revenues under rental of cars	-	2
- other	21	22
Total other operating income	**140**	**125**

Note No. 18 – Other operating expenses

	Period ended 31 March 2017	**Period ended 31 March 2016**
a) impairment allowance (for):	-	8
- receivables	-	8
b) other, including:	12	13
- litigation costs	1	8
- paid, fines, penalties, compensation	4	-
- other	7	5
Total other operating expenses	**12**	**21**

Note No. 19 – Financial income

	Period ended 31 March 2017	**Period ended 31 March 2016**
a) interest on loans granted	93	93
- from jointly-controlled entities	93	93
b) other interest	4	31
- from other entities	4	31
c) the surplus of foreign exchange gains	34	214
d) other	30	8
Total financial income	**161**	**346**

Note No. 20 – Finance costs

	Period ended 31 March 2017	**Period ended 31 March 2016**
a) interest on bank loans	85	106
b) other interest	52	3
- for other entities	52	3
c) the surplus of foreign exchange losses	-	7
d) other, due to :	110	114
- commission on bank guarantees	80	79
- commission on loans	21	20
- other.	9	15
Total finance costs	**247**	**230**

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

Differences between the amounts directly from the financial statements and presented in the statement of cash flows result from a transfer of specified amounts from operating activity to investing activity and financing activity.

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

	In 2017	In 2016
Change in current receivables	**13 741**	**18 544**
Receivables as at 1 January	56 652	83 991
Other assets as at 1 January	11 135	15 197
Receivables from non-current assets sold	-18	-45
Receivables from sale	-	-5 240
Receivables from sale of assets	-367	-
Receivables due to income tax	-347	-497
As at opening balance sheet after adjustments	**67 055**	**93 406**
Receivables as at 31 March	41 220	56 652
Other assets on 31 March	12 773	11 135
Receivables from non-current assets sold	-15	-18
Receivables from sale of financial assets	-367	-367
Receivables due to income tax	-297	-347
Receivables from subsidiary sold		1 212
Closing balance sheet after adjustments	**53 314**	**68 267**

Change in current liabilities except for current borrowings and special funds	**- 14 214**	**17 678**
Trade payables on 1 January	39 525	51 451
Other liabilities on 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	-10	-40
Liabilities to shareholders	-28	-3
Closing balance sheet after adjustments	**45 357**	**57 214**
Trade payables on 31 March	27 264	39 525
Other liabilities on 31 March	5 571	8 086
Provision to current retirement benefits	-433	-433
Provision to annual leaves	-1 264	-1 305
Provision to audit	-72	-87
Provision to current other costs	-123	-641
Other differences due to discount of liabilities	250	250
Liabilities under lease	-10	-10
Liabilities to shareholders	-40	-28
Liabilities of subsidiary sold		1 009
Closing balance sheet after adjustment	**31 143**	**46 443**

Change in other adjustments on 31 March 2017	**-583**	**-5 965**
Change in deferred income - advances received	333	-5 739

Amounts due to the ordering parties under long-term contracts	-981	2 526
Security deposit constituting the collateral of a bank guarantee of reimbursement of advance payment *)	-	-3 255
Adjustment of sale of subsidiary	-18	-144
Other adjustments	83	716

*) 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 security deposit in cash, has placed a deposit in the bank in the amount of EURO 2,191 thousand. The deposit will be reduced by the amounts settled during the implementation of the project. Date of completion from the contract of the security deposit was determined as at 2016. As of 31 December 2016 both security deposit and advance payment were settled.

Note No. 22- Information on operating segments

Operating segment is a component part of the entity:

- that engages in business activity from which it can obtain income and incur expenses,
- whose operating results are regularly reviewed by the body responsible for making operating decisions of the Group,
- in case of which 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, not taking into consideration other operating activity.

The activity of the Capital Group for the managing requirements has been divided into eleven basic operational sectors such as: construction services presented within the general contracting, design services and other engineering services (supervision along with the service of project engineer), the rental of equipment for construction work, assembly of electrical equipment, 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-down.
Some assets in the joint use are assigned to these segments based on reasonable weight.

Assets of the Representation in Belarus as at 31 March 2017 do not exceed 10% of balance sheet amount.

In the period from 1 January 2017 until 31 March 2017 there were no revenues outside Polish (exports), in the analogous period of the previous year revenues amounted to PLN 12 019 thousand (i.e. 33% of sales revenue).

In the first quarter of 2017 revenues from the sale to any of the client did not exceed 10% of the total value of sale.

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 were not identified any premises attesting to the loss of value as at 31 March 2017. In addition, as at the balance sheet date the Group has carried out the analysis of contracts for construction work in relation to the budgeted results. 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.

For the period from 1 January 2017 to 31 March 2017	General contracting	Design services and other engineering services	Rental of the construction equipment	Electrical installations	Rental of office space and real estate	Commercial activity	Other IT services	Other	Items not assigned	Total
Revenues to external customers	3 109	9 522	715	11 975	1 153	12	38	530	-	27 054
Total segment revenues	**3 109**	**9 522**	**715**	**11 975**	**1 153**	**12**	**38**	**530**	**-**	**27 054**
Result of the segment	**408**	**-677**	**186**	**128**	**157**	**2**	**-119**	**5**	**-**	**90**
Financial income									161	161
Finance costs									-247	-247
Net financial income / finance costs									**-86**	**-86**
Profit sharing in associated entities									-265	-265
Profit on other operating activities									**128**	**128**
Before tax loss									**-133**	**-133**
Income tax									-289	-289
Profit for the current period									**156**	**156**
Profit assigned to non-controlling interest									**50**	**50**
Profit for the period assigned to shareholders of parent entity									**106**	**106**
Assets as at 31 March 2017										
Segment assets (related to activity)	25 582	9 976	500	7 927	16 810	-	384	34	-	61 213
Assets unallocated (among others shares, other financial assets)									83 991	83 991
Total assets	**25 582**	**9 976**	**500**	**7 927**	**16 810**	**-**	**384**	**34**	**83 991**	**145 204**
Other information related to segment for the period from 1 January 2017 to 31 March 2017										
Depreciation of property, plant and equipment	25	18	25	136	174	-	-	11	86	475
Amortisation of intangible assets	-	9	-	4	4	-	-	-	40	57

Operating segments - continuation

For te period from 1 January 2016 to 30 March 2016	General contracting	Design services and other engineering services	Rental of the construction equipment	Electrical installations	Rental of office space and real estate	Commercial activity	Other IT services	Other	Items not assigned	Total
Revenues to external customers	22 586	7 659	664	3 177	1 388	1 105	26	221	-	36 826
Total segment revenues	**22 586**	**7 659**	**664**	**3 177**	**1 388**	**1 105**	**26**	**221**	**-**	**36 826**
Result of the segment	**2 224**	**-1 438**	**178**	**106**	**216**	**28**	**-83**	**-107**	**-**	**1 124**
Financial income									346	346
Finance costs									230	230
Net financial income / finance costs									116	116
Profit sharing in associated entities									**-165**	**-165**
Profit on other operating activities									**104**	**104**
Before tax profit									**1 179**	**1 179**
Income tax									263	**263**
Profit for the current period									**916**	**916**
Profit assigned to non-controlling interest									**-9**	**-9**
Profit for the period assigned to shareholders of parent entity									**925**	**925**
Assets as at 31 March 2016										
Segment assets (related to activity)	42 407	8 925	577	3 024	17 676	868	-	216	-	73 693
Assets unallocated (among others shares, other financial assets)									116 791	116 791
Total assets	**42 407**	**8 925**	**577**	**3 024**	**17 676**	**868**	**-**	**216**	**116 791**	**190 484**
Other information related to segment for the period from 1 January 2016 to 31 March 2016										
Depreciation of property, plant and equipment	6	17	25	115	174	-	-	166	13	516
Amortisation of intangible assets	-	5	-	6	-	-	-	-	41	53

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-31 March 2017	**1 January-31 March 2016**
Poland	27 054	24 807
Belarus	-	12 019
Total sales revenues	**27 054**	**36 826**

Geographical breakdown of property, plant and equipment and intangible assets

	31 March 2017	**31 December 2016**
Poland	22 761	23 104
Belarus	-	-
Total property plant and equipment and intangible assets	**22 761**	**23 104**

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

	As at		**Including company Prochem S.A. As at**	
Collateral granted	**31 March 2017**	**31 December 2016**	**31 March 2017**	**31 December 2016**
bank guarantee of good performance and statutory warranty	24 219	22 235	18 664	16 680
tender guarantee	50	37	50	37
Total collateral granted	**24 269**	**22 272**	**18 714**	**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	**24 516**	**22 519**	**18 961**	**16 964**

	As at		**Including company Prochem S.A. As at**	
Collateral received	**31 March 2017**	**31 December 2016**	**31 March 2017**	**31 December 2016**
Bank guarantee of good performance	5 517	5 087	5 517	5 087
Total collateral granted	**5 517**	**5 087**	**5 517**	**5 087**

Contingent receivables from PERN described in Note No 28.

Note No. 24 - Profit sharing and loss coverage

Net loss for 2016 in the amount of PLN 23,601 thousand is proposed to cover from the reserve capital.

Note No. 25 - Financial instruments and financial risk management

Financial assets

As at 31 March 2017		**Categories of financial instruments**	
(in PLN thousands)	**Note No.**	**Loans, receivables and other**	**Total**
Classes of financial instruments			
Receivables from supplies and services	7	38 578	38 578
Cash		3 978	3 928
Loans granted	5,8	18 625	18 625
Total		**61 181**	**61 182**

As at 31 December 2016		**Categories of financial instruments**	
(in PLN thousands)	**Note No.**	**Loans, receivables and other**	**Total**
Classes of financial instruments			
Receivables from supplies and services	7	53 997	53 997
Cash		3 783	3 783
Loans granted	5,8	18 532	18 532
Total		**76 312**	**76 312**

Financial liabilities

As at 31 March 2017	**Categories of financial instruments**			
(in PLN thousands)	**Note No.**	**Financial liabilities measured at amortized costs**	**Liabilities excluded from IAS 39**	**Total**
Classes of financial instruments				
Loans	11	11 022	-	11 022
Finance lease		-	501	501
Trade payables	12	27 264	-	27 264
Total		**38 286**	**501**	**38 787**

As at 31 December 2016	**Categories of financial instruments**			
(in PLN thousands)	**Note No.**	**Financial liabilities measured at amortized costs**	**Liabilities excluded from IAS 39**	**Total**
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 to the balance sheet value due to their short-term nature and variable interest rates.

Liquidity risk connected with the concentration of sales revenues

In the first quarter of 2017 the Group realized sales revenues in the amount of PLN 27 054 thousand, in the comparable period PLN 36 826 thousand, including PLN 12 019 thousand concerned Belarusian Client. Accordingly, the Group disclosed in the statement of financial position the following financial instruments related to execution of the above contract.

Classes of financial instruments	**As at 31 March 2017**	**% share in total assets**	**As at 31 December 2016**	**% share in total assets**
Financial assets				
Receivables from supplies and services	594	0.4%	2 279	1.4%
Total financial assets	**594**	**0.4%**	**2 279**	**1 4%**
Financial liabilities				
Payables	5 242	3.6%	6 442	4.0%
Total financial liabilities	**5 242**	**3.6%**	**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 a significant influence or is a member of key management personnel of the entity or Parent Entity, as well as close family members of this personnel (hereinafter 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 first 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.

In the first 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 the first quarter of 2017 in the Issuer's enterprise was paid:

1. remuneration to the Members of the Management Board in total amount of PLN 221.0 thousand,
2. remuneration to the Members of the Supervisory Board in total amount of PLN 78.0 thousand.

In the first quarter 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 107.0 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 impact 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.

Reporting period
(in PLN thousands)

from 1 January 2017 to 31 March 2017

	Sale of services	Purchase of services	Financial income – interest on loans	Finance costs – interest on loan
subsidiaries	44	70	76	34
jointly-controlled entities and associated entities	457	932	93	-

	Trade and other receivables	Receivables under loans granted	Trade payables	Liabilities under loans granted
subsidiaries	514	-	2 724	7 036
jointly-controlled entities and associated entities	2 123	18 427	18	-

Comparative period
(in PLN thousands)

from 1 January to 31 March 2016

	Sale of services	Purchase of services	Financial income – interest on loans
subsidiaries	44	2 361	77
jointly-controlled entities and associated entities	5 031	109	93

	Trade receivables	Receivables under loans granted	Trade payables	Liabilities under loans granted
subsidiaries	1 575	19 104	3 153	950
jointly-controlled entities and associated entities	4 687	18 047	12	-

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

PROCHEM S.A. continues to be a party to the proceedings before the court concerning the settlement of the contract which was interrupted on 10 November 2005, 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. 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 from seized guarantee deposit, and the remaining amount 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 to be right in principle, while stating that this obligation 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 has ordered that the District Court will make the accounting for the contract mentioned above pursuant to

the provisions of the contract. This finding is in compliance with position in a case of PROCHEM S.A.
On 12 August 2010 the 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 an ultimate accounting for in relation to the disputed contract. In April 2011, the case file was forwarded to the 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, in relation to which 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 cancelled the decision of the District Court which was contested by PERN SA and the request for remuneration of an expert for the drafting of an opinion has submitted 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 in which the final the final conclusions of evidence to complement the expert opinions will be clarified, 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 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, from closed session of the Court. At the meeting, the Court decided to admit evidence of a supplementary opinion of research institute - Warsaw University of Technology in Warsaw, in the circumstance of determining the value of services, supplies, and other liabilities made by PROCHEM S.A. and directly related to the implementation of the agreement that have been made 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 now 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 expert, which in all cases had confirmed the position 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 126 400,4, with statutory interest from 16 January 2007 until the date of payment.
- in the cross action, dismissed the action of PERN entirely.

The statutory interest on the aforementioned amounts as at 31 December 2016 amounts approximately to PLN 50 million.

The Group's share in the adjudged amount amounts to about 50%.
From the above judgment on 7 December 2015 PERN lodged an appeal. The term of consideration of the appeal has not been set yet.

As of 31 March 2017 the Group presents the receivables from PERN SA under guarantee deposits seized during the execution of the contract worth PLN 17,364 thousand, which are the subject of a final settlement of the contract and the proceedings which is pending before the Court. These receivables are not covered by write-down. The remaining amount of principal claim, which falls on the Group in the amount of PLN 2,682 thousand was recognized as a contingent asset, because on reporting day did not meet all the criteria for recognition as an asset in the understanding of IAS 37.

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

Furthermore, the total value of other proceedings separately for group of liabilities and as well as for group of receivables does not exceed 10% of the equity of the Capital Group.

Note No. 29 – Events after reporting date

Not occurred.

Note No. 30 - Other supplementary information to the interim condensed consolidated financial statements

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

In the first quarter of 2017, there were no factors and events that had a significant impact on the result.

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 results in the subsequent quarters will depend mainly on the possibility of obtaining by the Issuer of new contracts on sale of its services. Continuing of construction and commercialization of office center Astrum Business Park in Warsaw will have big impact on the results of the Issuer.

Management Board's position 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 forecasts 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 company or by its subsidiary to one entity or to its subsidiary, if the total value of existing surety or guarantee is equivalent to at least 10% of the equity

In the first 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 the issuer or rights to them (options) by the managing persons and by the supervisory authorities of the issuer, according to issuer's knowledge since submission of the previous quarterly report

As at the date of the consolidated financial statements, in accordance with declarations received, the following Members of the Management Board and the Supervisory Board hold shares of PROCHEM S.A.:

- Jarosław Stępniewski – 80,943 units;
- Marek Kiersznicki – 70,393 units;
- Krzysztof Marczak – 43,700 units;
- Andrzej Karczykowski – 115,186 units.
-

Since the date of publication of the previous report, there were no changes in the number of shares owned by the members of the Supervisory Board.

Financial information of PROCHEM S.A.

Unconsolidated statement of financial position

(all amounts in PLN thousands if not stated otherwise)

	As at 31March 2017	As at 31 December 2016 audited
Assets		
Non-current assets		
Property, plant and equipment	1 129	1 249
Intangible assets	279	310
Investment properties	243	246
Shares in subsidiaries	9 642	9 642
Shares in jointly-controlled entities and in associated entities	4 502	4 502
Deferred tax assets	5 401	5 054
Other financial assets	36 766	36 738
Total non-current assets	**57 962**	**57 741**
Current assets		
Inventories	1 698	1 698
Trade and other receivables	28 602	38 042
Other financial assets	198	198
Other assets	5 771	4 757
Cash and cash equivalents	583	245
Total current assets	**36 852**	**44 940**
Total assets	**94 814**	**102 681**
Equity and liabilities		
Equity		
Share capital	3 895	3 895
Revaluation reserve	837	837
Retained earnings	48 817	48 727
Total equity	**53 549**	**53 459**
Non-current liabilities		
Non-current loans	7 036	7 002
Provision for retirement and similar benefits	539	539
Other non-current liabilities	10	14
Total non-current liabilities	**7 585**	**7 555**
Current liabilities		
Current bank loans	8 707	7 303
Trade payables	20 786	27 139
Other liabilities	2 792	5 182
Deferred income	1 395	2 043
Total current liabilities	**33 680**	**41 067**
Total liabilities	**41 265**	**49 222**
Total equity and liabilities	**94 814**	**102 681**
Weighted average number of ordinary shares (units)	3 895 000	3 895 000
Book value per one share (in PLN)	13.75	13.73

Unconsolidated statement of profit and loss for the period from 1 January 2017 to 31 March 2017

(all amounts in PLN thousands if not stated otherwise)

	Period ended 31 March 2017	Period ended 31 March 2016
Revenues from sale, including:	**8 452**	**29 475**
Revenue from sale of services	8 452	29 475
Revenue from sale of goods and materials	-	-
Cost of sale, including:	**-6 910**	**-26 538**
Cost of services sold	-6 910	-26 538
Cost of merchandise and raw materials sold	-	-
Gross profit on sales	**1 542**	**2 937**
General and administrative expenses	-1 824	-1 880
Other operating income	72	114
Other operating expenses	-1	8
Results from operating activities	**-211**	**1 163**
Financial income	191	380
Finance expenses	-235	-169
Before tax profit	**-255**	**1 374**
Income tax expense :	-345	220
- current tax	-	77
- deferred tax	-345	143
Profit for the period	**90**	**1 154**
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)	0.02	0.30

Unconsolidated statement of comprehensive income

Profit for the period	**90**	**1 154**
Other comprehensive income (net):	**-**	**-**
Total comprehensive income	**90**	**1 154**
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)	0.02	0.30

Unconsolidated statement of changes in equity

(all amounts in PLN thousands if not stated otherwise)

	Share capital	Revaluation reserve	Retained earning	Total equity
Reporting period from 1 January 2017 to 31 March 2017				
As at the beginning of the period (audited)	**3 895**	**837**	**48 727**	**53 459**
Net loss of the given period	-	-	90	90
Net other comprehensive income	-	-	-	-
Total comprehensive income	***-***	***-***	***90***	***90***
As at the end of the period	**3 895**	**837**	**48 817**	**53 549**
Reporting period from 1 January 2016 to 31 March 2016				
As at the beginning of the period (audited)	**3 895**	**859**	**78 521**	**83 275**
Net loss of the given period	-	-	1 154	1 154
Net other comprehensive income	-	-	-	-
Total comprehensive income	***-***	***-***	***1 154***	***1 154***
As at the end of the period	**3 895**	**859**	**79 675**	**84 429**

Unconsolidated statement of cash flows for the period from 1 January 2017 to 31 March 2017

(all amounts in PLN thousands if not stated otherwise)

	Period ended 31 March 2017	Period ended 31 March 2016
Cash flow – operating activities		
Gross profit/(loss)	-255	1 374
Total adjustments	**-875**	**-6 177**
Amortization and depreciation	162	225
Interest and profit sharing (dividends)	-64	-81
(Profit) on disposal of property, plant and equipment	-	-4
Change in provisions	-524	-132
Change in inventories	-	-57
Change in receivables and other assets	9 227	13 139
Change in current liabilities except for loans and borrowings	-9 071	-13 963
Other adjustments (including deferred income)	-605	-5 304
Cash provided by (used in) operating activities	**-1 130**	**- 4 803**
Income tax paid	-	-1 224
Net cash provided by (used in) operating activities	**-1 130**	**-6 027**
Cash flow – investing activities		
Inflows	**145**	**201**
Disposal of intangible assets and property, plant and equipment	3	12
Proceeds from financial assets in related entities, including:	142	189
- repayment of loans granted	-	186
- repayment of interest on loans granted	142	3

Outflows	**-10**	**-81**
Acquisition of intangible assets and property, plant and equipment	-10	-81
Net cash provided by (used in) investing activities	**135**	**120**
Cash flow – financing activities		
Proceeds from loans	1 404	2 698
Interest and commission paid	-71	-89
Net cash provided by (used in) financing activities	**1 333**	**2 609**
Total cash flows, net	338	-3 298
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	**583**	**13 471**

Approval of the financial statements

The interim condensed consolidated financial statements of PROCHEM S.A. Capital Group for the period from 1 January 2017 to 31 March 2017, containing financial information of the company PROCHEM S.A., were approved for issue by the Management Board of the Parent Entity PROCHEM S.A. on 15 May 2017.

Signatures of the Members of the Management Board

date	first name and surname	position	signature
15 May 2017	Jarosław Stępniewski	President of the Management Board	....
15 May 2017	Marek Kiersznicki	Vice President of the Management Board	....
15 May 2017	Krzysztof Marczak	Vice President of the Management Board	....

Signature of the person responsible for bookkeeping

date	first name and surname	position	signature
15 May 2017	Barbara Auguścińska-Sawicka	Chief Accountant	....