CONSOLIDATED FINANCIAL STATEMENTS OF PROCHEM S.A. CAPITAL GROUP

As at and for the period ended 31 December 2016

PROCHEM S.A.
Łopuszańska 95 Street
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Consolidated statement of financial position

(all amounts in PLN thousands if not stated otherwise)

	Note No.	31 December 2016	31 December 2015
Assets			
Non-current assets			
Property, plant and equipment	1	22 713	23 814
Intangible assets	2	391	508
Investment properties	3	12 750	11 960
Shares	4	830	830
Shares valued using the equity method	5	22 678	24 000
Deferred tax assets	6	5 879	2 716
Other financial assets	7	18 334	17 955
Total non-current assets		**83 575**	**81 783**
Current assets			
Inventories	8	4 865	7 071
Trade and other receivables	9	56 652	83 991
Other financial assets	10	198	2 799
Other assets	11	11 135	15 197
Cash and cash equivalents		3 783	23 595
Total current assets		**76 633**	**132 653**
Total assets		**160 208**	**214 436**
Equity and liabilities			
Equity			
Share capital	12	3 895	3 895
Revaluation reserve	13	12 146	11 584
Retained earnings	14	72 542	100 878
Parent entity's equity		**88 583**	**116 357**
Non-controlling interest		**6 448**	**8 738**
Total equity		**95 031**	**125 095**
Non-current liabilities			
Non-current bank loans	15	299	-
Provision for deferred income tax	6	2 348	2 883
Provision for retirement and similar benefit	16	1 755	1 854
Other non-current liabilities	17	324	416
Total non-current liabilities		**4 726**	**5 153**
Current liabilities			
Current bank loans	18	10 400	11 772
Trade payables	19	39 525	51 451
Liabilities under current income tax		55	1 447
Other liabilities	20	8 086	8 142
Deferred income	21	2 385	11 376
Total current liabilities		**60 451**	**84 188**
Total liabilities		**65 177**	**89 341**
Total equity and liabilities		**160 208**	**214 436**

Consolidated statement of profit and loss

(all amounts in PLN thousands if not stated otherwise)

	Not No.	in 2016	in 2015
Revenues from sale, including :		169 214	266 443
Revenues from sale of services	22	162 927	257 799
Revenue from sale of goods and materials	23	6 287	8 644
Cost of sales, including:		-177 707	-241 214
Cost of services sold	24	-172 593	-233 573
Cost of merchandise and raw materials		-5 114	-7 641
Gross profit on sales		**-8 493**	**25 229**
General and administrative expenses	24	-15 194	-15 574
Other operating income	25	2 022	1 533
Other operating expenses	26	-2 068	-1 636
Results from operating activities		**-23 733**	**9 552**
Financial income	27	921	961
Profit on sale of shares in subsidiaries		-154	190
Finance expenses	28	-1 883	-2 860
Profit sharing in entities valued with the equity method		-1 110	-1 136
Before tax profit		**-25 959**	**6 707**
Income tax expense :	29	-2 815	2 553
- current tax		878	2 954
- deferred tax		-3 693	-401
Profit for the period		**-23 144**	**4 154**
Profit for the period assigned to :			
Shareholders of Parent Entity		-23 332	4 432
Non-controlling interest		188	-278
Weighted average number of ordinary shares (units)		3 895 000	3 895 000
Profit (loss) per one ordinary share (in PLN per share) assigned to owners of Parent Entity		-5.99	1.14

Consolidated statement of comprehensive income

Profit for the period	**-23 144**	**4 154**
Other comprehensive income net	**-46**	**-411**
Other comprehensive income that will be reclassified to profit or loss:	**12**	**-385**
Foreign exchange differences from the translation of the entity operating abroad	12	-385
Other comprehensive income that will not be reclassified to profit or loss:	**-58**	**-26**
Revaluation of property, plant and equipment	10	9
Actuarial losses on valuation of provisions for employee benefits	-76	-39
Income tax on other comprehensive income	8	4
Total comprehensive income	**-23 190**	**3 743**
Total comprehensive income assigned to :		
Shareholders of Parent Entity	-23 380	4 023
Non-controlling interest	190	-280
Weighted average number of ordinary shares	3 895 000	3 895 000
Total comprehensive income per ordinary share (in PLN per one share) assigned to owners of Parent Entity	-6.00	1.03

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
In 2016						
As at the beginning of the period	**3 895**	**11 584**	**100 878**	**116 357**	**8 738**	**125 095**
Net profit (loss) of the given period	-	-	-23 332	**-23 332**	188	**-23 144**
Net other comprehensive income	***-***	***-46***	***-***	***-46***	***-***	***-46***
Total comprehensive income	**-**	**-46**	**-23 332**	**-23 378**	**188**	**-23 190**
Payment of dividend	-	-	-6 193	**-6 193**	-143	**-6 336**
Repurchase of own shares for redemption (Elektromontaż) – change in the structure of shareholding	-	271	527	**798**	-1 061	**-263**
Acquisition of shares in Elektromontaż Kraków S.A. from non-controlling shareholder	-	305	475	**780**	-1 150	**-370**
Other changes – among others sale of shares in subsidiaries	-	32	187	**219**	-124	**95**
As at the end of the period	**3 895**	**12 146**	**72 542**	**88 583**	**6 448**	**95 031**

	Share capital	Revaluation reserve	Retained earnings	Equity assigned to shareholders of parent entity	Equity assigned to non-controlling interest	Total equity
In 2015						
As at the beginning of the period	**3 895**	**11 973**	**97 568**	**113 436**	**9 243**	**122 679**
Net profit (loss) of the given period	-	-	4 432	**4 432**	-278	**4 154**
Net other comprehensive income	***-***	***-409***	***-***	***-409***	***-2***	***-411***
Total comprehensive income	**-**	**-409**	**4 432**	**4 023**	**-280**	**3 743**
Payment of dividend	-	-	-1 363	**-1 363**	-11	**-1 374**
Repurchase of own shares for redemption (Elektromontaż) – change in the structure of shareholding	-	18	60	**78**	-102	**-24**
Other changes – among others sale of shares in subsidiaries	-	-2	181	**183**	-112	**71**
As at the end of the period	**3 895**	**11 584**	**100 878**	**116 357**	**8 738**	**125 095**

Consolidated statement of cash flows

(all amounts in PLN thousands if not stated otherwise)

	Note No.	In 2016	In 2015
Cash flows – operating activities			
Before tax profit		-25 959	6 707
Total adjustments		13 525	6 554
Share in net profit of entities valued using the equity method		1 110	1 136
Amortization and depreciation	24	2 351	2 440
Interest and profit sharing (dividends)		205	235
(Profit)/loss on disposal of property, plant and equipment		106	-70
(Profit /loss) on investment		-34	4 130
Change in provisions		-168	149
Change in inventories	30	1 483	-2 588
Change in receivables	30	25 139	-15 404
Change in current liabilities, except for loans and borrowings	30	-10 771	21 556
Other adjustments (including changes in deferred income)	30	-5 896	-5 029
Cash provided by (used in) operating activities		-12 434	13 261
Income tax paid		2 307	2 408
Net cash provided by (used in) operating activities		**-14 741**	**10 853**
Cash flow – investing activities			
Inflows		**5 584**	**12 567**
Disposal of intangible assets, property, plant and equipment		5 332	11 759
Proceeds from financial assets, including:		252	808
a) in related entities		252	-
- disposal of financial assets		252	-
b) in other entities		-	808
- disposal of financial assets		-	566
- repayment of a loan		-	226
- other proceeds from financial assets		-	16
Outflows		**-2 046**	**-2 005**
Acquisition of intangible assets and property, plant and equipment		-1 672	-1 705
For financial assets, including:		-374	-300
a) in related entities		-374	-300
- acquisition of financial assets		-374	-
- loans granted		-	-300
Net cash provided by (used in) investing activities		**3 538**	**10 562**
Cash flow – financing activities			
Inflows		**459**	**9 020**
Bank loans		459	9 002
Other financial proceeds		-	18
Outflows		**-9 068**	**-13 446**
Dividend paid		-6 187	-1 398
Other than payments to shareholders, expenses under profit distribution		-408	-
Repayment of bank loans		-1 886	-11 280
Repayment of borrowings		-	-60
Payment of liabilities under finance lease		-43	-62
Commission and interest paid		-544	-628

Other financial outflows	-	-18
Net cash provided by (used in) financing activities	**-8 609**	**-4 426**
Total cash flows, net	-19 812	16 989
Increase/(decrease) net in cash and cash equivalents	-19 812	16 989
Cash and cash equivalents at the beginning of the period	**23 595**	**6 606**
Cash and cash equivalents disclosed in the statement of financial position	**3 783**	**23 595**

Notes on adopted accounting principles (policy) and other explanatory notes to separate 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 Parent Entity 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 is limited until 29 July 2019.

2. The Management Board and Supervisory authorities of the Issuer

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 2016 there were no changes in composition of the Management Board..

As at the date of the financial statements the Supervisory Board comprises of:
- Andrzej Karczykowski
- Krzysztof Obłój
- Marcin Pędziński
- Michał Suflida
- Karol Żbikowski

Changes in the Supervisory Board in 2016.

In connection with the resolutions of the General Meeting of June 11, 2016, there were the following changes in the composition of the Supervisory Board:
1) have been dismissed from the Supervisory Board:
   - Steven Tappan, who had 510,000 units of shares of the Company,
   - Wiesław Kiepiel.
2) have been appointed to the Supervisory Board:
   - Michał Suflida
   - Karol Żbikowski.

On the basis of the Resolutions of the Extraordinary General Meeting of 28 October 2016 Mr. Marek Garliński was dismissed from the Supervisory Board and Mr. Marcin Pędziński was appointed to the Supervisory Board.

3. Employment

Average employment in 2016 was 447 FTEs, and in 2015 459 FTEs. Level of employment in persons as at 31December 2016 was 434 persons, and as at 31 December 2015 481 persons.

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

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

<u>Subsidiaries covered by full consolidation:</u>

- 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. serated in Kraków – subsidiary indirectly (85.4%), including 73.0% of the capital and votes belongs to company Prochem Inwestycje subsidiary in 100%. Company 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 holds company Prochem Inwestycje Sp. z o. o. subsidiary in 100%);
- Prochem RPI Sp. z o. o. seated in Warsaw – subsidiary in 100% (including 3.3% of share in capital and voting rights belongs to company Prochem Inwestycje).

<u>Jointly-controlled entities and associates valued using the equity method:</u>

- ITEL Sp. z o. o. seated in Gdynia – 42.0% share (18.7% of votes and capital belongs directly to Prochem S.A., and 23.3% belongs to Prochem RPI Sp. z o. o. subsidiary 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 acquisition of control until the date of loss of control by the parent company, and jointly-controlled entities and associates from the date of exercising of joint control and exertion of significant influence.

Company Predom Projektowanie Sp. z o. o. was excluded from consolidation. The company has not commenced activities.

In 2016 the subsidiary Elektromontaż Kraków bought back 11 434 of own shares for redemption for a total amount of PLN 263 thousand, and subsidiary Prochem Inwestycje acquired 10 000 shares of Elektromontaż Kraków S.A. for a tota amount of PLN 370 thousand. As a result of these transactions, the Parent Company increased its share in capital to 85.4%.

In 2016 the subsidiary P.K.I. Predom bought back 70 of own shares for redemption for a total amount of PLN 22 thousand.

On October 25, PROCHEM S.A. signed a contract of sale of shares in the company Pro-Organika Sp. z o. o. in the amount of 640 shares with a nominal value of PLN 500 each, for a total amount of PLN 652 160. Payment for the shares was done in two packages: the sale price for 280 shares in the amount of PLN 285 320, was paid in November 2016, and payment for 360 shares in the amount of PLN 366 840 was done in April 2017.

5. Adopted accounting principles

Principles of presentation

Consolidated financial statements of PROCHEM S.A. Capital Group for the period from 1 January to 31 December 2016 and analogous period of the comparable year was prepared according to International Accounting Standards (IAS) and International Financing Reporting Standards (IFRS), which were adopted by European Union (EU) and were effective as at 31 December 2016. The scope of financial statements is compliant with Minister of Finance Regulation of 19 February 2009 on current and periodic information provided by issuers of securities and conditions for recognition as equivalent required by the law of a non-Member State (Official Journal no. 33, item 259 with further amendments).

The consolidated financial statements of PROCHEM Capital Group presented here give a true and fair the Company's financial position and assets as at 31 December 2016 and comparable data as at 31 December 2015 as well as results for the year ended 31 December 2016 and comparative data for the year ended 31 December 2015.

The consolidated financial statements of PROCHEM S.A. Capital Group as at 31 December 2016 was prepared assuming that PROCHEM Capital Group will continue to operate as a going concern in foreseeable future.

In 2016 the Group incurred a net loss of PLN 23,144 thousand, that was influenced among others by Group's activity in the first half of 2016, in particular the additional costs incurred and lowering the gross margin on a long-term contract in Belarus. However, during the year 2016 the Parent Entity signed annexes to its credit agreements, on the basis of which after the introduction of additional collateral, the banks withdrew from the verification of the financial covenants for the third and fourth quarter of 2016, contained in these agreements. This allowed for the timely discharge of the contracted obligations. Credit agreements are concluded for annual periods and current contracts expire according to the dates given in note 18 of these financial statements.

In the opinion of the Management Board of the Parent Entity, the improvement of the economic situation in the market of services offered by the Group, manifested by the increased number of tenders in which the Group participates, or in which it expects to participate, allows to expect achieving of the assumed revenue and the improvement of the liquidity of the Group in subsequent reporting periods.

The Management Board of the Parent Entity intends to extend existing credit agreements to the extent necessary for the scale of its business and, given the improvement of the economic situation, does not expect significant threats in this respect.

In view of the above, in the opinion of the Management Board of the Parent Entity, despite the possibility of short-term tensions in the liquidity situation of the Group, the Management Board did not identify significant threats to the Group's possibility to continue to operate, and has recognized that the adopted principle of a going concern when preparing this consolidated financial statement is correct. Irrespective of it, in the next twelve months a consideration by the court is expected, of the appeal, that was lodged by PERN SA against the judgment of 22 October 2015, in which was adjudged the amount of about PLN 90 million in favor of a consortium with the participation of the Group (including interest for delayed payment). The Group's share in these amount is approximately 50% - detailed information is presented in Note 38.

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

- Land, buildings and construction measured at revalued amount,
- Investment properties and investment properties in-progress measured at fair value.

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 in large extent depend on weather conditions. Weather conditions have an impact on the volume of the revenues generated in these segments. Lower revenues are achieved during the winter season, when weather conditions do not allow for execution of some construction work.

Consolidated financial statements of the PROCHEM S.A. Capital Group for 2016 includes the data of the Office of Representation, that operates on the territory of Belarus. The Representation Office shall keep accounting according to the law in force in Belarus, and also here is calculated and is paid the income tax from the legal entities.

Exchange differences arising from translation of the reports prepared by the Representation Office were recognized in the *Revaluation reserve - foreign exchange differences from the translation of Representation Office operating abroad*.

Changes in accounting estimates and accounting policies

The preparation of financial statements under IFRS adopted by EU requires using certain accounting estimates and adoption of assumptions concerning future events. Items of the financial statements set under the estimation are subject to verification if circumstances being base of estimates are changing or as a result of obtaining new information or of progressing course of events or of acquiring greater experience. In preparing the consolidated financial statements were applied the same accounting principles and the same calculation methods which were applied in the consolidated financial statements of the PROCHEM S.A. Capital Group for the year ended 31 December 2015.

Accounting estimates

Information about the adopted assumptions and uncertainties relating to estimates made, are included in the following notes:

- Note 1 – Property, plant and equipment: the key assumptions used in the prognosis of discounted cash flows;
- Note 3 – Investment properties; the key assumptions used in the prognosis of discounted cash flows;
- Note 16 – Liabilities under retirement benefits: key actuarial assumptions;
- Note 38 – Information on significant proceedings pending before the court.

In the applied accounting principles the biggest importance had, apart from accounting estimates, the professional judgment of the management, which had influenced the amounts disclosed in the financial statements. Assumptions of these estimates are based on the best knowledge of the Management Board of the Issuer regarding current and future activities and events in particular areas of activity. They relate to the valuation of retirement benefits, the assessment of the degree of realization and profitability of long-term contracts (of gross margin).

In 2016, the Group made a significant adjustment of the gross margin on a long-term contract implemented in Belarus. The gross margin estimated at December 31, 2015 was 16.5%, and as of

December 31, 2016, it was corrected to 7% due to unexpected technical and formal problems during the final construction phase and on the stage of the start-up of installation for the production of a highly purified paraffin, oils and lubricants along with expansion of the energy plant complex, implemented under the agreement concluded with the Mineral Wax Factory S.A. in Swisłocz, in Belarus, and connected with this the necessity to prolong time limit for completion. As a result of these events, there was an increase in the cost of execution by approximately PLN 18 million, including penalties recognized in costs of 2016 was EUR 287 thousand, i.e. 1 282 PLN thousand. Reducing the margin on the contract and including of penalties for failure to keep the time limit for completion have had a significant impact on the financial result of 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 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 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.	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
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	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
	• 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 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.		

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 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 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.	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)*
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 IAS 12 leases agreements.	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	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

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
	activities		
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 these transactions from cash-settled to equity-settled.	The Group does not expect changes to affect its consolidated financial statements because such transactions do not occur.	1 January 2018
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

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
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

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

The financial statements is presented in Polish Zloty ('zloty' or 'PLN') which is the functional currency of the Parent Entity and presentation currency.

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 on the transaction date, and
- arisen exchange differences are recognized in other comprehensive income.

Accounting principles applied by the Capital Group are described below .

The principles of consolidation

1. When preparing the consolidated financial statements of PROCHEM Capital Group, the following procedures were applied:
    - the data of subsidiaries were recognized in financial statements using the full method, consisting in combining the financial statements of the parent company and its subsidiaries by adding together like items of assets, liabilities, equity, revenues and expenses
    - shares in associated entities valued in the consolidated financial statements using the equity method, and at initial recognition are recognized at cost. The purchase price include transaction costs.
2. The subsidiaries are entities controlled by the Parent Entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date of the obtaining the control until the date of its cessation.

3. Accounting policies applied by subsidiaries have been aligned with the principles adopted by the Group.
4. Goodwill of subsidiaries represents the surplus of the purchase price of financial assets acquired by the parent company over the fair value of the net assets of the subsidiary, in proportion to the acquired share in the entity's equity. Negative goodwill of subsidiaries is the surplus of the fair value of the net assets of the subsidiary above the purchase price of financial assets borne by the parent company, in proportion to the acquired share in the equity of this entity. As at the date of acquisition of subsidiary and associated company (obtaining of control), assets, equity and liabilities and contingent liabilities of a subsidiary are measured at fair value.
5. In case of cessation of the control (e.g. in the event of sale) the Group ceases to recognize assets and liabilities of the subsidiary, non-controlling interest and remaining components of the capitals related to the subsidiary. Any surplus or deficit arising from the loss of control is recognized in profit or loss of the current period. If the Group retains any interests in the former subsidiary, they are subsequently measured at fair value as at the date of the cessation of the control.
6. Shares of non-controlling interests are disclosed at assigned value, even if it results in arising of a negative balance of non-controlling interests.
7. The Group of PROCHEM S.A. treats the transactions with the non-controlling interests as transactions with external entities.
8. Gains or losses arising from the sale of shares to non-controlling interests are recognized in equity.
9. As associated entities are considered such entities in which PROCHEM has between 20% and 50% of the total number of votes in the decisive bodies or otherwise may exercise substantial influence over their financial and operating policies. As the jointly-controlled entities are considered such the entities in which PROCHEM S.A. holds 50% of the total voting rights in the decisive bodies.
10. Investments in associates and jointly controlled are accounted for using the equity method and are initially recognized at cost. Share in profit or loss of the associate or jointly-controlled is recognized in profit and loss account. If the share in losses of an associate or jointly controlled equals or exceeds its interest of PROCHEM S.A. Capital Group in this entity, the Group does not recognize further losses, unless it is obliged. Unrealized gains between the Group and the associate are eliminated to the level of the Group's interest in such entity.
11. The purchase price of shares in associated companies is subject to adjustments by any changes in the fair value of the net assets, which are attributable to the value of the share held, from the moment of purchase until the date of the financial statements, as well as effects of a stated impairment.
12. At preparing the consolidated financial statements shall be done the following adjustments and exemptions:
    - In the scope of exemptions:
        1. shares with the equity held by the parent company, at the moment of obtaining control of subsidiaries,
        2. mutual receivables and liabilities and other settlements of a similar nature of consolidated entities,
        3. income and expenses from mutual buying and selling operations in the capital group,
        4. dividends accrued or paid by the subsidiaries to the parent company, and to other consolidated entities.
    - In the scope of adjustments:
        1. gains or losses arising as a result of economic transactions between consolidated entities.

Property, plant and equipment and intangible assets

Property, plant and equipment include fixed assets and expenditures on construction in progress which the entity intends to use in their business operations in a period longer than one year, and which will result in future economic benefits to the entity.

Expenditures on property, plant and equipment include incurred investment expenditures as well as incurred expenses on future supply of machinery, equipment and services relating to production of PPE (transferred advance payments).
PPE are initially stated at cost. Measurement after initial recognition:

- land, buildings and construction are carried at revalued amount, being its fair value at the date of revaluation, set by experts, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Fair value will be set by experts not less frequently than every two years.
- Other PPE are carried at their cost increased by possible improvement costs, less any accumulated depreciation and any accumulated impairment losses.

Increase in value resulting from the revaluation of land, buildings and constructions is recognized in other comprehensive income and accumulated in total amount in equity - *Revaluation reserve,* as revaluation surplus unless it represents the reversal of a revaluation decrease previously recognized in the statement of profit and loss. A decrease in value arising as a result of a revaluation of land, buildings and constructions is recognized as cost of the period to the extent that it exceeds any amount previously credited to the revaluation surplus relating to the same asset and recognized in other comprehensive income. A decrease resulting from revaluation included in other comprehensive income decreases the amount of total surplus arising from the revaluation recognized in the equity.

Value of PPE designated to liquidation, withdrawn from use as a result of the change of technology or other reasons, is being revalued by write down. Write-down is recognized in other operating costs.

Expenditures on PPE incurred at a later date are recognized at their carrying amount when it is probable that future economic benefits associated with them will flow to the entity, and this cost could be reliably measured. All other repair and maintenance costs of PPE are recognized in the cost of the period, in which they were incurred.

Profit and loss on sale of PPE are set by comparing the revenues from sale with the carrying amount of the given component of non-current assets and recognized in the statement of profit and loss. PPE are subject to depreciation since they are available for use. Depreciation allowances on PPE are provided by systematic, scheduled allocation of the initial value over the established useful life of the component. A straight line depreciation method is applied.

In the consolidated financial statements for the current period and comparative periods, for depreciation of PPE the following useful lives are used by the Group:

- Buildings and constructions 10-40 years
- Machinery and equipment 5-12 years
- Vehicles 5 years
- Tools, devices, movables and equipping 5-10 years

The applied useful lives, depreciation methods are verified at the end of each reporting year and, when it is justified, are being adjusted.

Own land is not subject to depreciation.
PPE in-progress arising for the operating activity, as well as for purposes not yet identified, are presented in the financial statements at their cost less recognized impairment losses. The cost of all items comprises all fees and borrowing costs capitalized in accordance with the applied accounting principles.

PPE are subject to the impairment tests, if premises for impairment exist, while in case of PPE in progress, the possible impairment is determined at least for each balance sheet day. The effects of the impairment are recognized in other operating costs.

The component of intangible assets is measured at cost less any depreciation allowances and any impairment losses.

Intangible assets, except for the goodwill are being amortized. Amortization allowances of intangible assets is made by systematic, planned allocation of the initial value in the established useful life of the component. A straight line of depreciation method is applied.

In the consolidated financial statements for the current period and comparative periods the Group applied useful life period of 3-10 years for amortization of intangible assets.

The applied useful lives, amortization methods are verified at the end of each reporting year and when necessary adjusted in the current and in subsequent periods.

Intangible assets are subject to the impairment tests if premises for impairment exist. The effects of the impairment are recognized in other operating costs.

Investment property

Investment property is a property (land or a building or part of a building, or both), which the Company treats as a source of rental income or maintains due to the increase in value, or in order to benefit from both of them, and the investment property :

- is not used in operating activities,
- is not offered for sale in the ordinary course of investment activity.

Investment properties are also real estates under construction or their adaptation, which are to be used in the future as investment properties. Gains or losses arising from the sale/liquidation of the investment property shall be determined as the difference between proceeds from sale and the carrying amount of these assets and are recognized in the statement of profit and loss.
Investment properties are initially measured at its cost, including transaction costs. After initial recognition, investment properties are measured at fair value as defined in the fair value model and in IFRS 13 *Fair Value Measurement*. The method of valuation is obligatory to all investment properties unless some investment properties cannot be measured by this method - then the cost approach method is applied until the moment of sale of the investment property.

Profit or loss from changes in the fair value of the property is recognized in the result for the period in which the change occurred.

Change in classification, i.e. transfers to, or from, the investment property are only made when there is a change in use, e.g.:

- commencement of owner-occupation – transfer from investment property to property, plant and equipment,
- end of owner-occupation – transfer from property, plant and equipment to investment property,
- commencement of development with a view to sale – transfer from investment property to inventories,
- commencement of an operating lease to third party – transfer from inventories to investment property.

Cost of an investment property, that is transferred to property, plant and equipment or to inventories represents its fair value at the date of change in use.

The difference between the fair value and the carrying amount, which arose at the time of transfer to investment properties measured at fair value:

- PPE - is accounted for as a revaluation in accordance with IAS 16,
- inventories - is recognized as profit or as loss for the period,

- end of construction or development of investment property on own account - as the profit or loss for the period.

The fair value in accordance with IFRS 13 is such a price, which would be received from the sale of an asset, or which could be paid for the transfer of a liability in transaction made on usual conditions between market participants at the measurement date. Measurement of fair value refers to a specific asset. Therefore, at measurement at fair value should be taken into account the characteristics of the asset, if market participants would consider such characteristics when determining the price of the asset at the measurement date. These characteristics include, for example:

- condition and location,
- any restrictions on the sale or use of the asset.

The impact of individual characteristics is to differ in depending on how these features will be taken into account by the market participants.

Fair value measurement is based on the assumption that the transaction on disposal of assets is held:
- on the principal market for the asset,
- in case of the absence of a principal market, the most advantageous market for the asset. The most advantageous market means market that maximises the amount that would be received to sell the asset by the seller of the asset, after taking into account transaction costs and transport costs.

The standard requires the classification of fair value measurements depending on the inputs obtained for the purposes of valuation in accordance with the following hierarchy:

- Level 1: quoted exchange prices for identical assets or for liabilities in the active markets that are available at the measurement date.
- Level 2: initial data not constituting prices of Level 1, but are observable either directly or indirectly.
- Level 3: unobservable data.

IFRS 13 requires disclosures in financial statements. The scope of required disclosures depends on the category of fair value measurement (i.e. whether it is included in the financial statements or in the notes only) and on the level of the fair value hierarchy within which the fair value measurements are categorised.

Disclosures resulting from IFRS 13 concerning fair value model relate to:

- Reconciliation of fair value at the beginning of the period and its value at the end of the period..
- A level from the three levels of fair value hierarchy. For investment properties, it will be a level 2 or 3 for which it is required:
  - disclosure of the amount of transfer between levels (the reasons for those transfers and the policy applied by the Group for determining whether such a change in levels has occurred),
  - description of applied valuation techniques and inputs,
  - in case of the change in the valuation techniques used in the fair value measurement, disclosure of such a change and the reasons for making such a change.
- If the highest and best use of a non-financial asset differs from its current use, should be disclosed the reason for different use of this component of asset.
- Information enabling reconciliation of classes of assets and liabilities, which were disclosed at the separate levels of the fair value hierarchy with items presented in the statement of financial position.

Measurement of fair value of the entity's investment property is carried out by an independent expert, who has qualifications relevant to carrying out valuations of real estate, as well as current experience in such valuations in locations where assets of the Group are located.
In justified cases, investment properties whose value changes by at least 10%, are valued in each year.

Leases

The group as the lessee
A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an asset to the PROCHEM S.A. Capital Group. Components of the assets under this lease are measured in the financial statements at the lower of amounts set in commencement of the use: at fair value or at present value of minimum lease payments. Each lease payment is divided into the part constituting the liability and the financial part. The liability is presented in the balance-sheet in the position „Other liabilities" with the division into the short-term part (payable up to one year) and long term (payable in the period longer than one year). Finance costs are recognized in the Statement of profit and loss. Principles of the amortization and depreciation of assets being a subject of the financial lease and the principles of determining impairment allowances by assets under finance lease are consistent with principles applied for the Group's assets. PPE held under lease agreements are depreciated over the economic life of assets. Straight-line method of depreciation is used.

Lease payments under an operating lease and subsequent lease installments are recognized in current costs using straight-line method over the lease term.

The company as the lessor

Lease agreements, such as rent agreements according to which the Company retains substantially all the risks and all rewards resulting from having a leased object, are classified as operating lease. Leasing costs are recognized in current costs while income from the leased object are recognized in profit of the period.

Borrowing costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except for costs that are directly attributable to the acquisition, construction or production of an asset (PPE, intangible assets).
Capitalization of borrowing costs commences when:

1. borrowing costs are incurred,
2. expenditures are incurred for the asset,
3. the activities necessary to prepare the asset for its intended use or sale are undertaken.

Capitalization of borrowing costs shall be suspended in the case of interruption for extended periods of active investing activity by the entity. Borrowing costs are capitalized until the designation of the asset for use or sale.

Current assets

Inventory – in the item of inventory - materials, goods, semi-finished products and work-in-process are shown.
Inventories are measured initially at cost. As at the balance sheet day the measurement is done with the principles of prudence, that is categories are valued at the lower of purchase price, the production cost or the net realizable value.
Stock of goods and materials slowly-rotating is covered among others by the write-down established according to individual evaluation of the realizable price as at the balance sheet day.
Stock inventory is carried out using the FIFO method - "first-in", "first-out".
Write-downs concerning inventory and their reversals are recognized in the other operating expenses and revenues.

Loans granted **-** arise when the entity is transferring financial means directly to the debtor, not intending to enter the receivable into trade. They are classified as current assets, provided the date if their maturity does not exceed 12 months from the balance sheet day. Loans with the maturity date exceeding 12 months starting from the balance sheet day are classified as non-current assets. Loans are initially recognized at their fair value. The measurement of loans after initial recognition is at amortized cost, using the effective interest rate method, less impairment losses.

Receivables are recognized initially at fair value, and subsequently measured at amortized cost using the effective interest rate method less impairment allowances. Impairment allowance of receivables is identified when there is objective evidence that the entity will not receive all amounts due according to the original terms of receivables and it is recognized in other operating expenses. The amount of write-down is a difference between the carrying value of amount due and present value of estimated future cash flows, discounted using the initial effective interest rate.

Cash and cash equivalents include cash in hand and on bank accounts, bank deposits with the original maturity date up to three months and financial assets measured at fair value through profit or loss and meeting the requirements of the definition of the cash equivalent. Cash is measured at nominal value.

Non-current assets held- for- sale

Non-current assets held-for-sale are assets meeting the following criteria:

- by the Management is committed to a plan to sell,
- an active program to locate a buyer is initiated,
- an asset is available for immediate sale,
- the sale is highly probable within 12 months from classification as held for sale,
- the selling price is rational in relation to the current fair value,
- it is unlikely that the sales plan will be significantly changed.

Change of classification is reflected in the reporting period in which the criteria are met.

Immediately prior to reclassification to the group held for the sale or the disposal, these assets are re-measured according to accounting principles. Non-current assets held for the sale (excluding financial assets and investment properties) are recognized in the financial statements in lower of two values: the carrying amount or the fair value less costs to sell.

In case of increase of value, at a later date, of fair value less costs to sell, the income is recognized, however, at the value not higher than previously recognized impairment allowance. Upon allocating the given component of assets as held for sale, the calculation of depreciation allowances is stopped.

Measurement of assets and financial liabilities

At initial recognition the Group shall measure component of assets or liabilities at fair value, increased in case of the component of assets or financial liabilities not classified as measured at fair value through profit or loss by transaction costs, which could be directly attributable to the purchase or to the issue of the component of financial asset such as: fees and commissions paid to advisers or agents, levies imposed by regulatory agencies and the stock exchange and taxes. Transaction costs do not include premium or discount from debt instruments, or financing costs, neither administrative costs nor costs of holding of the instruments.

For measurement at the end of the reporting period or any other date after initial recognition the Group classifies financial assets into one of four categories:

1. measured at fair value through profit or loss,
2. held-to-maturity investments,
3. loans and receivables,
4. available- for- sale financial assets.

Component of assets measured at fair value through profit or loss means such a component of financial assets which was designated at initial recognition as measured at fair value through profit or loss or was classified as held for trading since:

- was purchased or contracted mainly for sale or repurchase in short term,
- is a part of portfolio of determined financial instruments jointly managed and for which there is evidence of a recent actual pattern of short-term profits, or
- is a derivative instrument (except for derivatives that are effective hedging instruments).

Investments held-to-maturity are non-derivative financial assets with fixed or determinable time of payment or fixed maturity, which the Group is intending and able to hold to its maturity.

Loans and receivables are non-derivative financial assets with fixed or determinable payments, which are not quoted on the active market. Available-for-sale financial assets are non-derivative financial assets, which were classified as available for the sale or which do not constitute loans or other receivables, or investments held-to-maturity as well as they are not the financial assets measured at fair value through financial result.

Measurement of financial assets at fair value

The Group measures financial assets measured at fair value through the profit or loss, including derivatives being assets and available-for-sale financial assets, without reduction by the transaction costs which can be incurred in relation to the sale or using other way of the disposal of assets.

Fair value of financial assets is measured as follows:

- for instruments quoted on the active market based on the last quotations available at the end of the reporting period,
- for debt instruments unquoted on the active market based on the discounted cash flows analysis,
- for futures derivatives (forward) and swap contracts based on discounted cash flows analysis.

Investments in equity instruments (shares) that do not have quoted market price on active market and which fair value cannot be measured credibly, are valued at cost by the Company, i.e. at purchase price less possible impairment losses.

Financial assets designated as hedged items are valued in accordance with principles of hedge accounting.

Profit or loss arising from the measurement of the component of financial assets, classified as measured at fair value through profit or loss, is recognized in financial result (profit or loss).

Profit or loss arising from measurement of the component of financial assets classified as available - for - sale is recognized in other comprehensive income, except for impairment losses and exchange differences which are recognized in financial result. For debt financial instruments, interest calculated using the effective interest rate method is recognized in financial result.

Measurement of financial assets at amortized cost

The Group values loans and other receivables, including trade receivables and held-to-maturity investments according to amortized cost and using the effective interest rate method.

Measurement of financial liabilities at fair value

The Group measures financial liabilities classified as measured at fair value through profit or loss (in particular including derivatives which are not being hedging instruments), as at the last day of the reporting period or any time after the initial recognition at fair value. Irrespective of the nature and purpose of the acquisition, the Group, at the initial recognition, classifies selected financial liabilities as measured at fair value through financial result if it leads to obtaining more useful information. The fair value of the obligation is based on the current selling price for instruments quoted on the active market.

In the absence of an active market, the fair value of financial liabilities is determined by:

- the use of recent market transactions conducted directly between the well knowledgeable, willing parties, or
- reference to the current fair value of another instrument that is almost the same, or
- discounted cash flows analysis..

Measurement of other financial liabilities at amortized cost

The Group measures other financial liabilities according to amortized cost using the effective interest rate method.

Financial guarantee contracts, i.e. contracts that obligate the Group (issuer) to make specified payments to reimburse the holder for a loss it incurs because of not making payment by a specified debtor when due in accordance with the original or modified terms of a debt instrument, that is not classified as liabilities at fair value through profit or loss are measured at the higher of:

- the amount determined according to the principles of valuation of reserves,
- initial value less, when appropriate, accumulated depreciation allowances.

Impairment of financial assets

At the end of the reporting period, the Group assesses if there is objective evidence of impairment of a financial asset or group of financial assets.

If exist objective premises of an impairment of loans and other receivables as well as of investments held to maturity, which are measured at amortized cost, then the Group shall recognize an impairment loss based on the estimated future cash flows discounted by using an original, effective interest rate of the financial instrument.

If in a subsequent period, the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss shall be reversed and recognized as revenue in financial result.

If objective premises exist for an impairment of an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, then the amount of impairment allowance is set as the difference between book value of the financial asset and the current value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset. Impairment allowance which is set in such way, is not subject to reversal.

If objective premises exist for impairment of financial asset available-for-sale, then the cumulative losses arising from valuation recognized in the statement of comprehensive income, in accordance with the principles of valuation of financial assets, are derecognized from equity and recognized in financial result (profit or loss). If in a subsequent period fair value of an available-for-sale debt instrument rises and the increase can be objectively related to an event occurring after the recognition of impairment loss in financial result, the amount of reversed impairment allowances shall be recognized in financial result (profit or loss).

Impairment losses of the investment in an equity instrument, which is classified as available-for-sale is not reversed in financial result (profit or loss).

Dividend payments to shareholders of the Company is recognized as liability in the financial statements of the Company, at the time when a relevant resolution was passed at the General Meeting of Shareholders of the Company.

Provisions - are established in the justified, credibly assessed value. Provisions are created when obligation (legal or customary) rests on the Group, which results from past events and when it is probable, that fulfilling of this duty will result in the necessity of the outflow of financial means, and may be credibly estimated the amount of this liability.

Employee benefits **-** the Group pays the contributions to the obligatory retirement benefit plan, depending on the amount of gross wages, which is paid in accordance with the applicable laws. The Group has no other retirement benefit plans. In order to determine the present value of future obligations relating to retirement benefits and the related current cost of employment is applied actuarial valuation method.
Accrued liabilities are equal to discounted payments which will be made in future, taking into consideration among others, staff turnover, the planned increase of salaries, and relate to the period to the date ending the reporting year.
Provision for the retirement gratuities was created in order to allocate costs to the periods to which they relate.
Provisions for retirement gratuities is recognized in the statement of profit and loss, except for actuarial gains and losses arising from changes in the actuarial assumptions (including those resulting from changes in the discount rate) as well as the actuarial adjustments ex-post, which are recognized in the statement of comprehensive income.

Equity

Equity is recognized in the accounting books by type, in accordance with legal regulations and the Articles of Association of the Company. Equity includes:

- Share capital – shown in the nominal value of the issued and registered shares
- Revaluation reserve includes:
  - the revaluation difference between the fair value and the purchase price, less deferred tax among others of buildings and structures and land which are measured at fair value,
  - capital arisen from the foreign exchange differences – from translation of the foreign operations of Representation Office,
  - gains and losses actuarial resulting from the changes in actuarial assumptions (including those due to change in discount rate).
- Retained earnings, which include:
  - Spare capital, which is created from the surpluses of sale of shares above its nominal value, and from annual write-downs of net profits and write-downs of revaluation of property, plant and equipment in the previous years.
  - Reserve capital which arose from the profit allocated to equity
  - Undistributed profit/loss brought forward and profit (loss) of the current year,
  - Advance payments paid on account of dividends.

Revenues from sales include the fair value of revenues from sale of services, goods and materials.
Revenues from the contracts for construction services (general contracting) and the design and engineering services are determined in proportion to the degree of execution of the service. Degree of execution of the service is measured by the share of costs incurred from the date of the contract to the date of recognition of income in the total cost of the execution of service.
Correctness of calculations of the degree of the progress of service as well as expected total expenses and revenues from the service performed is verified at the end of each quarter.
Revenues from sale of goods and materials are recognized in the profit and loss account when the Group has transferred to the buyer the significant rewards incidental to right of ownership to these assets and ceased to be permanently involved in management of the assets transferred, and also it does not exercise the effective control over them.

Income tax **-** tax burdens include the current taxation by corporate income tax, and the change in provisions or deferred tax assets.
Current tax liabilities are established on the basis of current tax regulations and the established taxable income. Current tax liabilities for the current period and previous periods are included as the liability in the amount, in which it wasn't paid.
Provision to deferred income tax is recognized using the liability method, on transitional differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that are applicable as at the balance sheet date.

Transitional differences relate to different measurement of assets and liabilities for tax purposes and balance sheet purposes.
Income tax assets are recognized when is probable that in future the taxable income will achieved that will enable the use of transitional differences.
Deferred tax assets are recognized separately from tax losses which can be deductible in the next years.

6. Explanatory notes to consolidated financial statements as at and for the period ended 31 December 2016

Note No. 1 – Property. plant and equipment

	31 December 2016	31 December 2015
Property, plant and equipment, including:	**22 695**	**23 779**
- land	4 313	4 732
- buildings, premises and civil engineering objects	15 729	16 486
- machinery and equipment	649	906
- vehicles	939	807
- other PPE	1 065	848
Construction under progress	18	35
Total property, plant and equipment	**22 713**	**23 814**

PPE – ownership structure	**31 December 2016**	**31 December 2015**
a) own	10 365	11 030
b) used under rental, lease or other agreement, including:	12 348	12 784
- lease	653	442
- rental and lease	11 143	11 790
- value of the right of perpetual usufruct	552	552
Total property, plant and equipment in balance sheet	**22 713**	**25 814**

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.

In 2016, the Group changed the classification of property, plant and equipment, i.e. transferred the property, plant and equipment to investment property, due to the change in their use. In 2016, the Group signed a lease agreement for the property located in Tleń for the period from 1 April 2016 to 31 December 2020. The difference between the fair value and the carrying amount arising at the time of transfer to investment property measured at fair value is accounted for as revaluation in accordance with IAS 16. The net value for the moment of reclassification is given in the table below.

	Net value on 31 December 2016 (in PLN thousands)	Revaluation at fair value	Fair value on 31 December 2016 (in PLN thousands)
	Level 3	Level 3	Level 3
Land, including the right of perpetual usufruct	172	-6	166
Buildings and constructions	64	16	80
Total	**236**	**10**	**246**

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. The fair value as at 31 December 2016 was set based on valuation made by independent valuers not associated with the Group. The valuers have the right qualifications to carry out valuations of land, buildings and structures, as well as the current experience in such valuations, which are carried out in locations where there are assets of the Group.
Methods of valuation and key unobservable data are presented in table as below.

Method of valuation	**The key unobservable input data**	**The relationship between the key, unobservable input data, and the fair value**
The comparative approach using the method of the adjusted, average price: The model is based on determining of the average transaction price of 1 m2 on the basis of a representative sample of the transactions, which were concluded. The average price was adjusted for weight of characteristics of the market: the attractiveness of the location and the neighborhood, area and shape of the plot, destiny, legal status of a land, access to the plot.	• The average transaction price per 1 m2. • Attractiveness of the location and neighborhood. • Area and shape of the plot • Designation • Legal status • Access to the plot	The estimated fair value of real estate would be increased (or would be reduced), if: • the average transaction price per m2 was higher (was lower)
Discounted cash flows: The model of measurement is based on the present value of future net cash flows that will be generated from the real estate taking into account: the level of lease of a space. The expected net cash flows are discounted through discount rates, which take the risk into account. Other factors considered in the average rent, which was adopted per square meter are: attractiveness of the location, technical condition of building, the standard and the functionality of the building, the possibilities of the access, and parking spaces.	• Level of lease of space: reflecting the status of the currently leased space. • Adjusted for the risk of discount rate: 6.98%, 7.0%.	The estimated fair value of real estate would be increased (or would be reduced) if: • Level of lease of space was higher (was lower); • Discount rates adjusted for the risk were higher (were lower).

There has been no change in the valuation technique during the year.

Details concerning land, buildings and constructions, as well as information about the hierarchy of fair values as at 31 December 2016

The group	Fair value as at 31December 2015 (in PLN thousands)	Fair value as at 31December 2016 (in PLN thousands)
	Level 3	Level 3
Land, including the right of perpetual usufruct	4 732	4 313
Buildings and constructions	16 486	15 729
Total	**21 218**	**20 042**

Property, plant and equipment covered by the mortgage, which hedges the repayment of loans, as described in Note 18.

Change in PPE in 2016

	Land, including the right of perpetual usufruct of land	Buildings, premises, and civil engineering objects	Machinery and equipment	Vehicles	Other PPE	Construction under progress	Total PPE
Gross value							
As at January 2016	**5 563**	**25 712**	**4 984**	**2 750**	**4 609**	**37**	**43 655**
Increase (due to)	-	177	282	555	691	-17	1 688
- acquisition		16	281	555	667	2	1 521
- other changes, including revaluation of non-current assets to fair value	-	161	1	-	24	-19	167
Decrease (due to)	-310	-3 587	-716	-1 112	-1 042	-	-6 767
- disposal of PPE	-	-	-24	-669	-158	-	-851
- transfer to investment property	-166	-3 587	-	-	-	-	-3 753
- liquidation of PPE	-	-	-486	-	-884	-	-1 370
- deconsolidation of the value of assets of sold subsidiary	-	-	-206	-443	-	-	-649
- other changes, including revaluation of PPE to fair value	-144	-	-	-	-	-	-144
As at 31 December 2016	**5 253**	**22 302**	**4 550**	**2 193**	**4 258**	**20**	**38 576**
Depreciation and impairment							
As at 1 January 2016 - accumulated depreciation	**831**	**9 226**	**4 078**	**1 943**	**3 761**	**2**	**19 841**
- increase – depreciation for the period	109	854	524	344	309	-	2 140
- decrease due to disposal of PPE	-	-	-23	-598	-150	-	-771
- decrease due to liquidation of PPE	-	-	-485	-	-884	-	-1 369
- deconsolidation – depreciation of PPE of the subsidiary sold	-	-	-196	-430	-	-	-626
- transfer to investment property		-3 507	-	-	-	-	-3 507
- other changes , including revaluation of non-current assets to fair value	-	-	3	-5	-	-	-2
As at 31 December 2016 - accumulated depreciation	**940**	**6 573**	**3 901**	**1 254**	**3 036**	**2**	**15 706**
Impairment of PPE	**-**	**-**	**-**	**-**	**-157**	**-**	**-157**
Net value of PPE on 31 December 2016	**4 313**	**15 729**	**649**	**939**	**1 065**	**18**	**22 713**

Comparative data

Change in PPE in 2015

	Land, including the right of perpetual usufruct of land	Buildings, premises, and civil engineering objects	Machinery and equipment	Vehicles	Other PPE	Construction under progress	Total PPE
Gross value							
As at 1 January 2015	**5 563**	**25 402**	**5 038**	**3 498**	**4 493**	**18**	**44 012**
Increase (due to)	-	310	425	344	185	19	1 283
- acquisition	-	310	425	344	185	19	1 283
Decrease (due to)	-	-	-479	-1 092	-69	-	-1 640
- disposal of PPE	-	-	-	-221	-	-	-221
- liquidation of PPE	-	-	-19	-	-7	-	-26
- other changes , including non-current assets of the sold subsidiary	-	-	-460	-871	-62	-	-1 393

As at 31 December 2015	**5 563**	**25 712**	**4 984**	**2 750**	**4 609**	**37**	**43 655**
Depreciation and impairment							
As at 1 January 2015 - accumulated depreciation	**722**	**8 122**	**3 948**	**2 417**	**3 563**	**2**	**18 774**
- increase – depreciation for the period	109	1 104	566	331	185	-	2 295
- decrease under disposal of PPE	-	-	-	-221	-2	-	-223
- decrease under liquidation of PPE	-	-	-19	-	-3	-	-22
- other changes, including depreciation of non-current assets of the sold subsidiary	-	-	-417	-584	18	-	-983
As at 31 December 2015 - accumulated depreciation	**831**	**9 226**	**4 078**	**1 943**	**3 761**	**2**	**19 841**
Net value of PPE on 31 December 2015	**4 732**	**16 486**	**906**	**807**	**848**	**35**	**23 814**

Note No. 2 – Intangible assets

	31 December 2016	31 December 2015
Acquired concessions, patents, licenses and similar assets including computer software	391	508
Total intangible assets	**391**	**508**
Intangible assets – ownership structure		
own	391	508
Total intangible assets	**391**	**508**

Change in intangible assets in 2016

	Acquired concessions, patents, licenses and similar assets including computer software	Total intangible assets
Gross value		
As at 1 January 2016	**3 390**	**3 390**
Increase (due to)	96	96
- acquisition	96	96
Decrease (due to)	-1	-1
- liquidation	-1	-1
As at 31 December 2016	**3 485**	**3 485**
Amortization and impairment		
As at 1 January 2016 – accumulated amortization	**2 882**	**2 882**
Amortization for the period (due to)	212	212
- increase (accrued amortization)	240	240
- other changes	-28	-28
As at 31 December 2016 - accumulated amortization	**3 094**	**3 094**
Net intangible assets on 31 December 2016	**391**	**391**

Comparative data
Change in intangible assets in 2015

	Acquired concessions, patents, licenses and similar assets including computer software	Total intangible assets
Gross value		
As at 1 January 2015	**3 226**	**3 226**
Increase (due to)	465	465
- acquisition	465	465
Decrease (due to)	-245	-245
- liquidation	-245	-245
As at 31 December 2015	**3 446**	**3 446**
Amortization and impairment		
As at 1 January 2015 - accumulated amortization	**3 036**	**3 036**
Amortization for the period (due to)	-98	-98
- increase (accrued amortization)	145	145
- decrease due to disposal	-243	-243
As at 31 December 2015 - accumulated amortization	**2 938**	**2 938**
Net intangible assets on 31 December 2015	**508**	**508**

Note No. 3 – Investment property

	31 December 2016	31 December 2015
Construction under progress	1 128	1 122
Buildings and constructions	6 270	6 148
Land	5 352	4 690
Total investment property	**12 750**	**11 960**

Investment properties by titles	Change in investment property in 2016	Change in investment property in 2016
Investment property - land		
As at opening balance sheet	4 690	17 241
- net increase from revaluation to fair value	496	-
- reclassification from PPE	166	-
- decrease, including disposal	-	-12 551
As at closing balance sheet	**5 352**	**4 690**

Construction under progress		
As at opening balance sheet	1 122	9 125
- change due to:	-	-8 003
a) disposal	-	-8 003
b) acquisition	6	-
Total change	6	-8 003
As at closing balance sheet	**1 128**	**1 122**

Investment property - buildings and constructions

As at opening balance sheet	6 148	6 594
- change due to:		
a) revaluation at fair value	42	-
b) increase due to acquisition	-	298
c) reclassification from PPE	80	-
c) disposal	-	-744
Total change	**122**	**-446**
As at closing balance sheet	**6 270**	**6 148**
Total investment property	**12 750**	**11 960**

Fair value of investment property on 31 December 2016 was set based on valuation made by independent experts not associated with the Group. The experts have the right qualifications to carry out valuations of investment properties, as well as the current experience in such valuations, which are carried out in locations where there are assets of the Group. Methods of valuation and the key unobservable data are presented in table as below:

Method of valuation	**The key unobservable input data for the comparable real estate**	**The relationship between the key unobservable input data, and the fair value**
The comparative approach using the method of the adjusted, average price: The model is based on determining of the average transaction price of 1 m2 on the basis of a representative sample of the transactions, which were concluded. The average price was adjusted for weight of characteristics of the market: the attractiveness of the location and the neighborhood, area and shape of the plot, destiny, legal status of a land, access to the plot.	• The average transaction price per 1 m2. • Attractiveness of the location and neighborhood. • Area and shape of the plot • Designation • Legal status • Access to the plot	The estimated fair value of real estate would be increased (or would be reduced), if: • average transaction price per m2 for the real estate being comparable was higher (lower)
Discounted cash flows: The model of measurement is based on the present value of future net cash flows that will be generated from the real estate taking into account: the level of lease of a space, periods without rent. The expected net cash flows are discounted through discount rates, which take the risk into account. Other factors considered in the average rent, which was adopted per square meter are: attractiveness of the location, technical condition of building, the standard and the functionality of the building, the possibilities of the access, and parking spaces.	• Level of lease of space: reflecting the status of the currently leased space • Adjusted for the risk of discount rate: 7% -7.5%.	The estimated fair value of real estate would be increased (or would be reduced), if: • Level of lease of space was higher (was lower); • Discount rates adjusted for the risk were higher (were lower).

There has been no change in the valuation technique during the year.

Details concerning investment property, as well as information about the hierarchy of fair values as at 31 December 2016.

Group	**Fair value (in PLN thousands)**	
	31 December 2016	**31 December 2015**
	Level 3	Level 3
Land, including the right of perpetual usufruct	5 352	4 690
Buildings and constructions	7 398	7 270
Total	**12 750**	**11 960**

There were no displacements between levels 1, 2 and 3 during a year.

Note No. 4 - Shares

Shares	31 December 2016	31 December 2015
In other entities	830	830
Net shares	830	830
Write-downs of financial non-current assets	-	-
Gross value of shares	**830**	**830**

Change in shares	31 December 2016	31 December 2015
a) as at the beginning of the period	830	830
b) as at the end of the period	830	830

Note No. 5 – Shares in entities valued using the equity method

Shares in associated entities	31 December 2016	31 December 2015
Shares – net value	22 678	24 000
Write-downs of shares	1 011	400
Gross value of shares	**23 689**	**24 400**

Change in shares valued using the equity method	31 December 2016	31 December 2015
As at the beginning of the period	24 000	25 136
- shares at cost	24 000	25 136
Decrease (due to)	-898	-1 136
- share in the current year result	-1 110	- 1 136
- write-downs of shares in connection with the arrangement proceedings	212	-
As at the end of the period, net value	22 678	24 000
Write-down	1 011	400
As at the end of the period, gross value	23 689	24 400

Zmiana stanu odpisów aktualizujących wartość akcji i udziałów w jednostkach wycenianych metodą praw własności	31 December 2016	31 December 2015
As at the beginning of the period	400	2 073
Increase in write-off	611	400
Decrease in write-off	-	-2 073
As at the end of the period	1 011	400

Irydion Sp. z o. o. is the only joint venture (a jointly-controlled entity), where the Group participates. It is a company whose aim is to build an office building under the name of "Astrum Business Park" in Warsaw. The Company is not been quoted. Group has classified its interest in Irydion as a joint venture.

Group exercises joint control along with the shareholder LFI 1 Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych seated in Wrocław, 50% shares for each partner. Each of the partners has two representatives in the Supervisory Board.

As at 31 December 2016, the Group made a write-down updating the value of its shares in associate Itel Sp. z o.o. The value of the write-down was set at PLN 212 thousand. This write-down was recognized in the financial result for 2016 - in finance costs.
In October 2016 the company ITEL Sp. z o. o. seated in Gdynia has joined the restructuring agreement.

Shares in subsidiaries as at 31 December 2016

Item No.	a	b	c	d	e	f	g	h	i	j	K
	Name of the company and its legal form	Registered office	Scope of company’s activities	Type of relationship (subsidiary, jointly controlled entity or associate, details of direct and indirect relationship	Consolidation method applied/valuation using the equity method, or an indication that the entity is not subject to consolidation/valuation under the equity method	Date of acquisition of control / joint control /and of the exertion of significant influence	Value of shares at cost	Total revaluation adjustments	The carrying value of shares	Percentage of share capital held directly and indirectly	Participation in total number of votes at the General Assembly (directly and indirectly)
1	PROCHEM INWESTYCJE Sp. z o. o.	Warsaw	Consultancy on business and management	subsidiary	full	22 June 1992	2 999	-	2 999	100.0%	100.0%
2	PREDOM Sp. z o. o.	Wrocław	Construction designing, urban planning, process engineering	Indirect subsidiary (company Prochem Inwestycje sp. z o. o. holds 75% of capital)	full	19 July 2002	764	-	764	80.7%	71.1%
3	PRO-INHUT Sp. z o. o.	Dąbrowa Górnicza	Construction designing, urban planning, process engineering	Indirect subsidiary (company Prochem Inwestycje sp. z o. o. holds 93.2% of shares)	full	4 October 2001	63	-	63	93.2%	93.2%
4	PROCHEM ZACHÓD Sp. z o. o	Warsaw	Marketing activities, construction works, design services, commercial activity and forwarding	subsidiary	full	18 March 1998	1 061	-	1 061	80.0%	80.0%
5	ELEKTROMONTAŻ KRAKÓW S.A.***)**	Kraków	Assembly of electrical installations and equipment	Indirect subsidiary (company Prochem Inwestycje Sp. z o. o. holds 65.5% of shares)	full	10 December 2001	15 099	-	15 099	85.4%	85.4%
6	ELMONT INWESTYCJE sp. z o. o.	Kraków	Developer’s activity	Indirect subsidiary (Elektromontaż Kraków S.A. holds 50% of shares)	full	5 April 2007	9 050	-	9 050	92.7%	92.7%
7	ELPRO sp. z o. o.	Kraków	Development and sale of real estates and rental of properties on own account, management of non-residential real estates	Indirect subsidiary (Prochem Inwestycje Sp. z o. o. holds 50%, Elektromontaż Kraków S.A. holds 50% shares)	full	17 April 2002	3 234	-	3 234	92.7%	92.7%

8	IRYD sp. z o.o.	Warsaw	Development and sale of real estates and rental of properties on own account	Indirect subsidiary(Prochem Inwestycje Sp. z o. o. holds 100% shares)	full	13 July 2000	150	150	-	100.0%	100.0%
9	ATUTOR INTEGRACJA CYFROWA Sp. z o.o.	Warsaw	Production and sale of computer software, computer system integration, IT services	Indirect subsidiary (company Prochem Inwestycje holds 87.3%)	full	28 September 2000	308	-	308	87.3%	87.3%
10	PROCHEM RPI S.A.	Warsaw	Developer's activity	subsidiary (company Prochem Inwestycje Sp. z o. o. holds 3.33% of shares)	full	8 April 1998	513	359	154	100.0%	100.0%
11	Elmont Pomiary Sp. z o.o.	Kraków	Developer's activity	Indirect subsidiary (Elektromontaż Kraków S.A. holds 100% shares)	full	20 April 2004	190	-	190	77.6%	77.6%
12	PREDOM PROJEKTOWANIE sp. z o.o.**)	Wrocław	Design services	Indirect subsidiary (company PKI Predom Sp. z o. o.)	Not subject to consolidation	1 May 2002	53	53	-	81.0%	69.3%

**** the share in capital and votes, is presented upon completion of the redemption procedure of shares bought back by Elektromontaż Kraków S.A. with the aim of redemption***
***** the company has not commenced activities***

Shares in subsidiaries - continuation

	a	b							c			d			e	F
Item No	Name of the company	Entity's equity, including:							Entity's liabilities and provisions to liabilities, including:			Entity's trade and other receivables, including:			Total entity's assets	Total revenues from sales
			Share capital	Own shares (negative value)	Revaluation capital	Retained earnings, including:	Profit (loss) brought forward	Net profit (loss)		Non-current	current		Non-current	current		
1	PROCHEM INWESTYCJE Sp. z o. o.	8 624	3 000	-		5 624	-	714	20 299	19 350	949	90	-	90	28 923	4 257
2	P.K.I.PREDOM Sp. z o.o.	9 986	1 600	-	6 050	3 336	-	400	7 467	1 733	5 735	5 806	-	5 806	17 454	16 148
3	PRO-INHUT Sp. z o .o.	1 129	53	-	-	1 076	-	235	2 049	312	1 737	2 203	-	2 203	3 148	3 250
4	PROCHEM ZACHÓD Sp. z o.o.	1 836	1 600	-	-	236	-	-4	36	-	36	1	-	1	1 872	-
5	ELEKTROMONTAŻ KRAKÓW S.A.*)	22 499	1 208	-	7 246	13 598	-	447	16 851	2 870	13 981	14 164	-	14 164	41 000	42 090
6	ELMONT INWESTYCJE sp. z o.o.	7 653	8 000	-		-347	-536	189	3		3	11	-	11	7 656	0
7	ELPRO sp. z o.o.	4 137	3 290	-		659	-	127	403	385	18	8	-	8	4 540	200
8	IRYD Sp. z o.o.	-188	150	-		-338	-333	-5	208	-	208	12	-	12	20	-
9	ATUTOR Sp. z o.o.	214	355	-		-141	-150	9	788		788	782	-	782	1 002	1 039
10	PROCHEM RPI Sp. z o.o.	139	600	-		-461	-153	-308	1	-	1	3	-	3	140	-
11	Elmont Pomiary Sp. z o.o.		the company consolidated by Elektromontaż Kraków S.A. - financial data of the company are included in financial statements of Elektromontaż Kraków S.A.														
12	PREDOM PROJEKTOWANIE Sp. z o.o.		Not subject to consolidation														

**** the share in capital and votes, is presented upon completion of the redemption procedure of shares bought back by Elektromontaż Kraków S.A. with the aim of redemption.***

Shares in entities valued using the equity method as at 31 December 2016

Item No.	a	b	c	d	e	f	g	h	i	j	k
	Name of the company and its legal form	Registered office	Scope of the Company's activities	Type of relationship (subsidiary, jointly controlled entity or associate, details of direct and indirect relationship)	Consolidation method applied	Date of acquisition of control / joint control /and of the exertion of significant influence	Value of shares at cost	Total revaluation adjustments	The carrying value of shares	Percentage of share capital held	Participation in total number of votes at the General Assembly
1	ITEL Sp. z o.o.	Gdynia	Other electrical installations	associated	The equity method	13 September 2005	708	708	-	42.0%	42.0%
2	IRYDION Sp. z o.o.	Warsaw	rental of own real estate	Jointly-controlled	The equity method (change in the structure of shareholding from a subsidiary for a jointly-controlled entity as from 3April 2013)	24 March 2000	4 503	-	4 503	50.0%	50.0%

Shares in entities valued using the equity method – continuation

Item No.	a	b		c			d			e	f
	Name of the company	Company's equity, including:		Liabilities and provisions to liabilities, including:			Receivables, including:			Total Entity's assets	Revenues from sales
			Net profit (loss)		Razem	Current liabilities		Non-current receivables	Current receivables		
1	ITEL Sp. z o.o.	506	-602	1 479	517	962	806	-	806	1 985	1 896
2	IRYDION Sp. z o.o.	45 359	-1 715	101 688	99 930	1 758	888	-	888	147 047	1 686

Note No. 6 - Settlement of deferred income tax - deferred tax assets

Change in deferred tax assets	31 December 2016	31 December 2015
1. Deferred tax assets as at the beginning of the period, recognized in financial result (profit or loss)	**5 662**	**6 051**
a) recognized in financial results	**5 607**	**6 000**
- provisions to costs	292	627
- write-down of receivables	1 042	1 045
- unpaid remuneration under contracts: of mandate and of specific task	32	37
- deferred income	842	2 204
- interest on loan	290	647
- provision for retirement benefit	409	395
- provision for holiday benefits	278	266
- deferred tax on the write-down updating the value of financial asset	5	5
- unpaid employee benefits	1	61
- write-down of inventories	54	54
- tax loss	1 259	300
- other, including exchange differences	1 103	359
b) recognized in equity	55	51
- provision to retirement benefit	55	51
2. Increase	**5 747**	**3 697**
a) recognized in financial result	**5 737**	**3 693**
- provision to costs	418	289
- unpaid remuneration under contracts of mandate and specific task contracts	14	32
- deferred income	560	842
- interest on loan	63	72
- provision for retirement benefit	16	30
- provision for holiday benefits	40	70
- unpaid employee benefits	1	-
- creation of an asset for tax loss	3 951	1 255
- write-down of inventories	52	-
- costs of discounted cash flows	36	-
- other, including exchange differences	586	1 103
b) recognized in equity	**10**	**4**
- provision to retirement benefit	10	4
3. Decrease	**2 811**	**4 086**
a) recognized in financial result	**2 811**	**4 086**
- the use of provision for costs	301	624
- write-down of receivables	324	3
- paid remuneration under contracts of mandate and specific task contracts	32	37
- deferred income	842	2 204
- interest on loan	54	429
- the use of provision for retirement benefit	74	16
- the use of provision for holiday benefits	70	58
- paid employee benefits	1	61
- the use of the asset for tax loss	100	296
- other, including exchange differences	1 013	358

4. Total deferred tax assets as at the end of the period, including:	**8 598**	**5 662**
a) recognized in financial result	**8 533**	**5 607**
- provisions for costs	409	292
- write-down of receivables	718	1 042
- unpaid remuneration under contracts of mandate and specific task contracts	14	32
- deferred income	560	842
- interest on loan	299	290
- provision for retirement benefit	351	409
- provision for holiday benefits	248	278
- unpaid employee benefits	1	1
- tax loss	5 110	1 259
- deferred tax on write down of financial assets	5	5
- write-down of inventories	106	54
- costs of discounted cash flows	36	-
- other, including exchange differences	676	1 103
b) recognized in equity	**65**	**55**
- provision for retirement benefit	65	55

- provision for deferred income tax

1. Provision for deferred income tax as at the beginning of the period, including:	**5 829**	**6 709**
a) recognized in financial result	**3 880**	**4 751**
- interest accrued on loan	490	558
- revaluation of non-current financial assets	136	136
- accrued income from uncompleted service	1 320	1 670
- the difference between the installment of the operating lease, and the depreciation of the leased non-current assets recognized in costs	-	6
- revaluation of non-financial investments	496	1 785
- surplus of the balance sheet depreciation over tax depreciation	564	472
- revenue from the sale of non-financial assets, taxable revenue in the next period	809	-
- other	65	124
b) recognized in equity	**1 949**	**1 958**
- revaluation of PPE at fair value	1 949	1 958
2. Increase	**1 433**	**2 752**
a) recognized in financial result of the period under positive temporary differences)	**1 424**	**2 752**
- interest accrued on loan	144	137
- accrued income from uncompleted service	1 016	1 320
- revaluation of non-current financial assets	-	341
- the difference between tax depreciation and balance sheet depreciation	98	92
- revenue from the sale of non-financial assets, taxable revenue in the next period	-	809
- other	166	53
b) recognized in equity under positive temporary differences	**9**	-
- revaluation of PPE at fair value	9	-

3. Decrease	**2 195**	**3 632**
a) recognized in financial result of the period under positive temporary differences	**2 195**	**3 623**
- interest accrued on loan	59	205
- accrued income from uncompleted service	1 320	1 670
- difference between the operating lease installment and depreciation of the leased non-current assets recognized in costs	-	6
- use of revaluation of non-financial investments	-	1 630
- revenue from the sale of non-financial assets, taxable revenue in the next period	809	-
- other	7	112
b) recognized in equity under positive temporary differences	**-**	**9**
- revaluation of non- financial assets	-	9
4. Total provision to deferred income tax at the end of the period	**5 067**	**5 829**
a) recognized in financial result	**3 109**	**3 880**
- interest accrued on loan	575	490
- revaluation of non-current financial assets	136	136
- accrued income from uncompleted service	1 016	1 320
- revaluation of non-financial investments	496	496
- surplus of the balance sheet depreciation over tax depreciation	662	564
- revenue from the sale of non-financial assets, taxable revenue in the next period	-	809
- other	224	65
b) recognized in equity	**1 958**	**1 949**
- revaluation of property, plant and equipment at fair value	1 958	1 949

	31 December 2016	**31 December 2015**
Deferred tax assets	8 598	5 662
Provision to deferred income tax	-5 067	-5 829
Assets / (Provision) under deferred income tax	**3 531**	**-167**

Presentation in the statement of financial position:

	31 December 2016	**31 December 2015**
Deferred tax assets	5 879	2 716
Provision to deferred income tax	-2 348	-2 883
Assets / (Provision) under deferred income tax	**3 531**	**-167**

In 2016, the Group created a deferred income tax asset of PLN 5,110 thousand from the tax loss incurred in 2016. The Management Board estimates that in the coming years is able to settle this loss through income achieved. Big impact on the settlement of the tax loss will have the settlement of case in court described in Note 40.

Note No. 7 –Other non-current financial assets

Other financial assets	**31 December 2016**	**31 December 2015**
a) from jointly-controlled entities	18 334	17 955
- loans	18 334	17 955
Total other financial assets	**18 334**	**17 955**

Loans granted – as at 31 December 2016

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

Increase:

- Accrued interest on loan granted to jointly-controlled company Irydion Sp. z o. o. in the amount of PLN 379 thousand.

Loans granted – as at 31 December 2015

- Loans granted to the jointly-controlled company Irydion Sp. z o. o. seated in Warsaw:
  - in the amount of PLN 11 720 thousand, including: amount of the loan PLN 11 000 thousand, accrued interest PLN 720 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 6 235 thousand, including: amount of the loan PLN 6 000 thousand, accrued interest PLN 235 thousand. The interest rate is set annually at 3% per year, the repayment date of the loan with interest was set on 22 September 2031;

Note No. 8– Inventories

Inventories	**31 December 2016**	**31 December 2015**
Materials	4 865	6 220
Semi-finished products and work-in-process	-	128
Goods	-	723
Total inventories	**4 865**	**7 071**
Write-down of inventories	578	285

Note 9 - Trade and other receivables

Trade and other receivables	**31 December 2016**	**31 December 2015**
Trade receivables	59 426	85 643
Write-down of receivables	5 449	7 404
Net trade receivables, including:	**53 977**	**78 239**
- with a repayment period up to 12 months	49 950	74 208
- with a repayment period over 12 months	4 027	4 031
Receivables from taxes, subsidies, customs duties, social and health insurance and other benefits	**420**	**4 851**
Other receivables	2 657	1 303
Write-down of other receivables	402	402
Net other receivables	**2 255**	**901**
Total receivables, net	**56 652**	**83 991**

Trade and other receivables from related entities	31 December 2016	31 December 2015
Trade receivables, including:	2 301	7 432
- from jointly-controlled entities	2 301	7 432
Total trade and other receivables from related entities, net	**2 301**	**7 432**
Write-down of receivables from related entities	-	-
Total trade and other receivables from related entities, gross value	**2 301**	**7 432**

Change in write-downs of trade and other receivables	31 December 2016	31 December 2015
As at the beginning of the period	**7 806**	**6 949**
a) increase (due to)	117	1 104
- write-downs for receivables	117	1 104
b) decrease (due to)	2 072	247
- payment received	118	198
- the use of write-downs created in the previous periods	1 831	6
- sale of shares in subsidiary	122	37
- resolving of write-down	1	6
Write-downs of current trade receivables and other receivables at the end of the period	**5 851**	**7 806**

In the majority of contracts signed by the Group, time of payment for services was established in the range from 14 to 60 days. As at 31 December 2016 and as at 31 December 2015, trade receivables include the security deposits under statutory warranty for construction and assembly works respectively in the amount of PLN 19 041 thousand and PLN 22 014 thousand.

Trade receivables with time of repayment remaining from the balance sheet date:	31 December 2016	31 December 2015
a) up to 1 month	18 237	18 950
b) above 1 month up to 3 months	11 309	23 592
c) above 3months up to 6 months	1 666	5 249
d) above 6 months up to 1 year	791	3 221
e) above 1 year	2 753	4 031
f) receivables overdue	24 713	30 600
Total receivables from supplies and services (gross)	59 469	85 643
g) write-down of receivables from supplies and services	5 449	7 404
Total receivables from supplies and services (net)	**54 020**	**78 239**

An age analysis of past due trade receivables (gross)	31 December 2016	31 December 2015
a) up to 1 month	1 062	4 197
b) above 1 month up to 3 months	424	341
c) above 3months up to 6 months	242	951
d) above 6 months up to 1 year	15	947
e) above 1 year	22 970	24 164
Total past due receivables from supplies and services (gross)	**24 713**	**30 600**
f) write-down of past due receivables from supplies and services	5 449	7 404
Total past due receivables from supplies and services (gross)	**19 264**	**23 196**

The outstanding balance of trade receivables includes receivables overdue of a carrying amount of PLN 17 364 thousand under the security deposit under a statutory warranty, to which the Group did not create reserves, because are considered that will be recovered. The Group has collateral in the form of the seized security deposits under the statutory warranty from subcontractors in the amount of PLN 2 928 thousand. For more information see Note No. 38 – *Information on significant proceedings pending before the court.*

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Note No. 10 – Other financial assets

Other financial assets	**31 December 2016**	**31 December 2015**
a) from other entities:	198	2 799
- current loans	198	273
- other financial assets – the discounted security deposit constituting the collateral of a bank guarantee of reimbursement of advance payment	-	2 526
Other financial assets	**198**	**2 799**
Gross other financial assets	-	-
Gross other financial assets	**198**	**2 799**

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.

Decrease

- Repayment of the loan by Pro Serwis Sp. o. o. PLN 75 thousand.

Loans granted - as at 31 December 2015

- 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.
- A loan for Pro Serwis Sp. z o. o. in Warsaw PLN 75 thousand, including: amount of the loan PLN 75 thousand. Interest on the loan is set at 2% annually. The repayment date - compensate by the obligations under the property management contract.

Note No. 11 – Other assets

Other assets by type :	**31 December 2016**	**31 December 2015**
a) prepayments	1 952	1 412
- cost of property and personal insurance	353	281
- software maintenance costs	764	631
- subscriptions	26	37
- deferred costs	13	449
- other	796	14
b) other prepayments	9 183	13 785
- amounts due from the ordering parties under long-term contracts	9 183	13 785
Total other assets	**11 135**	**15 197**

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

Note No. 12 – 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 2015.
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 i 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 from the submission of the annual report for 2015, the Group has received the following information about the change in the shareholding:

- On June 11, 2016 at the General Meeting of Shareholders the Group received information on decrease in the number of shares held by Porozmienie PHC by 5 922 shares, which results in a reduction in the participation in total number of votes by 0.15%. As of the day of receiving information by the Issuer, Porozumienie PHC held 1 173 561 shares of the Issuer, representing 30.13% of the share capital and 30.15% of the total number of votes at the General Meeting.
- On June 11, 2016, at the General Meeting of Shareholders, the Group was notified of a change in the number of shares owned by QUERCUS Towarzystwo Funduszy Inwestycyjnych S.A. - QUERCUS parasolowy SFIO, QUERCUS Absolute Return FIZ and QUERCUS Absolutnego Zwrotu FIZ - increased their share in the total number of votes in PROCHEM S.A. by 4 752 shares (through common Funds). As of the date of information obtaining, the Funds together hold 399,715 shares of the Issuer, which accounts for 10.26% of the share capital and 10.26% of the total number of votes at the General Meeting.
- On October 28, 2016, at the Extraordinary General Meeting, the Group was notified of a change in the number of shares held by QUERCUS by 15 817 shares. On the date on which the information was received, the Funds jointly hold 415 532 shares of the Issuer, representing 10.67% of the capital zakładowwego and 10.67% of the total number of votes at the General Meeting.
- On October 4, 2016, the Group was informed that the shareholder of PROCHEM S.A. Mr. Steven Tappan a member of Porozumienie PHC (hereinafter PHC) filed a notification of his withdrawal from PHC. Mr. Steven Tappan holds 510,000 shares of PROCHEM, which corresponds to 13.09% of the total number of votes and constitutes 13.09% of the share capital. Prior to the change in the composition of the Porozumienie PHC, the members of the agreement had a total of 1,173,561 shares of PROCHEM S.A., with the right to exercise 1,174,661 votes at the general meeting of shareholders of PROCHEM S.A., which accounted for 30.15% of the total number of votes and constituted 30.13% of the share capital. Following the change in the composition of Porozumienie PHC, the members of the agreement hold 663,561 shares of PROCHEM S.A. jointly, which gives the right to exercise 664,661 votes at the General Meeting of Shareholders of PROCHEM S.A., which corresponds to 17.06% of the total number of votes and constitutes 17.04% of the share capital.
- On 13 October 2016 the Group received from the Company's shareholder, Mr. Steven Tappan notification of exceeding the threshold of 15% of votes in the total number of votes in the PROCHEM S.A.

Exceeding the threshold of 15% of the total number of votes in the PROCHEM S.A. occurred upon the acquisition on 7 October 2016 during the trading session, and in the framework of OTC block trades total of 133 176 shares of the Company.

Prior to the change in shareholding, Mr. Steven Tappan have had a total of 581 824 shares of PROCHEM S.A., which constituted 14.94% of the share capital and were entitling to 581 824 votes and constituting 14.93% of the total number of votes at the General Meeting of the Company.

After the change in the shareholding Mr. Steven Tappan has a total of 715 000 shares of PROCHEM S.A., which represents 18.36% of the share capital and entitles to 715 000 votes, what represents 18.35% of the total number of votes at the General Meeting of the Company.

- On December 16, 2016, the Group received from the shareholder, Mr. Steven Tappan the notification of a change in the owned so far share by at least 2% in the total number of votes, and of the exceeding of the threshold of 20% in total number of votes at the General Meeting of PROCHEM S.A.

A change in the shareholding held so far by at least 2% of the total number of votes occurred as a result of the following events:

- OTC block trades, and the acquisition during the session in November 2016. a total of 60 000 shares entitling to 60 000 votes, representing 1.54% of the total number of votes at the General Meeting of the Company;
- the acquisition on 13 December 2016 of 42 500 shares entitling to 42 500 votes, representing 1.09% of the total number of votes at the General Meeting of the Company.

After the change in the share Mr. Steven Tappan has a total of 817 500 shares of PROCHEM S.A., which represent 20.99% of the share capital and entitling to 817 500 votes, what represents 20.98% of the total number of votes at the General Meeting of the Shareholders of the Company.

- On April 20, 2017, the Group was informed that as a result of the conclusion, on April 13, 2017, of contract of the purchase of 19 721 shares of PROCHEM S.A. (Hereinafter referred to as the "Company") by Value Fund Poland Activist Fundusz Inwestycyjny Zamknięty (hereinafter referred to as the "Fund") the threshold of the state of holding of shares of the Company by the Fund over 5% of total votes in the Company has been exceeded. Before the change, the Fund held 183 734 shares in the Company, representing 4.72% of the share capital and 183 734 votes from these shares, which represented 4.72% of the total number of votes at the General Meeting. After the transaction of purchase the Fund holds 203 455 shares of the Company, which constitutes 5.22% of the share capital of the Company and entitles to 203 455 votes at the General Meeting of the Company, what constituted 5.22% of total number of votes at the General Meeting of the Company.

*) Information obtained at the Extraordinary General Meeting on October 28, 2016.

Note No. 13 – Revaluation reserve

	31 December 2016	31 December 2015
As at opening balance	11 584	11 973
Revaluation of non-current assets	8	-
Capital from foreign exchange differences	12	-385
Actuarial losses on valuation of provisions for employee benefits	-66	-6
Other changes	608	2
As at closing balance	**12 146**	**11 584**

Note No. 14 - Retained earnings

	31 December 2016	31 December 2015
Spare capital	45 606	44 775
Other capital reserve	52 317	52 322
Profit (loss) brought forward	-2 249	-651
Net profit assigned to shareholders of Parent Entity	-23 332	4 432
Total	**72 342**	**100 878**

Note No. 15 – Non-current bank loans

	31 December 2016	31 December 2015
- loans	299	-

Information on bank contracted bank loans

Name of the bank	Registered office	Credit limit	Amount of engagement	Repayment date	Terms of interest	Collateral
By Pro-Inhut Sp. z o. o.						
ING Bank Śląski S.A.	Dąbrowa Górnicza	300	299	30July2020	WIBOR for 1-month deposits in PLN + margin	lack

Note No. 16 – Provision for retirement and similar benefits

The Group implemented the post-employment benefits program, which include the retirement gratuities and disability pension for employees. Reserves for retirement gratuity payments are calculated on an individual basis for every employee. The basis for calculating the provision for employee is the expected amount of the benefit that the Group obliges to pay according to applicable terms and conditions of remunerations. Retirement gratuity or disability is paid once at the moment of the beginning of retirement or disability pension of the person. Current value of these obligations is determined by an independent actuary. The level of provisions corresponds with the discounted payments that will be made in the future, taking into consideration the staff turnover, and relate to the period until the date ending the reporting year. Rate of financial discount used for calculation the current value of employee benefit obligations has been determined based on market rate of return from government bonds with currency and maturities approximates to currency and also approximates to the estimated period of fulfilment of obligations under employee benefits.

The principal actuarial assumptions at the end of the reporting period:

Data in percentage (%)	**in 2016**	**in 2015**
Discount rate	3.5%	3.0%
Average anticipated annual increase in the base for calculation of the retirement and pension benefits in 2017-2027; the year 2015, in 2016-2025	0%-2.28%	od 0.0% do 2.35%
Weighted average index of employee mobility	5.48%-8.86%	od 5.44% do 10.78%
Increase in the base of retirement benefits:		
- the year 2016 in 2017, the year 2015 in 2016	0%-2.0%	od 0% do 2.0%
- the year 2016 in the years 2018-2026, the year 2015 in the years 2017-2025	1.5%-2.5%	od 1.8% do 2.25%
- in other years	2.5%	2%-2.5%

Post-employment benefits, retirement and pension benefits

(in PLN thousands)		**in 2016**	**in 2015**
Liabilities as at the beginning of the period		**2 441**	**2 368**
Current employment costs		94	96
Cost of interest		73	62
Net actuarial gains and losses		30	205
Net actuarial gains and losses recognized in other comprehensive income		77	22
Benefits paid		-527	-312
Liabilities as at the end of the period, including:		**2 188**	**2 441**
- current liabilities	(note 20)	433	587
- non-current liabilities		1 755	1 854

Historical information

As at	**Current value of liabilities arising from above benefits**
31 December 2016	2 188
31 December 2015	2 441
31 December 2014	2 368
31 December 2013	2 234
31 December 2012	2 230

Employee benefit costs are included in general and administrative expenses. In 2016 the provision for employee benefits was changed as a result of updated assumptions, primarily in relation to the discount rate and the change in index of the planned salary increase.

Total amount of expenses recognized in the financial result:

In PLN thousands	31 December 2016	31 December 2015
Current employment costs	94	96
Interest charges	73	62
Actuarial gains (losses)	30	205
Net actuarial gains and losses recognized in other comprehensive income	77	-
Benefits paid	-527	-312
Total costs	**-253**	**51**

Note No. 17- Other non-current liabilities

	31 December 2016	31 December 2015
Other non-current liabilities		
- capital unpaid	50	50
- financial lease agreements	213	243
- transformation of perpetual usufruct right to right of ownership	14	14
- the security deposits retained	47	90
- other	-	19
Total non-current liabilities	**324**	**416**

Note No. 18- Current bank loans

	31 December 2016	31 December 2015
- loans	10 400	11 772

Information on contracted bank loans

Name of the bank	Registered office	Credit limit	Amount of engagement	Repayment date	Terms of interest	Collateral
By S.A.						
mBank SA	Warsaw	6,000 Credit in overdraft	1 903	30 June 2017	WIBOR for O/N deposits in PLN + margin	Promissory note in blank, pledge by court on shares
mBank SA	Warsaw	6,000 Revolving working capital loan	5 400	30 June 2017	WIBOR for 1 month deposits in PLN + margin	Promissory note in blank, pledge by court on shares
ING Bank Śląski S.A.	Katowice	3,000 Credit in overdraft	0	15 November 2017	WIBOR for 1 month deposits in PLN + margin	Statement on submission to forfeiting, mortgage on real estate
By Elektromontaż Kraków S.A.						
Deutsche Bank	Kraków	500	322	15 July2017	WIBOR for 1 month deposits in PLN + margin	Mortgage of up to PLN 2 250 thousand on real estate
ING BANK Śląski	Kraków	2 500	2 255	20November 2017	WIBOR for 1 month deposits in PLN + margin	Mortgage of up to PLN 3 750 thousand on real estate

By Atutor Integracja Cyfrowa sp. z o. o.						
Bank Millenium S.A.	Warsaw	150	149	15April 2017	WIBOR for 1 month deposits in PLN + margin	Granting a bank a power of attorney to collect and repayment from accounts and to block funds in case of failure to repay the loan within the time limit
Zaciągnięte przez Pro-Inhut sp. z o.o.						
ING Bank Śląski S.A.	Dąbrowa Górnicza	398	371	24 September 2017	WIBOR for 1 month deposits in PLN + margin	lack

Breach of covenants in contracts of loans by the Parent Entityr which was described in the Report for the first half of 2016 did not affect the change in the presentation of loans in the statement of financial position of the Capital Group as at 31 December 2016, because according to the signed agreement, loans have to be repaid in less than 12 months.
As of 31 December 2016 the Issuer received confirmation of continuation of funding at ING Bank S.A. on the level of PLN 3 million for the further period of 11 months, and at mBank to 30 June 2017. In the signed annexes to credit agreements banks withdrew from the verification of financial covenants for the third and fourth quarter of 2016.
The Issuer established additional collateral for the loan granted by ING Bank Śląski S.A. by establishing a mortgage on the property owned by ELPRO Sp. z o. o. seated in Krakow. For the benefit of mBank SA the Issuer established a pledge on the shares of Elektromontaż Kraków S.A. seated in Kraków and Przedsiębiorstwa Konsultingowo-Inżynieryjnego Predom Sp. z o. o. seated in Wrocław.

Note No. 19 – Trade payables

	31 December 2016	31 December 2015
To other jointly-controlled entities	385	-
- from supplies and services, with maturity period:	385	-
- up to 12 months	385	-
To other entities	39 140	51 451
- from supplies and services, with maturity period:	39 140	51 451
- up to 12 months	34 718	48 854
- above 12 months	4 422	2 597
Total trade payables	**39 525**	**51 451**

Note No. 20 - Other liabilities

	31 December 2016	31 December 2015
a) to other entities	3 742	4 609
- due to taxes, duties, insurance and other benefits	2 463	3 669
- due to remuneration	402	351
-other (by type)	877	589
• liabilities to employees	13	16
• to shareholders	28	21
• under lease agreement	23	181
• other	813	371
b) other short-term provisions	4 344	3 533
- provision for costs relating to long-term contracts	644	385
- provision for costs (moving part of salary, contracts of mandate)	1 875	993
- cost of audit	87	104

- short-term provision for retirement benefits	433	587
- provision for unused annual leaves	1 305	1 464
Total other liabilities	**8 086**	**8 142**

Liabilities under lease agreements

	The current value	Interest	Future minimum payments under lease	The current value	Interest	Future minimum payments under lease
In PLN thousands	**In 2016**	**In 2016**	**In 2016**	**In 2015**	**In 2015**	**In 2015**
Up to 1 year	23	-	23	153	18	171
From 1 to 5 years	201	12	213	226	17	243
Total	**224**	**12**	**236**	**379**	**35**	**414**

Note No. 21 - Deferred income

	31 December 2016	31 December 2015
Deferred income, including:	2 061	11 054
- advanced payments received	462	6 200
- amounts due to the ordering parties under long-term contracts	1 599	4 854
Other	324	322
Deferred income as at the end of the period, including:	**2 385**	**11 376**
Non-current liabilities	**-**	**-**
Current liabilities	**2 385**	**11 376**

Note No. 22- Revenues from sale of services

Revenues from sale of services (type of service and type of activity)	in 2016	in 2015
- Revenues from sale of services, including:	**162 927**	**257 799**
- from related entities	19 292	28 234

Revenues from sales (territorial structure)	in 2016	in 2015
Domestic market	148 061	142 091
- including from related entities	19 292	28 234
exports	19 593	115 708

Revenues under contracts for construction services (general contracting) and other services are presented in Note No. 31.The gross amount due from ordering parties/buyers for the work under the contracts was presented in Note No. 11.

Information on major customers, whose total value of revenues from sales of services exceeds 10% of the total revenues of the Group in 2016 is included in Note No. 31.

Note No. 23 - Revenues from sale of goods and materials

Revenue from sale of materials (by type of material and type of activity)	In 2016	In 2015
Goods and materials	6 287	8 644

Revenues from sale of goods and materials (territorial structure)	In 2016	In 2014
Domestic market	5 519	5 321
Abroad	768	3 323

Note No. 24 – Cost of services

Costs by type:	In 2016	In 2015
a) amortization and depreciation	2 351	2 440
b) consumption of materials and energy	20 397	24 461
c) outsourcing	119 001	174 588
d) taxes and levies	1 860	1 067
e) remuneration	32 921	33 693
f) social security and other benefits	6 246	6 336
g) other types of costs (by category)	5 983	6 389
- property and personal insurance	834	876
- business trips	1 967	1 889
- State Fund for Rehabilitation of Disabled Persons (PFRON)	225	199
- other	2 957	3 425
Total costs by type	188 759	248 974
Change in inventories, goods and accruals and prepayments	-972	173
General and administrative expenses (negative value)	-15 194	-15 574
Cost of services	**172 593**	**233 573**

Note No. 25 - Other operating income

	In 2016	In 2015
a) gain on sale of non-financial non-current assets	92	70
b) grants	-	70
c) reversal of impairment allowance (due to)	105	204
- for receivables	105	204
d) other, including:	1 825	1 189
- reimbursement of litigation costs	10	73
- received compensation, fines and penalties	823	1 018
- revenues under rental of cars	5	8
- impairment allowance for receivables past due	328	-
- revaluation of investment	370	-
- other	289	90
Total other operating income	**2 022**	**1 533**

Note No. 26 - Other operating expenses

	In 2016	In 2015
a) loss on disposal of non-financial non-current assets	43	129
b) impairment allowance (for)	124	1 099
- receivables	124	1 099
c) other, including:	1 901	408
- litigation costs	2	83
- write-off of past due receivables	73	11
- provision to operating expenses	1 283	-
- paid compensation, fines and penalties	1	56
- write-down of inventories	272	-
- other, including warranty costs of renting office space, arising from sale agreement of an office building	270	258
Total operating expenses	**2 068**	**1 636**

Note No. 27 - Financial income

	In 2016	In 2015
a) interest on loans granted	379	375
- from the jointly-controlled entities	379	375
b) other interest	94	321
- from other entities	94	321
c) the surplus of foreign exchange gains	380	136
d) other, including:	68	129
- revenues from discounted non-current liabilities	66	120
- other	2	9
Total financial revenues	**921**	**961**

Note No. 28 - Finance costs

	In 2016	In 2015
a) interest on loans and borrowings	438	522
b) other interest	28	120
- for other entities	28	120
c) the surplus of foreign exchange losses	675	1 409
d) other, due to :	742	809
- commission on bank guarantees	159	349
- commission on loans	106	108
- commission on letter of credit	-	11
- write-down of financial assets	212	-
- the cost of discounting of long-term flows	201	288
- other/ costs related to Representation Office in Belarus	64	53
Total finance costs	**1 883**	**2 860**

Note No. 29 – Income tax

Deferred income tax disclosed in the statement of profit and loss	**In 2016**	**In 2015**
- Decrease (increase) from arising and reversal of temporary differences	-3 693	-401
Total deferred income tax	**-3 693**	**-401**

Establishment of the effective tax rate		
(in PLN thousands)	**In 2016**	**In 2015**
Tax rate	**19%**	**19%**
Profit for the period	-23 144	4 154
Income tax	-2 815	2 553
Before tax profit	-25 959	6 707
Income tax at the applicable rate of 19%	-4 932	1 274
Losses that are not a tax loss	-	176
Tax revenues	-	174
Costs not constituting tax deductible expenses	1 018	867
Tax loss outside the Republic of Poland	1 055	-
other	44	62
Total income tax disclosed in the statement of profit and loss	**-2 815**	**2 553**

Note No. 30 – Additional disclosures to the statement of cash flows

Operating activities include basic activity and turnover from other operating activity .
Investing activities include the turnovers in the scope of investment in PPE, intangible assets, equity investments and securities held for trading.
Received dividends are recognized in cash flows from investing activities. Loans granted and repaid together with accrued interest are presented in cash flows - investing activities.
Paid interest and commission on borrowings, loans and leases are recognized in cash flows - financing activities. Financial activity include also received and repaid bank loans and borrowings.

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):

Change in inventories	**1 483**
Inventories as at 1 January 2016	7 071
As at opening balance sheet	**7 071**
Inventories as at 31 December 2016	4 865
Inventories of subsidiary sold	723
Closing balance sheet after adjustments	**5 588**

Change in current receivables	**25 139**
Receivables as at 1January 2016	83 991
Other assets as at 1 January 2016	15 197
Receivables from sale of non-current assets	-45
Receivables from sale of real estate	-5 240
Receivables due to income tax	-497
As at opening balance sheet	**93 406**

Receivables as at 31 December 2016	56 652	
Other assets as at 31 December 2016	11 135	
Receivables from sale of non-current assets	-18	
Receivables from sale of financial assets	-367	
Receivables due to income tax	-347	
Receivables of subsidiary sold	1 212	
Closing balance sheet after adjustments	**68 267**	
Change in current liabilities (except for borrowings, loans and special funds)	**-10 771**	
Trade payables on 1 January 2016	51 451	
Other liabilities on 1 January 2016	8 142	
Provision to current retirement benefits	-587	
Provision to annual leaves	-1 464	
Provision to audit	-104	
Provision to current other costs	-385	
Discount of non-current liabilities	250	
Investment commitments	-46	
Liabilities under operating lease	-40	
Liabilities to shareholders	-3	
As at opening balance sheet	**57 214**	
Trade payables as at 31 December 2016	39 525	
Other liabilities as at 31 December 2016	8 086	
Provision to current retirement benefits	-433	
Provision to annual leaves	-1 305	
Provision to audit	-87	
Provision to current other costs	-641	
Discount of non-current liabilities	250	
Repayment of a loan by compensation with liabilities	77	
Liabilities under operating lease	-10	
Liabilities to shareholders	-28	
Liabilities of subsidiary sold	1 009	
Closing balance sheet after adjustments	**46 443**	
	In 2016 In	**2015ok**
Change in other adjustments	**-5 896**	**-5 029**
Change in deferred income - advances received	-5 739	-11 969
Security deposit constituting the collateral of a bank guarantee of reimbursement of advance payment*)	-3 255	4 515
Amounts due to the ordering parties under long-term contracts	2 526	3 170
Adjustment of sale of subsidiary	-144	-
Other adjustments	716	-745

*) In connection with the implementation of the investment project in Belarus, the Company in order to secure the return of received advance payment has granted a bank guarantee of advance refund 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 shall 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 2015, the part of the security deposit - which was not accounted for and discounted was presented in the statement of financial position in other financial assets non-current and current in the amount of PLN 2,526 thousand (Note No 9), and as for 31 December 2016 both deposit and advance payment were settled (Note No. 6 and Note No. 9).

Note No. 31– Operating segments

Operating segment is a component part of the Group:

- 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 on the level of operating income.

The activities of the Capital Group and the Issuer, for the managing purposes were divided into the four basic operational sectors such as: execution (general contracting), design services and other engineering services (supervisions along with the project engineer service), the lease of the construction equipment, and other activities, covering among others the income from the sublet, sale of photocopying services and other.
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 impairment losses.
Some assets in the joint use are assigned to the segments based on reasonable weight.
In 2016 revenues from activities achieved by the Issuer outside Polish borders (exports) and recognized in the separate statement of profit and loss amounted to PLN 20 361 thousand, what constitutes 18.5% of sales revenues. In the analogous period of the previous year such revenues amounted to PLN 119 031 thousand, what represented 54% of sales revenues.

Information on major customers of the Issuer, which share in the sales revenue was recognized in the separate statement of profit and loss for 2016 and exceeded 10% of the total revenues from sale:

- Belarusian client – revenues in the amount of PLN 20 361 thousand, what represents 12.0 % of the total sales revenues, which was shown in the segment of „General Contracting”,
- Irydion Sp. z o. o. a jointly controlled company – revenues in the amount of PLN 19,292 thousand, what represents 11.4% of the total sales revenues, which were shown in the segment of „General Contracting” and „Design services and other engineering services";
- Manufacturer of chassis subassemblies for civil and military aircraft – revenues in the amount of PLN 32 103 thousand, what represents 19.0% of the total sales revenues, which were shown in the segment of „General Contracting” and „Design services and other engineering services".

Assets of the Representation in Belarus as at 31 December 2016 do not exceed 10% of balance sheet amount disclosed in the separate statement of financial position.

Detailed data on the activities of the companies from the Group in the individual segments are shown in the tables below.

Information about the geographical areas

Geographical breakdown of sales revenues was presented in accordance with country of the seat of the ordering party.

	Note No.	2016	2015
Poland		148 853	147 412
Belarus		20 361	119 031
Other countries		-	-
	22	**169 214**	**166 370**

Geographical breakdown of non-current assets

	Note No.	2016	2015
Poland		35 854	36 121
Belarus		-	161
	1, 2 i 3	**35 854**	**36 282**

Current data

In 2016	General contracting	Design services and other engineering services	Rental of the construction equipment	Electrical installations	Rental of office space and real estate	Maintenance	Commercial activity	Other IT services	Other	Items not assigned	Total
Revenues on behalf of external customers	90 197	33 445	3 113	29 246	5 093	1 081	6 287	177	575	-	169 214
Total segment revenues	90 197	33 445	3 113	29 246	5 093	1 081	6 287	177	575	-	169 214
Result											
Profit (loss) of the segment	**-16 850**	**-9 056**	**1 064**	**24**	**940**	**-4**	**911**	**-290**	**-426**	**-**	**-23 687**
Financial income	-	-	-		-	-	-	-	-	767	767
Finance costs	-	-	-	-	-	-	-	-	-	-1 883	-1 883
Net financial activities	-	-	-		-	-	-	-	-	-1 116	**-1 116**
Profit sharing in entities valued under the equity method	-	-	-	-	-	-	-	-	-	-1 110	**-1 110**
Loss on other operating activities	-	-	-	-	-	-	-	-	-	-46	**-46**
Before tax profit (loss)	-	-	-	-	-	-	-	-	-	-25 959	**-25 959**
Income tax	-	-	-	-	-	-	-	-	-	-2 815	**-2 815**
Profit in the current period	-	-	-	-	-	-	-	-	-	-23 144	**-23 144**
Loss assigned to non-controlling interest	-	-	-	-	-	-	-	-	-	188	**188**
Profit for the period assigned to shareholders of parent entity	-	-	-	-	-	-	-	-	-	**-23 332**	**-23 332**
Segment assets (related to activity)	33 665	13 625	490	10 120	17 050	316	-	-		-	75 266
Assets unallocated (among others shares, other financial assets)	-	-	-	-	-	-	-	-	-	84 942	84 942
Total assets	**33 665**	**13 625**	**490**	**10 120**	**17 050**	**316**	**-**	**-**	**-**	**84 942**	**160 208**
Liabilities of the segment (related to activity)	24 440	5 485	351	9 543	606	-	-	442	1 034	23 276	65 177
Equity of the owners of the parent entity										88 583	88 583
Non-controlling interests										6 448	6 448
Total liabilities and equity	**24 440**	**5 485**	**351**	**9 543**	**606**	**-**	**-**	**442**	**1 034**	**118 307**	**160 208**
Depreciation of property, plant and equipment	102	127	100	417	701	88	-	-	535	72	2 142
Amortisation of intangible assets	-	19	-	24	8	1	-	-	-	157	209
Write-down of segment assets	-36	-422	-3 349	-1 107	-238	-	-	-	-297	-	-5 449

Comparative data

In 2015	General contracting	Design services and other engineering services	Rental of the construction equipment	Electrical installations	Rental of office space and real estate	Property management	Maintenance	Commercial activity	Other IT services	Other	Items not assigned	Total
Revenues on behalf of external customers	188 437	32 448	1 907	25 446	4 922	2 069	1 067	8 644	177	1 326	-	266 443
Total segment revenues	**188 437**	**32 448**	**1 907**	**25 446**	**4 922**	**2 069**	**1 067**	**8 644**	**177**	**1 326**	**-**	**266 443**
Result												
Profit (loss) of the segment	**11 933**	**-2 451**	**279**	**-1 204**	**1 160**	**193**	**209**	**291**	**-**	**-755**	**-**	**9 655**
Financial income	-	-	-		-	-	-	-	-	-	1 151	1 151
Finance costs	-	-	-	-	-	-	-	-	-	-	-2 860	-2 860
Net financial activities	-	-	-		-	-	-	-	-	-	-1 709	**-1 709**
Profit sharing in entities valued under the equity method	-	-	-	-	-	-	-	-	-	-	-1 136	**-1 136**
Loss on other operating activities	-	-	-	-	-	-	-	-	-	-	-103	**-103**
Before tax profit (loss)	-	-	-	-	-	-	-	-	-	-	6 707	**6 707**
Income tax	-	-	-	-	-	-	-	-	-	-	2 553	**2 553**
Profit in the current period	-	-	-	-	-	-	-	-	-	-	4 154	**4 154**
Loss assigned to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-278	**-278**
Profit for the period assigned to shareholders of parent entity	-	-	-	-	-	-	-	-	-	-	**4 432**	**4 432**
Segment assets (related to activity)	59 632	10 096	474	6 015	14 116	-	197	1 828	-	381	-	92 739
Assets unallocated (among others shares, other financial assets)	-	-	-	-	-	-	-	-	-	-	121 697	121 697
Total assets	**59 632**	**10 096**	**474**	**6 015**	**14 116**	**-**	**197**	**1 828**	**-**	**381**	**121 697**	**214 4367**
Liabilities of the segment (related to activity)	54 252	1 241	380	5 047	4 108	-	171	1 804	-	988	21 350	89 341
Equity of the owners of the parent entity	-	-	-	-	-	-	-	-	-	-	116 357	116 357
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	8 738	8 738
Total liabilities and equity	**54 252**	**1 241**	**380**	**5 047**	**4 108**	**-**	**171**	**1 804**	**-**	**988**	**146 445**	**214 436**
Depreciation of property, plant and equipment	108	477	92	365	701	50	86	45	-	335	36	2 295
Amortisation of intangible assets	-	6	-	13	-	-	2	-	-	-	124	145
Write-down of segment assets	-114	-423	-5 108	-1 124	-159	-	-	-122	-	-354	-	-7 404

Note No. 32 – Profit per one share

Net loss per 1 share remaining in trading as at balance-sheet day 31 December 2016 amounts to PLN (5.99); in 2015 net profit per one share amounted to PLN 1.14

Note No. 33 – Profit sharing and loss coverage

Pursuant to Resolution No. 16 of the Annual General Meeting of 11 June 2016 net profit of the Issuer for 2015 in the amount of PLN 6 213 046.33 was divided as follows:

- part of the profit in the amount of PLN 6 193 050.00 was assigned for dividend,
- part of the profit in the amount of PLN 19 996.33 was assigned for capital reserve.

Proposal to cover loss for 2016

Net loss for the year 2016 in the amount of PLN 23 600 679.75 is proposed to be covered from the capital reserve.

Note No. 34 - Dividends

Pursuant to Resolution No. 16 of the Ordinary General Meeting of Shareholders of PROCHEM S.A. of June 11, 2016, the Issuer paid a dividend from the profit for the year 2015 in the amount of PLN 6 193 050.00. Dividend payment date fall on 15 July 2016. The dividend per one share amounted to PLN 1.59

Note No. 35 - Financial instruments and financial risk management

35.1 Categories and classes of financial instruments

Financial assets

(in PLN thousands)	Categories of financial instruments		
	Loans, receivables and other		
Classes of financial instruments	**Note No.**	**31 December 2016**	**31 December 2015**
Receivables from supplies and services	9	53 997	78 239
Cash		3 783	23 595
Loans granted	7,10	18 532	18 228
Other financial assets – the discounted security deposit constituting the collateral of a bank guarantee of reimbursement of advance payment	7,10	-	2 526
Total		**76 312**	**122 588**

Financial liabilities

31 December 2016		Categories of financial instruments		
(in PLN thousands)		**Financial liabilities measured at amortized costs**	**Liabilities excluded from IAS 39**	**Total**
Classes of financial instruments	**Note No.**			
Loans	18,15	10 699	-	10 699
Finance lease	17,20	-	236	236
Trade payables	19	39 525	-	39 525
Total		**50 224**	**236**	**50 460**

31 December 2015

(in PLN thousands)		Categories of financial instruments: *Financial liabilities measured at amortized costs*	Liabilities excluded from IAS 39	Total
Classes of financial instruments	**Note No.**			
Loans	18,15	11 772	-	11 772
Finance lease	17,20	-	424	424
Trade payables	19	51 451	-	51 451
Total		**63 223**	**424**	**63 647**

Impairment allowances of financial assets by classes of financial instruments
(in PLN thousands)

	As at 31 December 2016	As at 31 December 2015
Receivables from supplies and services	5 449	7 404
Other receivables	402	402
Total	**5 851**	**7 806**

Impairment allowances of financial assets are presented in Note 9.

Fair value of financial instruments

(in PLN thousands)	Note No.	31 December 2016 Fair value	31 December 2016 Book value	31 December 2015 Fair value	31 December 2015 Book value
Financial assets					
Receivables from supplies and services	9	53 997	53 997	78 239	78 239
Cash		3 783	3 783	23 595	23 595
Loans granted	7,10	18 532	18 532	18 228	18 228
Other financial assets – the discounted security deposit constituting the collateral of a bank guarantee of reimbursement of advance payment		-	-	2 526	2 526
Total		**76 312**	**76 312**	**122 588**	**122 588**
Financial liabilities					
Loans	15,18	10 699	10 699	11 772	11 772
Borrowings received	18	-	-	-	-
Finance lease	17,20	236	236	424	424
Trade payables	19	39 525	39 525	51 451	51 451
Total		**50 460**	**50 460**	**63 647**	**63 647**

The fair value of financial instruments approximates to the balance sheet value due to their short-term nature and variable interest rates.

Operating lease

The Group is a party to the lease agreement of office space and a lease agreement of real estate. These agreements have been classified as operating lease. Agreement on the lease of office space for the conducted business activity includes also additional fees for additional services that are settled once a year. According to the agreement a rent is subject to valorization once a year according to a

Harmonized Index of Growth of Consumer Goods Price in the European Union (index), which is published two months before the date of indexation.
Part of leased office space is a subject of sublease. The lease agreement, and related to it sublease agreements will expire in 2023.

Lease agreement of real estate expires in August 2034. Area of the property is rented for the offices, for business conducted, on the basis of rental agreements. According to the agreements a rent is subject to valorization once a year according to a Harmonized Index of Growth of Consumer Goods Price in the European Union (index), which is published two months before the date of indexation or other index. Agreements on the lease of office space for the conducted business activity includes also additional fees for additional services that are settled once a year or two months after the end of the quarter.
Rental agreements are concluded in the majority for the period of 5 years (until 2019) and for an indefinite period.

On April 1, 2016, the Group entered into an agreement under which leases resort located in Tleń, district Osie. The contract was concluded for a definite period until December 31, 2020.
Revenues from the rent increase the social fund, in 2016 amounted to PLN 7 thousand.
Other revenue from the reimbursement of fees incurred by the lessor is recognized in the consolidated statement of profit and loss as income and expense on account of the lease in the amount of PLN 16 thousand.

In the year 2016 in the consolidated profit and loss account was recognized an amount of PLN 4 001 thousand as the cost of fees resulting from the lease agreement of office space and of the lease agreement of real estate, in 2015 this amount was PLN 4 518 thousand.
Revenue from sublease is recognized in operating income.
During the year 2016 in the consolidated statement of profit and loss was recognized an amount of PLN 4 857 thousand as revenue from lease and sublease, and in 2015 this amount was PLN 4 223 thousand.
From 18 January 2011, the Group is a party to an agreement concluded with Toyota Leasing Polska sp. z o. o. for rental of passenger cars. As of December 31, 2016 52 company's cars were covered by rental contracts.
In 2016 in the consolidated statement of profit and loss was recognized an amount of PLN 1 059 thousand as a cost of rental of cars, and in 2015 PLN 1,029 thousand.

Minimal payments under non-cancellable operating leases are as follows:

Agreement of operating lease, when the Group is the lessee

In PLN thousands	**In 2016**	**In 2015**
Up to 1 year	5 663	7 236
1-5years	19 906	22 135
More than 5 years	17 325	22 546

Agreement of operating lease when the Group is the lessor

In PLN thousands	**In 2016**	**In 2015**
Up to 1 year	4 495	4 147
1-5years	10 047	6 064
More than 5 years	4 635	592

35.2. Financial risk management

The Group's operations are exposed to the following financial risks:
- credit risk;
- liquidity risk;
- market risk (including currency risk, interest rate risk).

Credit risk

The Group during its commercial activity conducts sale of services to business entities with the deferred payment date, as a result of it may arise the risk of not receiving of amounts due from contractors for the services provided. The Group, in order to mitigate the credit risk manages the risk through the obligatory procedure of gaining hedging.
Assumed repayment period of amount due associated with the normal course of the sale is 14 - 60 days.
Amounts due from contracting parties are regularly monitored by the financial services. In case of overdue amounts procedures of the vindication are started.
The age analysis of trade receivables, which are overdue on the end of the reporting period, but in case of which no impairment occurred, is presented in Note 9.
In order to reduce the risk of not recovering the receivables from deliveries and services, the Group accepts a collateral from its customers in the form of, among other: bank and insurance guarantees, mortgages, promissory notes, as well as security deposit.
For the improvement of the current liquidity, in order to release the receivables retained by investors under proper security for the implemented contracts, and statutory warranty for construction work and assembly work, the Group granted bank guarantees and the insurance guarantee within the framework of guarantee lines, which were launched with this purpose.
Credit risk associated with bank deposits and with cash is considered by the Group as low.
All entities in which the Group invests its free funds operate in the financial sector. These include domestic banks and branches of foreign banks of a short-term creditworthiness of adequate quality.
The risk of impaired financial assets is reflected in impairment allowances of their value.

Liquidity risk

The Group is exposed to the liquidity risk resulting from the relation of current liabilities to current assets.
As at 31 December 2016 as at 31 December 2015 the index of ratio of current assets to current liabilities (current liquidity ratio) was respectively 1.27 and 1.56.
Detailed information regarding loans is disclosed in Note No. 18.
Analysis of maturity of the liabilities in Notes 15, 16, 17, 18, 19, 20 and 21.
In 2016 the Group realized sales revenues in the amount of PLN 169 214 thousand, including PLN 20 361 thousand (12%) concerned the Client from Belarus. Therefore, the Group recognized in the statement of financial position following financial instruments regarding the above Client.

Classes of financial instruments	**31 December 2016**	**% Share in total assets**	**31 December 2015**	**% Share in total assets**
Financial assets				
Receivables from supplies and services	2 279	1.4%	9 435	4.4%
Other financial assets – the discounted security deposit constituting the collateral of a bank guarantee of reimbursement of advance payment	-	-	2 526	1,2%
Total financial assets	**2 279**	**1.7%**	**11 961**	**5.6%**
Financial liabilities				
Trade payables	6 442	4.0%	20 365	9.5%
Total financial liabilities	**6 442**	**4.0%**	**20 365**	**9.5%**

The Management Board of the Group constantly monitors the progress of work related to the contract, including the cash flows generated within the project and is personally responsible for direct contact with the Investor. Key decisions related to contract (e.g. a provider of technology and of main components of the installation) are taken in consultation with the Investor. On the basis of existing cooperation with the Client and analysis of the current performance of the contract in relation to the budget and schedule of work which were agreed with the Client - the Management Board of the Group considers as low the risk associated with the realization of financial instruments which were recognized in the statement of financial position as at 31 December 2016.

Liquidity risk related to the dispute in court with PERN S.A.

In view of the substantial prolongation of legal proceeding in a dispute with PERN SA which begun in 2006, and currently is pending before the District Court in Warsaw concerning the accounting for the contract in the formula GRI concerning investment project under the name of "Rurociąg w relacji ST-1 Adamowo - Baza Surowcowa Plebanka", which was interrupted on 10 of November 2005, the risk exists of the need of fulfilment by PROCHEM in 2017 of the commitments in relation to seized guarantee deposits of subcontractors, which on balance sheet day amounted PLN 2,928 thousand, before the recovering of guarantee deposits seized by PERN S.A. Receivables from the security deposit of the company PROCHEM S.A. from PERN SA on 31 December 2016 amounted to PLN 17 364 thousands. In the Company's opinion the risk is minimal, but the Management Board of PROCHEM S.A. takes into account a necessity of accumulation of adequate funds for this purpose.
A detailed description of the dispute in Note No. 39.

Exchange rate risk

Part of contracts for sale of services is concluded with foreign companies in foreign currencies (EURO, US$). In case of a significant strengthening of the domestic currency it may adversely affect the performance of the Company. Partly, this risk is mitigated in the natural way through the purchase of equipment and services necessary for the accomplishment of these contracts abroad, as well as through the purchase of relevant financial instruments.

Exposure to currency risk as at 31 December 2016

(in PLN thousands)	**EUR**	**USD**	**NOK**	**BYR**	**Total after translation into PLN**
Financial assets					
Receivables from supplies and services	515	-	-	-	2 279
Cash	31	1	88	6	197
Total	**546**	**1**	**88**	**6**	**2 476**
Financial liabilities					
Payables	725	79	-	11	3 562
Total	**725**	**79**	**-**	**11**	**3 562**

Exposure to currency risk as at 31 December 2015

(in PLN thousands)	EUR	USD	NOK	BYR	**Total after translation into PLN**
Financial liabilities					
Receivables from supplies and services	2 249	-	-	3 640 078	10 349
Cash	3 444	-	88	4 093 380	16 047
Other financial assets	593	-	-	-	2 527
Total	**6 286**	**-**	**88**	7 733 458	**28 923**
Financial liabilities					

Payables	1 524	114	-	-	7 032
Deferred income (advanced payments received)	606	-	-	-	2 582
Total	**2 130**	**114**	**-**	**-**	**9 615**

Analysis of sensitivity to currency risk as at 31 December 2016

(in PLN thousands)	**Increase in exchange rate**	**Total impact on before tax profit**	**Drop in the exchange rate**	**Total impact on before tax profit**
EUR/PLN	15%	-119	15%	119
USD/PLN	15%	-49	15%	49
NOK/PLN	15%	6	15%	-6
BYR/PLN	15%	-2	15%	2
Total impact		**-163**		**163**

Analysis of sensitivity to currency risk as at 31 December 2015

(in PLN thousands)	**Increase in exchange rate**	**Total impact on before tax profit**	**Drop in the exchange rate**	**Total impact on before tax profit**
EUR/PLN	15%	2 657	15%	-2 657
USD/PLN	15%	-61	15%	61
NOK/PLN	15%	6	15%	-6
BYR/PLN	15%	244	15%	-244
Total impact		**2 846**		**-2 846**

Exposure to currency risk of revenues and expenses during the reporting period

Revenues in foreign currency, achieved in the currency in the years 2016 and 2015 were as follows:

currency	**revenues**		**Average exchange rate for sales**		**expenses**		**Average exchange rate for purchases**	
(in PLN thousands)	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
EUR	4 111	27 319	4.3756	4.2162	2 196	32 172	4.2514	4.2514
USD	2	153	3.9295	3.7799	1 065	3 753	3.7505	3.7505
BYR	-	-	-	-	15	16 668	1.9765	2.0000

Analysis of the impact of potential change in the value of financial instruments as at 31 December 2016, on the gross financial result in connection with hypothetical change in foreign currency exchange rates compared to the Polish Zloty/functional currency.
The above deviations were calculated based on historical volatility of particular currencies and forecasts.

The main foreign currency in the reporting period was EURO.

Hypothetically assuming that if the Polish Zloty weakened/strengthened by 1% in relation to EURO, then revenues in 2016 would increase or decrease by PLN 164 thousand, and in 2015 by PLN 1 092 thousand, which would affect the before tax profit, while the costs would increase/decrease by PLN 88 thousand in 2016, and in 2015 by PLN 1 187 thousand.
The above deviations were calculated based on historical volatility of particular currencies and forecasts.

Sensitivity of financial instruments for currency risk was calculated as the difference between the initial book value of financial instruments and its potential book value, assuming increase/decrease of exchange rates.

For other currencies the sensitivity of financial instruments is irrelevant.

Interest rate risk

The Group is exposed to the risk of volatility of cash flows arising from interest rate resulting from bank loans based on floating interest rate WIBOR ON (overnight) and loans granted based on floating rate WIBOR 6M, and rediscount rate of bills of exchange. The Group did not take into account in its analysis of the decline in interest rates.

Analysis of financial instruments with floating interest rate

	WIBOR		Fixed rate of interest	
(in PLN thousands)	**31 December 2016**	**31 December 2015**	**31 December 2016**	**31 December 2015**
Financial assets				
Loans granted	11 918	11 720	6 614	6 508
Financial liabilities				
Loan	10 699	11 772	-	-

Analysis of cash flow sensitivity of financial instruments with floating interest rate on before tax profit

	the assumed fluctuations		**The impact (in PLN thousands)**	
(in PLN thousands)	**31 December 2016**	**31 December 2015**	**31 December 2016**	**31 December 2015**
Financial assets				
WIBOR	+50 base point	+50 base point	60	59
Financial liabilities				
Loan	+50 base point	+50 base point	(54)	(59)

Note No. 36 - Related party transactions

Related entities include entities controlled and jointly- controlled entities, as well as those on which the Issuer has a significant influence and members of key management staff of the Issuer, and close family members of this staff (related persons).

Key management personnel constitute Members of the Management Board of Parent Entity and Members of the Supervisory Board of the Parent Entity.
In 2016, key management personnel and persons related to key management personnel, in addition to remuneration did not conclude other transactions with the Issuer and the companies from the Capital Group of PROCHEM S.A.

Remuneration paid in 2016 in the Issuer's enterprise to the Members of Management Board:

1. Jarosław Stępniewski PLN 503 thousand: including remuneration established on profit in 2016 – PLN 68 thousand,
2. Marek Kiersznicki PLN 325 thousand: including remuneration established on profit in 2016 – PLN 62 thousand,
3. Krzysztof Marczak PLN 355 thousand: including remuneration established on profit in 2016 – PLN 62 thousand

Remuneration paid in 2016 in the Issuer's enterprise to the Members of the Supervisory Board:

1. Żbikowski Karol PLN 17 thousand,
2. Marek Garliński PLN 190 thousand: including remuneration established on profit in 2015 – PLN 50 thousand,
3. Karczykowski Andrzej PLN 80 thousand: including remuneration established on profit in 2015 – PLN 50 thousand,
4. Krzysztof Obłój PLN 80 thousand: including remuneration established on profit in 2015 – PLN 50 thousand,
5. Wiesław Kiepiel PLN 63 thousand: including remuneration established on profit in 2015 – PLN 50 thousand,
6. Steven Tappan PLN 63 thousand: including remuneration established on profit in 2015 – PLN 50 thousand,
7. Suflida Michał PLN 17 thousand,
8. Pędziński Marcin PLN 5 thousand.

The remuneration on account of serving on the Management Boards and the Supervisory Boards of companies belonging to the Capital Group paid to Members of the Management Board in 2016 have received:

1. Jarosław Stępniewski PLN 68 thousand
2. Marek Kierssnicki PLN 172 thousand
3. Krzysztof Marczak PLN 182 thousand

Transactions with affiliated entities, as below, were concluded on market conditions and relate to sale and purchase of services, among others - of construction and assembly services, and rental services, as well as granting mutually loans.

Guarantees and sureties granted to related entities are presented in Note No. 37.

Reporting period
(in PLN thousands)

from 1 January 2016 to 31 December 2016

	Sale of services	Purchase of services	Financial income – interest on loans
Jointly-controlled entities and associated entities	19 292	1 833	379

Sale of services totally relate to revenues from jointly-controlled company Irydion Sp. z o. o. in Warsaw on whose behalf is implemented investment project under the name of “Astrum Business Park" in Warsaw, and the costs of buying services - office rental fees.

As at 31 December 2016

	Trade receivables	Receivables under loans granted	Trade payables
Jointly-controlled entities and associated entities	2 301	18 334	385

Comparative period
(in PLN thousands)

from 1 January 2015 to 31 December 2015

	Sale of services	Financial income- interest on loan
Jointly-controlled entities and associated entities	28 775	375

As at a 31 December 2015

	Trade receivables	Receivables under loans granted	Trade payables
Jointly-controlled entities and associated entities	7 432	17 955	16

Revenues from sale of services to jointly-controlled entities and associated companies in 2016 and 2015 as total relate to revenues from the jointly-controlled company IRYDION Sp. z o. o. in Warsaw, on whose behalf is implemented investment project under the name of "Astrum Business Park" in Warsaw.
In 2016, the costs also pertain to the lease of office space.

Note No. 37- Contingent liabilities and contingent assets and other collateral

Contingent liabilities include bank guarantee of a good performance, guarantee of reimbursement of advance payment, guarantee of payment and tender guarantee, and promissory note securing good performance of a contract, and as at the balance sheet date they amount to:

	The Capital Group	
	31 December 2016	**31 December 2015**
Collateral granted		
Bank guarantee of good performance	22 235	15 999
Guarantee of reimbursement of advance payment	-	4 115
Guarantee of payment	-	852
Tender guarantee	37	60
Total collateral granted	**22 272**	**21 026**
Contingent liabilities		
surety of promissory notes issued by a subsidiary Pro-INHUT Sp. z o. o seated in Dąbrowa Górnicza for an investor in order to secure the claims under a good performance	247	247
Letters of Credit	-	3 564
Total security granted and contingent liabilities	**22 519**	**24 837**

Contingent assets

Contingent assets of the Group constitute bank guarantees of a good performance, which as at balance-sheet day amount to:

	31 December 2016	**31 December 2015**
Collateral received		
Bank guarantee of good performance	5 087	3 617
promissory note securing good performance of a contract	-	77
Total collateral received	**5 087**	**3 694**

Note No. 38 - 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:

- from the principal action, jointly and severally to 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 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 December 2016 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. 39- Events after reporting date

After the reporting date there were no material events that could materially affect the Group's financial position.

Note No. 40 - Other supplementary information to the financial statements

Statement of changes in the ownership of the issuer’s shares or rights to them (options) held by Management Board and Supervisory Board, in accordance with the Issuer’s knowledge

As at the date of the financial statements the following members of the Management Board and Supervisory Board of the company held shares of PROCHEM SA:

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

Nominal value of 1 share is PLN 1.

In the period since the publication of the annual report for the year 2015, the Issuer has been notified of a change in the number of shares of PROCHEM S.A. held by the members of the Supervisory Board. This change occurred as a result of changes in the composition of the Supervisory Board, which were introduced at the Annual General Meeting held on June 11, 2016:

- Mr. Michał Suflida appointed to the Supervisory Board together with related person held 48,500 shares.
- Mr. Steven Tappan, dismissed from the Supervisory Board, owned 510,000 shares in the Company.

At the Extraordinary Shareholders' Meeting on 28 October 2016 was dismissed Mr. Marek Garlinski, which had 86,900 of shares in the Company.

On November 24, 2016, Mr. Michał Suflida, a member of the Supervisory Board, sold 30,000 shares in the company, and the related person sold 18,500 shares in the Company.

In related companies the managing and supervising persons do not hold shares.

Note No. 41- Approval of the financial statements

The consolidated financial statements of PROCHEM S.A. for 2016 were approved for issue by the Management Board of PROCHEM S.A. on 28 April 2017.

Signatures of the Members of the Management Board

28 April 2017	Jarosław Stępniewski	Chairman of the Board	....
date	first name and surname	position	signature
28 April 2017	Marek Kiersznicki	Vice Chairman	....
date	first name and surname	position	signature
28 April 2017	Krzysztof Marczak	Vice Chairman	....
date	first name and surname	position	signature

Signature of the person responsible for bookkeeping

28 April 2017	Barbara Auguścińska-Sawicka	Chief Accountant	....
date	first name and surname	position	signature