

## **REPORT FOR THE FIRST HALF OF 2017**

### **Contents:**

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

and

- Selected financial data
- Statement of the Management Board
- Management Board report on the activities of PROCHEM S.A. Capital Group for the first half of 2017.

[www.prochem.com.pl](http://www.prochem.com.pl)

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

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

**Selected financial data**

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

- For the first half of 2017 - 4.2474 PLN/EURO
- For the first half of 2016 - 4.3805 PLN/EURO

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

- 4.2265 PLN/EURO as at 30 June 2017
- 4.4240 PLN/EURO as at 31 December 2016

***Selected financial data of Prochem S.A. Capital Group***

Description	Reporting period ended 30 June		Reporting period ended 30 June	
	2017	2016	2017	2016
	In PLN thousands		In EURO thousands	
<b><i>Consolidated statement of profit and loss</i></b>				
Revenues from sale	53 690	79 728	12 640	18 201
Gross profit on sales	6 178	-14 728	1 455	-3 362
Results from operating activities	39	-21 852	9	-4 988
Before tax profit	686	-23 991	162	-5 477
Profit for the period assigned to:	931	-21 040	219	-4 803
Shareholders of the Parent Entity	842	-21 086	198	-4 814
Non-controlling interest	89	46	21	11
Profit/Diluted profit per one ordinary share (in PLN/EURO)- assigned to shareholders of the Parent Entity	0.22	-5.41	0.05	-1.24
<b><i>Consolidated statement of cash flows</i></b>				
Net cash provided by (used in) operating activities	-4 976	-16 812	-1 172	-3 838
Net cash provided by (used in) investing activities	1 551	4 158	365	949
Net cash provided by (used in) financing activities	3 362	2 277	792	520
Total cash flows, net	-63	-10 377	-15	-2 369
Description	As at		As at	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	In PLN thousands		In EURO thousands	
<b><i>Consolidated statement of financial position</i></b>				
Total assets	147 361	160 500	35 103	36 279
Total non-current assets	82 626	83 867	19 550	18 957
Total current assets	65 735	76 633	15 553	17 322
Equity attributable to shareholders of the Parent Entity	89 050	88 195	21 069	19 936
Non-controlling interest	6 469	6 448	1 531	1 458
Total equity	95 519	94 643	22 600	21 393
Total non-current liabilities	4 817	5 406	1 140	1 222
Total current liabilities	48 025	60 451	11 363	13 664
Book value per one ordinary share (in PLN/EURO) - assigned to shareholders of the Parent Entity	22.86	22.64	5.41	5.12
Weighted average number of shares (units)	3 895 000	3 895 000	3 895 000	3 895 000

## **Statement of the Management Board**

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

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

- interim condensed consolidated financial statements of PROCHEM S.A Capital Group for the first half of 2017 and comparable data were prepared according to International Accounting Standard 34 „Interim Financial Reporting”, which was adopted by European Union and reflects in true, fair and clear way financial position and financial performance;
- Management Board Report on the activities of PROCHEM S.A. Capital Group for the first half of 2017 gives a true picture of the development, achievements, and financial position of the Group, including basic risks and threats.

### **Statement of the Management Board on the entity authorized to review the interim condensed consolidated financial statements**

The Management Board of PROCHEM S.A. declares that BDO Sp. z o. o. seated in Warsaw, Postępu 12 Street, 02-676 Warsaw, the entity authorized to audit financial statements has been appointed in accordance with legal regulations, and that the entity and the auditors conducting the audit of interim condensed separate financial statements of PROCHEM S.A., have met the requirements for the issue of impartial and independent report from review, in accordance with the proper laws.

Vice President  
of the Management Board  
Krzysztof Marczak

Vice President  
of the Management Board  
Marek Kiersznicki

President  
of the Management Board  
Jarosław Stępniewski

Warsaw, 31 August 2017

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

**As at and for the period of 6 months ended  
30 June 2017**

Contents

1. Consolidated statement of financial position
2. Consolidated statement of profit and loss
3. Consolidated statement of comprehensive income
4. Consolidated statement of changes in equity
5. Consolidated statement of cash flows
6. Explanatory notes to interim condensed consolidated financial statements as at and for the period of 6 months ended 30 June 2017.

[www.prochem.com.pl](http://www.prochem.com.pl)

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

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

**Consolidated statement of financial position**

(all amounts in PLN thousands if not stated otherwise)

	Note No.	As at 30 June 2017 (upon review)	As at 31 December 2016 (restated)
<b>A s s e t s</b>			
<b>Non-current assets</b>			
Property, plant and equipment	1	22 209	22 713
Intangible assets		324	391
Investment property	2	11 311	12 750
Shares		830	830
Shares valued using the equity method	3	23 595	22 678
Deferred tax assets	4	5 835	5 491
Other financial assets	5	18 522	18 334
<b>Total non-current assets</b>		<b>82 626</b>	<b>83 187</b>
<b>Current assets</b>			
Inventories	6	3 104	4 865
Trade and other receivables	7	44 381	56 652
Other financial assets	8	-	198
Other assets	9	14 530	11 135
Cash and cash equivalents		3 720	3 783
<b>Total current assets</b>		<b>65 735</b>	<b>76 633</b>
<b>Total assets</b>		<b>148 361</b>	<b>159 820</b>
<b>E q u i t y a n d l i a b i l i t i e s</b>			
<b>Equity</b>			
Share capital	10	3 895	3 895
Revaluation reserve		12 146	12 146
Retained earnings		73 009	72 154
<b>Equity assigned to shareholders of the Parent Entity</b>		<b>89 050</b>	<b>88 195</b>
<b>Non-controlling interest</b>		<b>6 469</b>	<b>6 448</b>
<b>Total equity</b>		<b>95 519</b>	<b>94 643</b>
<b>Non-current liabilities</b>			
Non-current bank loans	11	429	299
Provision to deferred income tax	4	2 353	2 348
Provision for retirement and similar benefits		1 755	1 755
Other non-current liabilities		280	324
<b>Total non-current liabilities</b>		<b>4 817</b>	<b>4 726</b>
<b>Current liabilities</b>			
Bank loans	11	14 116	10 400
Trade payables	12	26 882	39 525
Liabilities under current income tax		-	55
Other liabilities	14	4 709	8 086
Deferred income	13	2 318	2 385
<b>Total current liabilities</b>		<b>48 025</b>	<b>60 451</b>
<b>Total liabilities</b>		<b>52 842</b>	<b>65 177</b>
<b>Total equity and liabilities</b>		<b>148 361</b>	<b>159 820</b>
Weighted average number of ordinary shares (units)		3 895 000	3 895 000
Book value per one share (in PLN)- assigned to shareholders of the Parent Entity		22.86	22.64

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

**Consolidated statement of profit and loss**

(all amounts in PLN thousands if not stated otherwise)

	Note No.	Period ended 30 June 2017 (upon review)	Period ended 30 June 2016 (upon review restated)
Revenues from sale, including:		53 690	79 728
Revenues from sale of services	15	53 586	76 216
Revenues from sale of goods and materials		104	3 512
Cost of sales, including :		-47 512	-94 456
Costs of services sold	16	-47 421	-91 306
Cost of merchandise and raw materials		-91	-3 150
<b>Gross profit on sales</b>		<b>6 178</b>	<b>-14 728</b>
General and administrative expenses	16	-6 576	-7 249
Other operating income	17	515	222
Other operating expenses	18	-78	-97
<b>Results from operating activities</b>		<b>39</b>	<b>-21 852</b>
Financial income	19	324	441
Gain on disposal of shares in subsidiaries		-	-
Finance expenses	20	-594	-1 313
Profit sharing in entities valued using the equity method		917	-1 267
<b>Before tax profit</b>		<b>686</b>	<b>-23 991</b>
Income tax		-245	-2 951
- current tax		94	826
- deferred tax		-339	-3 777
<b>Profit for the period</b>		<b>931</b>	<b>-21 040</b>

Profit for the period assigned to:

Shareholders of the Parent Entity	842	-21 086
Non-controlling interest	89	46
Profit/ diluted profit (in PLN per one share) assigned to owners of the Parent Entity	0.22	-5.41

**Consolidated statement of comprehensive income**

<b>Profit for the period</b>	<b>931</b>	<b>-21 040</b>
<b>Other comprehensive income (net):</b>	<b>-</b>	<b>4</b>
<i>Other comprehensive income , that will be reclassified to profit or loss:</i>	<i>-</i>	<i>4</i>
Exchange differences on translation of foreign operations	-	4
<b>Total comprehensive income</b>	<b>931</b>	<b>-21 036</b>

Total comprehensive income assigned to :

Shareholders of the Parent Entity	842	-21 082
Non-controlling interest	89	46
Weighted average number of ordinary shares (units)	3 895 000	3 895 000
Total comprehensive income per ordinary share (in PLN per share) assigned to owners of the Parent Entity	0.22	-5.41

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

**Consolidated statement of changes in equity**

(all amounts in PLN thousands if not stated otherwise)

	Share capital	Revaluation reserve	Retained earnings	Equity assigned to shareholders of the Parent Entity	Equity assigned to non-controlling interest	Total equity
<b>Reporting period from 1 January 2017 to 30 June 2017</b>						
<b>As at the beginning of the period (audited)</b>	<b>3 895</b>	<b>12 146</b>	<b>72 542</b>	<b>88 583</b>	<b>6 448</b>	<b>95 031</b>
prior period adjustment of error	-	-	-388	-388	-	-388
<b>As at the beginning of the period, after agreeing to comparable data</b>	<b>3 895</b>	<b>12 146</b>	<b>72 154</b>	<b>88 195</b>	<b>6 448</b>	<b>94 643</b>
Net profit of the given period	-	-	842	842	89	931
<i>Other comprehensive income (net)</i>	-	-	-	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>842</b>	<b>842</b>	<b>89</b>	<b>931</b>
Payment of dividend	-	-	-	-	-53	-53
Other changes - change in the share in capital of subsidiaries (among others redemption of shares)	-	-	13	13	-13	-
<b>As at the end of the period (upon review)</b>	<b>3 895</b>	<b>12 146</b>	<b>73 009</b>	<b>89 050</b>	<b>6 469</b>	<b>95 519</b>

	Share capital	Revaluation reserve	Retained earnings	Equity assigned to shareholders of the Parent Entity	Equity assigned to non-controlling interest	Total equity
<b>Reporting period from 1 January 2017 to 30 June 2017</b>						
<b>As at the beginning of the period (audited)</b>	<b>3 895</b>	<b>11 584</b>	<b>100 878</b>	<b>116 357</b>	<b>8 738</b>	<b>125 095</b>
Error adjustment	-	-	-391	-391	-	-391
<b>As at the beginning of the period (restated)</b>	<b>3 895</b>	<b>859</b>	<b>100 487</b>	<b>115 966</b>	<b>8 738</b>	<b>124 704</b>
Net profit of the given period	-	-	-21 086	-21 086	46	-21 040
<i>Other comprehensive income (net)</i>	-	4	-	4	-	4
<b>Total comprehensive income</b>	<b>-</b>	<b>4</b>	<b>-21 086</b>	<b>-21 082</b>	<b>46</b>	<b>-21 036</b>
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 the non-controlling shareholder	-	305	475	780	-1 150	-370
Other changes	-	-3	8	5	-13	-8
<b>As at the end of the period (upon review)</b>	<b>3 895</b>	<b>12 161</b>	<b>74 218</b>	<b>90 274</b>	<b>6 417</b>	<b>96 691</b>

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

**Consolidated statement of cash flows**

(all amounts in PLN thousands if not stated otherwise)

	Note No.	Period ended 30 June 2017 (upon review)	Period ended 30 June 2016 (upon review)
<b>Cash flows – operating activities</b>			
Before tax profit		686	-23 991
Total adjustments		-5 513	9 368
Share in profit in entities valued using the equity method		-917	1 267
Amortization and depreciation		1 013	1 204
Interest and profit sharing (dividends)		24	80
Gain on disposal of property, plant and equipment		-16	31
Gain on investment		-371	-
Change in provisions		-980	-317
Change in inventories	6	1 761	3 167
Change in receivables and other assets	7	8 433	11 308
Change in current liabilities, except for loans and borrowings	12	-15 285	-7 500
Other adjustments (including change in deferred income)		83	128
<b>Cash provided by (used in) operating activities</b>		<b>-4 827</b>	<b>-14 623</b>
Income tax paid		149	-2 189
<b>Net cash provided by (used in) operating activities</b>		<b>-4 976</b>	<b>-16 812</b>
<b>Cash flows – investing activities</b>			
<b>Inflows</b>		<b>2 023</b>	<b>5 369</b>
Disposal of intangible assets and property, plant and equipment		19	5 292
Disposal of real estate		1 439	-
Inflows from financial assets, including:		565	77
a) in subsidiaries – disposal of financial assets		367	-
b) in other entities		198	77
- repayment of loan with interest		198	77
<b>Outflows</b>		<b>-472</b>	<b>-1 211</b>
Acquisition of intangible assets and property, plant and equipment		-472	-1 165
Outlays on financial assets, including:		-	-46
a) in subsidiaries acquisition of financial assets		-	-3
b) other outflows in other entities		-	-43
<b>Net cash provided by (used in) investing activities</b>		<b>1 551</b>	<b>4 158</b>
<b>Cash flows – financing activities</b>			
<b>Inflows</b>		<b>5 279</b>	<b>3 106</b>
Bank loans		5 279	3 106
<b>Outflows</b>		<b>-1 917</b>	<b>-829</b>
Other than payments to shareholders, expenses under profit distribution		-59	-405
Repayment of bank loans		-1 429	-112
Payment of liabilities under finance lease agreements		-193	-22
Interest		-236	-274
Other outflows		-	-16
<b>Net cash provided by (used in) financing activities</b>		<b>3 362</b>	<b>2 277</b>
Total cash flows, net		-63	-10 377
<b>Cash and cash equivalents at the beginning of the period</b>		<b>3 783</b>	<b>23 595</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>3 720</b>	<b>13 218</b>



## **Explanatory notes to interim condensed consolidated financial statements**

### **1. Establishment of the Company and principal activity**

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

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

### **2. The Management Board and Supervisory authorities of the Parent Company**

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

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

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

Composition of the Supervisory Board of PROCHEM S.A.

In the first half of 2017, the term of office of the Supervisory Board of the 9th term of office was completed in the following composition:

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

On June 10, 2017 the Ordinary General Meeting of the Company adopted resolutions on the appointment of the following Members of the Supervisory Board of the Company to the Company’s Supervisory Board of the 10th joint term of office, which commences on 10 June 2017:

- Marek Garliński Chairman of the Supervisory Board
- Karol Żbikowski Vice Chairman of the Supervisory Board
- Andrzej Karczykowski
- Krzysztof Obłój
- Marcin Pędziński

### **3. Employment**

Average employment in PROCHEM Capital Group for the first half of 2017 was 411 FTEs, and in the first quarter of 2016 460 FTEs.

Level of employment in PROCHEM Capital Group on 30 June 2017 in persons was 417, and on 30 June 2016 474. On 31 December 2016 employment in Capital Group was 434 persons.

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

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

#### Subsidiaries covered by full consolidation:

- Prochem Inwestycje Sp. z o. o. seated in Warsaw – subsidiary directly (100.0%);
- PRO-INHUT Sp. z o. o. seated in Dąbrowa Górnicza – subsidiary indirectly (93.2%);
- Pro-Organika Sp. z o.o. seated in Warsaw – subsidiary directly (91.4%);
- PREDOM Sp. z o. o. z seated in Wrocław – subsidiary indirectly (81.7% of share in capital and profit, 72.3% of votes);
- Prochem Zachód Sp. z o. o. seated in Warsaw – subsidiary directly (80.0%);
- ELPRO Sp. z o. o. seated in Krakow – subsidiary indirectly (92.7%, including 85.4% in the 50% share of Elektromontaż Kraków);
- Elmont Inwestycje Sp. z o. o. seated in Krakow – subsidiary indirectly (92.7%, including 85.4% in the 50% share of Elektromontaż Kraków);
- Elektromontaż Kraków S.A. seated in Krakow – subsidiary indirectly (85.4%), including 73.0% of capital and votes belongs to Prochem Inwestycje subsidiary in 100%. Elektromontaż Kraków S.A. prepares consolidated financial statements, which contains data of subsidiary in 100%: ELMONT-POMIARY Sp. z o. o. seated in Krakow and two associated companies ELPRO Sp. z o. o. and Elmont-Inwestycje Sp. z o.o.
- IRYD Sp. z o. o. seated in Warsaw – subsidiary indirectly in 100%;
- ATUTOR Integracja Cyfrowa Sp. z o. o. seated in Warsaw – subsidiary indirectly (87.3% of share belongs to Prochem Inwestycje Sp. z o. o. subsidiary in 100%);
- Prochem RPI Sp. z o. o. seated in Warsaw – subsidiary in 100% (including 3.3% of share in capital and voting rights belongs to Prochem Inwestycje).

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

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

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

Company P.K.I Predom made a redemption of 40 shares of the Company from a net profit. As a result of the redemption, the Parent Entity increased its share, which as of 30 June 2017 is 81.7% of the share in capital and 72.3% of the voting shares.

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

## **5. Adopted accounting principles**

### ***Principles of presentation***

Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group for the first half of 2017 was prepared according to IAS 34 “Interim Reporting”, in the shape it was approved by European Union, and in accordance with Minister of Finance Regulation of 19 February 2009 on current and periodic information provided by issuers of securities and conditions for recognition as equivalent required by the law of a non-Member State (Official Journal from 2009 No. 33, item 259 with further amendments). The interim condensed consolidated financial statements do not contain the information and disclosures required for complete financial statements and should be read together with the financial statements for the financial year ended 31 December 2016.

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

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

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

### ***Seasonality***

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

### ***Principles of preparation of consolidated financial statements***

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

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

### ***Significant accounting policies and changes in IFRS***

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

The following standards, amendments to standards and interpretations have not been adopted by the European Union or are not effective as at 1 January 2016.

The Group will apply changes in announced IFRS, not yet effective as at the date of publication of the interim condensed consolidated financial statements in accordance with their effective date. Estimation of the impact of those changes on future consolidated financial statements is being analyzed.

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

***Changes in estimates***

In the applied accounting principles the greatest significance, besides accounting estimates, has the professional judgment of the management, which has an impact on the amounts reported in the financial statements, including those in explanatory notes. Assumptions of such estimates are based on the Management Board best knowledge in relation to current and future events and actions in particular areas of activity. They relate to the valuation of pension benefits, assessing the stage of execution, and the profitability of long-term contracts (gross margin).

***Functional currency and presentation currency of financial statements***

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

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

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

**6. Restatement of financial statements**

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

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

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

(all amounts in PLN thousands if not stated otherwise)

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

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

**Consolidated profit and loss account  
From 1 January 2016 to 30 June 2016**

(all amounts in PLN thousands if not stated otherwise)

	30 June 2016 (upon review)	adjustment	30 June 2016 restated
<b>Before tax profit</b>	<b>-23 991</b>	-	<b>-23 991</b>
Income tax :	-2 168	-783	-2 951
- current tax	826	-	826
- deferred tax	-2 994	-783	-3 777
<b>Profit for the period</b>	<b>-21 823</b>	<b>783</b>	<b>-21 040</b>

**7. Explanatory Notes to condensed consolidated financial statements**

**Note No. 1 – Property, plant and equipment**

	As at 30 June 2017	As at 31 December 2016
<b>Property, plant and equipment, including:</b>	<b>22 083</b>	<b>22 695</b>
- land	4 261	4 313
- buildings, premises and civil engineering objects	15 434	15 729
- machinery and equipment	536	649
- vehicles	900	939
- other PPE	952	1 065
- construction under progress	126	18
<b>Total property, plant and equipment</b>	<b>22 209</b>	<b>22 713</b>

<b>PPE – ownership structure</b>	As at 30 June 2017	As at 31 December 2016
a) own	10 191	10 365
b) used under rental, lease or other agreement, including	12 018	12 348
- lease	627	653
- outlays on not-own property, plant and equipment	10 839	11 143
- value of the right of perpetual usufruct	552	552
<b>Total property, plant and equipment of balance sheet</b>	<b>22 209</b>	<b>22 713</b>

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<sup>2</sup>, on a plot of 3 311 m<sup>2</sup> located in Warsaw at Emilia Plater Street No. 18 and Hoża No. 76/78. The duration of the contract, from the date of its conclusion, is 30 years.

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

Carrying amount as at 30 June 2017 does not significantly differ from fair value. The measurement at fair value as at 31 December 2016 was made by the independent valuers not associated with the Group. The valuers have the right qualifications to carry out valuations of land, buildings and structures, as well as

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

current experience in such valuations in locations where are located assets of the Group. Valuation was carried out by reference to the market transaction prices for similar assets.

**Changes in PPE**

	Change in PPE for the period from 1 January 2017 to 30 June 2017	Change in PPE for the period from 1 January 2016 to 30 June 2016
<b>Gross value - as at opening balance sheet</b>	<b>38 576</b>	<b>43 655</b>
increase (due to)	446	1 688
- acquisition	446	1 521
- other changes including revaluation of non-current assets to fair value	-	167
decrease (due to)	-367	-6 767
- disposal of PPE	-149	-851
- liquidation of PPE	-218	-1 370
- transfer to investment property	-	-3 753
- derecognition from consolidation of non-current assets of sold subsidiary	-	-649
- other changes, including revaluation of PPE to fair value	-	-144
<b>Gross value at closing balance sheet</b>	<b>38 655</b>	<b>38 576</b>
<b>Depreciation and impairment</b>		
<b>Accumulated depreciation – as at opening balance sheet</b>	<b>15 706</b>	<b>19 841</b>
- increase - depreciation for the period	917	2 140
- decrease due to disposal	-140	-771
- decrease due to liquidation	-194	-1 369
- transfer to investment property	-	-3 507
- de-recognition from consolidation of the value of non-current assets of subsidiary sold	-	-626
- other changes, including revaluation of PPE at fair value	-	-2
<b>Accumulated depreciation – as at closing balance sheet</b>	<b>16 289</b>	<b>15 706</b>
<b>Impairment of PPE</b>	<b>-157</b>	<b>-157</b>
<b>WPPE net – as at closing balance sheet</b>	<b>22 209</b>	<b>22 713</b>

**Note No. 2 – Investment property**

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

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

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

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

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

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

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

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

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

**Note No. 3 – Shares valued using the equity method**

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

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

**Note No. 4 – Deferred income tax**

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

	As at 30 June 2017	As at 31 December 2016
<b>deferred income tax assets</b>		
As at the beginning of the period	8 890	5 662
Increase	2 768	6 128
Decrease	-2 068	-2 900
<b>As at the end of the period</b>	<b>9 590</b>	<b>8 890</b>

	As at 30 June 2017	As at 31 December 2016
<b>provision for deferred income tax</b>		
As at the beginning of the period	5 747	5 829
Increase	2 214	2 113
Decrease	-1 853	-2 195
<b>As at the end of the period</b>	<b>6 108</b>	<b>5 747</b>

	As at 30 June 2017	As at 31 December 2016
Deferred income tax assets	9 590	8 890
Provision for deferred income tax	-6 108	-5 747
<b>Surplus of deferred income tax asset</b>	<b>3 482</b>	<b>3 143</b>

<i>Presentation in the statement of financial position</i>	As at 30 June 2017	As at 31 December 2016
Deferred income tax assets	5 835	5 491
Provision for deferred income tax	-2 353	-2 348
<b>Surplus of deferred income tax asset</b>	<b>3 482</b>	<b>3 143</b>



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

**Note No. 5 – Other financial assets**

	As at 30 June 2017	As at 31 December 2016
a) from jointly-controlled entities	18 522	18 334
- borrowings	18 522	18 334
<b>Total other financial assets</b>	<b>18 522</b>	<b>18 334</b>

**Loans granted - as at 30 June 2017**

- Loans granted to jointly-controlled company Irydion Sp. z o. o. seated in Warsaw:
  - in the amount of PLN 12 017 thousand, including: amount of the loan PLN 11 000 thousand, accrued interest as at the balance sheet day amounts to PLN 1 017 thousand. The interest rate is set annually according to WIBOR 6M rate, repayment date 22 September 2031.
  - in the amount of PLN 6 505 thousand, including: amount of the loan PLN 6 000 thousand, accrued interest as at the balance sheet day amounts to PLN 505 thousand. The interest rate is set at fixed rate of 3% per year, repayment date 22 September 2031.

**Increase:**

- Accrued interest on loans granted in the amount of PLN 188 thousand.

**Loans granted – as at 31 December 2016**

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

	As at 30 June 2017	As at 31 December 2016
Materials	2 893	4 865
Semi-finished products and work-in-process	211	-
<b>Total inventories</b>	<b>3 104</b>	<b>4 865</b>
Write-downs of inventories	578	578

**Note No. 7 – Trade and other receivables**

	As at 30 June 2017	As at 31 December 2016
Trade receivables, including:	47 480	59 426
Write-downs of trade receivables	5 301	5 449
<b>Trade receivables, net</b>	<b>42 179</b>	<b>53 977</b>
including:		
- with repayment period up to 12 months	38 588	49 950
- with repayment period over 12 months	3 591	4 027
<b>Receivables from taxes, subsidies, customs duties, social and health insurance and other benefits</b>	<b>285</b>	<b>420</b>
Other receivables	2 319	2 657
Write-downs of other receivables	402	402
<b>Net other receivables</b>	<b>1 917</b>	<b>2 255</b>
<b>Total other receivables, net</b>	<b>44 381</b>	<b>56 652</b>

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

<b>Trade and other receivables from related entities</b>	<b>As at 30 June 2017</b>	<b>As at 31 December 2016</b>
Trade receivables, including:	3 244	2 301
- from jointly-controlled entities	3 244	2 301
other, including:	933	-
- from jointly-controlled entities	933	-
<b>Total current trade and other receivables from related entities, net</b>	<b>4 177</b>	<b>2 301</b>
Write-downs of receivables from related entities	-	-
<b>Total current trade and other receivables from related entities, gross</b>	<b>4 177</b>	<b>2 301</b>

<b>Change in write-downs of trade and other receivables</b>	<b>As at 30 June 2017</b>	<b>As at 31 December 2016</b>
<b>As at the beginning of the period</b>	<b>5 851</b>	<b>7 806</b>
a) increase (due to)	24	117
- write-downs of receivables	24	117
b) decrease (due to)	172	2 072
- resolving of write-downs of receivables (payments received)	8	118
- the use of write-downs made in the previous periods	164	1 831
- other exclusion of the company from the consolidation (sale of shares in subsidiary)	-	122
- resolving of write-down	-	1
<b>Write-downs of trade and other receivables</b>	<b>5 703</b>	<b>5 851</b>

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

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

**Note No. 8 – Other financial assets**

	<b>As at 30 June 2016</b>	<b>As at 31 December 2016</b>
a) from other entities :	-	198
- current loans granted	-	198
<b>Total other financial assets</b>	<b>-</b>	<b>198</b>

**Decrease**

- I. Repayment of the loan by 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.

**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.

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

**Note No. 9 – Other assets**

<b>Other assets by type:</b>	<b>As at 30 June 2017</b>	<b>As at 31 December 2016</b>
a) prepayments	2 199	1 952
- cost of property and personal insurance	544	353
- software maintenance costs	369	764
- subscriptions	14	26
- deferred costs	1 247	807
- other	25	2
b) other prepayments	12 331	9 183
- amounts due from the ordering parties under long-term contracts	12 331	9 183
<b>Total other assets</b>	<b>14 530</b>	<b>11 135</b>

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

**Note No. 10 – Share capital**

<b>SHARE CAPITAL (THE STRUCTURE)</b>							
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	1October 1991
Founding	inscribed	-	6 816	6 816	Cash	23July1991	1October 1991
Founding	bearer	-	1 810 104	1 810 104	Cash	23July1991	1October 1991
B	inscribed	-	750	750	Cash	29July1993	1 January 1993
B	bearer	-	681 750	681 750	Cash	29July1993	1 January 1993
C	bearer	-	530 000	530 000	Cash	20April 1994	1 January 1994
D	bearer	-	865 000	865 000	Cash	5 September 1994	1 January 1994
<b>Total number of shares</b>			<b>3 895 000</b>				
<b>Total share capital</b>				<b>3 895 000</b>			
<b>Nominal value of 1 share = PLN 1.00</b>							

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

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

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

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

Name of the shareholder	Number of shares held (in pcs.)	Number of votes	% of votes in total number of votes	% of share capital
1. Steven Tappan	830 060	830 060	21.30	21.31
2. Porozumienie PHC	663 661	664 761	17.06	17.04
3. Legg Mason Parasol Fundusz Inwestycyjny Otwarty („Legg Mason Parasol FIO”), Fundusz Własności pracowniczej PKP Specjalistyczny Fundusz Inwestycyjny Otwarty and Legg Mason Akcji Skoncentrowany Fundusz Inwestycyjny zamknięty.	560 549	560 549	14.39	14.39
Total above mentioned funds, including:				
- Legg Mason Parasol Fundusz Inwestycyjny Otwarty („Legg Mason Parasol FIO”)	284 054	284 054	7.29	7.29
- Legg Mason Akcji Skoncentrowany FIZ	261 773	261 773	6.72	6.72
4. QUERCUS Parasolowy SFIO, QUERCUS Absolute Return FIZ, QUERCUS Absolutnego Zwrotu FIZ.	476 380	476,380	12.23	12.23
Total above mentioned funds, including:				
QUERCUS Parasolowy SFIO Stabilny	280 614	280 614	7.20	7.20
5. Otwarty Fundusz Emerytalny PZU „Złota Jesień”	387 521	387 521	9.95	9.95
6. Fundusz Zarządzany przez Copernicus Capital Towarzystwo Funduszy Inwestycyjnych S.A.: Value Fund Poland Activist FIZ	233 168	233 168	5.98	5.99

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

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

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

**Note No. 11 – Bank loans**

	As at 30 June 2017	As at 31 December 2016
- non-current bank loans	429	299
- current bank loans	14 116	10 400

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

**Bank loans**

Name of the bank	Registered office	Amount of the loan acc. to agreement (in PLN thousands)	Amount of the loan to be repaid (in PLN thousands)	Terms of interest	Repayment date	Collateral
<b>NON-CURRENT</b>						
By Pro-Inhut Sp. z o. o.						
ING Bank Śląski	Sosnowiec	200 working capital loan	183	WIBOR 1 monthly plus margin	17 May 2019	Guarantee provided by Bank Gospodarstwa Krajowego under a portfolio agreement, promissory note in blank
ING Bank Śląski	Sosnowiec	300 working capital loan	246	WIBOR 1 monthly plus margin	8 December 2018	Guarantee provided by Bank Gospodarstwa Krajowego under a portfolio agreement, promissory note in blank
<b>CURRENT</b>						
By Prochem S.A.						
mBank SA	Warsaw	6000 Credit in overdraft	5 107	WIBOR for O/N deposits in PLN + margin	30 October 2017	Promissory note in blank
mBank SA	Warsaw	6000 Revolving working capital loan	4 350	WIBOR for 1 month deposits in PLN + margin	29 December 2017	Promissory note in blank
ING Bank Śląski S.A.	Katowice	3,000 Credit in overdraft	1 943	WIBOR for 1 month deposits in PLN + margin	14 November 2017	Statement on submission to forfeiting
By Elektromontaż Kraków SA						
ING Bank Śląski	Kraków	2 500	1 757	WIBOR for 1 month deposits in PLN + margin	20 November 2017	Mortgage
Deutsche Bank	Kraków	500	453	WIBOR for 1 month deposits in PLN + margin	15 July 2017	Mortgage
By Atutor Integracja Cyfrowa Sp. z o. o.						
Bank Millennium S.A.	Warsaw	150	137	WIBOR 1 monthly plus margin	15 April 2018	Granting the bank a power of attorney for collection and for the repayment from the accounts, and authorization for the blocking the funds in the case when loan is not repaid in time
By Pro-Inhut Sp. z o. o.						
ING Bank Śląski	Dąbrowa Górnicza	398 Credit in overdraft	369	WIBOR 1 monthly plus margin	24 September 2017	Guarantee provided by Bank Gospodarstwa Krajowego under a portfolio agreement, promissory note in blank

As at June 30, 2017, the Parent Company did not fulfill one of the conditions specified in the loan agreements with banks financing the Company - of maintaining the net margin ratio at the level not lower than 1%, however, according to the Management Board, on the basis of ongoing arrangements with banks it will have no effect on the maintenance of the amount of credit limits and the continuation of funding under existing contracts on the same or similar level for a period of 12 consecutive months. Although this condition was not complied with, this did not affect the presentation of loans in the statement of financial position as at 30 June 2017, because according to the agreements the repayment of the loans fall due on the period less than 12 months.

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

***Note No. 12 – Trade payables***

	As at 30 June 2017	As at 31 December 2016
a) to associated entities and to jointly-controlled entities -	373	385
- from supplies and services, with maturity period:	373	385
- up to 12 months	373	385
b) to other entities -	26 509	39 140
- from supplies and services, with maturity period:	26 509	39 140
- up to 12 months	22 133	34 718
- above 12 months	4 376	4 422
<b>Total trade payables</b>	<b>26 882</b>	<b>39 525</b>

***Note No. 13 – Deferred income***

	As at 30 June 2017	As at 31 December 2016
Advanced payments received	1 827	462
Amounts due to the ordering parties under long-term contracts	167	1 599
Other	324	324
<b>Deferred income as at the end of the period, including:</b>	<b>2 318</b>	<b>2 385</b>
<b>Non-current liabilities</b>	<b>-</b>	<b>-</b>
<b>Current liabilities</b>	<b>2 318</b>	<b>2 385</b>

***Note No. 14 – Other liabilities***

	As at 30 June 2017	As at 31 December 2016
a) to other entities	3 214	3 742
- due to taxes, duties, insurance and other benefits	2 070	2 463
- due to remuneration	412	402
-other (by type)	732	877
• liabilities to employees	29	13
• to shareholders	30	28
• under lease agreement	413	23
• other	260	813
b) other short-term provisions	1 495	4 344
- provision for costs relating to long-term contracts	288	644
- provision for costs (movable part of salary, contracts of mandate)	10	1 875
- cost of audit	23	87
- short-term provision for retirement benefits	397	433
- provision for unused annual leaves	777	1 305
<b>Total other liabilities</b>	<b>4 709</b>	<b>8 086</b>

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

***Note No. 15 - Revenues from sale of services***

Revenues from sale of services (type of service and type of activity)	Period ended 30 June 2017	Period ended 30 June 2016
Revenues from sale of services, including:	53 586	76 216
- from jointly-controlled entity	2 828	12 688

Revenues from sales (territorial structure)	Period ended 30 June 2017	Period ended 30 June 2016
Domestic market	53 586	67 467
- including from jointly-controlled entities	2 828	12 688
Exports	-	8 749

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

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

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

***Note No. 16 – Cost of services sold***

	Period ended 30 June 2017	Period ended 30 June 2016
a) amortization and depreciation	1 013	1 204
b) consumption of materials and energy	9 991	6 304
c) outsourcing	24 206	68 580
d) taxes and levies	664	920
e) remuneration	14 600	17 172
f) social security and other benefits	2 939	3 499
g) other types of costs (by category)	2 189	3 175
- property and personal insurance	501	574
- business trips	696	901
- State Fund for Rehabilitation of Disabled Persons (PFRON)	111	104
- rental of cars	452	467
- other	429	1 129
<b>Total costs by type</b>	<b>55 602</b>	<b>100 854</b>
Change in inventories, products and accruals and prepayments	-1 605	-2 299
General and administrative expenses (negative value)	-6 576	-7 249
<b>Cost of services sold</b>	<b>47 421</b>	<b>91 306</b>

***Note No. 17- Other operating income***

	Period ended 30 June 2017	Period ended 30 June 2016
a) gain on sale of non-financial non-current assets	378	7
b) subsidies	-	-
c) reversal of write-down	8	98
- of receivables	8	98
d) other, including:	129	117
- reimbursement of litigation costs	-	8

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

- received compensation, fines and penalties	75	69
- revenues under rental of cars	-	4
- other	54	36
<b>Total other operating income</b>	<b>515</b>	<b>222</b>

**Note No. 18 – Other operating expenses**

	Period ended 30 June 2017	Period ended 30 June 2016
a) loss on disposal of non-financial non-current assets	4	43
b) write-downs :	28	16
- of receivables	-28	16
c) other, including:	46	38
- litigation costs	7	8
- paid, fines, penalties, compensation	5	-
- other	34	30
<b>Total other operating expenses</b>	<b>78</b>	<b>97</b>

**Note No. 19 – Financial income**

	Period ended 30 June 2017	Period ended 30 June 2016
a) interest on loans granted	186	188
- from jointly-controlled entities	186	188
b) other interest	9	81
- from other entities	9	81
c) the surplus of foreign exchange gains	12	171
d) other, including:	117	1
- other	117	1
<b>Total financial income</b>	<b>324</b>	<b>441</b>

**Note No. 20 – Finance costs**

	Period ended 30 June 2017	Period ended 30 June 2016
a) interest on bank loans	169	226
b) other interest	34	14
- for other entities	34	14
c) the surplus of foreign exchange losses	102	845
d) other, due to :	289	228
- commission on bank guarantees	143	172
- commission on loans	58	52
- other.	88	4
<b>Total finance costs</b>	<b>594</b>	<b>1 313</b>

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

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



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

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

	In 2017	In 2016
<b>Change in current receivables</b>	<b>8 433</b>	<b>11 308</b>
Receivables as at 1 January	56 652	83 991
Other assets as at 1 January	11 135	15 197
Receivables from non-current assets sold	-18	-45
Receivables from sale of assets	-367	-
Receivables from sale of real estates	-	-5 240
Receivables due to income tax	-347	-497
<b>As at opening balance sheet after adjustments</b>	<b>67 055</b>	<b>93 406</b>
Receivables as at 30 June	44 381	68 119
Other assets as at 30 June	14 530	14 473
Receivables from non-current assets sold	-15	-21
Receivables due to income tax	-274	-473
<b>Closing balance sheet after adjustments</b>	<b>58 622</b>	<b>82 098</b>
<b>Change in current liabilities except for current borrowings and special funds</b>	<b>-15 285</b>	<b>-7 500</b>
Trade payables as at 1 January	39 525	51 451
Other liabilities as at 1 January	8 086	8 142
Provision to current retirement benefits	-433	-587
Provision to annual leaves	-1 305	-1 464
Provision to audit	-87	-104
Provision to current other costs	-641	-385
Other differences due to discount of liabilities	250	250
Investment commitments	-	-46
Liabilities under operating lease	-10	-40
Liabilities to shareholders	-28	-3
<b>As at opening balance sheet after adjustments</b>	<b>45 357</b>	<b>57 214</b>
Trade payables as at 30 June	26 882	46 178
Other liabilities as at 30 June	4 709	12 136
Provision to current retirement benefits	-397	-574
Provision to annual leaves	-777	-1 306
Provision to audit	-23	-35
Investment commitments	-	-18
Provision to current other costs	-289	-323
Other differences due to discount of liabilities	242	250
Liabilities under operating lease	-245	-29
Liabilities due to the purchase of shares	-	-370
Liabilities to shareholders	-30	-6 195
<b>Closing balance sheet after adjustments</b>	<b>30 072</b>	<b>49 714</b>
	<b>83</b>	<b>128</b>
Change in deferred income - advances received	1 383	-5 796
Change in deferred income under amounts due to the ordering parties under long-term contracts	-1 432	3 026
Change in security deposit constituting the collateral of a bank guarantee of reimbursement of advance payment *)	-	2 265
Change in other deferred income	-18	546
Other	150	77

***Note No. 22- Information on operating segments***

Operating segment is a component part of the entity:

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

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

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

Segment result is determined at the level of operating result, not taking into consideration other operating activity.

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

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

Assets of the Representation Office in Belarus as at 30 June 2017 do not exceed 10% of balance sheet amount.

In the period from 1 January 2017 until 30 June 2017 there were no revenues outside Polish (exports), in the analogous period of the previous year revenues amounted to PLN 9 432 thousand (i.e. 11.8% of sales revenues).

Information about major customers whose share of sales revenue for the first half of 2017 exceeded 10% of total sales revenues - did not occur in the first half of 2017.

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

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

For the period from 1 January 2017 to 30 June 2017	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 to external customers	8 617	21 075	1 392	18 985	2 207	-	289	104	73	948	-	53 690
<b>Total segment revenues</b>	<b>8 617</b>	<b>21 075</b>	<b>1 392</b>	<b>18 985</b>	<b>2 207</b>	<b>-</b>	<b>289</b>	<b>104</b>	<b>73</b>	<b>948</b>	<b>-</b>	<b>53 690</b>
Result of the segment	<b>703</b>	<b>-1 923</b>	<b>305</b>	<b>7</b>	<b>356</b>	<b>-</b>	<b>-</b>	<b>13</b>	<b>-209</b>	<b>350</b>	<b>-</b>	<b>-398</b>
Financial income											324	324
Finance costs											-594	-594
<b>Net financial income / finance costs</b>											-270	-270
Profit sharing in associated entities											917	917
<b>Profit on other operating activities</b>											<b>437</b>	<b>437</b>
<b>Before tax profit</b>											<b>686</b>	<b>686</b>
Income tax											-245	-245
<b>Profit for the current period</b>											<b>931</b>	<b>931</b>
<b>Profit assigned to non-controlling interest</b>											<b>89</b>	<b>89</b>
<b>Profit for the period assigned to shareholders of the parent entity</b>											<b>842</b>	<b>842</b>
<b>Assets as at 30 June 2017</b>												
Segment assets ( related to activity)	25 582	9 976	500	7 927	16 810	-	-	-	384	34	-	61 213
Assets unallocated (among others shares, other financial assets)											87 148	87 148
<b>Total assets</b>	<b>25 582</b>	<b>9 976</b>	<b>500</b>	<b>7 927</b>	<b>16 810</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>384</b>	<b>34</b>	<b>87 148</b>	<b>148 361</b>
<b>Other information related to segment for the period from 1 January 2017 to 30 June 2017</b>												
Depreciation of property, plant and equipment	52	35	51	239	348	-	35	-	21	135		916
Amortisation of intangible assets	-	11	-	9	6	-	-	-	-	-	71	97

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

*Operating segments - continuation*

For the period from 1 January 2016 to 30 June 2016	General contract ing	Design services and other engineering services	Rental of the construction equipment	Electrical installations	Rental of office space and real estate	Property management	Maintenance	Commercial activity	Other IT services	Other	Items not assigned	Total
Revenues to external customers	48 185	14 394	1 556	8 853	2 435	0	244	3 512	60	489	-	79 728
<b>Total segment revenues</b>	<b>48 185</b>	<b>14 394</b>	<b>1 556</b>	<b>8 853</b>	<b>2 435</b>	<b>0</b>	<b>244</b>	<b>3 512</b>	<b>60</b>	<b>489</b>	-	<b>79 728</b>
Result of the segment	-19 730	-3 260	528	434	504	0	-215	212	-151	-299	-	-21 977
Financial income											441	441
Finance costs											-1 313	-1 313
<b>Net financial income / finance costs</b>											-872	-872
<b>Profit sharing in associated entities</b>											-1 267	-1 267
<b>Profit on other operating activities</b>											125	125
<b>Before tax profit</b>											-23 991	-23 991
Income tax											-2 951	-2 951
<b>Profit for the current period</b>											-21 040	-21 040
<b>Profit assigned to non-controlling interest</b>											46	46
<b>Profit for the period assigned to shareholders of the parent entity</b>											-21 086	-21 086
<b>Assets as at 30 June 2016</b>												
Segment assets ( related to activity)	47 019	8 604	799	6 496	17 142	-	632	1 641	-	333	-	82 672
Assets unallocated (among others shares, other financial assets)											100 711	100 711
<b>Total assets</b>	<b>47 019</b>	<b>8 604</b>	<b>799</b>	<b>6 496</b>	<b>17 142</b>	<b>-</b>	<b>632</b>	<b>1 641</b>	<b>-</b>	<b>333</b>	<b>100 711</b>	<b>183 383</b>
<b>Other information related to segment for the period from 1 January 2016 to 30 June 2016</b>												
Depreciation of property, plant and equipment	37	84	50	199	352	-	45	-	-	288	39	1 094
Amortisation of intangible assets	-	9	-	12	3	-	-	-	-	-	86	110

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

***Information about the geographical areas***

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

	<b>1 January-30 June 2017</b>	<b>1 January-30 June 2016</b>
Poland	53 690	66 784
Belarus	-	9 432
<b>Total sale revenues</b>	<b>53 690</b>	<b>76 216</b>

Geographical breakdown of property, plant and equipment and intangible assets

	<b>30 June 2017</b>	<b>31 December 2016</b>
Poland	33 844	35 854
Belarus	-	-
<b>Total property plant and equipment and intangible assets</b>	<b>33 844</b>	<b>35 854</b>

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

<i>Collateral granted</i>	<b>As at 30 June 2017</b>	<b>As at 31 December 2016</b>
bank guarantee of good performance and statutory warranty	23 384	22 235
tender guarantee	-	37
<b>Total collateral granted</b>	<b>23 384</b>	<b>22 272</b>
<b>Contingent liabilities</b>		
- surety of promissory notes issued by subsidiary Pro-Inhut sp. z o. o. seated in DąbrowaGórnica for the benefit of investor in order to secure the claims in the scope of a good performance	247	247
<b>Total collateral granted and contingent liabilities</b>	<b>23 631</b>	<b>22 519</b>
 <i>Collateral received</i>	 <b>As at 30 June 2017</b>	 <b>As at 31 December 2016</b>
bank guarantee of good performance	5 685	5 087
<b>Total contingent assets</b>	<b>5 685</b>	<b>5 087</b>

Contingent receivables from PERN described in Note No 28.

***Note No. 24 - Profit sharing***

The Group's financial result is not subject to distribution.

Pursuant to the resolution No. 17 of the Annual General Meeting dated 10 June 2017 the Issuer's net loss for 2016 in the amount of PLN 23,600,679.75 will be covered from the reserve capital.

***Note No. 25 - Dividends***

Dividend has not been paid.

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

**Note No. 26 - Financial instruments and financial risk management**

**Financial assets**

As at 30 June 2017 (in PLN thousands)	Categories of financial instruments		
	Note No.	Loans, receivables and other	Total
<b>Classes of financial instruments</b>			
Receivables from supplies and services	7	42 179	42 179
Cash		3 720	3 720
Loans granted	5,8	18 522	18 522
<b>Total</b>		<b>64 421</b>	<b>64 421</b>

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

**Financial liabilities**

As at 30 June 2017 (in PLN thousands)	Categories of financial instruments			Total
	Note No.	Financial liabilities measured at amortized costs	Liabilities excluded from IAS 39	
<b>Classes of financial instruments</b>				
Loans	11	14 545	-	14 545
Finance lease		-	583	583
Trade payables	12	26 882	-	26 882
<b>Total</b>		<b>41 427</b>	<b>583</b>	<b>42 010</b>

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

**The fair value of financial instruments** - does not differ from book value.

***Liquidity risk connected with the concentration of sales revenues***

In the first half of 2017 the Group realized sales revenues in the amount of PLN 53 690 thousand, until 2016, the Group disclosed sales related to the implementation of the contract for the Belarusian Client. Accordingly, the Group disclosed in the statement of financial position the following financial instruments related to execution of the above contract

Classes of financial instruments	As at 30 June 2017	% of share in total assets	As at 31 December 2016	% of share in total assets
<b>Financial assets</b>				
Receivables from supplies and services	-	-	2 279	1.4%
<b>Total financial assets</b>	-	-	<b>2 279</b>	<b>1.4%</b>
<b>Financial liabilities</b>				
Payables	3 608	2.4%	6 442	4.0%
<b>Total financial liabilities</b>	<b>3 608</b>	<b>2.4%</b>	<b>6 442</b>	<b>4.0%</b>

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

Related entities include entities controlled and jointly-controlled entities, as well as those on which the Issuer has a significant influence or is a member of key management personnel of the entity or Parent Entity.

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

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

***Remuneration of the key management personnel***

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

1. remuneration to the Members of the Management Board in total amount of PLN 450.0 thousand
2. remuneration to the Members of the Supervisory Board in total amount of PLN 158.0 thousand.

In the first half of 2017, the remuneration paid to the Members of the Management Board for performing functions in the Management Boards and in the Supervisory Boards of companies belonging to the Capital Group amounted to PLN 219.0 thousand.

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

Settlements with related entities include trade settlements and under loans.

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

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

**Reporting period**

(in PLN thousands)

<b>From 1 January to 30 June 2017</b>				
	Sale of services	Purchase of services	Financial income – interest on loans	Financial income – dividends received
Jointly-controlled entities and associated entities	2 828	1 842	187	-

<b>As at 30 June 2017</b>				
	Trade receivables	Receivables under loans granted	Other receivables	Trade payables
Jointly-controlled entities and associated entities	3 247	18 522	933	373

**Comparative period**

(in PLN thousands)

<b>From 1 January to 30 June 2016</b>					
	Sale of services	Purchase of services	Financial income – interest on loans	Financial income – dividends received	Finance costs – interest on loans
Jointly-controlled entities and associated entities	13 163	-	188	-	-

<b>As at 30 June 2016</b>			
	Trade receivables	Receivables under loans granted	Trade payables
Jointly-controlled entities and associated entities	7 444	1 842	187

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

PROCHEM S.A. continues to be a party to the proceedings before the court concerning the settlement of the contract which was interrupted on 10 November 2005, for the construction management of an investment project under the name "Pipeline in a section from the ST- 1 Adamowo - to raw material base Plebanka" concluded with PERN S.A. PROCHEM S.A. filed a lawsuit to the court for payment of PLN 41, 301 thousand under the final settlement of the contract, of which PLN 17,364 thousand is recognized in the statement of financial position as a receivable from seized guarantee deposit, and the remaining amount is the contingent receivable. On 18 January 2008 District Court in Warsaw issued a judgment in this case considering claim of PROCHEM S.A. as to be right in principle, while stating that this obligation is not yet due.

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

On 12 August 2010 the hearing was held before the District Court in Warsaw, where the Court decided to appoint an expert - Warsaw University of Technology – Department of Civil Engineering, who according to the recommendations of Court of Appeal will make an ultimate accounting for in



relation to the disputed contract. In April 2011, the case file was forwarded to the expert witness, who in an opinion published in May 2012 confirmed the amount of the claim of PROCHEM S.A. By order of May 31, 2012, the District Court granted the Warsaw University of Technology a remuneration for opinion in the case, in relation to which the defendant PERN lodged a complaint. According to PERN SA the prepared opinion could not be the basis of the findings of facts of the case for the Court, because it is contrary to the thesis of the Court in which was determined the basis and scope of the opinion.

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

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

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

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

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

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

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

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

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

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

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

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

- in the main action, jointly and severally for the benefit of the Issuer and a member of the consortium adjudged from PERN:
  - ✓ amount of PLN 35 086 589.26, with statutory interest from 23 March 2006 until the date of payment;
  - ✓ amount of PLN 4 879 883.58, with statutory interest from 22 March 2006 until the date of payment;
  - ✓ amount of PLN 126 400,4, with statutory interest from 16 January 2007 until the date of payment.
- in the cross action, dismissed the action of PERN entirely.

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

The statutory interest on the aforementioned amounts as at 30 June 2017 amounts to PLN 51.5 million. The Issuer's share in the adjudged amount amounts to about 50%.

From the above judgment on 7 December 2015 PERN lodged an appeal.

As of the date of submission of this report, the date of consideration of the appeal was scheduled for 16 October 2017.

As of 30 June 2016 the Issuer 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 PROCHEM S.A. in the amount of PLN 2,682 thousand was not 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 Issuer.

***Nota 29 – Events after reporting date***

Such events did not occur

***Nota 30 – Other explanatory notes to interim condensed consolidated financial statements***

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

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

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

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

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

In the first half of 2017 the companies belonging to the Capital Group did not grant any loans, sureties and guarantees to related entities.

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

As at the date of the financial statements, according to the statements received, 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;

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

- Marek Garliński – 88,000 units.

***Note No. 31- Approval of the financial statements***

Interim condensed consolidated financial statements of PROCHEM S.A. for the period from 1 January 2017 to 30 June 2017 were approved for issue by the Management Board of PROCHEM S.A. on 31 August 2017.

**Signatures of the Members of the Management Board**

31 August 2017	Jarosław Stępniewski	President of the Management Board	.....
date	first name and surname	position	signature

31 August 2017	Marek Kiersznicki	Vice President of the Management Board	.....
date	first name and surname	position	signature

31 August 2017	Krzysztof Marczak	Vice President of the Management Board	.....
date	first name and surname	position	signature

**Signature of the person responsible for bookkeeping**

31 August 2017	Barbara Auguścińska-Sawicka	Chief Accountant	.....
date	first name and surname	position	signature