

REPORT FOR THE FIRST HALF OF 2017

Contents:

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

and

- Selected financial data
- Statement of the Management Board

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

Selected financial data

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

- For 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.

Description	Reporting period ended 30 June		Reporting period ended 30 June	
	2017	2016	2017	2016
	In PLN thousands		In EURO thousands	
Statement of profit and loss				
Revenues from sales	21 784	60 895	5 129	13 901
Gross profit on sales	2 190	-18 429	516	-4 207
Results from operating activities	-891	-22 673	-210	-5 176
Before tax profit	-329	-23 603	-77	-5 388
Profit for the period	22	-20 479	5	-4 675
Profit/diluted profit per one ordinary share (in PLN/EURO)	0.01	-5.26	0.00	-1.20
Statement of cash flows				
Net cash provided by (used in) operating activities	-4 663	-14 677	-1 098	-3 351
Net cash provided by (used in) investing activities	969	-596	228	-136
Net cash provided by (used in) financing activities	3 934	2 083	926	476
Total cash flows, net	240	-13 190	57	-3 011
	As at		As at	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	In PLN thousands		In EURO thousands	
Statement of financial position				
Total assets	99 254	102 293	23 484	23 122
Total non-current assets	57 371	57 353	13 574	12 964
Total current assets	41 883	44 940	9 910	10 158
Total equity	53 093	53 071	12 562	11 996
Total non-current liabilities	7 648	7 555	1 810	1 708
Total current liabilities	38 513	41 667	9 112	9 418
Book value per one ordinary share (in PLN/EURO)	13.63	13.63	3.23	3.08
Weighted average number of ordinary shares (units)	3 895 000	3 895 000	3 895 000	3 895 000

Statement of the Management Board

Statement of the Management Board on the reliability of interim condensed separate 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 separate financial statements of PROCHEM S.A. 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 of PROCHEM S.A.

Statement of the Management Board on the entity authorized to review the interim condensed separate 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

Krzysztof Marczak

Vice President

Marek Kiersznicki

President of the Management Board

Jarosław Stępniewski

Warsaw, 31 August 2017

INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS OF PROCHEM S.A.

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

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

Separate financial statements of PROCHEM S.A. as at and for the year ended 30 June 2017

Statement of financial position as at 30 June 2017

(all amounts in PLN thousands if not stated otherwise)

A s s e t s		30 June 2017 (upon review)	31 grudnia 2016 r. (restated)	31 grudnia 2016 (audited)
Non-current assets				
Property, plant and equipment	1	1 031	1 249	1 249
Intangible assets		244	310	310
Investment property		246	246	246
Shares in subsidiaries	2	9 642	9 642	9 642
Shares in equity-accounted investees	3	4 502	4 502	4 502
Deferred tax assets		5 019	4 666	5 054
Other financial assets	5	36 687	36 738	36 738
Total non-current assets		57 371	57 353	57 741
Current assets				
Inventories	6	1 693	1 698	1 698
Trade and other receivables	7	33 552	38 042	38 042
Other financial assets	8	-	198	198
Other assets	9	6 153	4 757	4 757
Cash and cash equivalents		485	245	245
Total current assets		41 883	44 940	44 940
Total assets		99 254	102 293	102 681
E q u i t y a n d l i a b i l i t i e s				
Equity				
Share capital		3 895	3 895	3 895
Revaluation reserve		837	837	837
Retained earnings		48 361	48 339	48 727
Total equity		53 093	53 071	53 459
Non-current liabilities				
Provision for retirement and similar benefits		539	539	539
Liabilities under non-current loans	11	7 099	7 002	7 002
Other liabilities		10	14	14
Total non-current liabilities		7 648	7 555	7 555
Current liabilities				
Bank loans	10	11 400	7 303	7 303
Trade payables	12	22 860	27 139	27 139
Other liabilities	13	2 259	5 182	5 182
Deferred income	14	1 994	2 043	2 043
Total current liabilities		38 513	41 667	41 667
Total liabilities		46 161	49 222	49 222
Total equity and liabilities		99 254	102 293	102 681

Weighted average number of ordinary shares (units) 3 895 000 3 895 000 3 895 000

Book value per one share (in PLN) 13.63 13.63 13.73

Statement of profit and loss
From 1 January 2017 to 30 June 2017

(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	Period ended 30 June 2016 (upon review)
Revenues from sale, including:		21 784	60 895	60 895
Revenues from sale of services	15	21 784	60 212	60 212
Revenues from sale of goods and materials		-	683	683
Cost of sales, including:		-19 594	-79 324	-79 324
Cost of services sold	16	-19 594	-78 650	-78 650
Cost of merchandise and raw materials		-	-674	-674
Gross profit on sales		2 190	-18 429	-18 429
General and administrative expenses	16	-3 153	-4 429	-4 429
Other operating income	17	107	201	201
Other operating expenses	18	-35	-16	-16
Results from operating activities		-891	-22 673	-22 673
Financial income	19	1 199	457	457
Finance expenses	20	-637	-1 387	-1 387
Before tax profit		-329	-23 603	-23 603
Income tax expense :		-351	-3 124	-2 341
- current tax		2	1	1
- deferred tax		-353	-3 125	-2 342
Profit for the period		22	-20 479	-21 262
Weighted average number of ordinary shares (units)		3 895 000	3 895 000	3 895 000
Profit/diluted profit per share (in PLN per one share)		0.01	-5.26	-5.46

Statement of comprehensive income

Profit for the period		22	-20 479	-21 262
Other comprehensive income (net):		-	4	4
<i>Other comprehensive income that will be reclassified to profit or loss:</i>		-	4	4
Exchange differences on translation of foreign operations		-	4	4
Total comprehensive income		22	-20 475	-21 258
Weighted average number of ordinary shares (units)		3 895 000	3 895 000	3 895 000
Total comprehensive income per ordinary share (in PLN per one share)		0.01	5.26	-5.46

Statement of changes in equity

(all amounts in PLN thousands if not stated otherwise)

	Share capital	Revaluation reserve	Retained earnings	Total equity
Reporting period from 1 January 2017 to 30 June 2017				
As at the beginning of the period (audited)	3 895	837	48 727	53 459
Error correction	-	-	-388	-388
As at the beginning of the period (restated)	3 895	837	48 339	53 071
Net loss of the given period	-	-	22	22
<i>Total comprehensive income</i>	-	-	22	22
As at the end of the period (upon review)	3 895	837	48 361	53 093

Reporting period from 1 January 2016 to 30 June 2016

As at the beginning of the period (audited)	3 895	859	78 521	83 275
Error correction	-	-	-391	-391
As at the beginning of the period (restated)	3 895	859	78 130	82 884
Net loss of the given period	-	-	-20 479	-20 479
Other comprehensive income net	-	4	-	4
<i>Total comprehensive income</i>	-	4	-20 479	-20 475
Payment of dividend	-	-	-6 193	-6 193
As at the end of the period (upon review)	3 895	863	51 458	56 216

Statement of cash flows
For the period from 1 January 2017 to 30 June 2017

(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)
Cash flows – operating activities			
Before tax profit		-329	-23 603
Total adjustments		-4 332	10 310
Amortization and depreciation	16	279	486
Interest and profit sharing (dividends)		-822	-207
(Profit) on disposal of property, plant and equipment		-	-4
Change in provisions		-940	-135
Change in inventories		5	3 220
Change in receivables and other assets	21	3 370	11 367
Change in current liabilities, except for loans and borrowings	21	-6 269	-5 027
Other adjustments (including deferred income)	21	45	610
Cash provided by (used in) operating activities		-4 661	-13 293
Income tax paid		-2	-1 384
Net cash provided by (used in) operating activities		-4 663	-14 677
Cash flows – investing activities			
Inflows		987	101
Disposal of intangible assets and property, plant and equipment		3	36
Inflows from financial assets in related entities, including:		786	65
- dividend received		27	65
- inflows from sale of financial assets		367	-
- repayment of interest on loans granted		392	-
Inflows from financial assets in other entities, including:		198	65
- repayment of loans granted		133	-
- repayment of interest on loans granted		65	-
Outflows		-18	-697
Acquisition of intangible assets and property, plant and equipment		-18	-697
Net cash provided by (used in) investing activities		969	-596
Cash flows – financing activities			
Inflows from loans received		5 147	2 287
Repayment of loans		-1 050	-
Interest and commission paid		-163	-204
Net cash provided by (used in) financing activities		3 934	2 083
Total cash flows, net		240	-13 190
Cash and cash equivalents at the beginning of the period		245	16 769
Cash and cash equivalents at the end of the period		485	3 579

Notes on adopted accounting principles (policy) and other explanatory notes to separate financial statements

1.1. Adopted accounting principles

Principles of presentation

Interim condensed separate financial statements of PROCHEM S.A. for the period from 1 January to 30 June 2017 was prepared according to International Accounting Standards (IAS) 34 “Interim Reporting”, which were adopted by European Union (EU) and Regulation of the Minister of Finance 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 the year 2009 no. 33, item 259). The 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.

Interim condensed separate financial statements include statement of financial position, statement of profit and loss, statement of comprehensive income, statement of changes in equity, statement of cash flows and selected explanatory notes.

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 measured at fair value.

The financial statements of PROCHEM S.A. for the first half of 2017 includes the data of the Office of Representation of PROCHEM, that operates on the territory of Belarus. The Representation Office shall keep accounts 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*.

Company PROCHEM S.A. is the Parent Entity in the Capital Group and prepares consolidated financial statements.

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 separate financial statements were applied the same accounting principles and the same calculation methods which were applied in the financial statements of PROCHEM S.A. 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 15 – Liabilities under retirement benefits: key actuarial assumptions;
- Note 40 – 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 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 the first half of 2017, the Issuer has made no significant changes in the accounting estimates.

1.2. Seasonality

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

1.3. The Representation Office

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 is limited until 29 July 2019.

1.4. Significant accounting policies and changes in IFRS

In preparing the interim condensed separate financial statements were applied the same accounting principles and the same calculation methods which were applied in the financial statements of PROCHEM S.A. for the year ended 30 June 2017.

The Company will apply amendments to IFRS published but not effective as at the day of publishing of the interim condensed separate financial statements in accordance with their effective date. The possible impact of these changes on future separate financial statements is being analyzed.

1.5. 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.

1.6. Functional currency and presentation currency of financial statements

The financial statements is presented in Polish Zloty („zloty” or ”PLN”), which is the functional currency 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 exchange rate on the transaction date, and
- arisen exchange differences are recognized in the profit and loss statement.

1.7. Employment

Average employment in PROCHEM S.A. in the first half of 2017 was 191 FTE's, and in the first half of 2016 241 FTE's.

Level of employment in persons in PROCHEM S.A. on 30 June 2017 was 193 persons, and on 31 December 2016 245 persons.

1.8. Restatement of financial statements

On 1 January 2017, the Company 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 statement of financial position and in profit and loss account for comparable periods.

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

(all amounts in PLN thousands if not stated otherwise)

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

Separate 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
Before tax profit	-23 603	-	-23 603
Income tax expense :	-2 341	-783	-3 124
- current tax	1	-	1
- deferred tax	-2 342	-783	-3 125
Profit for the period	-21 262	783	-20 479

**2. Explanatory Notes to separate financial statements as at
30 June 2017 and for the period of six months of 2017**

Note No. 1 – Property, plant and equipment

	As at 30 June 2017	As at 31 December 2016
Property, plant and equipment, including:	1 029	1 247
- machinery and equipment	285	402
- other PPE	744	845
Construction under progress	2	2
Total property, plant and equipment	1 031	1 249
Property, plant and equipment – ownership structure	As at 30 June 2017	As at 31 December 2016
a) own	1 031	1 249
Total property, plant and equipment	1 031	1 249
	Change in property, plant and equipment from 1 January 2017 to 30 June 2017	Change in property, plant and equipment from 1 January 2016 to 30 June 2016
Gross value		
As at opening balance sheet	6 587	11 067
increase (due to)	11	856
- acquisition	11	835
- other, including values update	-	21
decrease (due to)	-185	-5 336
- disposal	-	-322
- liquidation	-185	-1 255
- transfer to investment property	-	-3 751
- other changes, including value update	-	-6
Gross value as at closing balance sheet	6 413	6 587
Accumulated depreciation – as at opening balance sheet	5 181	9 525
- increase – depreciation for the period	209	719
- decrease due to disposal	-	-300
- decrease due to liquidation	-165	-1 254
- transfer to investment property	-	-3 507
- other changes	-	2
Accumulated depreciation as at closing balance sheet	5 225	5 181
Impairment of PPE	-157	-157
Net value of PPE – as at closing balance sheet	1 031	1 249

Fair value on 30 June 2017 recognized in books still remained on the level determined as at 31 December 2016 set basing on the valuation made by independent experts not associated with the Company. Pursuant to the accounting policy adopted by the Company, fair value is measured with sufficient frequency so that the carrying amount does not differ materially from fair value, wherein not

Interim condensed separate financial statements of PROCHEM S.A. as at and for the period of 6 months ended 30 June 2017

less frequently than once every two years. 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 Company.

Note No. 2 – Shares in subsidiaries

Shares in subsidiaries	As at 30 June 2017	As at 31 December 2016
In subsidiaries	9 642	9 642
Shares, net value	9 642	9 642
write-downs of financial non-current assets	359	359
Shares, gross value	10 001	10 001

Note No. 3 – Shares in jointly-controlled entities and in associated entities

Shares in jointly-controlled entities and in associated entities	As at 30 June 2017	As at 31 December 2016
- Shares – net value	4 502	4 502
- write-down of shares	708	708
Shares, gross value	5 210	5 210
Change in write-downs of shares in jointly-controlled entities and in associated entities	From 1 January 2016 to 30 June 2016	From 1 January 2016 to 30 June 2016
A at the beginning of the period	708	400
Increase, write-downs of shares in associated entity	-	308
As at the end of the period	708	708

Note No. 4 – Effective tax rate

<i>Establishment of the effective tax rate</i> (in PLN thousands)	From 1 January 2017 to 30 June 2017	From 1 January 2016 to 30 June 2016
Profit for the period	22	-23 601
Income tax	-351	-3 212
Before tax profit	-329	-26 813
Income tax at the applicable rate of 19 %	-63	-5 094
Revenues not classified as tax revenues	-141	-11
Costs not constituting tax deductible expenses	14	1 018
Tax loss incurred outside the Republic of Poland, to which income tax asset was not established.	-12	-1 055
Other	-149	-180
Income tax	-351	-3 212

Note No. 5 – Other financial assets

Other financial assets	As at 30 June 2017	As at 31 December 2016
a) from subsidiaries, jointly-controlled entities and associated entities:	36 687	36 738
- non-current loans granted	36 687	36 738
Total other financial assets	36 687	36 738

Loans granted – as at 30 June 2017

- Loans granted to the 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 loans PLN 6 000 thousand, accrued interest as at the balance sheet day amounts to PLN 505 thousand. The interest rate is set annually at fixed rate of 3% per year, repayment date 22 September 2031.

- Loans granted to subsidiary Prochem Inwestycje Sp. z o. o.
 - in the amount of PLN 3 195 thousand, including: amount of the loan PLN 3 000 thousand, accrued interest PLN 195 thousand. The interest rate is set annually according to WIBOR 6M rate effective at the end of every calendar year, the repayment date of the loan with interest was set on 31 December 2018;
 - in the amount of PLN 14 970 thousand, including: amount of the loan PLN 14 000 thousand, accrued interest PLN 970 thousand. The interest rate is set annually according to WIBOR 6M rate effective at the end of every calendar year, the repayment date of the loan with interest was set on 31 December 2018.

Increase:

- Accrued interest on loans granted to:
 - 1) jointly-controlled company Irydion Sp. z o. o. - PLN 188 thousand,
 - 2) subsidiary Prochem Inwestycje Sp. z o. o. – PLN 153 thousand.

Decrease:

- The repayment of interest on the loan by the subsidiary Prochem Inwestycje in the amount of PLN 392 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 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;
- Loans granted to subsidiary Prochem Inwestycje Sp. z o. o.:
 - in the amount of PLN 3 373 thousand, including: amount of the loan PLN 3 000 thousand, accrued interest PLN 373 thousand. The interest rate is set annually according to WIBOR 6M rate effective at the end of every calendar year, the repayment date of the loan with interest was set on 31 December 2018;
 - in the amount of PLN 15 031 thousand, including: amount of the loan PLN 14 000 thousand, accrued interest PLN 1 031 thousand. The interest rate is set annually according to WIBOR 6M rate effective at the end of every calendar year, the repayment date of the loan with interest was set on 31 December 2018.

Note No. 6 – Inventories

	As at 30 June 2017	As at 31 December 2016
Materials	1 693	1 698
Total inventories in net value	1 693	1 698
Write-down	577	578

Note No. 7 - Trade and other receivables

	As at 30 June 2017	As at 31 December 2016
Trade receivables, including:	35 589	40 471
Write-downs of trade receivables	-3 986	-4 134
Net trade receivables, including :	31 603	36 337
- with the repayment period up to 12 months	31 353	35 481
- with the repayment period more than 12 months	250	856
Receivables from taxes, subsidies, custom duties, social and health insurance and other benefits	274	402
Other receivables	2 071	1 699
Write-downs of other receivables	-396	-396
Net other receivables	1 675	1 303
Total receivables net	33 552	38 042
Trade and other receivables from related entities	As at 30 June 2017	As at 31 December 2016
Trade receivables:	3 788	3 004
- from subsidiaries	540	706
- from the jointly-controlled entities and associated entities	3 248	2 298
Other receivables	1 647	-
- from subsidiaries	714	-
- from the jointly-controlled entities and associated entities	933	-
Total current trade and other receivables from related entities, net	5 435	3 004
Write-downs of receivables from related entities	-	-
Total current trade and other receivables from related entities, gross	5 435	3 004

Change in write-downs of trade and other receivables	30 June 2017	31 December 2016
As at the beginning of the period	4 529	6 341
a) increase (due to)	24	117
- establishment of write-downs of receivables	24	117
b) decrease (due to)	171	1 929
- release of write-downs for receivables (payments received)	8	97
- use of the write-downs created in the previous years	163	1 832
Write-downs of current trade and other receivables at the end of the period	4 382	4 529

As at 30 June 2017 and as at 31 December 2016 trade receivables include the security deposits under statutory warranty for construction and assembly works respectively in the amount of PLN 18 371 thousand and 19 041 thousand.

As at 30 June 2017 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 Company did not establish write-downs. The Issuer believes that these receivables are recoverable, what was described in Note 29-*information on significant legal proceedings pending before the court.*

Note No. 8 – Other financial assets

	As at 30 June 2017	As at 31 December 2016
a) from other entities :	-	198
- current loans granted	-	198
Total other financial assets	-	198
Write-downs of other financial assets	207	207
Gross other financial assets	207	405

Decrease

- Repayment of loan with interest in the amount of PLN 198 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

Note No. 9 – Other assets

Other assets (by type) :	As at 30 June 2017	As at 31 December 2016
a) prepayments	686	920
- cost of property and personal insurance	294	178
- software maintenance costs	367	732
- subscriptions	11	7
- deferred costs	7	-
- other	7	3
b) other prepayments	5 467	3 837
- amounts due from the ordering parties under long-term contracts	5 467	3 837
Total other assets	6 153	4 757

In the position - other prepayments - are amounts due from contracting parties from long-term contracts, which are measured in accordance with IAS 11.

Note No. 10 – Current bank loans

	As at 30 June 2017	As at 31 December 2016
Loans	11 400	7 303

Information on 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
mBank SA	Warsaw	6,000 Credit in overdraft	5 107	WIBOR for O/N deposits in PLN + margin	30 October 2017	Promissory note in blank, pledge by court on shares of company Elektromontaż Kraków S.A.
mBank S.A.	Warsaw	6,000	4 350	WIBOR for 1 month	29 December	Promissory note in

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		Revolving working capital loan		deposits in PLN + margin	2017	blank, pledge by court on shares of company Elektromontaż Kraków S.A.
ING Bank Śląski S.A.	Katowice	3,000 Credit in overdraft	1 943	WIBOR for 1 month deposits in PLN + margin	22 March 2018	Statement on submission to forfeiting, the establishing a mortgage on real estate belonging to company ELPRO Sp. z o. o.

As at June 30, 2017, the Company failed to discharge of one from obligations provided in loan agreements with financing banks - i.e. of maintaining a net margin ratio of not less than 1%, however, in the opinion of the Management Board of the Company on the basis of current arrangements with banks, this will not have an impact on the maintenance of the amount of credit limits and on continuation of financing under existing contracts on the substantially unchanged level for a further 12 months. Not complying with this condition did not affect the presentation of loans in the statement of financial position as at 30 June 2017, because under the agreements the dates of repayments of the loans fall due on the period less than 12 months.

Note 11 – Borrowings

	As at 30 June 2017	As at 31 December 2016
Non-current borrowings from related entities	7 099	7 002

Borrowings - as at 30 June 2017

- Borrowing from subsidiary Elmont Inwestycje Sp. z o. o. in the amount of PLN 6 135 thousand, including: amount of the borrowing PLN 6 000 thousand, accrued interest PLN 135 thousand. The interest rate is set annually according to WIBOR 6M rate plus margin effective at the end of every calendar year. The repayment date was set on 31 December 2018, but not earlier than repayment of the loan in Bank ING.
- Borrowing from subsidiary Prochem Zachód Sp. z o. o. in the amount of PLN 964 thousand, including: amount of the borrowing PLN 950 thousand, accrued interest PLN 14 thousand. The repayment date was set on 31 December 2018, but not earlier than repayment of the loan in Bank ING.

Increase:

- Accrued interest on borrowing from subsidiary Elmont Inwestycje Sp. z o. o. in the amount of PLN 83 thousand.
- Accrued interest on borrowing from subsidiary Prochem Zachód Sp. z o. o. in the amount of PLN 14 thousand.

Borrowings – as at 31 December 2016

- Borrowing from subsidiary Elmont Inwestycje Sp. z o. o. in the amount PLN 6 052 thousand, including: amount of the borrowing PLN 6 000 thousand, accrued interest PLN 52 thousand. The interest rate is set annually according to WIBOR 6M rate plus margin effective at the end of every calendar year. The repayment date was set on 31 December 2018, but not earlier than repayment of the loan in Bank ING.

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- Borrowing from subsidiary Prochem Zachód Sp. z o. o. in the amount of PLN 950 thousand, including: amount of the borrowing PLN 950 thousand. The repayment date was set on 31 December 2018, but not earlier than repayment of the loan in Bank ING.

Note No. 12 – Trade payables

	As at 30 June 2017	As at 31 December 2016
a) to subsidiaries	3 361	3 723
- from supplies and services, with maturity period:	3 361	3 723
- up to 12 months	2 877	3 216
- above 12 months	484	507
b) to jointly-controlled entities and associated entities	373	385
- from supplies and services, with maturity period:	373	385
- up to 12 months	373	385
c) to other entities	19 126	23 031
- from supplies and services, with maturity period:	19 126	23 031
- up to 12 months	15 613	19 092
- above 12 months	3 513	3 939
Total trade payables	22 860	27 139

Note No. 13 – Other liabilities

	As at 30 June 2017	As at 31 December 2016
a) to other entities	1 091	1 200
- due to taxes, duties, insurance and other benefits	1 066	1 180
- due to remuneration	3	1
- other (by type)	22	19
- liabilities to employees	11	8
- liabilities to shareholders	8	8
- liability under the payable transformation of the right of perpetual usufruct into the right of ownership	3	3
b) other current provisions	1 168	3 982
- provision for losses on contracts	188	644
- provision for future costs	5	1 875
- cost of audit	23	60
- current provision for retirement benefits	263	299
- provision for unused annual leaves	689	1 104
Total other liabilities	2 259	5 182

Note No. 14 – Deferred income

	As at 30 June 2017	As at 31 December 2016
Deferred income, including:	1 994	2 043
- deferred income – advanced payments received	1 827	444
- amounts due to the ordering parties under long-term contracts	167	1 599
Deferred income at the end of the period, including:	1 994	2 043
Non-current liabilities	-	-

Current liabilities	1 994	2 043
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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:	21 784	60 212
- from related entities, including:	2 863	12 784
• subsidiaries	35	96
• jointly-controlled entities	2 828	12 688
Revenues from sales (territorial structure)	Period ended 30 June 2017	Period ended 30 June 2016
Domestic market	21 784	51 463
- including from related entities	2 863	12 784
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. 7.

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 and comparable period of 2016 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	279	486
b) consumption of materials and energy	359	867
c) outsourcing	12 896	68 060
d) taxes and levies	37	27
e) remuneration	7 748	10 727
f) social security and other benefits	1 562	2 189
g) other types of costs (by category), including:	1 291	2 169
- property and personal insurance	403	467
- business trips	103	336
- State Fund for Rehabilitation of Disabled Persons (PFRON)	107	104
- rental of cars	452	467
- other	226	795
Total costs by type	24 172	84 525
Change in inventories, products and accruals and prepayments	-1 425	-1 446
General and administrative expenses (negative value)	-3 153	-4 429
Cost of services sold	19 594	78 650

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	-	4
b) reversal of impairment allowance (due to)	8	98
- for receivables	8	98
c) other, including:	99	99
- reimbursement of costs of legal representation	-	8
- revenues under rental of cars	-	4
- received compensation, fines and penalties	65	61
- other	34	26
Total other operating income	107	201

Note No. 18 – Other operating expenses

	Period ended 30 June 2017	Period ended 30 June 2016
a) impairment allowance (of)	28	16
- receivables	28	16
b) other, including:	7	-
- litigation costs	7	-
Total other operating expenses	35	16

Note No. 19 – Financial income

	Period ended 30 June 2017	Period ended 30 June 2016
a) revenues under dividends and profit sharing	741	65
- from subsidiaries	741	65
b) interest on loan granted	340	346
- from subsidiaries	153	158
- from jointly-controlled entities and associated entities	187	188
c) other interest	1	46
- from other entities	1	46
d) other, including:	117	-
- revenues under discount of financial assets	27	-
- other	90	-
Total financial income	1 199	457

Note No. 20 – Finance expenses

	Period ended 30 June 2017	Period ended 30 June 2016
a) interest on bank loans	105	152
a) interest on borrowings	97	-
- for subsidiaries	97	-
b) other interest	59	-
- for other entities	59	-
c) surplus of foreign exchange losses	102	821
d) other, due to :	274	414
- commission on bank guarantees	143	172
- commission on loans	58	52

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- costs under discount of financial assets	73	-
- write-downs of shares in associated entity	-	190
Total finance expenses	637	1 387

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

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

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

	In 2017	In 2016
Change in current receivables	3 570	11 367
Trade and other receivables as at 1 January	38 042	68 856
Other assets as at 1 January	4 757	7 671
Receivables from non-current assets sold	-18	-45
Receivables due to income tax	-342	-497
Receivables from sale of shares	-367	
As at opening balance sheet after adjustments	42 072	75 985
Trade and other receivables as at 30 June	33 552	58 026
Other assets as at 30 June	6 153	7 086
Receivables from non-current assets sold	-15	-21
Receivables under dividends	-714	-
Receivables due to income tax	-274	-473
As at closing balance sheet after adjustments	38 702	64 618
Change in current liabilities (except for borrowings and loans and special funds)	-6 269	-5 027
Trade payables as at 1 January	27 139	47 154
Other liabilities as at 1 January	5 182	3 670
Provision to retirement benefits	-299	-83
Provision to unused annual leaves	-1 104	-1 255
Provision to audit of financial statements	-60	-72
Provision to other costs	-641	-385
Investment commitments	-	-46
Liabilities under discount of non-current liabilities	249	249
Repayment of the loan with interest through offsetting with commitments	852	-
Liabilities to shareholders	-8	-3
As at opening balance sheet after adjustments	31 310	49 230
Exclusion of repayment of the loan with interest through offsetting	-852	-
As at opening balance sheet after adjustments	30 458	
Trade payables as at 30 June	22 860	43 083
Other liabilities as at 30 June	2 259	8 770
Provision to retirement benefits	-263	-83
Provision to unused annual leaves	-689	-1 245
Provision to audit of financial statements	-23	-35
Provision to other costs	-189	-323
Investment commitments	-	-18
Liabilities under discount of non-current liabilities	242	249

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Repayment of the loan with interest through offsetting with commitments	-8	-6 195
As at closing balance sheet after adjustments	24 189	44 203

Change in other adjustments on 30 June	45	610
Change in deferred income - advances received	1 383	-5 798
Change in deferred income under amounts due to the ordering parties under long-term contracts	-1 432	2 265
Change - security deposit constituting the collateral of a bank guarantee of reimbursement of advance payment *)	-	3 036
Offsetting of loans granted to company Elektromontaż Kraków S.A. with trade payables.	-	852
Other	94	255

*) In connection with the implementation of the investment project in Belarus, in order to secure the return of received advance payment the Company has granted a bank guarantee of refund of advance to the amount of EURO 7,230 thousand. As the collateral of the guarantee, the Company, under a contract on security deposit in cash, has placed a deposit in the bank in the amount of EURO 2,191 thousand. The security deposit shall be reduced by the amounts settled during the implementation of the project, on 30 June 2016 amounted to EURO 61 thousand. As of 30 June 2016, the part of the security deposit not accounted for, and discounted is presented in the statement of financial position in the item other current financial assets in the amount of PLN 261 thousand (Note No. 8).

Note No. 22 – Operating segments

Assets of the Representation Office in Belarus as at 30 June 2017 and as at 31 December 2016 do not exceed 10% of balance sheet amount.

Revenues from operations achieved outside Poland (Exports) in the period from 1 January 2017 to 30 June did not occur, in the analogous period of the previous year, revenues amounted to PLN 94324 thousand. (i.e. 15.5% of sales revenue).

Information on major customers, which share in the sales revenue for the first half of 2017 exceeded 10% of the total revenues from sale:

- Irydion Sp. z o. o. jointly-controlled company - revenues in the amount of PLN 2 828 thousand what represents 13.0% of sales revenue, which were shown in the segment of “General Contracting” and “Design services and other engineering services”.
- A customer who engages in the manufacture of synthetic rubber, polystyrene (PS) and expanded polystyrene (EPS), XPS insulation boards and vinyl and acrylic dispersions, as well as adhesives for Woodmax wood - revenues in the amount of PLN 3 2247 thousand, what represents 14.9% of sales revenue, which were shown in the segment of “General Contracting” and “Design services and other engineering services”.
- A client who deals with the implementation of new technologies - sales revenue PLN 2 924 thousand, what represents 13.4 % of sales revenue, which were shown in the segment of “General Contracting”.
- A customer who operates in the market of general contracting - revenues in the amount of PLN 2 483 thousand, what represents 11.4% of sales revenue, which were shown in the segment of “General Contracting” and “Design services and other engineering services”.

Detailed data on the activities of PROCHEM S.A. in particular segments are presented in the following tables. Below is presented an analysis of the Company's revenues and performance in particular reporting segments.

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For the period From 1 January 2017 to 30 June 2017	General contracting	Design services and other engineering services	Rental of construction equipment	Other	Items not assigned	Total
Revenues to customers	6 172	13 600	1 392	620	-	21 784
Total segment revenues	6 172	13 600	1 392	620	-	21 784
Result of the segment	576	-2 198	305	354	-	-963
Financial income	-	-	-	-	1 199	1 199
Finance costs	-	-	-	-	-637	-637
Net financial income					562	562
Profit on other operating activities	-	-	-	-	72	72
Before tax profit	-	-	-	-	-329	-329
Income tax	-	-	-	-	-351	-351
Net profit for the current period	-	-	-	-	22	22
Assets as at 30 June 2017						
Segment assets (related to activity)	27 290	3 476	713	104	-	31 583
Assets unallocated (among others shares, other financial assets)	-	-	-	-	67 671	67 671
Total assets	27 290	3 476	713	104	67 671	99 254
Depreciation of property, plant and equipment	13	9	51	135	-	208
Amortisation of intangible assets	-	-	-	-	71	71
Write-downs of segment assets (receivables from supplies and services)	-59	-369	-3 178	-170	-	-3 776
For the period From 1 January 2016 to 30 June 2016						
	General contracting	Design services and other engineering services	Rental of construction equipment	Other	Items not assigned	Total
Revenues to customers	48 031	10 842	1 556	466	-	60 895
Total segment revenues	48 031	10 842	1 556	466	-	60 895
Result of the segment	-19 754	-3 422	528	-210	-	-22 858
Financial income	-	-	-	-	457	457
Finance costs	-	-	-	-	-1 387	1 387
Net financial income					-930	-930
Profit on other operating activities	-	-	-	-	185	185
Before tax profit	-	-	-	-	-23 603	-23 603
Income tax	-	-	-	-	-3 124	-3 124
Net profit for the current period	-	-	-	-	-20 479	-20 479
Assets as at 30 June 2016						
Segment assets (related to activity)	47 032	4 754	799	417	-	53 002
Assets unallocated (among others shares, other financial assets)	-	-	-	-	76 698	76 698
Total assets	47 032	4 754	799	417	76 698	129 700
Depreciation of property, plant and equipment	10	55	50	288	-	403
Amortisation of intangible assets	-	-	-	-	83	83
Write-downs of segment assets (receivables from supplies and services)	-114	-369	-5 010	-370	-	-5 863

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.

Interim condensed separate financial statements of PROCHEM S.A. as at and for the period of 6 months ended 30 June 2017

	1 January -30 June 2017	1 January -30 June 2016
Poland	21 784	51 463
Belarus	-	9 432
Total sales revenues	21 784	60 895

Geographical breakdown of property, plant and equipment and intangible assets

	30 June 2017	31 December 2016
Poland	1 521	1 805
Belarus	-	-
Total property plant and equipment and intangible assets	1 521	1 805

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

	As at 30 June 2017	As at 31 December 2016
<i>Collateral granted</i>		
bank guarantee of good performance and statutory warranty	18 396	16 680
tender guarantee	-	-
payment guarantee	-	37
guarantee of return of advance payment	-	-
Total collateral granted	18 396	16 717
<i>Contingent liabilities</i>		
Surety of promissory notes issued by subsidiary PRO-INHUT Sp. z o. o. seated in Dąbrowa Górnicza for the benefit of investor in order to secure the claims in the scope of a good performance	247	247
Letters of Credit	-	-
Total collateral granted and contingent liabilities	18 643	16 964

<i>Collateral received</i>	As at 30 June 2017	As at 31 December 2016
Bank guarantee of good performance	5 685	5 087
Total collateral received	5 685	5 087

Contingent receivables from PERN described in Note No 29.

Nota 24 - Profit sharing

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.

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
Classes of financial instruments			
Receivables from supplies and services	7	31 603	31 603
Cash		485	485
Loans granted	5, 8	36 687	36 687
Total		68 775	68 775

31 December 2016 roku	Categories of financial instruments		
	nota	Loans , receivables and other	Total
Classes of financial instruments			
Receivables from supplies and services	9	36 337	36 337
Cash		245	245
Loans granted	7 and 10	36 936	36 936
Total		73 518	73 518

The fair value of financial instruments does not differ significantly from the book value.

Financial liabilities

As at 30 June 2017 (in PLN thousands)	Categories of financial instruments		
	Note No.	Financial liabilities measured at amortized cost	Total
Classes of financial instruments			
Loans	10	11 400	11 400
Borrowings	11	7 099	7 099
Trade payables	12	22 860	22 860
Total		41 359	41 359

31 December 2016	Categories of financial instruments			
	nota	Financial liabilities measured at amortized cost	Liabilities excluded from IAS 39	Total
Classes of financial instruments				
Loans	18	7 303	-	7 303
Borrowings	16	7 002	-	7 002
Trade payables	20	27 139	-	27 139
Total		41 444	-	41 444

The fair value of financial instruments does not differ significantly from the book value.

Liquidity risk connected with the concentration of sales revenues

In the first half of 2017 PROCHEM S.A. realized sales revenues in the amount of PLN 21 784 thousand. The customers, whose sales revenue exceeded 10% of sales revenue disclosed in the statement of profit and loss have been described in Note 22 - Operating segments.

Note No. 27 - 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 (hereinafter related persons).

Key management personnel constitute Members of the Management Board of the Company and Members of the Supervisory Board of the Company.

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.

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 Issuer.

Remuneration of key management personnel

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

1. remuneration paid to the Members of the Management Board in total amount of PLN 450 thousand,
2. remuneration paid to the Members of the Supervisory Board in total amount of PLN 158 thousand.

The remuneration paid to the Members of the Management Board and to the Members of the Supervisory Board in the first half of 2017 on account of serving on the Management Boards and the Supervisory Boards of companies belonging to the Capital Group amounted to PLN 219 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 loans mutual granted.

Settlements with related entities include receivables and liabilities both trade and financial.

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

Reporting period

(in PLN thousands)

from 1 January to 30 June 2017				
	Sale of services	Acquisition of services	Financial income – interest on loan	Financial income – dividends received
subsidiaries	35	772)*	153	741
Jointly-controlled entities and associated entities	2 828)**	1 842	187	-

)* - including electrical services acquired and supplies of electrical equipment from subsidiary Elektromontaż Kraków S.A. in the amount of PLN 637 thousand.

)** - sale of services and acquisition of services as a total relate to revenues from jointly-controlled company Irydion Sp. z o. o. in Warsaw, on behalf of which is implemented investment task under

Interim condensed separate financial statements of PROCHEM S.A. as at and for the period of 6 months ended 30 June 2017

the name of "Astrum Business Park" in Warsaw.

As at 30 June 2017				
	Trade receivables	Receivables under loans granted	Other receivables	Trade payables
subsidiaries	540	18 165	714	3 362
Jointly-controlled entities and associated entities	3 247	18 522	933	373

Comparative period
(in PLN thousands)

from 1 January to 30 June 2016				
	Sale of services	Acquisition of services	Financial income – interest on loan	Financial income – dividends received
subsidiaries	96	5 652)*	158	65
Jointly-controlled entities and associated entities	13 163)**	-	188	-

)* - including electrical services acquired and supplies of electrical equipment from subsidiary Elektromontaż Kraków S.A. in the amount of PLN 5 488 thousand.

)** - sale of services and acquisition of services as a total relate to revenues from jointly-controlled company Irydion Sp. z o. o. in Warsaw, on behalf of which is implemented investment task under the name of "Astrum Business Park" in Warsaw.

As at 30 June 2016			
	Trade receivables	Receivables under loans granted	Trade payables
subsidiaries	1 167	18 523	3 785
Jointly-controlled entities and associated entities	7 444	18 142	187

Note No. 28 – Events after reporting date

Such events did not occur.

Note No. 29 – Information on significant proceedings pending before the court

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

On 26 August 2008 the Court of Appeal in Warsaw issued a final judgment on the appeal lodged by PROCHEM S.A. from the a/m judgment of the District Court, recognizing in it that the claim filed by PROCHEM S.A. regarding accounting for the contract is not premature, and at the same time has

ordered that the District Court will make the accounting for the contract mentioned above pursuant to the provisions of the contract. This finding is in compliance with position in a case of PROCHEM S.A.

On 12 August 2010 the hearing was held before the District Court in Warsaw, where the Court decided to appoint an expert - Warsaw University of Technology - Department of Civil Engineering, who according to the recommendations of Court of Appeal will make an ultimate accounting for in relation to the disputed contract. In April 2011, the case file was forwarded to the expert witness, who in an opinion published in May 2012 confirmed the amount of the claim of PROCHEM S.A. By order of May 31, 2012, the District Court granted the Warsaw University of Technology a remuneration for opinion in the case, in relation to which the defendant PERN lodged a complaint. According to PERN SA the prepared opinion could not be the basis of the findings of facts of the case for the Court, because it is contrary to the thesis of the Court in which was determined the basis and scope of the opinion.

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

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

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

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

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

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

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

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

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

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

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

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

- in the main action, jointly and severally for the benefit of the Issuer and a member of the consortium adjudged from PERN:

- ✓ amount of PLN 35 086 589.26, with statutory interest from 23 March 2006 until the date of payment;
- ✓ amount of PLN 4 879 883.58, with statutory interest from 22 March 2006 until the date of payment;
- ✓ amount of PLN 126 400,4, with statutory interest from 16 January 2007 until the date of payment.

- in the cross action, dismissed the action of PERN entirely.

The statutory interest on the aforementioned amounts as at 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.

Note No. 30 - Other explanatory information to interim condensed separate 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, 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;
- Marek Garliński – 88,000 units.

Nominal value of 1 share is PLN 1.

Composition of the Supervisory Board of PROCHEM S.A.

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

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

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.

Interim condensed separate financial statements of PROCHEM S.A. as at and for the period of 6 months ended 30 June 2017

In the first half of 2017 the Issuer did not grant any loans, sureties and guarantees to related entities.

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

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

Note No. 31 - Approval of the financial statements

Interim condensed separate 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