

REPORT FOR THE FIRST HALF OF 2018

Contents:

- Interim condensed separate financial statements of Prochem S.A. as at and for the period of six months ended 30 June 2018

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

Sales revenue 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 amount to:

- For the first half of 2018 - 4.2395PLN/EURO
- For the first half of 2017 - 4.2474PLN/EURO

Balance sheet data 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 amount to:

- 4.3616 PLN/EURO as at 30 June 2018
- 4.1709 PLN/EURO as at 31 December 2017

Selected financial data of Prochem S.A.

Description	Reporting period ended 30 June		Reporting period ended 30 June	
	2018	2017	2018	2017
	In PLN thousands		In EURO thousands	
<i>Separate statement of profit and loss</i>				
Revenues on sale	29 876	21 784	7 047	5 129
Gross profit on sale	1 222	2 190	288	516
Results from operating activities	-539	-891	-127	-210
Before tax profit	784	-329	185	-77
Profit for the period	785	377	185	89
Profit/diluted profit per one ordinary share (in PLN/EURO)	0.20	0.10	0.05	0.02
<i>Statement of cash flows</i>				
Net cash provided by (used in) operating activities	-2 423	-4 663	-572	-1 098
Net cash provided by (used in) investing activities	875	969	206	228
Net cash provided by (used in) financing activities	-16 530	3 934	-3 899	926
Total cash flows, net	-18 078	240	-4 264	57

Description	As at		As at	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017
	In PLN thousands		In EURO thousands	
<i>Statement of financial position</i>				
Total assets	74 383	93 512	17 054	22 420
Total non-current assets	54 413	54 142	12 475	12 981
Total current assets	19 971	39 370	4 579	9 439
Total equity	42 761	65 976	9 804	15 818
Total non-current liabilities	8 975	1 422	2 058	341
Total current liabilities	22 647	26 114	5 193	6 261
Book value per one ordinary share (in PLN/EURO)	10.98	16.94	2.52	4.06
Weighted average number of shares	3 895 000	3 895 000	3 895 000	3 895 000

Statement of the Management Board

Statement of the Management Board on the true and fair preparing of interim condensed separate financial statements

The Management Board of Prochem S.A. declares hereby, that interim condensed separate financial statements were prepared in compliance with requirements of IAS 34 "Interim Financial Reporting" and with the Regulation of the Minister of Finance dated 29 March 2018 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 of 2018 item 757) („Regulation”) and presents financial position of Prochem S.A. as at 30 June 2018 and 31 December 2017, results of its operations and cash flows for the period of 6 months ended on June 30, 2018 and June 30, 2017.

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 Misters Audytor Adviser Sp. z o. o. seated in Warsaw, Wiśniowa 40 Street, 02-520 Warszawa, the entity authorized to audit financial statements entered on the list of audit firms under number 3704 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 2018

INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS OF PROCHEM S.A.

As at and for the period of 6 months ended 30 June 2018

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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 2018

Separate statement of financial position as at 30 June 2018

(all amounts in PLN thousands if not stated otherwise)

	Note No.	30 June 2018	31 December 2017
A s s e t s			
Non-current assets			
Property, plant and equipment	1	903	964
Intangible assets		171	177
Investment property		246	246
Shares in subsidiaries	2	8 478	8 478
Shares in equity-accounted investees	3	4 502	4 502
Deferred tax assets		2 744	2 743
Other financial assets	5	37 368	37 032
Total non-current assets		54 412	54 142
Current assets			
Inventories	6	33	28
Trade and other receivables	7	11 229	17 620
Amounts due from customers under agreements	13	7 403	2 260
Other financial assets	8	131	130
Other assets	9	611	690
Cash and cash equivalents		564	18 642
Total current assets		19 971	39 370
Total assets		74 383	93 512
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
Own shares		-960	-
Revaluation reserve		107	107
Retained earnings		39 719	61 974
Total equity		42 761	65 976
Non-current liabilities			
Provision for retirement and similar benefits		448	472
Non-current loans	10	8 527	950
Total non-current liabilities		8 975	1 422
Current liabilities			
Current bank loans	11	159	-
Trade payables	12	17 320	18 350
Amounts owed to customers under agreements	13	1 095	1 913
Other liabilities	14	4 073	5 851
Total current liabilities		22 647	26 114
Total liabilities		31 622	27 536
Total equity and liabilities		74 383	93 512
Weighted average number of ordinary shares (units)		3 895 000	3 895 000
Book value per one share (in PLN)		10.98	16.94

Interim condensed separate financial statements of PROCHEM S.A. as at and for the period of 6 months ended 30 June 2018

**Separate statement of profit and loss
from 1 January 2018 to 30 June 2018**

(all amounts in PLN thousands if not stated otherwise)

	Note No.	Period ended 30 June 2018	Period ended 30 June 2017
Revenues from sale, including:		29 876	21 784
Revenues from sale of services	16	29 019	21 784
Revenues from sale of goods and materials		857	-
Cost of sales, including:		-28 654	-19 594
Cost of services sold	17	-27 840	-19 594
Cost of merchandise and raw materials		-814	-
Gross profit on sales		1 222	2 190
General and administrative expenses	17	-4 145	-3 153
Other operating income	18	2 483	107
Other operating expenses	19	-99	-35
Results from operating activities		-539	-891
Financial income	20	1 501	1 199
Finance expenses	21	-178	-637
Before tax profit		784	-329
Income tax expense :	4	-1	-706
- current tax		-	-353
- deferred tax		-1	-353
Profit for the period		785	377
Weighted average number of ordinary shares (units)		3 895 000	3 895 000
Profit/diluted profit per share (in PLN per one share)		0.20	0.10

Separate statement of comprehensive income

	Period ended 30 June 2018	Period ended 30 June 2017
Profit for the period	785	377
Other comprehensive income net	0	0
<i>Other comprehensive income that will be reclassified to profit or loss under certain conditions:</i>	0	0
<i>Other comprehensive income that will not be reclassified to profit or loss:</i>	0	0
Total comprehensive income	785	377
Weighted average number of ordinary shares (units)	3 895 000	3 895 000
Total comprehensive income per ordinary share (in PLN per one share)	0.20	0.10

Separate statement of changes in equity

Interim condensed separate financial statements of PROCHEM S.A. as at and for the period of 6 months ended 30 June 2018

(all amounts in PLN thousands if not stated otherwise)

	Share capital	Own shares	Revaluation reserve	Retained earnings	Total equity
Reporting period from 1 January 2018 to 30 June 2018					
As at the beginning of the period	3 895	-	107	61 974	65 976
Net profit (loss) of the given period	-	-	-	785	785
Buyback of own shares for redemption	-	-960	-	-23 040	-24 000
Other comprehensive income (net)	-	-	-	-	0
Total comprehensive income	-	-960	-	-22 255	-23 215
As at the end of the period	3 895	-960	107	39 719	42 761

Reporting period from 1 January 2017 to 30 June 2017

	Share capital	Revaluation reserve	Retained earnings	Total equity
As at the beginning of the period (audited)	3 895	837	48 727	53 459
Error adjustment	-	-	-388	-388
As at the beginning of the period (restated)	3 895	837	48 339	53 071
Profit (loss) net of the given period	-	-	22	22
Total comprehensive income	-	-	22	22
As at the end of the period (upon review)	3 895	837	48 361	53 093

Separate statement of cash flows

Interim condensed separate financial statements of PROCHEM S.A. as at and for the period of 6 months ended 30 June 2018

For the period from 1 January 2018 to 30 June 2018

(all amounts in PLN thousands if not stated otherwise)

	Note No.	Period ended 30 June 2018	Period ended 30 June 2017
Cash flows – operating activities			
Before tax profit		784	-329
Total adjustments		-3 207	-4 332
Amortization and depreciation	17	261	279
Interest and profit sharing (dividends)		-1 295	-822
(Profit) loss on disposal of property, plant and equipment		-83	-
Change in provisions		118	-940
Change in inventories		-5	5
Change in receivables and other assets	7	1 325	3 370
Change in current liabilities, except for loans and borrowings	14	-1 854	-6 269
Other adjustments (including deferred income)	13	-1 674	45
Cash provided by (used in) operating activities		-2 423	-4 661
Income tax paid		-	-2
Net cash provided by (used in) operating activities		-2 423	-4 663
Cash flows – investing activities			
Inflows		1 069	987
Disposal of intangible assets and property, plant and equipment		2	3
Inflows from financial assets in related entities, including:		1 067	786
- dividend received		1 067	27
- inflows from sale of financial assets		-	367
- repayment of interest on loans granted		-	392
Inflows from financial assets in other entities, including:		-	198
- repayment of loans granted		-	133
- repayment of interest on loans granted		-	65
Outflows		-194	-18
Acquisition of intangible assets and property, plant and equipment		-194	-18
Net cash provided by (used in) investing activities		875	969
Cash flows – financing activities			
Bank loan		-	5 147
Borrowings		7 500	-
Acquisition of own shares		-24 000	-
Repayment of bank loans		-	-1 050
Interest and commission paid		-30	-163
Net cash provided by (used in) financing activities		-16 530	3 934
Total cash flows, net		-18 078	240
Cash and cash equivalents at the beginning of the period		18 642	245
Cash and cash equivalents at the end of the period		564	485

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

1.1. Adopted accounting principles

Principles of presentation and a statement of compliance

Interim condensed separate financial statements of Prochem S.A. for the period from 1 January to 30 June 2018 was prepared according to International Accounting Standards (IAS) 34 “Interim Reporting”, which were adopted by European Union (EU) and Decree of the Minister of Finance of 29 March 2018 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 of 2018 item 757) (“Decree”). 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 2017.

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:

- Investment properties measured at fair value.

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

Significant accounting policies and changes in IFRS

In preparing the interim condensed separate financial statements hereby 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 2017.

New standards, interpretations and changes in published IFRS

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 financial statements hereby 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 2017 except for the adopted new standards IFRS 15 “Revenue from Contracts with Customers” and „IFRS 9 Financial Instruments”.

Estimates made

Information about the adopted assumptions and uncertainties being related to estimates made, are included in the following notes of financial statements for 2017.

- 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.

Interim condensed separate financial statements of PROCHEM S.A. as at and for the period of 6 months ended 30 June 2018

They relate to the valuation of retirement benefits, the assessment of the degree of realization and profitability of long-term contracts (of gross margin).

Company Prochem S.A. retrospectively applied the IFRS 15 and IFRS 9 standards with effect from 1 January 2018. According to the option allowed by the standard, the Company resigned from restating of comparable data. Data as at 31 December 2017 as well as for the first quarter of 2017 were prepared based on IAS 39, IAS 18 and IAS 11.

The previously applied selected accounting principles in the scope of sales revenues (IAS 18, IAS 11) and financial instruments (IAS 39) were disclosed in the financial statements for 2017.

IFRS 15

The Company applies the principles of IFRS 15 taking into account the assumptions adopted in this model. This model assumes that revenue should be recognized when (or in the extent in which) the entity transfers the control over the goods or services to the customer, and in the amount, to which entity expects to be entitled. Depending on the meeting of determined criteria, the revenues:

- are distributed over time in a way that reflects the implementation of the contract by the entity, or to which entity expects to be entitled.
- are recognized once, in such a time when the control over the goods or services is transferred to the customer.

The analysis made by the Company did not show the impact of the application of IFRS 15 on the financial statements prepared in previous years.

To ensure the comparability of data in the statement of financial position, the following reclassifications of data were made as at December 31, 2017.

Statement of financial position

Assets	As at 31 December 2017 (in PLN thousands)	Reclassifications (in PLN thousands)	As at 31 December 2017 upon restatement (in PLN thousands)
Other assets	2 950	-2 260	690
Amounts due from customers under agreements	0	2 260	2 260
Equity and liabilities			
Deferred income	1 913	-1 913	0
Amounts owed to customers under agreements	0	1 913	1 913

IFRS 9

At the moment of initial recognition, financial assets should be classified into one of three categories:

- financial assets measured at amortized cost;
- financial assets measured at fair value through profit or loss; or
- financial assets measured at fair value through other comprehensive income.

The Company qualifies financial assets to the appropriate category depending on the business model of financial assets management and the characteristics of contractual cash flows for a given financial asset.

Component of financial assets is classified into the category of measured on initial recognition at amortized cost if the following two conditions are met:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows are solely payments of principal and interest on the principal outstanding.

Interim condensed separate financial statements of PROCHEM S.A. as at and for the period of 6 months ended 30 June 2018

Component of financial assets is classified into the category of measured at fair value through other comprehensive income:

- the Company's objective is to hold assets in order both to receive cash flows from the contracts as well as their selling,
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Other financial assets are measured at fair value through profit or loss for the current period.

The impact of the implementation of IFRS 9 on the change in the classification of financial assets as at 1 January 2018 is presented below.

Classes of financial instruments	Classification under IAS 39	Classification under IFRS 9
Financial assets available for sale	Available for sale	Measured at fair value through profit or loss
Security deposits from contracts for construction	Loans and receivables	Measured at amortized cost
Trade and other receivables	Loans and receivables	Measured at amortized cost
Loans granted	Loans and receivables	Measured at amortized cost
Derivative financial instruments not covered by hedge accounting	Financial assets measured at fair value through profit or loss	Measured at fair value through profit or loss
Cash and cash equivalents	Loans and receivables	Measured at amortized cost

IFRS 9 did not introduce changes to the classification of financial liabilities.

In the scope of hedge accounting, the Company has decided to continue the existing measurement and classification methods.

IFRS 9 introduces a new approach to estimating the impairment of financial assets. Currently, the impairment model is based on the calculation of expected losses as opposed to the model resulting from IAS 39, which was based on the concept of losses incurred.

To estimate the expected credit losses in relation to trade receivables, the Company applied the simplified method allowed by IFRS 9. For the purpose of estimating the expected credit loss, the Company uses the provisions ratio, which takes into account historical data.

Taking into account the above calculation methodology for expected credit losses, the value of receivables may also be updated individually in case if in the individual assessment of the Management Board the risk of non-recoverability is significant, in particular in relation to:

- receivables from contractors placed in liquidation or bankruptcy
- receivables contested by debtors and such receivables from debtor, payments of which are in arrears and according to assessment of property and financial situation of the debtor the payment of contractual receivable is fraught with significant risk.

As a result of individual analysis, in case when despite significant overdue of receivables, the Company has a credible declaration of the contractor's payment, the creation of a write-off may be suspended.

The implementation of IFRS 9 did not significantly affect the amounts of write-downs as at 30 June 2018 as well as at 1 January 2018. Due to the fact that the calculated amount of impairment allowance as at 1 January 2018 in accordance with the adopted model of expected credit losses did not significantly differ from the amounts already recognized in the financial statements as at December 31, 2017, the Company took advantage of possibilities provided by in IFRS 9 and in result did not make restatement of the data of earlier periods, and because of that an adjustment was not made of the initial balance of the Company's retained earnings under the implementation of this IFRS.

The Company has not decided to apply the Standards and amendments to standards that have been published and endorsed in the EU, but have not yet entered into force and will introduce them on the date of adoption.

1.2. Seasonality

Operational activity of the Company and companies from the Group does not have seasonal character and is not subject to cyclic trends, except for the segment of the general contracting and rental of construction equipment, which are characterized by a seasonality, which in 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.

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 model compounds with the expansion of power complex” in Belarus. The request to close the Representation Office was submitted on 25 May 2018.

1.4. 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.

1.5. 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 equity 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.

1.6. Employment

Average employment in Prochem S.A. for the first half of 2018 was 180 FTEs, and for the first half of 2017 191FTEs.

Level of employment in Prochem S.A. on 30 June 2018 was 185 persons, and on 31 December 2017 193 persons.

2. Explanatory Notes to interims condensed separated financial statements as at 30 June 2018 and for the period of six months of 2018

Note No. 1 – Property, plant and equipment

	As at 30 June 2018	As at 31 December 2017
Property, plant and equipment, including:	892	964
- machinery and equipment	228	207
- other PPE	664	757
Construction under progress	11	-
Total property, plant and equipment	903	964
PPE - ownership structure	As at 30 June 2018	As at 31 December 2017
a) own	903	964
Total property, plant and equipment	903	964

	Change in PPE from 1 January 2018 to 30 June 2018	Change in PPE from 1 January 2017 to 31 December 2017
Gross value		
As at opening balance sheet	6 520	6 587
increase (due to)	133	129
- acquisition	133	129
decrease (due to)	-418	-196
- disposal	-165	-
- liquidation	-253	-196
Gross value as at closing balance sheet	6 235	6 520
Depreciation and impairment		
Accumulated depreciation – as at opening balance sheet	5 400	5 181
- increase – depreciation for the period	194	412
- decrease due to disposal	-165	-
- decrease due to liquidation	-253	-193
Accumulated depreciation as at closing balance sheet	5 176	5 400
Impairment of non-current assets	-156	-156
PPE net value – as at closing balance sheet	903	964

Note No. 2 – Shares in subsidiaries

	As at 30 June 2018	As at 31 December 2017
Shares in subsidiaries		
In subsidiaries	8 478	8 478
Shares, net value	8 478	8 478
Write-downs of financial non-current assets	1 523	1 523
Shares, gross value	10 001	10 001

Interim condensed separate financial statements of PROCHEM S.A. as at and for the period of 6 months ended 30 June 2018

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 2018	As at 31 December 2017
- Shares – net value	4 502	4 502
- write-downs 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 2018 to 30 June 2018	from 1 January 2017 to 31 December 2017
As at the beginning of the period	708	708
Increase, write-down of shares in associated entity	-	-
As at the end of the period	708	708

Note No. 4 – Effective tax rate

Establishment of the effective tax rate (in PLN thousands)	from 1 January 2018 to 30 June 2018	from 1 January 2017 to 31 December 2017
Profit for the period	785	12 684
Income tax	-1	2 266
Before tax profit	784	14 950
Income tax at the applicable rate of 19 %	149	2 841
Revenues not classified as tax revenues	-224	-1 436
Costs not constituting tax deductible expenses	159	763
Tax loss incurred outside the Republic of Poland, to which income tax asset was not established	-	62
Other	-85	36
Income tax	-1	2 266

Note No. 5 – Other financial assets

Other financial assets	As at 30 June 2018	As at 31 December 2017
a) from subsidiaries, jointly-controlled entities and associated entities:	37 368	37 032
- non-current loans granted	37 368	37 032
Total other financial assets	37 368	37 032

Loans granted – as at 30 June 2018

- Loans granted to the jointly-controlled company Irydion sp. z o. o. seated in Warsaw:
 - in the amount of PLN 12 214 thousand, including: amount of the loan PLN 11 000 thousand, accrued interest as at balance-sheet day amounts to PLN 1214 thousand. The interest rate is set annually according to WIBOR 6M rate, repayment date 22 September 2031.
 - in the amount of PLN 6 685 thousand, including: amount of the loan PLN 6 000 thousand, accrued interest as at balance-sheet day amounts to PLN 685 thousand. The interest rate is set annually at fixed rate of 3% per year, repayment date 22 September 2031

Interim condensed separate financial statements of PROCHEM S.A. as at and for the period of 6 months ended 30 June 2018

- Loans granted to subsidiary Prochem Inwestycje Sp. z o. o.
 - in the amount of PLN 3 247 thousand, including: amount of the loan PLN 3 000 thousand, accrued interest PLN 247 thousand. The interest rate is set annually according to WIBOR 6M rate effective at the end of every calendar year, repayment date 31 December 2020;
 - in the amount of PLN 15 222 thousand, including: amount of the loan PLN 14 000 thousand, accrued interest PLN 1 222 thousand. The interest rate is set annually according to WIBOR 6M rate effective at the end of every calendar year, the repayment date 31 December 2020.

Increase:

- Accrued interest on loans granted to:
 - 1) Jointly-controlled company Irydion Sp. z o. o. - PLN 186 thousand,
 - 2) Subsidiary Prochem Inwestycje Sp. z o. o. – PLN 150 thousand.

Loans granted - as at 31 December 2017

- Loans granted to jointly-controlled company Irydion Sp. z o. o. seated in Warsaw:
 - in the amount of PLN 12 117 thousand, including: amount of the loan PLN 11 000 thousand, accrued interest PLN 1 117 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 6 596 thousand, including: amount of the loan PLN 6 000 thousand, accrued interest PLN 596 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 3 222 thousand, including: amount of the loan PLN 3 000 thousand, accrued interest PLN 222 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 2020;
 - in the amount of PLN 15 097 thousand, including: amount of the loan PLN 14 000 thousand, accrued interest PLN 1 097 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 2020.

Note No. 6 – Inventories

	As at 30 June 2018	As at 31 December 2017
Materials	33	28
Total inventories, net	33	28
Write-down	575	575

Note No. 7 – Trade and other receivables

	As at 30 June 2018	As at 31 December 2017
Trade receivables, including:	13 672	20 086
Write-down of trade receivables	-4 084	-4 189
Net trade receivables, including:	9 588	15 897
- with the repayment period up to 12 months	8 862	15 675
- with the repayment period more than 12 months	726	222
Receivables from taxes, subsidies, custom duties, social and health insurance and other benefits	751	751
Other receivables	1 286	1 368
Write-down of other receivables	-396	-396
Net other receivables	890	972
Total receivables, net	11 229	17 620

Interim condensed separate financial statements of PROCHEM S.A. as at and for the period of 6 months ended 30 June 2018

Trade and other receivables from related entities	As at 30 June 2018	As at 31 December 2017
Trade receivables:	1 726	8 488
- from subsidiaries	1 142	1 531
- from the jointly-controlled entities and associated entities	584	6 957
Other receivables	866	946
- from the jointly-controlled entities and associated entities	866	946
Total current trade and other receivables from related entities net	2 592	9 434
Write-downs of receivables from related entities	-2	-
Current trade and other receivables from related entities, gross	2 590	9 434

Change in write-downs of trade and other receivables	As at 30 June 2018	As at 31 December 2017
As at the beginning of the period	4 585	4 529
a) increase (due to)	23	372
- provisions to receivables	23	372
b) decrease (due to)	128	316
- release of write-downs for receivables (payments received)	111	50
- use of the write-downs created in the previous years	17	266
Write-downs of current trade and other receivables at the end of the period	4 480	4 585

As at 30 June 2018 and as at 31 December 2017 trade receivables include the security deposits under granted statutory warranty for construction and assembly works respectively in the amount of PLN 1 089 thousand and 826 thousand.

Note No. 8 – Other financial assets

	As at 30 June 2018	As at 31 December 2017
a) from subsidiaries :	131	130
- current loans granted	131	130
Total other financial assets	131	130
Write-downs of other financial assets	207	207
Gross other financial assets	338	337

Loans granted - as at 30 June 2018

- Loan granted to subsidiary Pro-Inhut Sp. z o. o. in the amount of PLN 131 thousand, including amount of the loan PLN 130 thousand, interest is set at 3.25% per year, repayment date 30 September 2018.

Increase

- Accrued interest on loan granted to company Pro-Inhut sp. z o. o. in the amount of PLN 2 thousand.

Decrease

- Repaid interest on loan granted to company Pro-Inhut sp. z o. o. in the amount of PLN 1 thousand.

Loans granted - as at 31 December 2017

- Loan granted to subsidiary Pro-Inhut Sp. z o. o. in the amount of PLN 130 thousand, interest rate set at 3.25% per annum, repayment date September 30, 2018.

Note No. 9 – Other assets

Other assets (by type)	As at 30 June 2018	As at 31 December 2017
a) prepayments	611	690
- cost of property and personal insurance	351	175
- software maintenance costs	243	499
- subscriptions	7	15
- deferred costs	8	0
- other	2	1
b) other prepayments	-	2 260
- amounts due from the ordering parties under long-term contracts	-	2 260
Total other assets	611	2 950

Note No. 10 – Liabilities under non-current loans received

	As at 30 June 2018	As at 31 December 2017
Non-current loans granted by related entities	8 527	950

Loans received – as at 30 June 2018

- Loan received from subsidiary Elmont Inwestycje Sp. z o. o. in the amount of PLN 7 563 thousand, including: amount of the loan PLN 7 500 thousand, accrued interest PLN 63 thousand. The interest rate is set annually according to WIBOR 3M rate effective at the end of every calendar year plus margin 0.5. The repayment date was set on 31 December 2019.
- Loan received from subsidiary Prochem Zachód Sp. z o. o. in the amount of PLN 964 thousand, including: amount of the loan PLN 950 thousand, accrued interest PLN 14 thousand. The repayment date was set on 31 December 2020.

Increase:

- Accrued interest on the loan from subsidiary Elmont Inwestycje Sp. z o. o. in the amount of PLN 63 thousand.
- Accrued interest on loan from subsidiary Prochem Zachód Sp. z o. o. in the amount of PLN 14 thousand.
- Loan from subsidiary Elmont Inwestycje Sp. z o. o. in the amount of PLN 7 500 thousand. The interest rate is set annually according to WIBOR 3M rate effective at the end of every calendar year plus margin 0.5 percentage point. The repayment date was set on 31 December 2019.

Loans received – as at 31 December 2017

- Loan from subsidiary Prochem Zachód Sp. z o. o. in the amount of PLN 950 thousand, including: amount of the loan PLN 950 thousand. The repayment date was set on 31 December 2020.

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Note No. 11 – Current bank loans

	As at 30 June 2018	As at 31 December 2017
Loans	159	-

Information on bank loans:

Name of the bank	Registered office	Amount of the loan acc. to agreement (in PLN thousand)	Amount of the loan to be repaid (in PLN thousand)	Terms of interest	Repayment date	Collateral
mBank SA	Warsaw	5,000 Credit in overdraft	159	WIBOR for O/N deposits in PLN + margin	30 November 2018	Promissory note in blank, pledge by court on shares

Note No. 12- Trade payables

	As at 30 June 2018	As at 31 December 2017
a) to subsidiaries	1 227	1 707
- from supplies and services, with maturity period:	1 227	1 707
- up to 12 months	736	1 216
- above 12 months	491	491
b) to jointly-controlled entities and associated entities	971	10
- from supplies and services, with maturity period:	971	10
- up to 12 months	971	10
c) to other entities	15 122	16 633
- from supplies and services, with maturity period:	15 122	16 633
- up to 12 months	11 546	13 057
- above 12 months	3 576	3 576
Total trade payables	17 320	18 350

Note No. 13 – Amounts owed to customers under contracts

	As at 30 June 2018	As at 31 December 2017
Advance payments and prepayments received	293	958
Amounts owed to the ordering parties under long-term contracts	802	955
Amounts owed to the recipients under long-term agreements	1 095	1 913

Disclosures specified in IFRS15 are presented in the table below.

Description	30 June 2018 (in PLN thousand)	31 December 2017 (in PLN thousand)
The amount of revenues according to contracts	303 555	219 689
The amount of revenues invoiced	158 164	179 418
Planned performance obligations	295 682	210 153
Completed performance obligations	168 926	180 945
Amounts due from recipients	7 403	2 260
Amounts owed to recipients	1 095	1 913

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Nota 14 – Other liabilities

	As at 30 June 2018	As at 31 December 2017
a) to other entities	1 484	1 853
- due to taxes, duties, insurance and other benefit	1 471	1 837
- due to remuneration	-	4
- other (by type)	13	12
- liabilities to employees	8	7
- liabilities to shareholders	5	5
b) other current provisions	2 589	3 998
- provision for losses on contracts	657	477
- provision for future costs	578	2 129
- cost of audit	30	44
- current provision for retirement benefits	141	141
- provision for unused annual leaves	1 183	1 207
Total other liabilities	4 073	5 851

	As at 30 June 2018	As at 31 December 2017
Note No. 15 – Deferred income		
Deferred income, including:	0	1 913
- deferred income – advanced payments received	0	958
- amounts owed to ordering parties under long-time contracts	0	955
Deferred income at the end of the contract, including:	0	1 913
Non-current liabilities	0	-
Current liabilities	0	1 913

Note No. 16 - Revenues from sale of services

Revenues from sale of services (type of service and type of activity)	Period ended 30 June 2018	Period ended 30 June 2017
- revenues from sale of services, including:	29 019	21 784
- from related entities, including:	7 192	2 863
• subsidiaries	94	35
• jointly-controlled entities	7 098	2 828

Revenues from sale of services (territorial structure)	Period ended 30 June 2018	Period ended 30 June 2017
Domestic market	28 906	21 784
- including from related entities	7 192	2 863
Exports	113	0

Revenues under contracts for construction services (general contracting) and other services are presented in Note No. 23.

The gross amount due from ordering parties/recipients for the work arising from the contracts was presented in Note No. 13.

Information on major clients whose total value of revenues from sales of services exceeds 10% of total revenues of the entity for the first half of 2018 and the comparable period of 2017, which were presented in Note No. 23.

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Note No. 17 – Cost of services sold

	Period ended 30 June 2018	Period ended 30 June 2017
a) amortization and depreciation	261	279
b) consumption of materials and energy	361	359
c) outsourcing	20 040	12 896
d) taxes and levies	21	37
e) remuneration	9 606	7 748
f) social security and other benefits	1 748	1 562
g) other types of costs (by category), including:	1 362	1 291
- property and personal insurance	452	403
- business trips	90	103
- State Fund for Rehabilitation of Disabled Persons (PFRON)	99	107
- rental of cars	454	452
- other	267	226
Total costs by type	33 399	24 172
Change in inventories, products and accruals and prepayments	-1 414	-1 425
General and administrative expenses (negative value)	-4 145	-3 153
Cost of services sold	27 840	19 594

Note No. 18- Other operating income

	Period ended 30 June 2018	Period ended 30 June 2017
a) gain on sale of non-financial non-current assets	83	-
b) reversal of impairment allowance (due to)	111	8
- for receivables	111	8
c) other, including:	2 289	99
- compensation, fines and penalties received	-	65
- write off of outdated liabilities	2 287	-
- other	2	34
Total other operating income	2 483	107

Note No. 19 – Other operating expenses

	Period ended 30 June 2018	Period ended 30 June 2017
b) impairment allowance (of)	23	28
- receivables	23	28
c) other, including:	76	7
- litigation costs	44	7
- paid compensation, fines and penalties	6	-
- other operating costs of the representation office	8	-
- other	18	-
Total operating expenses	99	35

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Note No. 20 – Financial income

	Period ended 30 June 2018	Period ended 30 June 2017
a) revenues under dividends and profit sharing	1 067	741
- from subsidiaries	1 067	741
b) interest on loans granted	338	340
- from subsidiaries	152	153
- from jointly-controlled entities and associated entities	186	187
c) other interest	32	1
- from other entities	32	1
d) surplus of foreign exchange gains	2	-
e) other, including:	62	117
- revenues under discount of financial assets	-	27
- other	62	90
Total financial income	1 501	1 199

Note No. 21 – Finance expenses

	Period ended 30 June 2018	Period ended 30 June 2017
a) interest on bank loans	3	105
a) interest on borrowings	77	97
- for related entities	77	97
b) other interest	2	59
- for other entities	2	59
c) surplus of foreign exchange losses	-	102
d) other, due to :	96	274
- commission on bank guarantees	66	143
- commission on loans	30	58
- costs under discount of financial assets	-	73
Total finance expenses	178	637

Note No. 22– 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):

Change in current receivables	1 325	3 370
Receivables as at 1 January	17 620	38 042
Other assets as at 1 January	2 950	4 757
Receivables from non-current assets sold	-15	-18
Receivables under sale of shares	-	-367
Receivables under income tax	-641	-342
Opening balance sheet after adjustments	19 914	42 072
Receivables as at 30 June	11 229	33 552
Other assets as at 30 June	611	6 153
Amounts due under agreements	7 403	-

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Receivables from non-current assets sold	-13,00	-15
Receivables under dividends	-	-714
Receivables under income tax	-641	-274
Closing balance sheet after adjustments	18 589	38 702
Change in current liabilities (except for borrowings and loans and special funds)	-1 851	-7 121
Payables as at 1 January	18 350	27 139
Other liabilities as at 1 January	5 851	5 182
Provision to retirement benefits	-141	-299
Provision to unused annual leaves	-1 207	-1 104
Provision to audit	-44	-60
Provision to other costs	-477	-641
Investment commitments	-	-
Liabilities under discount of non-current liabilities	-	249
Liabilities to shareholders	-5	-8
Offsetting of loans granted to Elektromontaż Kraków S.A. with trade liabilities	-	852
Opening balance sheet after adjustments	22 327	31 310
Offsetting of loans granted to Elektromontaż Kraków S.A. with trade liabilities	-	-852
Opening balance sheet after adjustments	22 324	30 458
Liabilities as at 30 June	17 320	22 860
Other liabilities as at 30 June	4 074	2 259
Amounts owed to suppliers under agreements	1 095	-
Provision for retirement benefits	-141	-263
Provision to unused annual leaves	-1 183	-689
Provision to audit of financial statements	-30	-23
Provision to other costs	-657	-189
Liabilities under discount of non-current liabilities	-	242
Liabilities to shareholders	-5	-8
Closing balance sheet after adjustments	20 473	24 189
Change in adjustments	-1 674	45
Change in deferred income – advances received	-728	1 383
The security deposit as collateral for bank guarantee of reimbursement of advance payment.	-	-1 432
Amounts owed to ordering parties under long-term contracts.	-955	-
Other adjustments.	9	94

Note No. 23– Operating segments

Revenues from operations achieved beyond the Polish border (exports) in the period from 1 January to 30 June 2018 amounted to PLN 113 thousand (i.e. 0.4 % of sales revenue), in the analogous period of the previous year revenues amounted to PLN 9 432 thousand (i.e. 11.8% of sales revenue).

Information on major customers, that share in the sales revenue for the first half of 2018 exceeded 10% of total sales revenue:

- Irydion Sp. z o. o. jointly-controlled company – revenues in the amount of PLN 7 098 thousand, what constitutes 23.8% of sales revenue, which were shown in the segment "General contracting" and "Design services and other engineering services".

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- A client who operates on the market of the general contracting – revenues in the amount of PLN 7 416 thousand, what represents 25.5% of sales revenue, which were shown in the segment „General contracting” and ”Design services and other engineering services”.

Detailed data on the activities of Prochem S.A. in individual segments are shown in the tables below. Below is an analysis of the Company's revenues and results in individual segments covered by the reporting.

For the period From 1 January 2018 to 30 June 2018	General contracting	Design services and other engineering services	Rental of construction equipment	Other	Items not assigned	Total
Revenues to customers	18 305	9 355	1 783	433	-	29 876
Total segment revenues	18 305	9 355	1 783	433	-	29 876
Result of the segment	405	-3 775	183	264	-	-2923
Financial income	-	-	-	-	1 501	1 501
Finance costs	-	-	-	-	-178	-178
Net financial income					1 323	1 323
Profit on other operating activities	-	-	-	-	2 584	2 584
Before tax profit	-	-	-	-	784	784
Income tax	-	-	-	-	-1	-1
Net profit for the current period	-	-	-	-	785	785
Assets as at 30 June 2018						
Segment assets (related to activity)	5 668	2 778	1 036	972	-	10 454
Assets unallocated (among others shares and other financial assets)	-	-	-	-	63 929	63 929
Total assets	5 668	2 778	1 036	972	63 930	74 383
Depreciation of property, plant and equipment	12	12	48	122	-	194
Amortization of intangible assets	-	-	-	-	67	67
Write-down of segment assets (receivables from supplies and services)	-234	-369	-3 097	-384	-	-4 084
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 and 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

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Amortization of intangible assets	-	-	-	-	71	71
Write-down of segment assets (receivables from supplies and services)	-59	-369	-3 178	-170	-	-3 776

Information about the geographical areas

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

	1 January -30 June 2018	1 January -30 June 2017
Poland	29 876	21 784
Belarus	-	-
Total sales revenue	29 876	21 784

Geographical breakdown of property, plant and equipment and intangible assets

	30 June 2018	31 December 2017
Poland	1 074	1 141
Belarus	-	-
Total property, plant and equipment and intangible assets	1 074	1 141

Note No. 24- Collateral granted and received and contingent liabilities and contingent assets

	As at 30 June 2018	As at 31 December 2017
Collateral granted		
Bank guarantee of good performance and statutory warranty	8 393	6 932
Tender guarantee	1 120	-
Guarantee of reimbursement of advance payment	2 973	1 177
Total collateral granted	12 486	8 109
Contingent liabilities		
Surety of promissory notes issued by subsidiary PRO-INHUT Sp. z o. o. seated in Dąbrowa Górnicza for the benefit of investor in order to secure the claims in the scope of a good performance	247	247
Total collateral granted and contingent liabilities	12 733	8 356
Collateral received		
Bank guarantee of good performance	5 690	3 866
Total collateral received	5 690	3 866

Note No. 25 - Profit sharing

Pursuant to the Resolution No 15 of the Ordinary General Meeting dated 21 June 2018 the Issuer's net profit for 2017 in the amount of PLN 12 684 166.55 will be entirely allocated to the reserve capital.

Note No. 26 - Dividend

Dividend has not been paid.

Note No. 27 - Financial instruments and financial risk management

Financial assets

As at 30 June 2018 (in PLN thousands)	Categories of financial instruments		
	Note No.	Loans, receivables and other	Total
Classes of financial instruments			
Receivables from supplies and services	7	9 588	9 588
Cash		564	564
Loans granted	5 and 8	37 499	37 499
Total		47 651	47 651

31 December 2017	Categories of financial instruments		
	Note No.	Loans, receivables and other	Total
Classes of financial instruments			
Receivables from supplies and services	7	15 897	15 897
Cash		18 642	18 642
Loans granted	5 and 8	37 162	37 162
Total		71 701	71 701

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

Financial liabilities

As at 30 June 2018 (in PLN thousands)	Categories of financial instruments		
	Note No.	Financial liabilities measured at amortized cost	Total
Classes of financial instruments			
Loans	11	159	159
Borrowings	10	8 527	8 527
Trade payables	12	17 320	17 320
Total		26 006	26 006

31 December 2017	Categories of financial instruments			
	Note No.	Financial liabilities measured at amortized cost	Liabilities excluded from IAS 39	Total
Classes of financial instruments				
Loans	11	-	-	-
Borrowings	10	950	-	950
Trade payables	12	18 350	-	18 350
Total		19 300	-	19 300

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

Liquidity risk connected with the concentration of sales revenues

In the first half of 2018 Prochem S.A. realized sales revenue in the amount of PLN 29 876 thousand. The customers, whose sales revenue exceeded 10% of sales revenue disclosed in the statement of profit and loss have been described in Note 23 - Operating segments.

Note No. 28 - 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 include Members of the Management Board of the Company and Members of the Supervisory Board of the Company.

In 2018, key management personnel and persons related to key management personnel, apart from remuneration did not conclude other transactions with the Issuer and the companies from the Capital Group.

In the first half of 2018 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 2018 in the Issuer`s enterprise was paid:

1. remuneration paid to the Members of the Management Board in total amount of PLN 885 thousand, including remuneration established on profit in 2017 was PLN 393 thousand
2. remuneration paid to the Members of the Supervisory Board in total amount of PLN 160 thousand.

Remuneration paid to the Members of the Management Board and to the Members of the Supervisory Board in the first half of 2018 on account of serving on the Management Boards and the Supervisory Boards of companies belonging to the Capital Group amounted to PLN 264 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 granted mutually.

Settlements with related entities include receivables and liabilities both trade and financial. Guarantees and sureties granted to related entities are presented in Note No 24.

Reporting period
(in PLN thousands)

	from 1 January to 30 June 2018				
	Sale of services	Acquisition of services	Financial income – interest on loan	Financial income – dividends received	Finance costs – interest on loans
Subsidiaries	94	1 012)*	152	1 067	77
Jointly-controlled entities and associated entities	7 098)**	1 742	186	-	-

)* - including electrical services and supplies of electrical equipment from subsidiary Elektromontaż Kraków S.A. in the amount of PLN 1 012 thousand.

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

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As at 30 June 2018

	Trade receivables	Receivables under loans granted	Other receivables	Trade payables	Liabilities under loans received
Subsidiaries	1 142	18 470	-	1 227	8 527
Jointly-controlled entities and associated entities	584	18 899	866	971	-

Comparative period

(in PLN thousands)

from 1 January to 30 June 2017

	Sale of services	Acquisition of services	Financial income – interest on loans	Financial income – dividends received	
Subsidiaries		35	772)*	153	741
Jointly-controlled entities and associated entities	2 828)**		1 842	187	-

)* - including purchased electrical services 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 entirely relate to revenues from jointly-controlled company Irydion Sp. z o. o. in Warsaw, on behalf of which investment task is implemented under 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

Note No. 29 – Events after the reporting date

Such events did not occur.

Note No. 30– Information on significant proceedings pending before the court

PROCHEM S.A. was a party to the proceedings before the court concerning the settlement of the contract in the formula of a Management Contracting (GRI) for an investment project under the name "Pipeline in a section from the ST- 1 Adamowo - to raw material base Plebanka" which was concluded with PERN S.A. and interrupted on 10 November 2005.

PROCHEM S.A. filed a lawsuit to the court for payment of PLN 41, 301 thousand under the final settlement of the contract. PERN S.A. filed a counter-claim from the cross action against the Company for the payment of PLN 129,444 thousand as the settlement of the contract.

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

- from a principal action, has adjudged from PERN jointly and severally for the benefit of the Issuer and a member of the consortium:
 - ✓ 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;

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✓ amount of PLN 126 400.44 with statutory interest from 16 January 2007 until the date of payment.

• from the cross action, dismissed the action of PERN in its entirety.

PERN S.A. lodged an appeal from the above judgment, on October 30, 2017 the appeal was dismissed by the Court of Appeal in Warsaw. Due to the dismissal of the appeal, the verdict of 22 October 2015 became final and the cash adjudged was transferred to the Issuer's account.

On April 5, 2018, was delivered to the Company's proxy a copy of the cassation complaint filed by PERN S.A. against the court sentence as above. Based on the legal opinion prepared by the Parent Company's proxy, the Management Board of the Parent Company is of the opinion that complaint lodged by PERN has no grounds, does not contain the necessary statutory premises, and is fraught with formal deficiencies, and being such the complaint should not be accepted by the Supreme Court for the considering. If, however, the complaint would be accepted for examination, the Supreme Court should dismiss it, due to the lack of justified basis. Therefore, the complaint creates a low risk to the stability of the judgments delivered in this case.

The value of this proceeding exceeds 10% of the equity of the Issuer.

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

Note No. 31 - Other explanatory notes to interim condensed separate financial statements

Statement of changes in the ownership of the issuer's shares or rights to them (options) by managing persons and supervising persons of the issuer, according to the information held by the issuer

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

- Jarosław Stępniewski – 68,383 pcs;
- Marek Kiersznicki – 59,474 pcs;
- Krzysztof Marczak – 36,908 pcs.;
- Andrzej Karczykowski – 201,882 pcs;
- Marek Garliński – 73,996 pcs.

Nominal value of 1 share is PLN 1.

As at the date of these financial statements, the Supervisory Board of Prochem S.A comprises of the following persons:

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

In the first half of 2018, there were no changes in the composition of the Supervisory Board.

Information on granting surety of loan or borrowing or giving a guarantee by the Issuer or by its subsidiary - jointly to one entity or subsidiary of this entity, 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 2018, the Issuer granted a loan to a subsidiary, Pro-Inhut Sp. z o. o. based in Dąbrowa Górnicza in the amount of PLN 130,000 The description of the transaction is provided in note 8. Sureties and guarantees to related entities were not granted.

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Description of factors which in the issuer's estimation will have an impact on the financial results achieved in the prospects of at least subsequent quarter

The Issuer is conducting intensive activities that will lead to the signing of several significant orders in the near future. These orders in subsequent quarters will cause improving both in terms of revenues from sales of services and results on activities. The completion of the construction and commercialization of the Astrum Business Park project in Warsaw will have a large impact on the results of the Issuer.

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

The impact on the results achieved in the first half of 2018 was the shifting of the commencement of implementation of contracts signed or being in the final stage of negotiations for the Issuer's services, as well as related costs of maintaining the production potential, in addition, write-off of overdue liabilities in the amount of PLN 2,286 thousand and received dividends in the amount of PLN 1,067 thousand.

Note No. 32 – Approval of the financial statements

Interim condensed separate financial statements of the company Prochem S.A. for the period from 1 January 2018 to 30 June 2018 has been approved for publication by the Management Board on 31 August 2018.

Signatures of the Members of the Management Board

31 August 2018	Jarosław Stępniewski	President of the Management Board
date	first name and surname	position	signature

31 August 2018	Marek Kiersznicki	Vice President of the Management Board
date	first name and surname	position	signature

31 August 2018	Krzysztof Marczak	Vice President of the Management Board
date	first name and surname	position	signature

Signature of the person responsible for bookkeeping

31 August 2018	Barbara Auguścińska-Sawicka	Chief Accountant
date	first name and surname	position	signature