



Telefon: +48 22 543 16 00
Telefax: +48 22 543 16 01
E-mail: office@bdo.pl
Internet: www.bdo.pl

BDO Sp. z o.o.
ul. Postępu 12
02-676 Warszawa
Polska

Prochem S.A.
95 Lopuszanska Street, Warsaw 02-457

Audit report
of the financial statement
for the period form 1 January 2017 to 31 December 2017

BDO Sp. z o.o. Sąd Rejonowy dla M. St. Warszawy, XIII Wydział Gospodarczy, KRS: 0000293339, Kapitał zakładowy: 1.000.000 PLN, NIP: 108-000-42-12. Biura regionalne BDO: Katowice 40-007, ul. Uniwersytecka 13, tel.: +48 32 661 06 00, katowice@bdo.pl; Kraków 31-548, al. Pokoju 1, tel.: +48 12 378 69 00, krakow@bdo.pl; Poznań 60-650, ul. Piątkowska 165, tel.: +48 61 622 57 00, poznan@bdo.pl; Wrocław 53-332, ul. Powstańców Śląskich 7a, tel.: +48 71 734 28 00, wroclaw@bdo.pl

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**INDEPENDENT AUDITOR'S REPORT
ON THE YEAR-END FINANCIAL STATEMENTS
for the General Meeting and Supervisory Board of Prochem S.A.**

We have audited the accompanying year-end financial statements of Prochem S.A. ("the Company") with its registered office at ul. Łopuszańska 95 in Warsaw, consisting of:

- the profit and loss account for the period from 1 January to 31 December 2017,
- the statement of comprehensive income for the period from 1 January to 31 December 2017,
- the statement of financial position prepared as at 31 December 2017,
- the statement of cash flows for the period from 1 January to 31 December 2017,
- the statement of changes in equity for the period from 1 January to 31 December 2017,
- additional information on significant accounting policies and notes to the financial statements.

Responsibilities of the Company's Management Board and Supervisory Board for the Financial Statements

The Company's Management Board is responsible for the preparation of the financial statements on the basis of properly kept books of account and for their fair presentation in accordance with International Accounting Standards, International Financial Reporting Standards and the related interpretations announced in the form of European Commission regulations, as well as other binding legal regulations and the Company's Statute. The Company's Management Board is also responsible for such internal controls as it considers necessary to ensure that the financial statements are free from material misstatements resulting from fraud or error.

In accordance with the provisions of the Accounting Act, the Company's Management Board and members of its Supervisory Board are required to ensure that the financial statements meet the requirements of the Accounting Act (2018 Journal of Laws, item 395 with subsequent amendments).

Responsibilities of the Auditor

Our responsibility was to express an opinion whether the financial statements present truly and fairly the Company's financial position and financial result in accordance with the applicable International Accounting Standards, International Financial Reporting Standards and the related interpretations announced in the form of European Commission regulations, as well as with the adopted accounting methods (policies).



We performed the audit of the financial statements in accordance with the provisions of:

- 1) the Act of 11 May 2017 on certified auditors, audit firms and on public supervision (2017 Journal of Laws, item 1089 with subsequent amendments) ("the Certified Auditors Act"),
- 2) National Standards on Auditing in the wording of International Standards on Auditing, adopted in Resolution No. 2783/52/2015 passed by the National Council of Certified Auditors on 10 February 2015 with subsequent amendments, further to Resolution No. 2041/37a/2018 of 5 March 2018 on the national professional standards,
- 3) Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (Official Journal of the EU L 158 of 27 May 2014, page 77 and Official Journal of the EU L 170 of 11 June 2014, page 66) ("Regulation 537/2014").

These regulations require us to comply with ethical requirements and to plan and perform the audit in a manner that allows us to obtain sufficient assurance that the financial statements are free from material misstatements.

The objective of an audit is to obtain sufficient assurance about whether the financial statements as a whole are free from material misstatements due to fraud or error, and to issue an independent auditor's report that includes our opinion. Sufficient assurance is a high level of assurance, but it is not a guarantee that an audit performed in accordance with the above standards will always detect an existing material misstatement. Misstatements can arise from fraud or error and are considered material if it could be reasonably expected that they, individually or in aggregate, could influence the economic decisions of users made on the basis of these financial statements. The risk of not detecting a material misstatement resulting from fraud or other irregularities is higher than the risk of not detecting a material misstatement resulting from error, because fraud may involve collusion, forgery, deliberate omission, misrepresentation or circumvention of internal controls, and may pertain to every area of law and regulations, not just those that have a direct impact on the financial statements.

The audit consisted of performing procedures aimed at obtaining audit evidence on the amounts and information disclosed in the financial statements. We choose the procedures based on our judgement, including an assessment of the risk of material misstatements in the financial statements due to fraud or error. In assessing this risk we consider the internal controls related to the preparation and fair presentation of the financial statements in order to plan our audit procedures, and not to express an opinion on the effectiveness of the entity's internal controls. An audit also includes assessing the appropriateness of the accounting policies used and the reasonableness of the estimates made by the entity's management, as well as evaluating the overall presentation of the financial statements.

The scope of the audit does not include an assurance regarding the Company's future profitability, or regarding the Management's effectiveness in the handling of the Company's affairs now or in the future.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our opinion is consistent with the additional report for the Audit Committee issued on the date of the present audit report.

Independence

During the audit, the auditor in charge and the audit firm remained independent of the audited entity in accordance with the provisions of the Certified Auditors Act, Regulation 537/2014 and the ethical standards adopted by the National Council of Certified Auditors.

To the best of our knowledge and belief we declare that we have provided no non-audit services forbidden by the provisions of Article 136 of the Certified Auditors Act and Article 5 point 1 of Regulation 537/2014.

Selection of Auditor

We were selected as the auditor of the Company's financial statements in a resolution passed by the Company's Supervisory Board on 31 May 2017. We have audited the Company's financial statements since the financial year ended 31 December 2017, i.e. for one financial year.

Most Significant Types of Risk

In the course of the audit we identified the below described most significant types of risk of material misstatement, including from fraud, and have designed audit procedures appropriate for those types of risk.

Risk of material misstatement	Audit procedures performed in response to the risk
<i>Correctness of accounting for construction contracts</i>	
<p>As a result of the balance sheet date valuation of unfinished contracts, in its financial statements as at 31 December 2017 the Company recognized assets resulting from an excess of revenue accrued over revenue invoiced in the amount of 2.260 thousand zł (Note 11).</p> <p>The Company estimates revenue accrued on its construction contracts using the percentage of completion method in accordance with the requirements of IAS 11 "Construction Contracts" and the description presented in point 4 of the financial statements.</p> <p>The matter was classified as a key risk area due to</p>	<p>We obtained an understanding and performed an evaluation of the system of controls on ongoing construction contracts and the settlement of their performance.</p> <p>We performed the following audit procedures:</p> <ul style="list-style-type: none">- Correctness analysis of the model used to value unfinished contracts, including a verification of the mathematical correctness and recognition of the valuation results in the books of account,- Analysis of the portfolio of the performed contracts to identify significant or unusual contracts, which were then included in the sample selected for further detailed

<p>the materiality of the revenue from the sale of construction services and the fact that the valuation of unfinished contracts is based on estimates.</p> <p>The key estimates pertain to the accuracy and completeness of the contract budgets underlying the accrued revenue estimates. Correctness of contract settlement to a great extent depends on a current assessment of the scale of changes in the contracts and on the reliability of future cost estimates. Due to the volume of the contracts performed by the entity and the variability of work, there is a significant risk of the valuation results being misstated.</p>	<p>procedures,</p> <ul style="list-style-type: none"> - Analysis of changes made in the concluded agreements and updates to contract budgets in the audited period, with reconciliation to source documents, - Discussion of the stage of completion of the analyzed contracts with those in charge and the Management Board, - Confirmation of the up-to-date nature of the budgets used in the balance sheet date valuation with those in charge of contract performance, - Completeness analysis of the recognition of the losses planned on unfinished contracts.
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Risk of material misstatement	Audit procedures performed in response to the risk
<i>Recognition of a court dispute outcome</i>	
<p>A long-standing court dispute ended in the audited period in favor of the Company, resulting in the recognition in the profit and loss account of a one-off profit in the amount of 26.773 thousand zł (Note 27).</p> <p>The matter was classified as a key risk area due to the materiality of the amount of compensation received.</p>	<p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> - Analysis of the court ruling and of the earlier arrangements made between members of the consortium to which the Company had belonged, - Analysis of the split of the received compensation between consortium members, - Reconciliation of the funds received and transferred with bank transfer confirmations, - Analysis of the recognition of the various types of revenue and costs in the books of account and of their presentation in the financial statements, - Obtaining a confirmation of the balance of mutual settlements from the Company's consortium member.

Opinion

In our opinion, the accompanying year-end financial statements:

- a) give a true and fair view of the Company's financial position as at 31 December 2017, as well as of its financial result for the period from 1 January to 31 December 2017, in accordance with International Accounting Standards, International Financial Reporting Standards and the related interpretations announced in the form of European Commission regulations, as well as the adopted accounting methods (policies),
- b) have been prepared on the basis of books of account properly kept in accordance with the provisions of Chapter 2 of the Accounting Act,
- c) are consistent, in content and in form, with the requirements of the Minister's of Finance Decree of 19 February 2009 on the current and periodic information provided by the issuers of securities





and on the conditions for recognizing as equally valid the information required by the regulations of a state that is not a member state (2014 Journal of Laws, item 133 with subsequent amendments), as well as with other applicable laws and regulations and with the Company's Statute.

Report on Other Legal and Regulatory Requirements

Opinion on the Directors' Report on the Company's Activities

Our opinion on the financial statements does not cover the Directors' Report on the Company's activities.

The Company's Management Board and members of its Supervisory Board are responsible for the preparation of the Directors' Report on the Company's activities in accordance with binding regulations.

Our responsibility under the Certified Auditors Act was to issue an opinion whether the Directors' Report on the Company's activities has been prepared in accordance with binding regulations, and whether it is consistent with the information presented in the year-end financial statements. It was also our responsibility to report whether, based on our knowledge obtained during the audit about the entity and its environment, we have identified any material misstatements in the Directors' Report on the Company's activities, as well as to indicate the nature of each such misstatement.

In our opinion, the Directors' Report on the Company's activities has been prepared in accordance with binding regulations and is consistent with the information presented in the year-end financial statements. Furthermore, based on our knowledge obtained during the audit about the Company and its environment we have identified no material misstatements in the Directors' Report on the Company's activities.

Opinion on the Declaration on the Application of Corporate Governance

The Company's Management Board and members of its Supervisory Board are responsible for the preparation of a declaration on the application of corporate governance in accordance with binding regulations. In connection with our audit of the financial statements it was our responsibility to read the declaration on the application of corporate governance, which constitutes a separate section of the Directors' Report on the Company's activities.

In our opinion, the Company's declaration on the application of corporate governance contains the information specified in paragraph 91 section 5 point 4 letters a, b, g, j, k and l of the Minister's of finance Decree of 19 February 2009 on the current and periodic information provided by the issuers of securities and on the conditions for recognizing as equally valid the information required by the regulations of a state that is not a member state ("*the Decree*"). The information indicated in paragraph 91 section 5 point 4 letters c-f, h and i of the Decree contained in the declaration on the

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application of corporate governance is consistent with the applicable regulations and with the information contained in the financial statements.

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Artur Staniszewski
Auditor in charge
Certified Auditor No. 9841

A handwritten signature in blue ink, appearing to read 'Dr. Andre Helin'.

Dr. Andre Helin
Managing Partner
Certified Auditor No. 90004

Acting on behalf of:

BDO Sp. z o.o.
ul. Postępu 12
02-676 Warszawa
entered on the list of audit firms in number 3355

Warsaw, 27 April 2018