CONSOLIDATED FINANCIAL STATEMENTS OF PROCHEM S.A. CAPITAL GROUP

As at and for the period ended 31 December 2017

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

Table of content to the consolidated financial statements of Prochem S.A. Capital Group

Consolidated statement of financial position
(all amounts in PLN thousands if not stated otherwise)

	Note No.	As at 31 December 2017	As at 31 December 2016 (restated)
A s s e t s			
Non-current assets			
Property, plant and equipment	1	22 481	22 713
Intangible assets	2	242	391
Investment properties	3	11 312	12 750
Shares	4	830	830
Shares in entities valued the equity method	5	26 139	22 678
Deferred tax assets	6	2 953	5 491
Other financial assets	7	18 713	18 334
Total non-current assets		**82 670**	**83 187**
Current assets			
Inventories	8	2 222	4 865
Trade and other receivables	9	32 236	56 652
Other financial assets	10	-	198
Other assets	11	10 881	11 135
Cash and cash equivalents		28 815	3 783
Total current assets		**74 154**	**76 633**
Total assets		**156 824**	**159 820**
E q u i t y a n d l i a b i l i t i e s			
Equity			
Share capital	12	3 895	3 895
Revaluation reserve	13	11 521	12 146
Retained earnings	14	89 826	72 154
Parent entity's equity		**105 242**	**88 195**
Non-controlling interest		**6 524**	**6 448**
Total equity		**111 766**	**94 643**
Non-current liabilities			
Non-current bank loans	15	141	299
Provision for deferred income tax	6	2 457	2 348
Provision for retirement and similar benefits	16	1 712	1 755
Other non-current liabilities	17	382	324
Total non-current liabilities		**4 692**	**4 726**
Current liabilities			
Current bank loans	18	2 233	10 400
Trade payables	19	27 018	39 525
Liabilities under current income tax		6	55
Other liabilities	20	8 872	8 086
Deferred income	21	2 237	2 385
Total current liabilities		**40 366**	**60 451**
Total liabilities		**45 058**	**65 177**
Total equity and liabilities		**156 824**	**159 820**

Weighted average number of ordinary shares	3 895 000	3 895 000
Book value per one share (in PLN) – assigned to owners of Parent Entity	27.02	22.64

Consolidated statement of profit and loss

(all amounts in PLN thousands if not stated otherwise)

	Note No.	In 2017	In 2016 (restated)
Revenues from sale, including :		112 006	169 214
Revenues from sale of services	22	111 133	162 927
Revenue from sale of goods and materials	23	873	6 287
Cost of sales, including:		-108 285	-177 707
Cost of services sold	24	-107 547	-172 593
Cost of merchandise and raw materials		-738	-5 114
Gross profit on sales		**3 721**	**-8 493**
General and administrative expenses	24	-13 328	-15 194
Other operating income	25	664	2 022
Other operating expenses	26	-742	-2 068
Other operating expenses – result of a one-off event	27	26 773	-
Results from operating activities		**17 088**	**-23 733**
Financial income	28	555	921
Profit (loss) on sale of shares in related entities		-	-154
Finance expenses	29	-1 024	-1 883
Profit sharing in associated entities		3 461	-1 110
Before tax profit		**20 080**	**-25 959**
Income tax expense :	30	3 104	-3 598
- current tax		350	878
- deferred tax		2 754	-4 476
Profit for the period		**16 976**	**-22 361**

Profit for the period assigned to :		
Shareholders of Parent Entity	16 828	-22 549
Non-controlling interest	148	188
Weighted average number of ordinary shares (units)	3 895 000	3 895 000
Profit (loss) per one ordinary share (in PLN per share) assigned to owners of Parent Entity	4.32	-5.79

Consolidated statement of comprehensive income

	In 2017	In 2016 (restated)
Profit for the period	**16 976**	**-22 361**
Other comprehensive income net	**69**	**-173**
Other comprehensive income that will be reclassified to profit or loss under certain conditions:	**-**	**12**
Foreign exchange differences from the translation of the entity operating abroad	-	**12**
Other comprehensive income that will not be reclassified to profit or loss:	**69**	**-185**
Revaluation of property, plant and equipment	**-**	**-117**
Actuarial gains (losses) on valuation of provisions for employee benefits	90	**-76**
Income tax on other comprehensive income	-21	**8**
Total comprehensive income	**17 045**	**-22 534**

Total comprehensive income assigned to :		
Shareholders of Parent Entity	16 897	-22 724
Non-controlling interest	148	190
Weighted average number of ordinary shares	3 895 000	3 895 000
Total comprehensive income per ordinary share (in PLN per one share) assigned to owners of Parent Entity	4.34	-5.83

Consolidated statement of changes in equity

(all amounts in PLN thousands if not stated otherwise)

	Share capital	Revaluation reserve	Retained earnings	Equity assigned to shareholders of parent entity	Equity assigned to non-controlling interest	Total equity
In 2017						
As at the beginning of the period (audited)	**3 895**	**12 146**	**72 542**	**88 583**	**6 448**	**95 031**
Error adjustment for the previous period			**-388**	**-388**	**-**	**-388**
As at the beginning of the period (restated)	**3 895**	**12 146**	**72 154**	**88 195**	**6 448**	**94 643**
Net profit (loss) of the given period	-	-	16 828	16 828	148	**16 976**
Other comprehensive income (net)	**-**	***69***	**-**	***69***	**-**	***69***
Total comprehensive income	**-**	**69**	**16 828**	**16 000**	**148**	**17 045**
Payment of dividend	-	-	-	**-**	-55	**-55**
Other increases	-	127	-	**127**	-	**127**
Other changes	-	-821	844	**23**	-17	**6**
As at the end of the period	**3 895**	**11 521**	**89 826**	**105 242**	**6 524**	**111 766**

	Share capital	Revaluation reserve	Retained earnings	Equity assigned to shareholders of parent entity	Equity assigned to non-controlling interest	Total equity
In 2016						
As at the beginning of the period (audited)	**3 895**	**11 584**	**100 878**	**116 357**	**8 738**	**125 095**
Error adjustment			**-388**	***-388***		**-388**
As at the beginning of the period (restated)	**3 895**	**11 584**	**100 490**	**115 969**	**8 738**	**124 707**
Net profit (loss) of the given period			-23 332	**-23 332**	**188**	**-23 144**
Other comprehensive income (net)		***-46***	***0***	***-46***	***0***	**-46**
Total comprehensive income	**0**	**-46**	**-23 332**	**-23 378**	**188**	**-23 190**
Dividend paid			-6 193	**-6 193**	**-143**	**-6 336**
Repurchase of own shares for redemption (Elektromontaż) – change in the structure of shareholding		271	527	**798**	**-1 061**	**-263**
Acquisition of shares in Elektromontaż Kraków S.A. from non-controlling shareholder		305	475	**780**	**-1 150**	**-370**
Other changes		32	187	**219**	**-124**	**95**
As at the end of the period (restated)	**3 895**	**12 146**	**72 154**	**88 195**	**6 448**	**94 643**

Consolidated statement of cash flows

(all amounts in PLN thousands if not stated otherwise)

	In 2017	In 2016 (restated)
Cash flows – operating activities		
Before tax profit	20 080	-25 959
Total adjustments	14 405	13 525
Share in net profit of entities valued using the equity method	-3 461	1 110
Amortization and depreciation	2 014	2 351
Interest and profit sharing (dividends)	197	205
(Profit)/loss on disposal of property, plant and equipment	84	106
Loss on investment	353	-34
Change in provisions	-256	-168
Change in inventories	2 643	1 483
Change in receivables and other assets	24 599	25 139
Change in current liabilities, except for loans and borrowings	-11 560	-10 771
Other adjustments (including changes in deferred income)	-208	-5 896
Cash provided by (used in) operating activities	34 485	-12 434
Income tax paid	789	2 307
Net cash provided by (used in) operating activities	**33 696**	**-14 741**
Cash flow – investing activities		
Inflows	**2 016**	**5 584**
Disposal of intangible assets, property, plant and equipment	12	5 332
Investment in real estate	1 439	-
Inflows from financial assets	565	252
- in related entities	367	252
disposal of financial assets (shares)	367	252
- in other entities	198	-
repayment of a loan with interest	198	-
Outflows	**-1 646**	**-2 046**
Acquisition of intangible assets and property, plant and equipment	-1 646	-1 672
For financial assets, including:	0	-374
a) in other entities	0	-374
- acquisition of financial assets	0	-374
Net cash provided by (used in) investing activities	**370**	**3 538**
Cash flow – financing activities		
Inflows	**334**	**459**
Bank loan	334	459
Other financial proceeds	0	0
Outflows	**-9 368**	**-9 068**
Dividend paid	-	-6 187
Other than payments to shareholders, expenses under profit distribution	-60	-408
Repayment of bank loans	-8 668	-1 886
Commission and interest paid	-576	-544
Payment of liabilities under finance lease	-64	-43

Net cash provided by (used in) financing activities	**-9 034**	**-8 609**
Total cash flows, net	25 032	-19 812
Increase/(decrease) net in cash and cash equivalents	25 032	-19 812
Cash and cash equivalents at the beginning of the period	**3 783**	**23 595**
Cash and cash equivalents at the end of the period	**28 815**	**3 783**

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

1. Establishment of the Company and principal activity

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

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

2. The Management Board and Supervisory authorities of the Issuer

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

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

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

As at the date of the financial statements the Supervisory Board comprises of:

- Marek Garliński
- Karol Żbikowski
- Andrzej Karczykowski
- Krzysztof Obłój
- Marcin Pędziński

On June 10, 2017, the Ordinary General Meeting of the Company adopted resolutions regarding the appointment of the following Members of the Supervisory Board of the Company to the composition of the Supervisory Board of the Company for the 10th joint tenure, which is commencing on 10th of June 2017:

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

3. Employment

Average employment in 2017 was 400 FTEs, and in 2016 447 FTEs. Level of employment in persons as at 31December 2017 was 403, and as at 31 December 2016 434 persons.

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

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

Subsidiaries covered by full consolidation:

- Prochem Inwestycje Sp. z o. o. seated in Warsaw – subsidiary directly (100.0%);
- PRO-INHUT Sp. z o. o. seated in Dąbrowa Górnicza – subsidiary indirectly (93.2%);
- PREDOM Sp. z o. o. seated in Wrocław – subsidiary indirectly (80.7% of share in capital and profit, 71.1% of votes);
- Prochem Zachód Sp. z o. o. seated in Warsaw - subsidiary directly (80.0%);
- ELPRO Sp. z o. o. seated in Krakow – subsidiary indirectly (92.7%, including 85.4% share in the 50% share of Elektromontaż Kraków);
- Elmont Inwestycje Sp. z o. o. seated in Krakow – subsidiary indirectly (92.7%, including 85.4% share in the 50% share of Elektromontaż Kraków);
- Elektromontaż Kraków S.A. seated in Krakow – subsidiary indirectly (85.4%), including 73.0% share in capital and voting right belongs to Prochem Inwestycje subsidiary in 100%. Company Elektromontaż Kraków S.A. prepares consolidated financial statements, which contains data of the subsidiary in 100%: ELMONT-POMIARY Sp. z o. o. seated in Krakow and two associated companies ELPRO Sp. z o. o. and Elmont-Inwestycje Sp. z o. o.;
- IRYD Sp. z o.o. seated in Warsaw –subsidiary indirectly in 100%;
- ATUTOR Integracja Cyfrowa Sp. z o. o. seated in Warsaw – subsidiary indirectly (87.3% of share holds company Prochem Inwestycje Sp. z o. o. a subsidiary in 100%);
- Prochem RPI Sp. z o.o. seated in Warsaw – subsidiary in 100% (including 3.3% of share in capital and voting right belongs to company Prochem Inwestycje).

Jointly-controlled entities and associates valued using the equity method:

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

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

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

5. Adopted accounting principles

Principles of presentation

Consolidated financial statements of Prochem S.A. Capital Group for the period from 1 January to 31 December 2017 and analogous period of the comparable year was prepared according to International Accounting Standards (IAS) and International Financing Reporting Standards (IFRS), which were adopted by European Union (EU) and were effective as at 31 December 2017. The scope of financial statements is compliant with Minister of Finance Regulation of 19 February 2009 on current and periodic information provided by issuers of securities and conditions for recognition as equivalent required by the law of a non-Member State (Official Journal no. 33, item 259 with further amendments).

The consolidated financial statements of the Prochem Capital Group presents truly and fairly financial position and assets of the Group as at 31 December 2017 and comparative data as at 31 December 2016 as well as the results of activities for the year ended 31 December 2017 and comparative data for the year ended 31 December 2016.

The consolidated financial statements of Prochem S.A. Capital Group as at 31 December 2017 was prepared assuming that Prochem Capital Group will continue to operate as a going concern in foreseeable future.

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

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

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

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 on the basis of the estimates are subject to verification if circumstances being base of estimates are changing or as a result of obtaining new information, or of the progressive development of events or of acquiring greater experience. In preparing the consolidated financial statements hereby, were applied the same accounting principles and the same calculation methods which were applied in the consolidated financial statements of the Prochem S.A. Capital Group for the year ended 31 December 2016.

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

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

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

New standards, interpretations and changes in published IFRS

A number of new standards, amendments to standards and interpretations not yet effective for annual periods ended 31 December 2017 and have not been applied in the financial statements.

Standards and Interpretations which were adopted by the EU, but not yet effective for annual periods ended 31 December 2017 and Standards and Interpretations, which are waiting for approval:

Standards And Interpretations endorsed by the EU	**Type of anticipated change in accounting policies**	**Possible impact on the financial statements**	**The date of entry into force for periods beginning on the day or later**
IFRS *15 Revenue from Contracts with Customers*	This standard contains principles that will replace most of the detailed guidelines on revenue recognition that are existing currently in IFRS. In particular, following the adoption of the new standard will cease to apply IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related to them interpretations. According to the new standard, entities will apply a five-step model for determining when to recognize revenue and how much revenue to recognize. This model assumes that revenue should be recognized when (or in the extent in which) the entity transfers the control over the goods or services to the customer, and revenues should be recognized in such amount, to which entity expects to be entitled. Depending on the meeting of determined criteria, the revenues: - are distributed over time in a way that reflects the implementation of the contract by the entity, or - are recognized once, in such a time when the control over the goods or services is transferred to the customer. The standard contains new disclosure requirements, both quantitative and qualitative, designed to enable users of financial statements to understand the nature, the amount, the moment of recognition and the uncertainty in relation to revenues and cash flows arising from contracts with customers.	At the time of initial application, the impact of the Standard will depend on the specific facts and circumstances relating to the customer agreements in which the Company will be a party. On the basis of the overall analysis, the Company estimates that the application of the standard for 2017 would have no impact on the financial statements for 2017	1January 2018
IFRS 9 *Financial instruments (2014)*	The new standard replaces the IAS 39 Financial Instruments: Recognition and Measurement, Guidance on Classification and Measurement of Financial Assets, including Impairment Guidance. IFRS 9 also eliminates the existing categories of financial assets in IAS 39: held to maturity, available-for- sale and loans and receivables. In accordance with the requirements of the new standard at the moment of initial recognition, financial assets should be classified into one of three categories: • financial assets measured at amortized cost; • financial assets measured at fair value through profit or loss; or • financial assets measured at fair value through other comprehensive income. Component of financial assets is classified into the category of measured on initial recognition at amortized cost if the following two conditions are met: • the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and • its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.	On the basis of the general analysis, the Company estimates that the application of the amended standard will not have a material impact on the financial statements. .	1January 2018

Standards And Interpretations endorsed by the EU	Type of anticipated change in accounting policies	Possible impact on the financial statements	The date of entry into force for periods beginning on the day or later
	If the above conditions are not met (as, for example in the case of equity instruments of other entities), the financial asset is measured at fair value. Gains and losses on measurement of financial assets measured at fair value are recognized in profit and loss of the current period, except for assets held within a business model whose objective is to hold assets in order both to receive cash flows from the contracts as well as their selling - for these assets, gains and losses from the measurement are recognized in other comprehensive income. In addition, if an investment in an equity instrument is not held for trading, IFRS 9 provides an opportunity to make irrevocable decision on the measurement of such financial instrument at initial recognition at fair value through other comprehensive income. This choice can be made for each instrument separately. The values recognized in other comprehensive income according to the valuation as above cannot be reclassified to the result of the current period, in the later periods. New standard retains almost all of the existing requirements from IAS 39 on the classification and measurement of financial liabilities and derecognition of financial assets and financial liabilities. But IFRS 9 requires the amount of change in fair value attributable to changes in the credit risk of financial liability designated at initial recognition as fair value through profit or loss to be presented in other comprehensive income. Only remaining amount of the total gain or loss from revaluation at fair value is recognized in financial results in the current period. In case, however, as if the application of this requirement had resulted in lack of commensurability of revenues and costs, or if financial liability was a result of commitments of granting a loan or financial guarantee contracts, the entire change in fair value would be recognized in profit or in loss of current period. As regards the estimation of the impairment of financial assets, IFRS 9 replaces the model of "loss incurred" in IAS 39 with the "expected loss" model, which means that the event causing the loss would not have to precede the recognition and write off. The new rules aim at preventing situations where the write-offs of credit losses are created too late and they are in the insufficient height. In short, the model of the expected loss uses two approaches to estimation of a loss, according to which the loss is determined on the basis of: • the 12-month expected credit loss, or • full life-time expected loss. Which approach will be used depends on whether, in the case of the given asset after initial recognition has been a significant increase in credit risk. In the event that the credit risk associated with financial assets did not increase significantly compared to its initial recognition, the impairment loss of these financial assets will be equal to the loss expected in the 12-months period. If, however, a significant increase in credit risk occurs, the impairment loss of these financial assets will be equal to the expected loss over the life of the instrument, thereby increasing the recognized impairment loss. Standard assumes that - in the absence of contrary arguments - a sufficient criterion for the recognition of the life-time expected loss is occurrence of the delay in payment of 30 days.		
IFRS 16 *Leases*	IFRS 16 replaces IAS 17 Leases and interpretations related to it. With regard to the lessees new standard eliminates the current distinction between operating and finance leases. Recognition of operating leases in the statement of financial position will result in a recognition of the new asset - the right to use of the subject of the lease - and a new liability - the liability to make	At the time of the initial application, the impact of the Standard will depend on the specific facts and circumstances related to lease agreements, in which the company will be a party.	1 January 2019

Standards And Interpretations endorsed by the EU	**Type of anticipated change in accounting policies**	**Possible impact on the financial statements**	**The date of entry into force for periods beginning on the day or later**
	payments under lease. The rights to use leased assets will be subject to redeem, whereas the interest will be accrued on the liabilities. This will result in arising of higher costs during the initial leasing phase, even if the parties agreed on a fixed annual fee. The recognition of lease agreements at the lessor in most cases will remain unchanged in connection with maintained division into operating lease agreements and finance lease.	On the basis of the general analysis, the Company estimates that the application of standard for the year 2017 would result in the disclosure of a new asset - the right to use the leased asset in the amount of PLN 38 million, and a new liability - liabilities to make lease payments in the amount of PLN 38 million. The settlement of these disclosures would not have a significant impact on the result.	
Amendments to IFRS 15 *Revenue from Contracts with Customers*	Amendments to IFRS 15 clarify some requirements of the Standard and are providing additional transitional relief for companies that are implementing the new Standard. The amendments clarify the existing guidance for: Identification of performance obligation (a promise in the contract to transfer to a customer goods or services); Determining whether the company is a principal or an agent (is responsible for organizing the delivery of goods or providing services); and Determining whether revenue from a licensing agreement should be either recognized once or spread over time. In addition, the changes contain two additional simplifications that aim to facilitate the first application of the Standard by the companies, and reduce the associated costs.	At the time of initial application, the impact of the Standard will depend on the specific facts and circumstances relating to the customer agreements in which the Company will be a party. On the basis of the general analysis, the Company estimates that the application of the standard for the year 2017 would not have a material impact on the financial statements for 2017.	1 January 2018
Amendments to IFRS 2 *(Share-based Payment Transactions)*	Amendments, which are clarifying the method of the recognition of some share-based payment transactions, include recognition requirements: the effect of vesting conditions and terms other than vesting conditions on the valuation of cash-settled share-based payment transactions; share-based transactions with the characteristics of net settlement with regard to the obligations arising from the tax requirements; and modification of the terms and conditions of share-based transactions that change the classification of these transactions from cash-settled to equity-settled.	The Company does not expect changes to affect its financial statements because such transactions do not occur.	1 January 2018
Annual Improvements to IFRS Standards 2014-2016 Cycle	Annual Improvements to IFRS Standards 2014-2016 Cycle include 3 amendments to standards. The main amendments: deleted the short-term exemptions for first-time adopters of IFRS (IFRS 1 First-time Adoption of International Financial Reporting Standards) relating to, among other things, the transitional provisions of IFRS 7 *Financial Instruments: Disclosures* - regarding disclosures of comparative data and transfers of financial assets, and IAS 19 *Employee Benefits*; clarified that requirements of IFRS 12 *Disclosure of Interests in Other Entities* (except for the disclosure of condensed financial information in accordance with paragraphs B10-B16 of this standard) apply to an entity's interest in subsidiary, associated company, joint-ventures and structured entities not covered by consolidation, that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*; and they explain that the election regarding a derogation from the application of the equity method in accordance with IAS 28 *Investments in Associates and Joint Ventures* should be made separately for each associated company or joint venture, and they explain when this choice have	The Company does not expect the changes to have an impact on its financial statements at the time they are adopted.	1 January 2018 (with the exception of amendments to IFRS 12 that are effective in relation to annual periods starting on 1 January 2017 or later)

Standards And Interpretations endorsed by the EU	**Type of anticipated change in accounting policies**	**Possible impact on the financial statements**	**The date of entry into force for periods beginning on the day or later**
	to be made.		
IFRIC 22 *Foreign Currency Transactions and Advance Consideration*	IFRIC 22 provides guidance on the currency exchange rate, that should be applied for the presentation of transaction in foreign currency (such as trade revenue) in case the payment is made earlier or received earlier, as advance payment, and it clarifies that the date of the transaction is the day of initial recognition of Prepayments, or Deferred Income, that are related to this advance payment. For transactions involving a series of payments made or received, a separate transaction date is set for each transaction.	The Company does not expect the changes to have an impact on its financial statements at the time they are adopted	1 January 2018
Amendments to IAS 40 *Investment Property*	The changes include clarifications on the transfer to or from investment properties: transfers to, or from, investment properties should only be made in the event of a change in the use of the property; and with the change in the way the property is used, the property should be assessed as to whether the property qualifies as an investment property.	The Company does not expect the changes to have an impact on its financial statements at the time they are adopted	1 January 2018

Capital Group will apply new mentioned above standards, and changes in standards and interpretations of IFRS published by the International Accounting Standards Board, that are not effective as at the day of approval for the publication of the financial statements in accordance with their effective date.

Transactions in foreign currencies

Transactions in foreign currencies are initially recognized at the exchange rate of the NBP effective as at the transaction date. Balance sheet items of assets and liabilities expressed in foreign currencies are measured at the average NBP exchange rate in force at the balance sheet date. Gains and losses arising from the settlement of such transactions and carrying value of assets and liabilities expressed in foreign currencies are recognized in the statement of profit and loss.

Functional currency and presentation currency of financial statements

The financial statements is presented in Polish Zloty('zloty' or 'PLN') which is the functional currency 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 medium exchange rate on the transaction date, and
- arisen exchange differences shall be recognized in other comprehensive income.

Accounting principles applied by the Capital Group, are described below

The principles of consolidation

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

2. mutual receivables and liabilities and other settlements of a similar nature of consolidated entities,
3. income and expenses from mutual buying and selling operations in the capital group j,
4. dividends accrued or paid by the subsidiaries to the parent company, and to other consolidated entities.

- In the scope of adjustments:
    1. gains or losses arising as a result of economic transactions between consolidated entities.

Property, plant and equipment and intangible assets

Property, plant and equipment include fixed assets and expenditures on construction in progress which the entity intends to use in their business operations in a period longer than one year, and which will result in future economic benefits to the entity.
Expenditures on property, plant and equipment include incurred investment expenditures as well as incurred expenses on future supply of machinery, equipment and services relating to production of PPE (transferred advance payments).
PPE are initially stated at cost. Measurement after initial recognition:

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

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

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

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

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

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

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

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

Own land is not subject to depreciation.

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

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

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

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

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

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

Intangible assets are subject to the impairment tests if premises for impairment exist. Its value is subject to the impairment tests at the end of financial year. The effects of the impairment are recognized in other operating costs.

Investment property

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

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

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

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

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

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

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

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

- PPE - is accounted for as a revaluation in accordance with IAS 16,
- inventories - is recognized as profit or as loss for the period,
- end of construction or development of investment property on own account - as the profit or loss for the period.

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

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

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

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

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

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

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

- Reconciliation of fair value at the beginning of the period and its value at the end of the period.
- A level from the three levels of fair value hierarchy. For investment properties, it will be a level 2 or 3 for which it is required:
  - disclosure of the amount of transfer between levels (the reasons for those transfers and the policy applied by the Group for determining whether such a change in levels has occurred),
  - description of applied valuation techniques and inputs,

- in case of the change in the valuation techniques used in the fair value measurement, disclosure of such a change and the reasons for making such a change.

- If the highest and best use of a non-financial asset differs from its current use, should be disclosed the reason for different use of this component of asset.
- Information enabling reconciliation of classes of assets and liabilities, which were disclosed at the separate levels of the fair value hierarchy with items presented in the statement of financial position.

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

Leases

The Group as the lessee

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

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

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

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

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

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

Current assets

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

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

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

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

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

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

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

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

Measurement of assets and financial liabilities
At initial recognition the Group shall measure component of assets or liabilities at fair value, increased in case of the component of assets or financial liabilities not classified as measured at fair value

through profit or loss by transaction costs, which could be directly attributable to the purchase or to the issue of the component of financial asset such as: fees and commissions paid to advisers or agents, levies imposed by regulatory agencies and the stock exchange and taxes. Transaction costs do not include premium or discount from debt instruments, or financing costs, neither administrative costs nor costs of holding of the instruments.
For measurement at the end of the reporting period or any other date after initial recognition the Group classifies financial assets into one of four categories:

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

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

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

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

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

Measurement of financial assets at fair value

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

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

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

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

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

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

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

Measurement of financial liabilities at fair value
The Group measures financial liabilities classified as measured at fair value through profit or loss (in particular including derivatives which are not being hedging instruments), as at the last day of the reporting period or any time after the initial recognition at fair value. Irrespective of the nature and purpose of the acquisition, the Group, at the initial recognition, classifies selected financial liabilities as measured at fair value through financial result if it leads to obtaining more useful information. The fair value of the obligation is based on the current selling price for instruments quoted on the active market.
In the absence of an active market, the fair value of financial liabilities is determined by:
- the use of recent market transactions conducted directly between the well knowledgeable, willing parties, or
- reference to the current fair value of another instrument that is almost the same, or
- discounted cash flows analysis.

Measurement of other financial liabilities at amortized cost
The Group measures other financial liabilities according to amortized cost using the effective interest rate method.
Financial guarantee contracts, i.e. contracts that obligate the Group (issuer) to make specified payments to reimburse the holder for a loss it incurs because of not making payment by a specified debtor when due in accordance with the original or modified terms of a debt instrument, and not classified as liabilities measured at fair value through profit or loss are measured at the higher of:
- the amount determined according to the principles of valuation of reserves,
- initial value less, when appropriate, accumulated depreciation allowances.

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

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

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

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

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

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

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

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

Employee benefits - the Group pays the contributions to the obligatory retirement benefit plan, depending on the amount of gross wages, which is paid in accordance with the applicable laws. The Group has no other retirement benefit plans.
Pursuant to the Remuneration Regulations binding in the Group, employees are entitled to one-off - retirement and pension benefits in the event of termination of employment in connection with retirement or pension. The above-mentioned severance payments are benefits after the period of employment paid in the moment when the employee does not perform work, therefore the expenses related to them are spread over the entire period of employment of the employee by making current allowances for provisions for benefit. In some of the Group's companies, there are jubilee payments paid out at five-year intervals after reaching the required length of employment by employees. These bonuses are other long-term benefits and the expenses related to them are also spread over time from the moment of employment until the required number of years of work is reached. The current amounts of provisions and write-downs are determined by an external actuarial office individually for each employee in accordance with the "projected entitlement for person " methodology. The accrued provisions constitute the current expected value of future long-term liabilities of the Company due to severance payments less the current expected values of future write-downs, which will be made until the employee is entitled to benefit from them.
Actuarial assumptions used for calculations are determined based on the Company's historical data, market data and forecasts. They include demographic and financial indicators, including rotation rates, mortality tables, tables of total disability, indicators of postponing the moment of taking advantage of pension rights after their acquisition, rates of increase in benefits bases, interest rate for discounting.

The Company recognizes the following components of the change in provisions for severance pay in the reporting period:
- costs of current employment (current allowance) recognized in profit and loss,
- use of provisions for payment of benefits,
- interest cost reflecting the change in the amount of provisions in connection with the passage of time, recognized in profit and loss,
- actuarial gains/losses arising in connection with the materialization in the reporting period of phenomena reflected by actuarial assumptions adopted at the beginning of the period and as a result of updating of assumptions, done at the end of the period, being recognized in Other comprehensive income if relate to post-employment benefits (severance payments), and recognized in profit and loss if they relate to other non-current benefits (jubilee benefits),
- past employment costs occasionally appearing as a positive or negative offsetting of write-offs made in previous periods and the current period, resulting from a change in the conditions of benefits (such as change in retirement age) or introduction / restriction of a benefit plan, recognized in profit or loss for the period,

Equity
Equity is recognized in the accounting books by its type, in accordance with principles pursuant to legal regulations and with the Statutes of the Company. Equity includes:

- Founding capital – shares capital shown in the nominal value of the issued and registered shares.

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

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

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

Income tax assets are recognized when is probable that in future the taxable income will be achieved that will enable the use of transitional differences.
Deferred tax assets are recognized separately from tax losses, which could be deductible in the next years.

6. Restatement of financial statements

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

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

Consolidated 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	5 879	-388	5 491
Total non-current assets	**83 575**	**-388**	**83 187**
Total assets	**160 208**	**-388**	**159 820**
E q u i t y a n d l i a b i l i t i e s			
Equity			
Retained earnings	72 542	-388	72 154
Parent entity's equity Total equity	**88 583**	**-388**	**88 195**
Total equity	**95 031**	**-388**	**94 643**
Total equity and liabilities	**160 208**	**-388**	**159 820**

Consolidated profit and loss account from 1 January 2016 to 31 December 2016

(all amounts in PLN thousands if not stated otherwise)

	31 December 2016 (audited)	**adjustment**	**31 December 2016 restated**
Before tax profit	**-25 959**	**-**	**-25 959**
Income tax expense :	-2 815	-783	-3 598
- current tax	878	-	878
- deferred tax	-3 393	-783	-4 476
Profit for the period	-23 144	783	-22 361

6. Explanatory notes to consolidated financial statements as at and for the period ended 31 December 2017

Note No. 1 – Property, plant and equipment

	31 December 2017	31 December 2016
Property, plant and equipment, including:	**22 000**	**22 695**
- land	4 208	4 313
- buildings, premises and civil engineering objects	15 152	15 729
- machinery and equipment	544	649
- vehicles	1 125	939
- other PPE	971	1 065
Construction under progress	481	18
Total property, plant and equipment	**22 481**	**22 713**

PPE – ownership structure	31 December 2017	31 December 2016
a) own	10 258	10 365
b) used under rental, lease or other agreement, including:	12 223	12 348
- lease	692	653
- rental and lease	10 979	11 143
- value of the right of perpetual usufruct	552	552
Total property, plant and equipment	**22 481**	**22 713**

The Group, pursuant to an agreement dated 23 July 2004 leases property consisting of 3 buildings with a total area of 6 227.5 m2, on a plot of 3 311 m2 located in Warsaw at Emilia Plater Street No. 18 and Hoża No. 76/78. The duration of the contract, from the date of its conclusion, is 30 years.

In 2016, the Group changed the classification of property, plant and equipment, i.e. transferred the property, plant and equipment to investment property, due to the change in their use.

Land, buildings and constructions are carried at revalued amount, being its fair value at the date of the revaluation, set by experts, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value as at 31 December 2016 was set based on valuation made by the independent valuators not associated with the Group. The valuators have the right qualifications to carry out valuations of land, buildings and structures, as well as the current experience in such valuations, which are carried out in locations where there are assets of the Group.

Methods of valuation and key unobservable data are presented in table as below.

Method of valuation	Key unobservable input data	Relationship between key unobservable input data and fair value
The comparative approach using the method of the adjusted, average price: The model is based on determining of the average transaction price for 1 m^2 of the area on the basis of the representative sample of the transactions concluded. The average price was corrected for weights of the market features: the attractiveness of the location and the neighborhood, area and shape of the plot, destiny, legal status of a land, access to the plot.	• The average transaction price per 1 m^2. • Attractiveness of the location and neighborhood. • Area and shape of the plot • Designation • Legal status • Access to the plot	The estimated fair value of real estate would be increased (or would be reduced), if: • The average transaction price per m^2 was higher (was lower)
Discounted cash flows: The model of measurement is based on the present value of future net cash flows that will be generated from the real estate taking into account: the level of leased space. The expected net cash flows are discounted with discount rates taking into account the risk. Other factors considered in the adopted average rent per square meter are: attractiveness of the location, technical condition of building, the standard and the functionality of the building, the possibilities of the access, and parking spaces	• Level of space lease : reflecting the status of the currently leased space. • Adjusted for the risk of discount rate: 6.98%, 7.0%.	The estimated fair value of real estate would be increased (or would be reduced) if: • Level of leased space was higher (was lower); • Discount rates adjusted for the risk were higher (were lower).

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

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

The Group	Fair value as at 31December 2017 (in PLN thousands)	Fair value as at 31December 2017 (in PLN thousands)
	Level 3	Level 3
Land, including the right of perpetual usufruct	4 313	4 313
Buildings and constructions	15 729	15 729
Total	**20 042**	**20 042**

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

Change in PPE in 2017

	Land, including the right of perpetual usufruct of land	Buildings, premises, and civil engineering objects	Machinery and equipment	Vehicles	Other PPE	Construction under progress	Total PPE
Gross value							
As at January 2017	**5 253**	**22 302**	**4 550**	**2 193**	**4 258**	**20**	**38 576**
Increase (due to)	-	225	214	538	172	467	1 616
- acquisition	-	225	214	538	172	467	1 616
Decrease (due to)	-	-	-218	-322	-111	-4	-655
- disposal of PPE	-	-	-	-221	-	-	-221
- liquidation of PPE	-	-	-218	-101	-111	-4	-434
As at 31 December 2017	**5 253**	**22 527**	**4 546**	**2 409**	**4 319**	**483**	**39 537**
Depreciation and impairment							
As at 1 January 2017 - accumulated depreciation	**940**	**6 573**	**3 901**	**1 254**	**3 036**	**2**	**15 706**
- increase – depreciation for the period	105	802	318	347	262	-	1 834
- decrease due to disposal of PPE	-	-	-	-217	-	-	-217
- decrease due to liquidation of PPE	-	-	-217	-100	-107	-	-424
As at 31 December 2017 - accumulated depreciation	**1 045**	**7 375**	**4 002**	**1 284**	**3 191**	**2**	**16 899**
Impairment of PPE	**-**	**-**	**-**	**-**	**-157**	**-**	**-157**
Net value of PPE on 31 December 2017	**4 208**	**15 152**	**544**	**1 125**	**971**	**481**	**22 481**

Comparative data

Change in PPE in 2016

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

- transfer to investment property		-3 507	-	-	-	-	-3 507
- other changes , including revaluation of non-current assets to fair value	-	-	3	-5	-	-	-2
As at 31 December 2016 - accumulated depreciation	**940**	**6 573**	**3 901**	**1 254**	**3 036**	**2**	**15 706**
Impairment of PPE	**-**	**-**	**-**	**-**	**-157**	**-**	**-157**
Net value of PPE on 31 December 2016	**4 313**	**15 729**	**649**	**939**	**1 065**	**18**	**22 713**

Note No. 2 – Intangible assets

	31 December 2017	31 December 2016
Acquired concessions, patents, licenses and similar assets including computer software	242	391
Total intangible assets	**242**	**391**
Intangible assets – ownership structure		
own	242	391
Total intangible assets	**242**	**391**

Changes in intangible assets in 2017

	Acquired concessions, patents, licenses and similar assets including computer software	Total intangible assets
Gross value		
As at 1 January 2017	**3 485**	**3 485**
Increase (due to)	30	30
- acquisition	30	30
Decrease (due to)	-18	-18
- liquidation	-18	-18
As at 31 December 2017	**3 497**	**3 497**

Amortization and impairment

As at 1 January 2017 - accumulated amortization	**3 094**	**3 094**
Amortization for the period (due to)	161	161
- increase (accrued amortization)	180	180
- other changes	-19	-19
As at 31 December 2017 - accumulated amortization	**3 288**	**3 288**
Net intangible assets on 31 December 2017	**242**	**242**

Comparative data

Change in intangible assets in 2016

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

Note No. 3 –Investment property

	31 December 2017	31 December 2016
Construction under progress	1 128	1 128
Buildings and constructions	5 917	6 270
Land	4 267	5 352
Total investment property	**11 312**	**12 750**

Investment property by titles	Change in investment property in 2017	Change in investment property in 2016
Investment property - land		
As at opening balance sheet	5 352	4 690
- net increase from revaluation to fair value	-	496
- reclassification from PPE	-	166
- decrease, including disposal	-1 085	-
As at closing balance sheet	**4 267**	**5 352**
Construction under progress		
As at opening balance sheet	1 128	1 122
- change due to:		
a) disposal	-	-
b) acquisition	-	6
Total change	-	6
As at closing balance sheet	**1 128**	**1 128**

Investment property - buildings and constructions		
As at opening balance sheet	6 270	6 148
- change due to:		
a) revaluation at fair value	-	42
b) reclassification from PPE	-	80
c) disposal	-353	-
Total change	**-353**	**122**
As at closing balance sheet	**5 917**	**6 270**
Total investment property	**11 312**	**12 750**

The fair value of investment properties as at December 31, 2017 remained at the level of valuation determined as at December 31, 2016, which was confirmed by independent appraisers not affiliated with the Group. Appraisers have the appropriate qualifications to conduct valuations of investment properties, as well as current experience in such valuations made at locations where the Group's assets are located. As at December 31, 2017, this value was confirmed by independent appraisers. Valuation methods and key unobservable data are presented in the table below:

Method of valuation	Key unobservable input data for comparable real estates	Relationship between key unobservable input data and fair value
The comparative approach using the method of the adjusted, average price: The model is based on determining of the average transaction price for 1 m^2 of the area on the basis of the representative sample of the transactions concluded. The average price was corrected for weights of the market features: the attractiveness of the location and the neighborhood, area and shape of the plot, destiny, legal status of a land, access to the plot.	• The average transaction price per 1 m^2. • Attractiveness of the location and neighborhood. • Area and shape of the plot • Designation • Legal status • Access to the plot	The estimated fair value of real estate would be increased (or would be reduced), if: • The average transaction price per m^2 for comparable real estates was higher (was lower)
Discounted cash flows: The model of measurement is based on the present value of future net cash flows that will be generated from the real estate taking into account: the level of leased space, periods without rent. The expected net cash flows are discounted with discount rates taking into account the risk. Other factors considered in the adopted average rent per square meter are: attractiveness of the location, technical condition of building, the standard and the functionality of the building, the possibilities of the access, and parking spaces.	• Level of space lease : reflecting the status of the currently leased space. • Adjusted for the risk of discount rate: 7% -7.5%.	The estimated fair value of real estate would be increased (or would be reduced) if: • Level of leased space was higher (was lower); • Discount rates adjusted for the risk were higher (were lower);

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

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

The Group	Fair value (in PLN thousands)	
	31 December 2017	31 December 2016
	Level 3	Level 3
Land, including the right of perpetual usufruct	4 267	5 352
Buildings and constructions	7 045	7 398
Total	**11 312**	**12 750**

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

Note No. 4 - Shares

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

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

Shares in other entities as at 31 December 2017

Specification	Number of shares	Share in capital (%)	Carrying value of shares held (in PLN thousands)
Kostrzyńsko Słubicka Specjalna Strefa Ekonomiczna	8 250	3.04	825
CeMat'70 S.A.	39	0.04	5

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

Shares in associated entities	31 December 2017	31 December 2016
Shares – net value	26 139	22 678
Write-downs of shares	1 011	1 011
Gross value of shares	**27 150**	**23 689**

Change in shares valued using the equity method	31 December 2017	31 December 2016
As at the beginning of the period	22 678	24 000
- shares at cost	22 678	24 000
Changes (due to):	3 461	-1 322
- share in the current year result	3 461	- 1 110
- write-downs of shares in connection with the arrangement proceedings	-	-212
As at the end of the period, net value	26 139	22 678
Write-down	1 011	1 011
As at the end of the period, gross value	27 150	23 689

Change in write-downs of shares in entities measured using the equity method	31 December 2017	31 December 2016
As at the beginning of the period	1 011	400
Increase in write-down	-	611
Decrease in write-down	-	-
As at the end of the period	1 011	1 011

Irydion Sp. z o. o. is the only joint venture (a jointly-controlled entity), where the Group participates. It is a company whose aim is to build an office building under the name of "Astrum Business Park" in

Warsaw. The Company is not been quoted. Group has classified its interest in Irydion as a joint venture.

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

Shares in subsidiaries covered by full consolidation – at as 31 December 2017

Item No.	a	b	c	d	e	f	g	h	i	j	K
	Name of the company and its legal form	Registered office	Scope of company's activities	Type of relationship (subsidiary, jointly-controlled, associated, details of direct and indirect relationship)	Consolidation method applied/valuation using the equity method, or, an indication that the entity is not subject to consolidation / valuation using the equity method	Date of obtaining control / joint control / a significant influence	Value of shares at cost	Total revaluation adjustments	Carrying value of shares	Percentage of share capital held (directly and indirectly)	Participation in the total number of votes at the general meeting (directly and indirectly)
1	PROCHEM INWESTYCJE Sp. z o. o.	Warsaw	Consultancy on business and management	subsidiary	full	22 June 1992	2 999	-	2 999	100.0%	100.0%
2	PREDOM Sp. z o.o.	Wrocław	Construction designing, urban planning, process engineering	Indirect subsidiary (company Prochem Inwestycje sp. z o. o. holds 75% of capital)	full	19 July 2002	764	-	764	80.7%	71.1%
3	PRO-INHUT Sp. z o.o.	Dąbrowa Górnicza	Construction designing, urban planning, process engineering	Indirect subsidiary (company Prochem Inwestycje sp. z o. o. holds 93.2% of shares)	full	04 October 2001	63	-	63	93.2%	93.2%
4	PROCHEM ZACHÓD Sp. z o.o.	Warsaw	Marketing activities, construction works, design services, commercial activity and forwarding	subsidiary	full	18 March 1998	1 061	-	1 061	80.0%	80.0%
5	ELEKTROMONTAŻ KRAKÓW S.A.***)**	Kraków	Assembly of electrical installations and equipment	Indirect subsidiary (company Prochem Inwestycje Sp. z o. o. holds 65.5% of shares)	full	10 December 2001	15 099	-	15 099	85.4%	85.4%
6	ELMONT INWESTYCJE sp. z o.o.	Kraków	Developer's activity	Indirect subsidiary (Elektromontaż Kraków S.A. holds 50% of shares)	full	05 April 2007	9 050	-	9 050	92.7%	92.7%
7	ELPRO sp. z o.o.	Kraków	Development and sale of real estates and rental of properties on own account, management of non-residential real estates	Indirect subsidiary (Prochem Inwestycje Sp. z o. o. holds 50%, Elektromontaż Kraków S.A. holds 50% shares)	full	17 April 2002	3 234	-	3 234	92.7%	92.7%

8	IRYD sp. z o. o.	Warsaw	Development and sale of real estates on own account	Indirect subsidiary (Prochem Inwestycje Sp. z o. o. holds 100% shares)	full	13 July2000	150	150	-	100.0%	100.0%
9	ATUTOR INTEGRACJA CYFROWA Sp. z o.o.	Warsaw	Production and sale of computer software, computer system integration , IT services	Indirect subsidiary (Prochem Inwestycje holds 87.3%)	full	28 September 2000	308	-	308	87.3%	87.3%
10	PROCHEM RPI S.A.	Warsaw	Developer's activity	Subsidiary (Prochem Inwestycje Sp. z o. o. holds 3.33% shares)	full	08 April 1998	513	359	154	100.0%	100.0%
11	Elmont Pomiary Sp. z o.o.	Kraków	Developer's activity	Indirect subsidiary (Elektromontaż Kraków S.A. holds 100% shares)	full	20 April 2004	190	-	190	77.6.0%.	77.6%
12	PREDOM PROJEKTOWANIE sp. z o.o.**)	Wrocław	Design services	Indirect subsidiary (PKI Predom Sp. z o. o.)	Not subject to consolidation	01 May 2002	53	53	-	81.0%	69.3%

**** share in capital and voting right is presented upon completion of redemption procedure of shares bought-back by Elektromontaż Kraków SA for redemption***
***** the company has not commenced activities***

Shares in subsidiaries – continuation

	a	b							c			d			e	F
Item No	Name of the company	Entity's equity, including:							Entity's liabilities and provisions to liabilities, including:			Entity's trade and other receivables, including:			Total entity's assets	Total revenues from sales
			Share capital	Own shares (negative value)	Revaluation capital	Retained earnings:										
							profit (loss) brought forward	Net profit (loss)		Non-current	current		Non-current	current		
1	PROCHEM INWESTYCJE Sp. z o. o.	7 983	3 000	-	-	4 983	-	73	20 694	19 373	1 321	163	-	163	28 677	4 018
2	P.K.I.PREDOM Sp. z o.o.	10 125	600	-	6 050	3 475	-	335	4 345	1 724	2 621	3 929	-	3 929	14 470	14 145
3	PRO-INHUT Sp. z o . o.	1 168	53	-	-	1 115	-	43	2 995	154	2 841	2 193	-	2 193	4 163	5 513
4	PROCHEM ZACHÓD Sp. z o. o.	1 892	1 600	-	-	292	-	56	4	-	4	-	-	-	1 896	-
5	ELEKTROMONTAŻ KRAKÓW S.A.*)	22 746	1 208	-	7 218	14 320	-	411	11 339	1 455	9 884	10 491	-	10 491	34 085	41 547
6	ELMONT INWESTYCJE sp. z o. o.	7 782	8 000	-	-	-218	-347	129	1	-	1	-	-	-	7 783	0
7	ELPRO sp. z o. o.	4 179	3 290	-	188	701	-	42	421	395	26	86	-	86	4 600	215
8	IRYD Sp. z o. o.	-194	150	-	-	-344	-338	-6	208	-	208	2	-	2	14	-
9	ATUTOR Sp. z o. o.	214	355	-	-	-141	-141	-	966	-	966	1 014	-	1 014	1 180	1 354
10	PROCHEM RPI Sp. z o. o.	134	600	-	-	-466	-461	-5	1	-	1	1	-	1	135	-
11	Elmont Pomiary Sp. z o. o.		Company consolidated by Elektromontaż Kraków S.A. – financial data of the company are included in financial statements of Elektromontaż Kraków S.A.													
12	PREDOM PROJEKTOWANIE Sp. z o. o.		Not subject to consolidation													

**** share in capital and voting right is presented upon completion of redemption procedure of shares bought-back by Elektromontaż Kraków SA for redemption***

Shares in entities valued using the equity method as at 31 December 2017

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

Shares in entities valued using the equity method – continuation

Item No.	a	b		c			d			e	f
	Name of the company	Company's equity, including:		Liabilities and provisions to liabilities, including:			Entity's receivables, including:			Total entity's assets	Sales revenues
			Net profit (loss)		Non-current liabilities	Current liabilities		Non-current receivables	Current receivables		
1	ITEL Sp. z o.o.	603	123	1 029	332	697	683	-	683	1 632	1 077
2	IRYDION Sp. z o.o.	52 281	6 922	114 379	104 543	9 836	1 703	-	1 703	166 660	6 885

Note No. 6 – Settlement of deferred income tax

- deferred tax assets

Change in deferred tax assets	31 December 2017	31 December 2016
1. Deferred tax assets as at the beginning of the period, recognized in financial result (profit or loss)	**8 890**	**5 662**
a) recognized in financial results	**8 825**	**5 607**
- provisions to costs	409	292
- write-down of receivables	629	1 042
- unpaid remuneration under contracts: of mandate and of specific task	14	32
- deferred income	560	842
- interest on loan	299	290
- provision for retirement benefit	351	409
- provision for holiday benefits	248	278
- deferred tax on the write-down of financial asset	5	5
- unpaid employee benefits	1	1
- write-down of inventories	106	54
- tax loss	5 110	1 259
- surplus of costs incurred over the margin	583	-
- other, including exchange differences	474	1 103
- costs of discounted cash flows	36	-
b) recognized in equity	**65**	**55**
- provision to retirement benefit	65	55
2. Increase	**2 045**	**6 118**
a) recognized in financial result	**2 045**	**6 118**
- provision to costs	443	418
- write-down of receivable	2	-
- unpaid remuneration under contracts of mandate and specific task contracts	24	14
- deferred income	707	560
- interest on loan	60	63
- provision for retirement benefit	31	16
- provision for holiday benefits	144	40
- unpaid employee benefits	2	1
- creation of an asset for tax loss	25	3 951
- write-down of inventories	-	52
- costs of discounted cash flows	-	36
- surplus of costs incurred over the margin	607	967
b) recognized in equity	**-**	**10**
- provision to retirement benefit	-	10
3. Decrease	**4 862**	**2 900**
a) recognized in financial result	**4 862**	**2 900**
- the use of provision for costs	426	301
- write-down of receivables	25	413
- paid remuneration under contracts of mandate and specific task contracts	14	332
- deferred income	560	842
- interest on loan	78	54
- the use of provision for retirement benefit	39	74
- the use of provision for holiday benefits	130	70

- paid employee benefits	2	1
- the use of the asset for tax loss	2 595	100
- costs of discounted cash flows	8	-
- surplus of costs incurred over the margin	964	-
- other, including exchange differences	-	1 013
b) recognized in equity	**21**	**-**
- provision for retirement benefit	21	-
4. Total deferred tax assets as at the end of the period, including:	**6 073**	**8 890**
a) recognized in financial result	**6 029**	**8 825**
- provisions for costs	426	409
- write-down of receivables	606	629
- unpaid remuneration under contracts of mandate and specific task contracts	24	14
- deferred income	707	560
- interest on loan	281	299
- provision for retirement benefit	343	351
- provision for holiday benefits	262	248
- unpaid employee benefits	1	1
- tax loss	2 540	5 110
- deferred tax on write down of financial assets	5	5
- write-down of inventories	106	106
- costs of discounted cash flows	28	36
- surplus of costs incurred over the margin	226	583
- pozostałe, w tym różnice kursowe	474	474
b) recognized in equity	**44**	**65**
- provision for retirement benefit	44	65

- provision for deferred income tax

1. Provision for deferred income tax as at the beginning of the period, including:	**5 747**	**5 829**
a) recognized in financial result	**3 389**	**3 880**
- interest accrued on loan	575	490
- revaluation of non-current financial assets	136	136
- accrued income from uncompleted service	1 696	1 320
- the difference between the installment of the operating lease, and the depreciation of the leased non-current assets recognized in costs	-	-
- revaluation of non-financial investments	496	496
- surplus of the balance sheet depreciation over tax depreciation	662	564
- revenue from the sale of non-financial assets, taxable revenue in the next period	-	809
- other	224	65
b) recognized in equity	**1 958**	**1 949**
- re-measurement of PPE to fair value	1 958	1 949
2. Increase	**2 218**	**2 113**
a) recognized in financial result of the period under positive temporary differences (due to)	**2 218**	**2 104**
- interest accrued on loan	179	144
- accrued income from uncompleted service	1 597	1 696

- revaluation of non-financial investments	345	-
- the difference between tax depreciation and balance sheet depreciation	95	98
- revenue from the sale of non-financial assets, taxable revenue in the next period	-	-
- other	2	166
b) recognized in equity under positive temporary differences (due to)	**-**	**9**
- re-measurement of PPE to fair value	-	9
3. Decrease	**2 388**	**2 195**
a) recognized in financial result of the period under positive temporary differences (due to)	**1 921**	**2 195**
- paid interest on loan	147	59
- accrued income from uncompleted service	1 742	1 320
- difference between the operating lease installment and depreciation of the leased non-current assets recognized in costs	-	-
- use of revaluation of non-financial investments	-	-
- revenue from the sale of non-financial assets, taxable revenue in the next period	-	809
- other	32	7
b) recognized in equity under positive temporary differences (due to)	**467**	**-**
- revaluation of non-financial investment	467	-
4. Total provision to deferred income tax at the end of the period	**5 577**	**5 747**
a) recognized in financial result	**4 086**	**3 789**
- interest accrued on loan	607	575
- revaluation of non-current financial assets	136	136
- accrued income from uncompleted service	1 551	1 696
- revaluation of non-financial investments	841	496
- surplus of the balance sheet depreciation over tax depreciation	757	662
- revenue from the sale of non-financial assets, taxable revenue in the next period	-	-
- other	194	224
b) recognized in equity	**1 491**	**1 958**
- re-measurement of PPE to fair value	1 491	1 958

	31 December 2017	**31 December 2016**
Deferred tax assets	6 073	8 890
Provision to deferred income tax	-5 577	-5 747
Assets / (Provision) under deferred income tax	**496**	**3 143**

Presentation in the statement of financial position:

	31 December 2017	**31 December 2016**
Deferred tax assets	2 953	5 491
Provision to deferred income tax	-2 457	-2 348
Assets / (Provision) under deferred income tax	**496**	**3 143**

Note No. 7 – other non-current financial assets

Other financial assets	31 December 2017	31 December 2016
a) from jointly-controlled entities	18 713	18 334
- loans	18 713	18 334
Total other financial assets	**18 713**	**18 334**

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 pf 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;

Increase:

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

Loans granted – as at 31 December 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;

Note No. 8– Inventories

Inventories	31 December 2017	31 December 2016
Materials	2 092	4 865
Semi-finished products and work-in-process	130	-
Total inventories	**2 222**	**4 865**
Write-down of inventories	575	578

Note No. 9 - Trade and other receivables

Trade and other receivables	31 December 2017	31 December 2016
Trade receivables	34 182	59 426
Write-down of receivables	-5 508	-5 449
Net trade receivables, including:	**28 674**	**53 977**
- with a repayment period up to 12 months	26 161	49 950
- with a repayment period over 12 months	2 513	4 027
Receivables from taxes, subsidies, customs duties, social and health insurance and other benefits	**864**	**420**
Other receivables	3 094	2 657
Write-down of other receivables	396	402
Net other receivables	**2 698**	**2 255**
Total receivables, net	**32 236**	**56 652**

Trade and other receivables from related entities	31 December 2017	31 December 2016
Trade receivables, including:	6 957	2 301
- from jointly-controlled entities	6 957	2 301
Other, including:	946	-
- from jointly-controlled entities	946	-
Total trade and other receivables from related entities, net	**7 903**	**2 301**
Write-down of receivables from related entities	-	-
Total trade and other receivables from related entities, gross value	**7 903**	**2 301**

Change in write-downs of trade and other receivables	31 December 2017	31 December 2016
As at the beginning of the period	**5 851**	**7 806**
a) increase (due to)	380	117
- write-downs for receivables	380	117
b) decrease (due to)	327	2 072
- payment received	60	118
- the use of write-downs created in the previous periods	1	1 831
- sale of shares in subsidiary	-	122
- resolving of write-down	266	1
Write-downs of current trade receivables and other receivables at the end of the period	**5 904**	**5 851**

In the majority of contracts signed by the Group, time of payment for services was established in the range from 14 to 60 days. As at 31 December 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 826 thousand and PLN 19 041 thousand.

Trade receivables with time of repayment remaining from the balance sheet date:	31 December 2017	31 December 2016
a) up to 1 month	13 316	18 194
b) above 1 month up to 3 months	6 013	11 309
c) above 3months up to 6 months	489	1 666
d) above 6 months up to 1 year	647	791
e) above 1 year	3 807	2 753
f) receivables overdue	9 910	24 713
Total receivables from supplies and services (gross)	34 182	59 426
g) write-down of receivables from supplies and services	5 508	5 449
Total receivables from supplies and services (net)	**28 674**	**53 977**

An age analysis of past due trade receivables (gross)	31 December 2017	31 December 2016
a) up to 1 month	4 793	1 062
b) above 1 month up to 3 months	516	424
c) above 3months up to 6 months	219	242
d) above 6 months up to 1 year	273	15
e) above 1 year	4 109	22 970
Total past due receivables from supplies and services (gross)	**9 910**	**24 713**
f) write-down of past due receivables from supplies and services	5 508	5 449
Total past due receivables from supplies and services (net)	**4 402**	**19 264**

The balance of trade receivables as at December 31, 2016 has included past due receivables with the carrying amount of PLN 17,364,000 on account of a security deposit related to a statutory warranty, the Issuer did not create provision for this amount because considered it as recoverable. The amount due under the security deposit was fully recovered by the Issuer pursuant to the court judgment in November 2017. More information - *information about significant proceedings pending before the court.*

Note No. 10 – Other financial assets

Other financial assets	**31 December 2017**	**31 December 2016**
a) from other entities:	-	198
- current loans	-	198
Total other financial assets	**-**	**198**
Write-downs of other financial assets	-	-
Gross other financial assets	**-**	**198**

Loans granted - as at 31 December 2017

Decrease

1. Repayment of loan for Committee Civic for the Building of the Cardiologic Hospital in the amount of PLN 198 thousand, including amount of the loan PLN 135 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. 11 – Other assets

Other assets by type:	**31 December 2017**	**31 December 2016**
a) prepayments	2 466	1 952
- cost of property and personal insurance	350	353
- software maintenance costs	540	764
- subscriptions	18	26
- deferred costs	1 555	807
- other	3	2
b) other prepayments	8 415	9 183
- amounts due from the ordering parties under long-term contracts	8 415	9 183
Total other assets	**10 881**	**11 135**

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

Note No. 12 – Share capital

SHARE CAPITAL (THE STRUCTURE)							
Series / emission	Type of share	Type of shares preference	Number of shares	Series / emission at nominal value	Method of coverage of capital	Registration date	Right to dividend (from the date)
Founding	inscribed	3 votes per 1 share	580	580	Cash	23-07-1991	01-10-1991
Founding	inscribed	-	6 816	6 816	Cash	23-07-1991	01-10-1991
Founding	bearer	-	1 810 104	1 810 104	Cash	23-07-1991	01-10-1991
B	inscribed	-	750	750	Cash	29-07-1993	01-01-1993
B	bearer	-	681 750	681 750	Cash	29-07-1993	01-01-1993
C	bearer	-	530 000	530 000	Cash	20-04-1994	01-01-1994
D	bearer	-	865 000	865 000	Cash	05-09-1994	01-01-1994
Total number of shares			**3 895 000**				
Total share capital				**3 895 000**			
Nominal value of 1 share = PLN 1.00							

The share capital of the Parent Company amounts to PLN 3 895 thousand and is divided into 3 895 000 shares with the nominal value of PLN 1 each. The number of shares did not change with comparison to as at 31 December 2015.
Total number of votes from all shares is 3 896 160.

Changing the rights from the issuer's securities

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

Name of the shareholder	**Number of shares held**	**Number of votes held**	**% of votes in total number of votes**	**% of share capital**
1. Steven Tappan	698 656	698 656	17.93	17.94
2. Otwarty Fundusz Emerytalny PZU „Złota Jesień".	387 521	387 521	9.95	9.95
3. Fundusze zarządzane przez Esaliens TFI including: - Esaliens Parasol FIO - Esaliens Akcji Skoncentrowany FIZ	354 525	354 525	9.10	9.10
4. Andrzej Karczykowski	201 882	201 882	5.18	5.18

In the period from the submission of the annual report for 2016, the Parent Company has received the following information about the change in the shareholding:

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

- On June 10, 2017, at the General Meeting of Shareholders, the Company was notified of a change in the number of shares owned by Value Fund Activist Fundusz Inwestycyjny Zamknięty (hereinafter "Fund") managed by Copernicus Towarzystwo Funduszy Inwestycyjnych S.A. - increased share by 29 713 in total number of votes in Prochem S.A.. On the date of obtaining of information, the Funds together hold 233,168 shares of the Issuer, which accounts for 5.98 % of the share capital and 5.99 % of the total number of votes at the GM.
- On 24 October 2017, the Group received information from Mr. Andrzej Karczykowski, a member of Porozumienie PHC about the increasing in the number of shares held by him by 19,400 shares of Prochem SA. As a result, the share of PHC Agreement in voting rights was increased to 17.56%, while in the share capital to 17.54%.

- On November 24, 2017, ESALIENS Parasol Fundusz Inwestycyjny Otwarty, ESALIENS Akcji Skoncentrowany Fundusz Inwestycyjny Zamknięty (hereinafter referred to as "the Funds") informed that ESALIENS Akcji Skoncentrowany Fundusz Inwestycyjny Zamknięty (hereinafter referred to as "Funds") holds 482,952 company's shares what constitutes 12.40% share in the Company's share capital, entitling to 482,952 votes from these shares, which represents 12.40% at the General Meeting of the Company.

- On 22 December 2017, Quercus Towarzystwo Funduszy Inwestycyjnych S.A, acting on behalf of the managed investment funds: QUERCUS Parasolowy SFIO, QUERCUS Absolutnego Zwrotu FIZ and QUERCUS Absolute Return FIZ, informed about the reduction in the share in the total number of votes in PROCHEM S.A. by 2% of the total number of votes, by the abovementioned Funds jointly, and about lowering below the threshold of 10% of total number of votes in PROCHEM S.A. Before change in the shareholding the above mentioned Funds held 531,411 shares in Prochem S.A., what constituted 13.64% of the company's share capital. The shares held gave 531,411 votes at the Company's General Meeting, what constituted 13.64% of total number of votes at the Company's General Meeting.

As at December 22, 2017, the Funds held 308,553 shares in PROCHEM S.A., which constituted 7.92% of the share capital of the company. The shares held gave 308,553 votes at the General Meeting of the Company, which constituted 7.92% of the total number of votes at the General Meeting of the Company.

Before change in the shareholding QUERCUS Parasolowy SFIO held 308,408 shares in PROCHEM S.A., which constituted 7.92% of the company's share capital. The owned shares gave 308,553 votes at the General Meeting of the Company, which constituted 7.92% of the total number of votes at the General Meeting of the Company.

As at December 22, 2017, QUERCUS Parasolowy SFIO held 178,408 shares in PROCHEM S.A., which constituted 4.58% of the share capital of the company. The shares held gave 178,408 votes at the General Meeting of the Company, which constituted 4.58% of the total number of votes at the General Meeting of the Company.

- On December 28, 2017, POROZUMIENIE PHC informed about a change in participation in number of votes, held so far by Members of POROZUMIENIE PHC by at least 2% of the total number of votes, as well as and about exceeding the threshold of 20% in total number of votes at the General Meeting of the company PROCHEM SA. The change in the share held so far by at least 2% of the total number of votes occurred as a result of the acquisition on December 22, 2017 of a total of 206 200 of the company's shares by persons being Members of POROZUMIENIE PHC.
According to the information received from POROZUMIENIE PHC, before the above transactions, POROZUMIENIE PHC Members held a total of 662,849 PROCHEM S.A. shares, which constituted 17.01% of the share capital and entitled to 663 749 votes, constituting 17.03% of the total number of votes at the General Meeting of the Company.

After the change in shareholding, Members of POROZUMIENIE PHC have a total of 897 261 shares in the Company, which constitute 23.04% of the share capital and entitle to 898 361 votes, constituting 23.06% of the total number of votes at the General Meeting of the Company.

- On January 5, 2018, Mr. Steven Tappan, a shareholder, notified about the change in the number of shares held so far by at least 2% of the total number of votes at the general meeting. The change occurred as a result of the acquisition on January 4, 2018 of 100,000 shares in the Company entitling to 100,000 votes at the General Meeting.

Before the change, Mr. Steven Tappan held a total of 830,060 shares in Prochem SA, which represented 21.31% of the share capital and entitled to 830,060 votes, constituting 21.30% of the total number of votes at the General Meeting of the Company.

After the change in shareholding, Mr. S. Tappan holds a total of 930,060 shares in Prochem S.A., which constitute 23.88% of the share capital and entitle to 930,060 votes, constituting 23.87% of the total number of votes at the Company's General Meeting.

- On 8 January 2018, Quercus Towarzystwo Funduszy Inwestycyjnych S.A, acting on behalf of the managed investment funds: QUERCUS Parasolowy SFIO, QUERCUS Absolutnego Zwrotu FIZ and QUERCUS Absolute Return FIZ, notified about a reduction in share in the total number of votes in PROCHEM S.A. and about reducing below 5% of the total number of votes in PROCHEM S.A by the above mentioned the Funds jointly.

Before change in the shareholding the above Funds held 301,662 PROCHEM S.A. shares, which constituted 7.74% of the company's share capital. The shares held gave 301,662 votes at the General Meeting of the Company, which constituted 7.74% of the total number of votes at the General Meeting of the Company.
As at January 4, 2018, the Funds held 193,331 shares of PROCHEM S.A., which constituted 4.96% of the share capital of the company. The shares held gave 308 553 votes at the General Meeting of the Company, which constituted 4.96% of the total number of votes at the General Meeting of the Company.

- On January 18, 2018, POROZUMIENIE PHC filed a notification regarding the change of the agreement giving the right to exercise the voting right over 20% of the total number of votes at the General Meeting of the Company. POROZUMIENIE PHC has jointly 869 596 shares of Prochem S.A. According to the received notification, the agreement under the name "POROZUMIENIE PHC " is valid until January 26, 2018.

- On March 23, 2018, ESALIENS Parasol Fundusz Inwestycyjny Otwarty, ESALIENS Akcji Skoncentrowany Fundusz Inwestycyjny Zamknięty (hereinafter the "Funds") informed that on March 21, 2018 transaction of sale of shares Prochem S.A. was carried, which has an effect on change in participation in the total number of votes.
Before the transaction date, 482,199 shares in Prochem S.A. were located on Funds' accounts, which represented a 12.38% share in the Company's share capital, entitling to 482 199 votes from these shares, which constituted 12.38% at the General Meeting of the Company.
As at March 23, 2018, there were 354,525 shares of the company Prochem S.A. in the Funds accounts, entitling to 354,525 votes from these shares, which constitutes 9.10% of the total number of votes at the General Meeting of the Company.

- On 23 March 2018, the company Prochem S.A. received a notification from the shareholder of the company, Mr. Steven Tappan on the sale on March 21, 2018, of 251,604 shares entitling to 251 604 votes, constituting 6.46% of the total number of votes at the Company's General Meeting;
Before the change, Mr. Steven Tappan held a total of 950,260 shares of PROCHEM S.A., which constituted 24.40% of the share capital and entitled to 950 260 votes, constituting 24.39% of the total number of votes at the General Meeting of the Company.

After the change in shareholding, Mr. Steven Tappan holds a total of 698,656 shares of PROCHEM S.A., which constitute 17.94% of the share capital and entitle to 698 656 votes, constituting 17.93% of the total number of votes at the General Meeting.

- on March 23, 2018, PROCHEM S.A. received from Copernicus Towarzystwo Funduszy Inwestycyjnych S.A. (hereinafter referred to as "TFI") the following information: Acting on behalf of TFI, which was acting as an organ of funds managed by TFI such as Value Fund Poland Activist Fundusz Inwestycyjny Zamknięty (hereinafter referred to as "VFPA FIZ) and Copernicus Fundusz Inwestycyjny Otwarty (hereinafter referred to as Subfundusz "FIO) (both funds jointly hereinafter referred to as Funds), in the mode of art. 69 section 1 item 2 in connection with Article 87 section 1 item 2 letter a) of the Act of July 29, 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies (hereinafter referred to as "the Act"), we hereby notify about the reduction in shareholding in PROCHEM S.A. with its registered office in Warsaw held by the Funds and reduction in total number of votes in the Company which were at disposal of the Funds below threshold of the 5%. The change in shareholding which resulted in the reduction of the total number of votes in the Company at disposal of the Funds below the 5% threshold took place as a result of the entering into transactions by Funds on March 21, 2018 (hereinafter jointly referred to as "Transactions"). Prior to Transaction VFPA FIZ held 239 690 shares in the Company, representing 6.15 % of the share capital of PROCHEM S.A, entitling to 239 690 votes at the General Meeting of PROCHEM S.A, constituting 6.15 % of the total number of votes in PROCHEM S.A. Sub-fund FIO held 1345 shares in PROCHEM S.A., representing 0.03 % of the share capital of PROCHEM S.A., entitling to 1345 votes at the General Meeting of PROCHEM S.A., constituting 0.03% of the total number of votes in PROCHEM S.A. After conducting the Transaction, VFPA FIZ holds 176 226 shares of the Company representing 4.52 % of the share capital of PROCHEM S.A, entitling to 176 226 votes at the General Meeting of PROCHEM S.A. constituting 4.52 % of the total number of votes in PROCHEM S.A. Sub-fund FIO holds 989 shares in PROCHEM S.A., representing 0.03 % of the share capital of PROCHEM S.A., entitling to 989 votes at the General Meeting of PROCHEM S.A., constituting 0.03% of the total number of votes in PROCHEM S.A.
The Funds hold jointly 177 215 shares in PROCHEM S.A., representing 4.55 % of the share capital of the Company, entitling to 177 215 votes at the General Meeting of the Company's Shareholders and constituting 4.55% of the total number of votes in the Company. TFI has also informed that: there are no subsidiaries of the Funds who hold PROCHEM SA shares; there are no other than "Funds" such investment funds managed by TFI that would have PROCHEM SA shares.

- Mr. Andrzej Karczykowski informed the Company about exceeding 5% in the total number of votes in PROCHEM S.A. (hereinafter referred to as the "Company"). Such exceeding has occurred as a result of transaction of acquisition of shares of Prochem SA on December 22, 2017 in the number of 140,000 shares of the Company. Following this transaction, Mr. Andrzej Karczykowski held 274,586 shares of the Company, which accounted for 7.0497% of share in the capital and entitled to 274,586 votes, which constitutes 7.04776% of the total number of votes at the General Meeting of the Company. On March 23, 2018, the Company received a notification of sale on March 21, 2018 of 72,704 shares.
After the transaction, Mr. Andrzej Karczykowski holds 201 882 shares of the Company.

- - The company Prochem S.A. holds 960,000 own shares purchased within an offer to purchase own shares for the purpose of redeeming no more than 960,000 shares of the Company with a nominal value of PLN 1 each which was announced under the Resolution No. 4 of the Extraordinary Meeting of January 26, 2018 by the Company on February 28, 2018,. The transaction of purchase of own shares for redemption was settled on March 21, 2018. These shares constitute 24.65% of the share capital of the Company and correspond to 960,000 votes at the General Meeting of the Company, which constitutes 24.64% of votes at the General Meeting. As a result of their redemption, there will be changes in the proportions of shares held by the existing shareholders.

Note No. 13 – Revaluation reserve

	31 December 2017	31 December 2016
As at opening balance sheet	12 019	11 584
Revaluation of PPE	-697	-119
Foreign exchange translation differences	-	12
Actuarial losses on valuation of provisions for employee benefits	69	-66
Other changes	3	608
As at closing balance sheet	**11 394**	**12 019**

Note No. 14 - Retained earnings

	31 December 2017	31 December 2016
Spare capital	46 417	46 606
Other capital reserve	28 283	52 317
Profit / (loss) brought forward	-1 575	-2 249
Profit for the period assigned to shareholders of the Parent Entity	16 828	-23 332
Total	**89 953**	**72 342**

Note No. 15 – Non-current bank loans

	31 December 2017	31 December 2016
- loans	141	299

Information on bank loans

Name of the bank	Registered office	Limit of the loan	Amount engaged	Repayment date	Terms of interest	Collateral
By Pro-Inhut Sp. z o.o.						
ING Bank Śląski S.A.	Dąbrowa Górnicza	200	141	30 July 2020	WIBOR for 1-month deposits in PLN + margin	lack

Note No. 16 – Provision for retirement and similar benefits

The Group implemented the post-employment benefits program, which include the retirement and disability pension gratuity for employees. Reserves for retirement and disability pension gratuity payments are calculated on an individual basis for every employee. The basis for calculating the provision for employee is the expected amount of the benefit that the Group obliges to pay according to applicable Regulations of remuneration. Retirement and disability pension gratuity is paid once at the moment of the beginning of retirement or disability pension of the person. Current value of these obligations is determined by an independent actuary. The level of provisions corresponds with the discounted payments that will be made in the future, taking into consideration the staff turnover, and relate to the period until the date ending the reporting year.

Here below are the averaged values of indicators determined on the basis of detailed actuarial assumptions, which were accepted for the calculation of provisions as at December 31, 2017:

- weighted average rotation ratio: general 8.11% - 23.03% depends on the Company, including for the traineeship > 3 years 3.57% - 5.54%
- weighted average probability of death: 0.002962 – 0.005833 depends on the Company (based on tables of the Central Statistical Office - GUS PTTŻ 2016 which were reduced to 40%)
- weighted average probability of total disability: 0.00139 – 0.00435 (tables based on the Social Insurance Office (ZUS) case law for the years 2014 – 2016 multiplicatively increased applying an indicator of from 100% to 200% depending on the Company)
- weighted average annual index of using pension rights after their acquisition: 0.743 – 0.9688 depending on the Company
- average annual increase in the basis for benefits: 1.29% - 2.1% (depending on the obligations length and type of benefit)
- fixed interest rate used for discounting depending on total obligations length in the Company : 3.45% - 3.73% on the basis of the yields of Polish Treasury bonds with an adequate maturity, increased by 0.25 percentage point.

For comparison, the average values of indicators determined on the basis of actuarial assumptions, which were accepted for the calculation of provisions as at 31 December 2016:
- weighted average index of rotation: 5.48% - 8.14% depending on the Company
- average annual increase in the basis for benefits: 1.5% - 2.,5% for the years 2018 – 2027), 2.5% > 2027
- interest rate used for discounting 3.50%

Change in provisions for retirement and disability pension gratuity and jubilee gratuity

Description	in 2017	in 2016
Opening balance for the provisions for benefits	**2 188**	**2 441**
Benefits paid during the period (-)	-487	-527
Interest cost	68	73
Current employment costs /current write-downs/	70	94
Actuarial losses (gains)	141	107
Cost of past employment	62	0
Effects of the sale / merger of the Companies	0	0
Closing balance for provisions for benefits	**2 040**	**2 188**
Including current provision	328	433
Including non-current provision	1 712	1 755

Burdens in the period due to benefits recognized in profit or loss:

Description	in 2017	in 2016
Current employment costs /current write-downs/	-70	-94
Interest cost	-68	-73
Actuarial losses (gains) under other non-current benefits	-181	-30
Cost of past employment	-62	0
Total gains (losses)	**-381**	**-197**

Recognized in other comprehensive income:

Description	in 2017	in 2016
Actuarial gains (losses) on post-employment benefits	90	-76

Distribution of actuarial gains /losses

Description	in 2017
Actuarial gains (losses) ‘ex post’	-59
Actuarial gains (losses) from the update of demographic assumptions	-47
Actuarial gains (losses) from the update of financial assumptions	-35
Total actuarial gains (losses)	**-141**

Maturity profile of benefits (amounts in PLN thousands, duration in years)

Period	Flows	Distribution of provisions
2018	335	328
2019	371	330
2020	313	265
2021	234	185
2022	197	151
≥ 2023	2 837	821
Total	**4 287**	**2 080**
PV / duration	2 926	8.63 – 12.07

Sensitivity analysis of provisions for changes in basic actuarial assumptions

Sensitivity analysis for the interest rate			Sensitivity analysis for employee rotation rates			Sensitivity analysis for increases in the basis of benefits	
Change in p. p.	Value of reserves		Change in p. p.	Value of reserves		Change in p. p.	Value of reserves
-1.0%	2 211		-20%	2 185		-1.0%	1 965
-0.5%	2 143		-10%	2 130		-0.5%	2 021
0.0%	**2 079**		**0%**	**2 079**		**0.0%**	**2 079**
0.5%	2 020		10%	2 032		0.5%	2 140
1.0%	1 965		20%	1 986		1.0%	2 204

Note No. 17- Other non-current liabilities

Other non-current liabilities	31 December 2017	31 December 2016
- capital unpaid	50	50
- financial lease agreements	287	213
- transformation of perpetual usufruct right to right of ownership	-	14
- the security deposits retained	45	47
- other	-	-
Total non-current liabilities	**382**	**324**

Note No. 18- Current bank loans

	31 December 2017	31 December 2016
- loans	2 233	10 400

Information on contracted bank loans

Name of the bank	Registered office	Loan limit	Amount of engagement	Repayment date	Time of interest	Collateral
By Prochem S.A.						
mBank SA	Warsaw	5,000 Credit in overdraft	-	30 November 2018	WIBOR for O/N deposits in PLN + margin	Promissory note in blank, court pledge on shares
By Elektromontaż Kraków S.A.						
Deutsche Bank	Kraków	500	445	15 July 2018	WIBOR for 1-month deposits in PLN + margin	Mortgage up to PLN 2 250 thousand on real estate
ING BANK Śląski	Kraków	2 500	774	19 November 2018	WIBOR for 1-month deposits ON in PLN + margin	Mortgage up to PLN 3 750 thousand on real estate
By Atutor Integracja Cyfrowa sp. z o.o.						
Bank Millenium S.A.	Warsaw	150	140	15 April 2018	WIBOR 1month plus margin	Granting to the bank of power of attorney to collect and repay from bank accounts and blocking funds in the event of failure to repay the loan on time
By Pro-Inhut sp. z o.o.						
ING Bank Śląski S.A.	Dąbrowa Górnicza	579	579	20 February 2018	WIBOR for 1-month deposits in PLN + margin	BGŻ Bank Guarantee on the basis of a portfolio agreement. Promissory note in blank.
ING Bank Śląski S.A.	Sosnowiec	300	284	30 July 2020	WIBOR for 1-month deposits in PLN + margin	BGŻ Bank Guarantee on the basis of a portfolio agreement. Promissory note in blank.
By Elmont Pomiary sp. z o.o.						
PEKAO S.A.	Kraków	200	11	30 March 2018	WIBOR for 1-month deposits in PLN + margin	Promissory note in blank

Note No. 19 – Trade payables

	31 December 2016	31 December 2016
To other jointly-controlled entities	10	385
- from supplies and services, with maturity period:	10	385
- up to 12 months	10	385
To other entities	27 008	39 140

- from supplies and services, with maturity period:	27 008	39 140
- up to 12 months	22 416	34 718
- above 12 months	4 592	4 422
Total trade payables	**27 018**	**39 525**

Note No. 20 – Other liabilities

	31 December 2016	31 December 2016
a) to other entities	4 473	3 742
- due to taxes, duties, insurance and other benefits	3 337	2 463
- due to remuneration	399	402
-other (by type)	737	877
• liabilities to employees	51	13
• to shareholders	16	28
• under lease agreement	625	23
• other	45	813
b) other non-current provisions	4 399	4 344
- provision for costs relating to long-term contracts	477	644
- provision for costs (movable part of salary, contracts of mandate)	2 143	1 875
- cost of audit	69	87
- non-current provision for retirement benefits	328	433
- provision for unused holiday leaves	1 382	1 305
Total other liabilities	**8 872**	**8 086**

Liabilities under lease agreements

	Current value	Interest	Future minimum payments under lease	Current value	Interest	Future minimum payments under lease
In PLN thousands	**In 2017**	**In 2017**	**In 2017**	**In 2016**	**In 2016**	**In 2016**
Up to 1 year	591	34	625	223	0	223
From 1 to 5 years	265	22	287	217	12	229
Total	**856**	**56**	**912**	**440**	**12**	**452**

Note No. 21 – Deferred income

	31 December 2017	31 December 2016
Deferred income, including:	1 913	2 061
- advanced payments received	958	462
- amounts due to the ordering parties under long-term contracts	955	1 599
Other	324	324
Deferred income as at the end of the period, including:	**2 237**	**2 385**
Non-current liabilities	**-**	**-**
Current liabilities	**2 237**	**2 385**

Note No. 22- Revenues from sale of services

Revenues from sale of services (type of service and type of activity)	**In 2017**	**In 2016**
- Revenues from sale of services, including:	**111 133**	**162 927**
- from related entities	13 033	19 292

Revenues from sales (territorial structure)	**In 2017**	**In 2016**
Domestic market	110 957	148 061
- including from related entities	13 033	19 292
exports	176	19 593

Revenues under contracts for construction services (general contracting) and other services are presented in Note No. 31.The gross amount due from ordering parties/buyers for the work under the contracts was presented in Note No. 11.
Information on major customers, whose total value of revenues from sales of services exceeds 10% of the total revenues of the Group in 2017 is included in Note No. 31.

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

Revenues from sale of goods and materials (by structure and type of activity)	**In 2017**	**In 2016**
Goods and materials	873	6 287

Revenues from sale of goods and materials (territorial structure)	**In 2017**	**In 2016**
Domestic market	873	5 519
Abroad	-	768

Note No. 24 – Cost of services sold

Costs by type :	**In 2017**	**In 2016**
a) amortization and depreciation	2 014	2 351
b) consumption of materials and energy	21 668	20 397
c) outsourcing	56 238	119 001
d) taxes and levies	817	1 860
e) remuneration	29 983	32 921
f) social security and other benefits	5 756	6 246
g) other types of costs (by category)	4 158	5 983
- property and personal insurance	734	834
- business trips	1 398	1 967
- State Fund for Rehabilitation of Disabled Persons (PFRON)	214	225
- car rental	926	1 073
- other	886	1 884
Total costs by type	120 634	188 759
Change in inventories, goods and accruals and prepayments	241	-972
General and administrative expenses (negative value)	-13 328	-15 194
Cost of services sold	**107 547**	**172 593**

Note No. 25 – Other operating income

	In 2017	In 2016
a) gain on sale of non-financial non-current assets	446	92
b) grants	-	-
c) reversal of impairment allowance (due to)	23	105
- for receivables	23	105
d) other, including:	195	1 825
- reimbursement of litigation costs	11	10
- received compensation, fines and penalties	111	823
- revenues under rental of cars	-	5
- impairment allowance for receivables past due	1	328
- revaluation of investment	-	370
- other	72	289
Total operating income	**664**	**2 022**

Note No. 26 – Other operating expenses

	In 2017	In 2016
a) loss on disposal of non-financial non-current assets	5	43
b) impairment allowance (for)	440	124
- receivables	440	124
c) other, including:	297	1 901
- litigation costs	26	2
- write-off of past due receivables	-	73
- provision to operating expenses	16	1 283
- paid compensation, fines and penalties	53	1
- write-down of inventories	-	272
- other, including warranty costs of renting office space, arising from sale agreement of an office building	202	270
Total operating expenses	**742**	**2 068**

Note No. 27 – The result of one-off events

	In 2017	In 2016
Interest received from PERN according to the court judgment	25 082	-
Amount adjudged from PERN in accordance with a court judgment	6 819	-
Cost of inventories written off	-1 668	-
Interest paid and settled with PERN	-2 841	-
Cost of provisions for future liabilities	-476	-
Costs related to the court proceedings with PERN	-143	-
Result of the event	**26 773**	

The result on one-off events arose as a result of the completion and accounting for of a court case with PERN S.A. described in note 39 - *Information on significant proceedings pending before the Court.*

Note No. 28 – Financial income

	In 2017	In 2016
a) interest under loans granted	379	379
- from jointly-controlled entities	379	379
b) other interest	22	94
- from other entities	22	94
c) surplus of positive exchange rate differences	59	380
d) other, including:	95	68
- revenues under discounted non-current liabilities	39	66
- other	56	2
Total financial income	**555**	**921**

Note No. 29 – Finance costs

	In 2017	In 2016
a) interest on loans and borrowings	438	438
b) other interest	47	28
- for other entities	47	28
c) surplus of negative exchange rate differences	-	675
d) other, due to :	539	742
- commission on bank guarantees	242	159
- commission on loans	138	106
- commission on letter of credit	-	-
- write-down of financial assets	-	212
- the cost of discounting of long-term flows	145	201
- other/ costs related to Representation Office in Belarus	14	64
Total finance costs	**1 024**	**1 883**

Note No. 30 – Income tax

Deferred income tax disclosed in the statement of profit and loss	In 2017	In 2016
- decrease (increase) from arising and reversal of temporary differences	2 754	-3 693
Total deferred income tax	**2 754**	**-3 693**

Establishment of the effective tax rate

(in PLN thousands)	**In 2016**	**In 2016**
Tax rate	**19%**	**19%**
Profit for the period	16 976	-23 144
Income tax	3 104	-2 815
Before tax profit	20 080	-25 959
Income tax at the applicable rate of 19%	3 815	- 4932
Tax losses brought forward, which will not be settled	-520	-
Revenues, not classified as tax revenues	-1 292	-
Costs not constituting tax deductible expenses	1 039	1 018
Tax loss outside the Republic of Poland	62	1 055
Other		44
Total income tax disclosed in the statement of profit and loss	**3 104**	**-2 815**

Note No. 31 – Additional disclosures to the statement of cash flows

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

Differences between the amounts established directly from the financial statements and disclosed in the statement of cash flows, are resulting from a transfer of specified amounts from operating activity to investing activity and financing activity.
These relate to the following balance sheet items (in PLN thousands):

Change in inventories	**2 643**
Inventories as at 01 January 2017	4 865
As at opening balance sheet	**4 865**
Inventories as at 31 December 2017	2 222
Closing balance sheet after adjustments	**2 222**

Change in current receivables	**24 599**
Receivables as at 01 January 2017	56 652
Other assets as at 01January 2017	11 135
Receivables from sale of non-current assets	-18
Receivables from sale of financial assets	-367
Receivables under income tax	-342
As at opening balance sheet	**67 060**
Receivables as at 31 December 2017	32 236
Other assets as at 31 December 2017	10 881
Receivables from sale of non-current assets	-15
Receivables under income tax	-641
Closing balance sheet after adjustments	**42 461**

Change in current liabilities (except for current borrowings and special funds)	**-11 560**
Trade payables as at 01January2 017	39 555
Other liabilities as at 01 January 2017	8 086
Provision to current retirement benefits	-433
Provision to annual leaves	-1 305
Provision to audit	-87
Provision to current other costs	-644
Liabilities under operating lease	-212
Liabilities to shareholders	-28
As at opening balance sheet	**44 902**
Trade payables as at 31 December 2017	27 018
Other liabilities as at 31 December 2017	8 872
Provision to current retirement benefits	-328
Provision to annual leaves	-1 382
Provision to audit	-69
Provision to current other costs	-477
Liabilities under operating lease	-276
Liabilities to shareholders	-16

Closing balance sheet after adjustments	33 342	
	In 2016	In 2016

	In 2017	In 2016
Change in other adjustments	-208	-5 896
Change in deferred income - advances received	496	-5 739
Security deposit constituting the collateral of a bank guarantee of reimbursement of advance payment*)	-	-3 255
Amounts due to the ordering parties under long-term contracts	-644	2 526
Adjustment of sale of subsidiary	-	-144
Other adjustments	-60	716

Note No. 32– Operating segments

Operating segment is a component part of the Group:

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

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

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

Segment result is determined on the level of operating income.

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

Information on major customers of the Issuer, which share in the sales revenue was recognized in the separate statement of profit and loss for 2015 and exceeded 10% of the total revenues from sale:
Assets of the Representation in Belarus as at 31 December 2017 and as at 31 December 2016 do not exceed 10% of balance sheet amount.

Income from activities achieved by the Issuer outside of Poland (Export) in the period from January 1, 2017 to December 31, 2017 amounted to PLN 176 thousand (i.e. 0.2% of sales revenues), in the analogous period of the previous year revenues amounted PLN 20,361 thousand (i.e. 12.0% of sales revenues).

Information on major customers, which share in the sales revenue for 2016 exceeded 10% of the total revenues from sale:

- Irydion Sp. z o. o. a jointly controlled company – revenues in the amount of PLN 13 331 thousand, what constitutes 11.1% of share in sales revenues, which were disclosed in the segment of „General Contracting" and „Design services and other engineering services".

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

Information about the geographical areas

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

	Note No.	2017	2016
Poland		111 830	148 853
Belarus		-	20 361
Other countries		176	-
	22	**112 006**	**169 214**

Geographical breakdown of non-current assets

	Note No.	2017	2016
Poland		34 035	35 854
Belarus		-	-
Other countries		-	
	1, 2 and 3	**34 035**	**35 854**

Current data

In 2017	General contracting	Design services and other engineering services	Rental of construction equipment	Electrical installations	Rental of office space and real estate	Maintenance	Commercial activity	Other IT services	Other	Items not assigned	Total
Revenue to customers	33 255	30 277	2 515	38 164	4 487	710	873	421	1 304	-	112 006
Total segment revenues	33 255	30 277	2 515	38 164	4 487	710	873	421	1 304	-	112 006
Result											
Profit (loss) of the segment	**-1 184**	**-9 327**	**384**	**203**	**497**	**-36**	**135**	**-140**	**-139**	**-**	**-9 607**
Financial income	-	-	-		-	-	-	-	-	555	555
Finance costs	-	-	-	-	-	-	-	-	-	-1 024	-1 024
Net financial activities	-	-	-		-	-	-	-	-	-469	**-469**
Profit sharing in entities valued under the equity method	-	-	-	-	-	-	-	-	-	3 641	**3 641**
Loss on other operating activities	-	-	-	-	-	-	-	-	-	26 695	**26 695**
Before tax profit	-	-	-	-	-	-	-	-	-	20 080	**20 080**
Income tax	-	-	-	-	-	-	-	-	-	3 104	**3 104**
Profit for the current period	-	-	-	-	-	-	-	-	-	16 976	**16 976**
Loss assigned to non-controlling interest	-	-	-	-	-	-	-	-	-	148	**148**
Profit for the period assigned to shareholders of parent entity	-	-	-	-	-	-	-	-	-	**16 828**	**16 828**
Segment assets (related to activity)	12 652	11 319	699	5 447	17 063	379	1 175	-	154	-	48 888
Assets unallocated (among others shares and other financial assets	-	-	-	-	-	-	-	-	-	107 936	107 936
Total assets	**12 652**	**11 319**	**699**	**5 447**	**17 063**	**379**	**1 175**	**-**	**154**	**107 936**	**156 824**
Liabilities of the segment (related to activity)	2	4 497	332	6 771	2 924	37	582	2	811	29 138	45 096
Equity of the owners of the parent entity										105 204	105 204
Non-controlling interest										6 524	6 524
Total liabilities and equity	**2**	**4 497**	**332**	**6 771**	**2 924**	**37**	**582**	**2**	**811**	**140 866**	**156 824**
Depreciation of property, plant and equipment	100	77	91	489	699	63	-	45	270	-	1 834
Amortisation of intangible assets	-	18	-	17	7	-	-	-	138	-	180
Write-down of segment assets	-344	-422	-3 092	-1 107	-289	-	-	-	-254	-	-5 508

Comparative data

In 2017	General contracting	Design services and other engineering services	Rental of construction equipment	Electrical installations	Rental of office space and real estate	Maintenance	Commercial activity	Other IT services	Other	Items not assigned	Total
Revenue to customers	90 197	33 445	3 113	29 246	5 093	1 081	6 287	177	575	-	169 214
Total segment revenues	90 197	33 445	3 113	29 246	5 093	1 081	6 287	177	575	-	169 214
Result											
Profit (loss) of the segment	**-16 850**	**-9 056**	**1 064**	**24**	**940**	**-4**	**911**	**-290**	**-426**	**-**	**-23 687**
Financial income	-	-	-		-	-	-	-	-	767	767
Finance costs	-	-	-	-	-	-	-	-	-	-1 883	-1 883
Net financial activities	-	-	-		-	-	-	-	-	-1 116	**-1 116**
Profit sharing in entities valued under the equity method	-	-	-	-	-	-	-	-	-	-1 110	**-1 110**
Loss on other operating activities	-	-	-	-	-	-	-	-	-	-46	**-46**
Before tax profit	-	-	-	-	-	-	-	-	-	-25 959	**-25 959**
Income tax	-	-	-	-	-	-	-	-	-	-2 815	**-2 815**
Profit for the current period	-	-	-	-	-	-	-	-	-	-23 144	**-23 144**
Loss assigned to non-controlling interest	-	-	-	-	-	-	-	-	-	188	**188**
Profit for the period assigned to shareholders of parent entity	-	-	-	-	-	-	-	-	-	**-23 332**	**-23 332**
Segment assets (related to activity)	33 665	13 625	490	10 120	17 050	316	-	-		-	75 266
Assets unallocated (among others shares and other financial assets	-	-	-	-	-	-	-	-	-	84 942	84 942
Total assets	**33 665**	**13 625**	**490**	**10 120**	**17 050**	**316**	**-**	**-**	**-**	**84 942**	**160 208**
Liabilities of the segment (related to activity)	24 440	5 485	351	9 543	606	-	-	442	1 034	23 276	65 177
Equity of the owners of the parent entity										88 583	88 583
Non-controlling interest										6 448	6 448
Total liabilities and equity	**24 440**	**5 485**	**351**	**9 543**	**606**	**-**	**-**	**442**	**1 034**	**118 307**	**160 208**
Depreciation of property, plant and equipment	102	127	100	417	701	88	-	-	535	72	2 142
Amortisation of intangible assets	-	19	-	24	8	1	-	-	-	157	209
Write-down of segment assets	-36	-422	-3 349	-1 107	-238	-	-	-	-297	-	-5 449

Note No. 33 - Profit per one share

Net loss per 1 share remaining in trading as at balance-sheet day 31 December 2017 amounts to PLN (4.32) and in 2016 net profit per one share amounted to PLN 5.79

Note No. 34 - Profit sharing and loss coverage

By Resolution No. 17 of the Ordinary General Meeting of Shareholders of June 10, 2017,was decided that the Issuer's net loss for 2016 in the amount of PLN 23 600 679.75 will be covered from reserve capital.

Proposed distribution of net profit for 2017

The Management Board of Prochem S.A. proposes to allocate net profit for 2017 in the amount of PLN 12 684 166.55 to reserve capital.

Note No. 35 - Dividends

The Issuer did not pay dividend for 2016.

Note No. 36 - Financial instruments and financial risk management

36.1 Categories and classes of financial instruments

Financial assets

	Categories of financial instruments		
(in PLN thousands)	Loans, receivables and other		
Classes of financial instruments	**Note No.**	**31 December 2017**	**31 December 2016**
Receivables from supplies and services	9	28 674	53 997
Cash		28 815	3 783
Loans granted	7and10	18 713	18 532
Total		**76 202**	**76 312**

Financial liabilities

31 December 2017		Categories of financial instruments		
(in PLN thousands)		**Financial liabilities measured at amortized cost**	**Liabilities excluded from IAS 39**	**Total**
Classes of financial instruments	**Note No.**			
Loans	18and15	2 374	-	2 374
Finance lease	17and20	-	912	912
Trade payables	19	27 018	-	27 018
Total		**29 392**	**912**	**30 304**

31 December 2016		Categories of financial instruments		
(in PLN thousands)		**Financial liabilities measured at amortized cost**	**Liabilities excluded from IAS 39**	**Total**
Classes of financial instruments	**Note No.**			
Loans	18and15	10 699	-	10 699
Finance lease	17and20	-	452	452
Trade payables	19	39 525	-	39 525
Total		**50 224**	**452**	**50 677**

Impairment allowances of financial assets by classes of financial instruments

(in PLN thousands)	As at 31 December 2017	31 December 2016
Receivables from supplies and services	5 508	5 449
Total	**5 508**	**5 449**

Impairment allowances of financial assets are presented in Note 9.

Fair value of financial instruments

(in PLN thousands)	Note No.	31December 2017 Fair value	Book value	31December 2016 Fair value	Book value
Financial assets					
Receivables from supplies and services	9	28 674	28 674	53 997	53 997
Cash		28 815	28 815	3 783	3 783
Loans granted	7and10	18 713	18 713	18 532	18 532
Total		**76 202**	**76 202**	**76 312**	**76 312**
Financial liabilities					
Loans	15and18	2 374	2 374	10 699	10 699
Borrowings	18	-	-	-	-
Finance lease	17and20	912	912	452	452
Trade payables	19	27 018	27 018	39 525	39 525
Total		**30 304**	**30 304**	**50 677**	**50 677**

The fair value of financial instruments approximates to the carrying amount due to their short-term nature and the floating interest rate.

Operating lease

The Group is a party to the lease agreement of office space and a lease agreement of real estate.
These agreements have been classified as operating lease.
Agreement on the lease of office space for the conducted business activity includes also additional fees for additional services that are settled once a year. According to the agreement a rent is subject to valorisation once a year according to a Harmonized Index of Growth of Consumer Goods Price in the European Union (index), which is published two months prior to the date of indexation.
Part of leased office space is a subject of sublease. The lease agreement for office space and sublease agreements will expire in 2023.

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

On April 1, 2016, the Group entered into an agreement under which leases resort located in Tleń, municipality Osie. The contract was concluded for a definite period until December 31, 2020.
Revenues under the rental increase the social fund, in 2017 amounted to PLN 10 thousand, and in 2016 PLN 7 thousand.

Other revenue from the reimbursement of fees incurred by the lessor is recognized in the consolidated statement of profit and loss as income and expense on account of the lease in the amount of PLN 17.7 thousand, and in 2016 PLN 16 thousand.

In the year 2017 in the consolidated profit and loss account was recognized an amount of PLN 4 607 thousand as the cost of fees resulting from the lease agreement of office space and of the lease agreement of real estate, in 2016 this amount was PLN 4 518 thousand.
Revenue from sublease is recognized in operating income.
In the course of the year 2017 in the consolidated statement of profit and loss was recognized an amount of PLN 5 010 thousand as revenue from lease and sublease, and in 2016 this amount was PLN 4 857 thousand.
From 18 January 2011, the Group is a party to an agreement concluded with Toyota Leasing Polska sp. z o. o. of rental of passenger cars. As of December 31, 2017 48 company's cars were covered by rental contracts.
In the course of the year 2016 in the consolidated statement of profit and loss was recognized an amount of PLN 889 thousand as a cost under rental of cars, and in 2016 PLN 1,059 thousand.

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

An operating lease agreement in which the Group is a lessee

In PLN thousands	**In 2017**	**In 2016**
Up to 1 year	4 862	5 663
1-5 years	19 021	19 906
More than 5 years	13 793	17 325

An operating lease agreement in which the Group is a lessor

In PLN thousands	**In 2017**	**In 2016**
Up to 1 year	4 345	4 495
1-5 years	17 947	10 047
More than 5 years	2 654	4 635

36.2. Financial risk management

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

Credit risk

The Group during its commercial activity conducts sale of services to business entities with the deferred payment date, as a result of it may arise the risk of not receiving of amounts due from contractors for the services provided. The Group, in order to mitigate the credit risk manages the risk through the applicable procedure of gaining of hedging.
Assumed repayment period of amount due associated with the normal course of the sale is 14 - 60 days.
Amounts due from contractors are regularly monitored by the financial services. In case of occurring of overdue amounts procedures of the vindication are started.
The age analysis of trade receivables, which are overdue on the end of the reporting period, but in case of which no impairment occurred, is presented in Note 9.

In order to mitigate the risk of not recovering the receivables from deliveries and services, the Group accepts a collateral from its customers in the form of, among other: bank and insurance guarantees, mortgages, promissory notes, as well as the security deposit.
For the improvement of the current liquidity, in order to release the receivables retained by investors for proper security for the implemented contracts, and statutory warranty for construction work and assembly work, the Group grants bank guarantees and the insurance guarantee within the framework of guarantee lines, which were launched with this purpose.
Credit risk associated with cash and with bank deposits is considered by the Group as low.
All entities in which the Group invests its free monetary resources operate in the financial sector. These include domestic banks and branches of foreign banks of a credit credibility short-term of adequate quality.
The risk of impaired financial assets is reflected in impairment allowances of their value.

Liquidity risk

The Group is exposed to the liquidity risk resulting from the relation of current liabilities to current assets.
As at 31 December 2017 and as at 31 December 2016 the index of ratio of current assets to current liabilities (current liquidity ratio) was respectively 1.84 and 1.27.
Detailed information regarding loans is disclosed in Note No. 18.
Analysis of maturity of the liabilities in Notes Nos. from 15 to 21.
In 2016 the Group realized sales revenues in the amount of PLN 169 214 thousand, including PLN 20 361 thousand (12%) concerned the Client from Belarus. Therefore, the Group recognized in the statement of financial position following financial instruments regarding the above Client.

Classes of financial instruments	31 December 2017	% share in total assets	31 December 2016	% share in total assets
Financial assets				
Receivables from supplies and services	-	-	2 279	1.4%
Other financial assets – discounted security deposit constituting the collateral for a bank guarantee of reimbursement of advance payment	-	-	-	-
Total financial assets	**-**	**-**	**2 279**	**1.7%**
Financial liabilities				
Trade payables	-	-	6 442	4.0%
Total financial liabilities	**-**	**-**	**6 442**	**4.0%**

Exchange rate risk

Part of contracts for sale of services is concluded with foreign companies in foreign currencies (EUR0, US$ and BYR). In case of a significant strengthening of the domestic currency it may adversely affect the performance of the Group. Partly, this risk is mitigated in the natural way through the purchase of equipment and services necessary for the accomplishment of these contracts abroad, as well as through the purchase of relevant financial instruments.

Exposure to currency risk as at 31 December 2016

(in PLN thousands)	EUR	USD	NOK	BYR	Total after translation into PLN
Financial assets					
Receivables from supplies and services	30	-	-	-	126
Cash	2	1	88	6	55
Total	**546**	**1**	**88**	**6**	**181**
Financial liabilities					
Payables	403	80	-	-	1 959
Total	**403**	**80**	**-**	**-**	**1 959**

Exposure to currency risk as at 31 December 2016

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

Analysis of sensitivity to currency risk as at 31 December 2017

(in PLN thousands)	Increase in exchange rate	Total impact on before tax profit	Drop in the exchange rate	Total impact on before tax profit
EUR/PLN	15%	-232	15%	232
USD/PLN	15%	1	15%	-1
NOK/PLN	15%	6	15%	-6
Total impact		**-225**		**225**

Analysis of sensitivity to currency risk as at 31 December 2016

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

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

Revenues in foreign currency, achieved in the currency in the years 2017 and 2016 were as follows:

currency	**revenues**		**Average exchange rate for sales**		**expenses**		**Average exchange rate for purchases**	
(in PLN thousands)	**In 2017**	**In 2016**	**In 2017**	**In 2016**	**In 2017**	**In 2016**	**In 2017**	**In 2015**
EUR	42	4 111	4.2294	4.3756	932	2 196	4.2466	4.2514
USD	-	2	-	3.9295	9	1 065	3.9862	3.7505
BYR	-	-	-	-	-	15	-	1 9765

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

The main foreign currency in the reporting period was EURO.

Hypothetically assuming, in case of depreciation / appreciation of Polish Zloty by 1% in relation to EURO, then revenues in 2017 would increase or decrease by PLN 2 thousand and in 2016 by PLN 164 thousand, which would affect the before tax profit, while the costs would increase or decrease in 2017 by PLN 40 thousand, and in 2016 by PLN 88 thousand.
The above ~~deviations~~ fluctuations were calculated based on historical volatility of particular currencies and forecasts.
Sensitivity of financial instruments for currency risk was calculated as the difference between the initial book value of financial instruments and its potential book value, assuming increase / decrease of exchange rates.

For other currencies the sensitivity of financial instruments is irrelevant.

Interest rate risk

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

Analysis of financial instruments with floating interest rate

	WIBOR		Fixed rate of interest	
(in PLN thousands)	**31December 2017**	**31December 2016**	**31 December 2017**	**31December 2016**
Financial assets				
Loans granted	11 988	11 918	6 725	6 614
Financial liabilities				
Loan	2 374	10 699	-	-

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

(in PLN thousands)	**Assumed fluctuations**		**impact (in PLN thousands)**	
	31December 2016	**31December 2016**	**31December 2016**	**31December 2016**
Financial assets				
WIBOR	+50 base point	+50 base point.	94	60
Financial liabilities				
Loan	+50 base point	+50 base point	(12)	(54)

Note No. 37 – 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.

Key management personnel include Members of the Company's Management Board and Members of the Company's Supervisory Board.
In 2017, 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.

Remuneration paid in 2017 in the Issuer’s enterprise to the Members of Management Board:

1. Jarosław Stępniewski PLN 425 thousand
2. Marek Kiersznicki PLN 254 thousand
3. Krzysztof Marczak PLN 253 thousand

Remuneration paid in 2017 in the Issuer’s enterprise to the Members of the Supervisory Board:

1. Marek Garliński PLN 87 thousand
2. Karczykowski Andrzej PLN 60 thousand
3. Krzysztof Obłój PLN 60 thousand
4. Suflida Michał PLN 27 thousand
5. Pędziński Marcin PLN 60 thousand
6. Żbikowski Karol PLN 65 thousand

The remuneration on account of serving on the Management Boards and the Supervisory Boards of companies belonging to the Capital Group paid to Members of the Management Board in 2017 have received the following persons:

1. Jarosław Stępniewski PLN 71 thousand
2. Marek Kiersznicki PLN 232 thousand
3. Krzysztof Marczak PLN 185 thousand

Transactions with affiliated entities, as below, were concluded on market conditions and relate to sale and purchase of services, among others - of construction and assembly services, and rental services, as well as granting mutually loans.
Guarantees and sureties granted to related entities are presented in note 38.

Reporting period
(in PLN thousands)

from 1 January 2017 to 31 December 2017

	Sale of services	Purchase of services	Financial income – interest on loans
Jointly-controlled entities and associated entities	13 033	3 878	379

The sale of services in total concern revenues from the jointly- controlled company Irydion Sp. z o. o. in Warsaw, for the benefit of which is implemented investment project under the name of "Astrum Business Park” in Warsaw, and costs of purchase of services - fees for rental of office.

As at 31 December 2017

	Trade and other receivables	Receivables under loans granted	Trade payables
Jointly-controlled entities and associated entities	7 903	18 713	10

Comparative period
(in PLN thousands)

from 1 January 2016 to 31 December 2016

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

As at 31 December 2016

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

Revenues from the sale of services to jointly-controlled entities and associated entities in total concern revenues from the jointly controlled company Irydion Sp. z o. o. in Warsaw, for the benefit of which is implemented investment project under the name of "Astrum Business Park” in Warsaw.
In 2017 the costs were related to the rental of office space.

Note No. 38- Contingent liabilities and contingent assets and other collateral

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

	Capital Group	
	31 December 2017	**31 December 2016**
Collateral granted		
Bank guarantee of good performance	11 475	22 235
Guarantee of reimbursement of advance payment	1 177	-
Guarantee of payment	-	-
Tender guarantee	-	37
Total collateral granted	**12 652**	**22 272**
Contingent liabilities		
surety concerning bills of exchange issued by subsidiary Pro-Inhut Sp. z o. o. seated in Dąbrowa Górnicza for the benefit of an investor to secure the claims under good performance	247	247
Total collateral granted and contingent liabilities	**12 899**	**22 519**

Contingent assets

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

	31 December 2016	31 December 2016
Collateral received		
Bank guarantee of good performance	3 866	5 087
Total collateral received	**3 866**	**5 087**

Note No. 39 - 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:

- 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 126 400.44 with statutory interest from 16 January 2007 until the date of payment.
- in the cross action, dismissed the action of PERN entirely.

PERN S.A. lodged an appealed from the above judgment, on October 30, 2017 the appeal was dismissed by the Court of Appeals 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 representative 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, therefore 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. 40- Events after reporting date

On April 5, 2018, was delivered to the Company's representative a copy of the cassation complaint filed by PERN S.A. against the court sentence described in note 39.

Note No. 41 – Other explanatory information to the financial statements

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

As at the date of preparation of the hereby financial statements, the following members of the Management Board and Supervisory Board of the company hold shares of Prochem S.A.

- Jarosław Stępniewski – 68,383 units;
- Marek Kiersznicki – 59,474 units;
- Krzysztof Marczak – 36,908 units;
- Andrzej Karczykowski – 201,882 units;

Nominal value of 1 share is PLN 1.

Note No. 42- Approval of the financial statements

Consolidated financial statements of the Prochem S.A. Capital Group for the year 2017 were approved for issue by the Management Board of the Parent Company on 27 April 2018.

Signatures of the Members of the Management Board

27 April 2018 Jarosław Stępniewski President of the Management Board ....
date first name and surname position signature

27 April 2018 Marek Kierysznicki Vice President
of the Management Board ....
date first name and surname position signature

27 April 2018 Krzysztof Marczak Vice President
of the Management Board ....
date first name and surname position signature

Signature of the person responsible for bookkeeping

27 April 2018 Barbara Auguścińska-Sawicka Chief Accountant ....
date first name and surname position signature