SEPARATE FINANCIAL STATEMENTS OF PROCHEM S.A.

As at and for the period ended 31 December 2016

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

Table of content to the separate financial statements of PROCHEM S.A.

Statement of financial position as at 31 December 2016

(all amounts in PLN thousands if not stated otherwise)

	Note No.	31 December 2016	31 December 2015
A s s e t s			
Non-current assets			
Property, plant and equipment	1	1 249	1 542
Intangible assets	2	310	414
Investment properties	3	246	-
Shares in subsidiaries	4	9 642	10 162
Shares in equity-accounted investees	5	4 502	4 810
Deferred tax assets	6	5 054	1 834
Other financial assets	7	36 738	36 326
Total non-current assets		**57 741**	**55 088**
Current assets			
Inventories	8	1 698	5 247
Trade and other receivables	9	38 042	68 856
Other financial assets	10	198	3 569
Other assets	11	4 757	7 671
Cash and cash equivalents		245	16 769
Total current assets		**44 940**	**102 112**
Total assets		**102 681**	**157 200**
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	837	859
Retained earnings	14	48 727	78 521
Total equity		**53 459**	**83 275**
Non-current liabilities			
Provisions for retirement and similar benefits	15	539	715
Liabilities under non-current loans	16	7 002	-
Other non-current liabilities	17	14	14
Total non-current liabilities		**7 555**	**729**
Current liabilities			
Bank loans	18	7 303	9 024
Borrowings	19	0	950
Trade payables	20	27 139	47 154
Liabilities under current income tax		0	1 361
Other liabilities	21	5 182	3 670
Deferred income	22	2 043	11 037
Total non-current liabilities		**41 667**	**73 196**
Total liabilities		**49 222**	**73 925**
Total equity and liabilities		**102 681**	**157 200**
Weighted average number of ordinary shares (units)		3 895 000	3 895 000
Book value per one share (in PLN)		13.73	21.38

Statement of profit and loss
For the year from 1 January 2016 to 31 December 2016
(all amounts in PLN thousands if not stated otherwise)

	Note No	In 2016	In 2015
Revenues from sale, including:		109 682	220 954
Revenues from sale of services	23	108 914	217 631
Revenue from sale of goods and materials	24	768	3 323
Cost of sales, including:		-126 107	-202 796
Cost of services sold	25	-125 348	-199 537
Cost of merchandise and raw materials		-759	-3 259
Gross profit on sales		**-16 425**	**18 158**
General and administrative expenses	25	-9 303	-9 274
Other operating income	26	1 370	1 478
Other operating expenses	27	-1 895	-1 210
Results from operating activities		**-26 253**	**9 152**
Financial income	28	1 085	2 121
Profit on sale of financial assets		492	-
Finance expenses	29	-2 137	-2 927
Before tax profit		**-26 813**	**8 346**
Income tax expense:	30	-3 212	2 133
- current tax		1	2 800
- deferred tax		-3 213	-667
Profit for the period		**-23 601**	**6 213**
Weighted average number of ordinary shares (units)		3 895 000	3 895 000
Profit/diluted profit per share (in PLN per one share)		-6.06	1.60

Statement of comprehensive income
For the year from 1 January 2016 to 31 December 2016

Profit for the period	**-23 601**	**6 213**
Other comprehensive income	**-22**	**-402**
Other comprehensive income that will be reclassified to profit and loss under certain conditions:	**12**	**-385**
Exchange differences on translation of foreign operations	12	-473
Income tax on other comprehensive income	0	88
Other comprehensive income that will not be reclassified to profit or loss:	**-34**	**-17**
Revaluation of property, plant and equipment	10	-
Actuarial loses on valuation of provisions for employee benefits	-52	-21
Income tax on other comprehensive income	8	4
Total comprehensive income	**-23 623**	**5 811**
Weighted average number of ordinary shares (units)	3 895 000	3 895 000
Total comprehensive income per ordinary share (in PLN per one share)	-6.06	1.49

Statement of changes in equity
For the year from 1 January 2016 to 31 December 2016
(all amounts in PLN thousands if not stated otherwise)

	Share capital	Revaluation reserve	Retained earnings	Total equity
In 2016				
As at the beginning of the period	**3 895**	**859**	**78 521**	**83 275**
Net profit of the given period	-	-	-23 601	**-23 601**
Net other comprehensive income	-	*-22*	-	*-22*
Total comprehensive income	**0**	**-22**	**-23 601**	**-23 623**
Payment of dividend	-	-	-6 193	**-6 193**
As at the end of the period	**3 895**	**837**	**48 727**	**53 459**

	Share capital	Revaluation reserve	Retained earnings	Total equity
In 2015				
As at the beginning of the period	**3 895**	**1 261**	**73 671**	**78 827**
Net profit of the given period	-	-	6 213	**6 213**
Net other comprehensive income	-	*-402*	-	*-402*
Total comprehensive income	-	**-402**	**6 213**	**5 811**
Payment of dividend	-	-	-1 363	**-1 363**
As at the end of the period	**3 895**	**859**	**78 521**	**83 275**

Statement of cash flows
For the year from 1 January 2016 to 31 December 2016
(all amounts in PLN thousands if not stated otherwise)

	Note No.	In 2016	In 2015
Cash flows – operating activities			
Before tax profit		-26 813	8 346
Total adjustments		14 149	2 138
Amortization and depreciation	25	876	1 015
Interest and profit sharing (dividends)		-321	-1 305
Profit on disposal of property, plant and equipment	26	-57	-14
Loss on investing activity		823	-
Profit on sale of financial assets		-492	-
Change in provisions		134	94
Change in inventories		3 549	-2 760
Change in receivables	31	33 913	-12 185
Change in current liabilities, except for loans and borrowings	31	-17 920	21 171
Other adjustment	31	-6 356	-3 878
Cash provided by (used in) operating activities		-12 664	**10 484**
Income tax paid		-1 360	**-2 333**
Net cash provided by (used in) operating activities		**-14 024**	**8 151**
Cash flows – investing activities			
Inflows		**730**	**8 884**
Disposal of intangible assets and property, plant and equipment		105	17
Inflows from financial assets in related entities, including:		625	8 867
- inflows from sale of financial assets		285	-
- dividend received		65	1 003
- repayment of loans granted		-	6 558
- repayment of interest on loans granted		275	1 306
Outflows		**-937**	**-911**
Acquisition of intangible assets and property, plant and equipment		-937	-871
For financial assets in related entities, including:		-	-120
- loans granted		-	-120
Net cash provided by (used in) investing activities		**-207**	**7 893**
Cash flows – investing activities			
Inflows		**6 000**	**9 018**
Inflows from loans received		-	9 000
Inflows from borrowings received		6 000	-
Other financial proceeds		-	18
Outflows		**-8 293**	**-11 255**
Dividend paid		-6 187	-1 363
Repayment of bank loans		-1 721	-9 423
Interest		-385	-469
Net cash provided by (used in) financing activity		**-2 293**	**-2 237**
Total cash flows, net		-16 524	13 807
Net increase/(decrease) in cash and cash equivalents		-16 524	13 807
Cash and cash equivalents at the beginning of the period		**16 769**	**2 962**
Cash and cash equivalents at the end of the period		**245**	**16 769**

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

1. Establishment of the Company and principal activity

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

In 2013 the Company commenced implementation of investment project „Turnkey construction of system for the production of highly purified paraffin, oils, lubricant and cooling greases and pattern material with the expansion of power complex in Belarus". Therefore, for the period of implementation of the project the Representation Office was established. Term of the activity of the Representation Office 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 2016 there were no changes in composition of the Management Board..

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

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

Changes in the Supervisory Board in 2016.

In connection with the resolutions of the General Meeting of June 11, 2016, there were the following changes in the composition of the Supervisory Board:

1) have been dismissed from the Supervisory Board:
   - Steven Tappan, who had 510,000 units of shares of the Company,
   - Wiesław Kiepiel.
2) have been appointed to the Supervisory Board:
   - Michał Suflida
   - Karol Żbikowski.

On the basis of the Resolutions of the Extraordinary General Meeting of 28 October 2016 Mr. Marek Garliński was dismissed from the Supervisory Board and Mr. Martin Pędziński was appointed to the Supervisory Board.

3. Employment

Average employment in 2016 was 226 FTEs, and in 2015 237 FTEs. Level of employment in persons as at 31December 2016 was 206 persons, and as at 31 December 2015 250 persons.

4. Adopted accounting principles

Principles of presentation

Financial statements of PROCHEM S.A. for the period from 1 January to 31 December 2016 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 2016. 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 financial statements presented here give a true and fair the Company's financial position and assets as at 31 December 2016 and comparable data as at 31 December 2015 as well as results for the year ended 31 December 2016 and comparative data for the year ended 31 December 2015.

Financial statements of PROCHEM S.A. as at 31 December 2016 was prepared assuming that PROCHEM will continue to operate as a going concern in foreseeable future.

In 2016, the Company incurred a net loss of PLN 23,601,000, that was influenced among others by Company's activity in the first half of 2016, in particular the additional costs incurred and lowering the gross margin on a long-term contract in Belarus. However, during the year 2016 the Company signed annexes to its credit agreements, on the basis of which after the introduction of additional collateral, the banks withdrew from the verification of the financial covenants for the third and fourth quarter of 2016, contained in these agreements. This allowed for the timely discharge of the contracted obligations. Credit agreements are concluded for annual periods and current contracts expire according to the dates given in note 18 of these financial statements.

In the opinion of the Management Board, the improvement of the economic situation in the market of services offered by the Company, manifested by the increased number of tenders in which the Company participates, or expects to will participate, allows to expect the receipt of the revenues assumed and to improve the Company's liquidity in subsequent reporting periods.
The Management intends to extend existing credit agreements to the extent necessary for the scale of its business and, given the improvement of the economic situation, does not expect significant risks in this respect.

In view of the above, in the opinion of the Management Board, despite the possibility of short-term tensions in the liquidity situation of the Company, the Management Board did not identify significant threats to the Company's possibility to continue as a going concern, and has recognized that the adopted principle of a going concern when preparing this separate financial statement is correct. Irrespective of it, in the next twelve months a consideration by the court is expected, of the appeal, that was lodged by PERN SA against the judgment of 22 October 2015, in which was adjudged the amount of PLN 87 million in favor of a consortium with the participation of the Issuer (including interest for delayed payment). The Issuer's share in these amount is approximately 50% - detailed information is presented in Note 40.

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

- land buildings and construction measured at revalued amount,
- Investment properties measured at fair value.

Separate financial statements of PROCHEM S.A. for 2016 includes the data of the Office of Representation of PROCHEM, that operates on the territory of Belarus. The Representation Office shall keep accounts according to the law in force in Belarus, and also here is calculated and is paid the income tax from the legal entities.
Exchange differences arising from translation of the reports prepared by the Representation Office were recognized in the *Revaluation reserve - foreign exchange differences from the translation of Representation Office operating abroad*.

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

Changes in accounting estimates and accounting policies

The preparation of financial statements under IFRS adopted by EU requires using certain accounting estimates and adoption of assumptions concerning future events. Items of the financial statements set under the estimation are subject to verification if circumstances being base of estimates are changing or as a result of obtaining new information or of progressing course of events or of acquiring greater experience. In preparing the separate financial statements were applied the same accounting principles and the same calculation methods which were applied in the financial statements of PROCHEM S.A. for the year ended 31 December 2015.

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

- Note 1 – Property, plant and equipment: the key assumptions used in the prognosis of discounted cash flows;
- Note 3 – Investment properties; the key assumptions used in the prognosis of discounted cash flows;
- Note 15 – Liabilities for retirement benefits: key actuarial assumptions;
- Note 40 – Information on significant proceedings pending before the court.

In the applied accounting principles the biggest importance had, apart from accounting estimates, the professional judgment of the management, which had influenced the amounts disclosed in the financial statements. Assumptions of these estimates are based on the best knowledge of the Management Board regarding current and future activities and events in particular areas of activity. They relate to the valuation of retirement benefits, the assessment of the degree of realization and profitability of long-term contracts (of gross margin).
In 2016, the Company made a significant adjustment of the gross margin on a long-term contract implemented in Belarus. The gross margin estimated at December 31, 2015 was 16.5%, and as of December 31, 2016, it was corrected to 7% due to unexpected technical and formal problems during the final construction phase and on the stage of the start-up of installation for the production of a highly purified paraffin, oils and lubricants along with expansion of the energy plant complex, implemented under the agreement concluded with the Mineral Wax Factory S.A. in Swisłocz, in Belarus, and connected with this the necessity to prolong time limit for completion. As a result of these events, there was an increase in the cost of execution by approximately PLN 18 million, including penalties recognized in costs of 2016 was EUR 287 thousand, i.e. 1 282 PLN thousand. Reducing the margin on the contract and including of penalties for failure to keep the time limit for completion have had a significant impact on the financial result of 2016.

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 2016 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 2016 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. The Company is currently analyzing the impact of the Standard on its financial statements, however, it assumes that the new Standard will have an impact on construction contracts concluded. The application of the new principles will have an impact on recognition of the revenues from long-term contracts, and on capitalization of the implementation costs, and acquiring of new contracts.	1 January 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. 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 and selling of them - 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	It is expected that at the time of initial application, the new Standard will have a significant impact on the financial statements. However, until the first application of this standard, the Company is in the process of analyzing the impact of the Standard on the financial statements.	1 January 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
	n 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. 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. W 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, 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 14 *Regulatory Deferral Accounts*	This transitional standard: • Allows the entities being first-time adopters of IFRS to continue to apply the principles of recognition used so far for regulatory assets and liabilities, both at the initial application of IFRS and in the financial statements for subsequent periods; • requires from entities to present regulatory assets and liabilities and their changes in separate items in the financial statements; and • requires detailed disclosures which enables to identify the type and risks associated with regulated rates in connection to which regulatory assets and liabilities have been recognized in accordance with this transitional standard.	It is not expected that discussed transitional standard will have a significant impact on the financial statements of the company since the standard includes only entities adopting IFRS for the first time.	1 January 2016 *(The European Commission has decided not to endorse this transitional standard in expectation of the proper standard)*
The sale or Transfer of Assets Between an Investor and Associated Company, or	The amendments have removed the existing inconsistency between the requirements of IFRS 10 and IAS 28 on recognition of loss of control of a subsidiary that is contributed to an associate or joint venture. While IAS 28	The company does not expect the amendments to have material impact on the financial statements.	1 January 2016 *(The European Commission has*

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
Joint Venture (Amendments to IFRS 10 *Consolidated Financial Statements* and to IAS 28 *Investment in Associates and Joint Ventures 28*)	limits the gain or loss resulting from the contribution of non-monetary assets to the associated company or joint venture to the amount of capital involvement of other entities in an associate, or a joint venture, IFRS 10 requires the recognition of all gain or loss which is resulted from the loss of control over subsidiary. Amendments require the recognition of the entire profit or loss in case the assets transferred meet the definition of a project within the meaning of IFRS 3 Business Combinations (irrespectively whether the entity is a subsidiary or not). Partial recognition of gain or loss (to the amount of capital engagement of other entities) will occur in case if the transaction relates to the assets not constituting a venture, even if those assets were located in the subsidiary.		*decided to postpone the approval of these changes indefinitely)*
MSSF 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 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.	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 is / will be a party. It is expected that at the time of its initial application, the Standard will have a material impact on assets and liabilities in the company's financial statements, in particular in relation to 52 leases agreements.	1 January 2019
Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12 Income Taxes)	The amendments clarify, among other things, that the unrealized losses related to debt instruments measured at fair value in the financial statements, for which the tax value is their initial cost, may give rise to negative temporary differences.	The Company does not expect the changes to have a material impact on its financial statements at the time they are adopted, as the manner, in which the Company applies IAS 12 is in line with the approach presented in the amendments.	1 January 2017
Disclosure Initiative (Amendments to IAS 7 *Statement of Cash Flows*)	Amendments include presentation of disclosures by the entities in order to enable users of financial statements assessment of changes in the value of liabilities arising from financial activities, including changes resulting both from cash flows, and non-monetary changes. One of the ways to meet these requirements is the presentation of the reconciliation of the opening balance and closing balance of liabilities arising from financial activities	The Company does not expect the changes to have a material impact on its financial statements at the time they are adopted.	1 January 2017
Amendments 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 based on whether it controls the underlying goods or services; and Determining whether revenue from a licensing agreement is either recognized over time or at a point in 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. The Company is currently analyzing the impact of the Standard on its financial statements, however, it assumes that the new Standard will have an impact on construction contracts concluded. The application of the new principles will have an impact on recognition of the revenues from long-term contracts, and on capitalization of the implementation costs, and	1 January 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**
		acquiring of new contracts.	
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 to be made.	The Company does not expect the changes to have an impact on its financial statements at the time they are adopted.	1 January 2018 (Except for amendments to IFRS 12 that apply to annual periods beginning on or after 1 January 2017)
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

PROCHEM S.A. 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 profit and loss account.

Functional currency and presentation currency of financial statements

The financial statements is presented in Polish Zloty ('zloty' or 'PLN') which is the functional currency and presentation currency.

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

- assets and liabilities shall be translated at the closing rate as at the date of statement of financial position,
- revenues and expenses shall be translated at the exchange on the transaction date, and
- arisen exchange differences are recognized in the profit and loss statement.

Accounting principles applied by the Company, are described below

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

- 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 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 financial statements for the current period and comparative periods the Company 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. The effects of the impairment are recognized in other operating costs.

Investment properties

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 characteristics of the asset, if market participants would consider such characteristics when determining the price of the asset at the measurement date. These characteristics include, for example:
- condition and location,
- any restrictions on the sale or use of the asset.
The impact of individual characteristics 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 in each year.

Leases

The company 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 Company PROCHEM S.A. 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 Company'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 company 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.

Investments in subsidiaries, associates or in joint arrangements

The Company measures the value of shares at cost, i.e. at the price of the purchase reduced by any impairment losses.

The fair value of investment on the date when it ceases to be a subsidiary shall be treated as the purchase price at the moment of initial measurement as component of financial asset.

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 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 amount due and present value of estimated future cash flows, discounted using the effective interest rate.

Discounting involves determining the present value of future payments to maturity. For this purpose, we set an interest rate for calculation purposes (discount interest rate) calculated on the basis of the interest rate determined as the average return on bonds with a specified return period and time remaining to maturity.

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 Issuer 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 Issuer 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 Company 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 Company 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 Company 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 Company 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 Company, 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 Company measures other financial liabilities according to amortized cost using the effective interest rate method.

Financial guarantee contracts, i.e. contracts that require from the Company (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, that is not classified as liabilities 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 Company 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 Company 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 reversed in financial result (profit or loss).

Dividend payments to shareholders of the Company is recognized as liability in the financial statements of the Company, at time when the appropriate 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 (legal or customary) rests on the company, which results from past events and when it is probable, that fulfilling of this duty will result in the necessity of the outflow of financial means, and may be credibly estimated the amount of this liability.

***Employee benefits* -** the company 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 Company has no other retirement benefit plans. In order to determine the present value of future obligations relating to retirement benefits and the related current cost of employment is applied actuarial valuation method.
Accrued liabilities are equal to discounted payments which will be made in future, taking into consideration among others, staff turnover, the planned increase of salaries, and relate to the period to the date ending the reporting year.
Provision for the retirement gratuities was created in order to allocate costs to the periods to which they relate.
Provisions for retirement gratuities is recognized in the statement of profit and loss, except for actuarial gains and losses arising from changes in the actuarial assumptions (including those resulting from changes in the discount rate) as well as the actuarial adjustments ex-post, which are recognized in the statement of comprehensive income.

Equity

Equity is recognized in the accounting books by type, in accordance with legal regulations and the Articles of Association of the Company. Equity includes:

- Share 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 and investment property which are

measured at fair value,
- capital arisen from the foreign exchange differences – from translation of the foreign operations of Representation Office,
- gains and losses actuarial 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 degree of execution of the service. Degree of execution 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 degree of the progress of service as well as expected total expenses and revenues from the service performed 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 Company 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 to deferred income tax is recognized using the liability method, on 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 achieved that will enable the use of transitional differences.
Deferred tax assets are recognized separately from tax losses which can be possible to deduct in the next years.

5. Explanatory notes to separate financial statements as at and for the period ended 31 December 2016

Note No. 1 – Property, plant and equipment	31 December 2016	31 December 2015
Property, plant and equipment, including:	1 249	1 521
- land	-	172
- buildings, premises and civil engineering objects	-	124
- machinery and equipment	402	582
- vehicles	-	27
- other PPE	845	616
Construction under progress	2	21
Total property, plant and equipment	**1 249**	**1 542**
Ownership structure		
a) own	1 249	1 542
Total property, plant and equipment	**1 249**	**1 542**

Changes in property, plant and equipment 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 1 January 2016	**172**	**3 571**	**3 549**	**207**	**3 547**	**21**	**11 067**
Increase (due to)		16	213	-	646	-19	856
- acquisition of PPE	-	-	213	-	622	-	835
- other, including value update	-	16	-	-	24	-19	21
Decrease (due to)	-172	-3 587	-414	-140	-1 023	-	-5 336
- disposal of PPE	-	-	-24	-140	-158	-	-322
- liquidation of PPE	-	-	-390	-	-865	-	-1 255
- transfer to investment property	-166	-3 587	-	-	-	-	-3 751
- other changes, including value update	-6	-	-	-			-6
As at 31 December 2016	**0**	**0**	**3 348**	**67**	**3 170**	**2**	**6 587**
Depreciation and impairment							
As at 1 January 2016 – accumulated depreciation	**-**	**3 447**	**2 967**	**180**	**2 931**	**-**	**9 525**
- increase – depreciation for the period	-	60	391	16	252	-	719
- decrease due to disposal of PPE	-	-	-23	-127	-150	-	-300
- decrease due to liquidation of PPE	-	-	-389	-	-865	-	-1 254
- transfer to investment property	-	-3 507	-	-	-	-	-3 507
- other changes	-	-	-	-2	-	-	-2
As at 31 December 2016 - accumulated depreciation	**-**	**-**	**2 946**	**67**	**2 168**	**-**	**5 181**
Impairment of PPE	-	-	-	-	-157	-	-157
Net value of PPE as at 31 December 2016	**0**	**0**	**402**	**-**	**845**	**2**	**1 249**

Comparative data

Change in PPE in 2015

	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 1 January 2015	**172**	**3 571**	**3 200**	**290**	**3 505**	**2**	**10 740**
Increase (due to)	-	-	349	42	117	19	527
- acquisition of PPE	-	-	349	42	117	19	527
Decrease (due to)	-	-	-	-125	-75	-	-200
- disposal of PPE	-	-	-	-125	-	-	-125
- liquidation of PPE	-	-	-	-	-7	-	-7
- other changes	-	-	-	-	-68	-	-68
As at 31 December 2015	**172**	**3 571**	**3 549**	**207**	**3 547**	**21**	**11 067**
Depreciation and impairment							
As at 1 January 2015 – accumulated depreciation	**-**	**3 127**	**2 559**	**281**	**2 796**	**-**	**8 763**
- increase – depreciation for the period	-	320	408	24	140	-	892
- decrease from disposal of PPE	-	-	-	-125	-2	-	-127
- decrease due to liquidation of PPE	-	-	-	-	-3	-	-3
As at 31 December 2015 - accumulated depreciation	**-**	**3 447**	**2 967**	**180**	**2 931**	**-**	**9 525**
Net value of PPE as at 31 December 2015	**172**	**124**	**582**	**27**	**616**	**21**	**1 542**

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 experts 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 Company.

	Fair value as at 31 December 2015 (in PLN thousands)
	Level 3
Land, including the right of perpetual usufruct	172
Buildings and constructions	124
Total	**296**

In 2016, the Company 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. In 2016, the company signed a lease agreement for the property located in Tleń for the period from 1 April 2016 to 31 December 2020. The difference between the fair value and the carrying amount arising at the time of transfer to investment property measured at fair value is accounted for as revaluation in accordance with IAS 16. The net value for the moment of reclassification is given in the table below.

	Net value as at 31 December 2016 (in PLN thousands)	Revaluation at fair value	Fair value as at 31 December 2016 (in PLN thousands)
	Poziom 3	Poziom 3	Poziom 3
Land, including the right of perpetual usufruct	172	-6	166
Buildings and constructions	64	16	80
Total	**236**	**10**	**246**

Note No. 2 – Intangible assets

	31 December 2016	31 December 2015.
Acquired concessions, patents, licenses and similar assets including computer software	310	414
Intangible assets	**310**	**414**
Ownership structure		
- own	310	414
Total intangible assets	**310**	**414**

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	**2 733**	**2 733**
Increase (due to)	53	53
- acquisition	53	53
As at 31 December 2016	**2 786**	**2 786**
Amortization and impairment		
As at 1 January 2016 – accumulated amortization	**2 319**	**2 468**
- increase –amortization for the period	157	157
As at 31 December 2016 - accumulated amortization	**2 476**	**2 476**
Net intangible assets as at 31 December 2016	**310**	**310**

Comparative data
Changes in intangible assets in 2015

	Acquired concessions, patents, licenses and similar assets including computer software	Total intangible assets
Gross value		
As at 1 January 2015	**2 619**	**2 619**
Increase (due to)	387	387
- acquisition	387	387
Decrease (due to)	-273	-273
- liquidation	-273	-273
As at 31 December 2015	**2 733**	**2 733**

Amortization and impairment		
As at 1 January 2015 – accumulated amortization	**2 468**	**2 468**
- increase – amortization for the period	124	124
- decrease (liquidation)	-273	-273
As at 31 December 2015 - accumulated amortization	**2 319**	**2 319**
Net intangible assets as at 31 December 2015	**414**	**414**

Note No. 3 – Investment property

	31 December 2016	31 December 2015
Land	166	-
Buildings and constructions	80	-
Investment property, total	**246**	**-**

In 2016, the company signed a lease agreement for the property located in Tleń for the period from 1 April 2016 to 31 December 2020. As a result of the change in the use, the Company has transferred the components connected with the investment property, from Property, plant and equipment to Investment property.

Classification of investment property	Change in investment property for the period from 1 January 2016 to 31 December 2016	Change in investment property for the period from 1 January 2015. to 31 December 2015
Investment property - land		
As at opening balance sheet	-	-
- net increase under reclassification from PPE	166	-
As at closing balance sheet	**166**	**-**
Investment property - buildings and constructions		-
As at opening balance sheet	-	-
- net increase under reclassification from PPE	80	-
As at closing balance sheet	**80**	**-**
Investment property	**246**	**-**

The value of investment property on the balance sheet day is measured at fair value, set by experts, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The experts have the right qualifications to carry out valuations of land, buildings and constructions, as well as they have the current experience in such valuations, which are carried out in locations where there are assets of the Company.

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

	Fair value as at 31 December 2016 (in PLN thousands)
	Level 3
Land, including the right of perpetual usufruct	166
Buildings and constructions	80
Total	**246**

Note No. 4 – Shares in subsidiaries

Shares in subsidiaries	31 December 2016	31 December 2015
a) in subsidiaries	9 642	10 162
Shares, net value	9 642	10 162
Write-down of financial non-current assets	359	160
Shares, gross value	**10 001**	**10 322**

Change in shares in subsidiaries and in other entities	31 December 2016	31 December 2015
a) as at the beginning of the period	10 162	10 162
b) decrease (due to)	-520	-
- write-down of shares	-359	-
- sale of shares in subsidiary	-161	-
As at the end of the period	**9 642**	**10 162**

Change in write-downs of shares in subsidiaries	31 December 2016	31 December 2015
As at the beginning of the period	160	160
Write-down of shares	359	-
Reversal of write-down of shares	-160	-
As at the end of the period	359	160

On October 25, the Issuer signed a contract of sale of shares in the company Pro-Organika Sp. z o. o. in the amount of 640 shares with a nominal value of PLN 500 each, for a total amount of PLN 652 160. Payment for the shares will be in two packages: the sale price for 280 shares in the amount of PLN 285 320, was paid on 23 November 2016, and payment for 360 shares in the amount of PLN 366 840 was done on 6 April 2017. By the date of the report, the amount for the shares was paid.
As of 31 December 2016 the Issuer made the write-down of shares in the subsidiary Prochem RPI Sp. z o. o. seated in Warsaw in the amount of PLN 359 thousand.

Note No. 5 – Shares in jointly-controlled entities and associated entities

Shares in jointly-controlled entities and associated entities	31 December 2016	31 December 2015
- shares – net value	4 502	4 810
- write-down of shares	708	400
Gross value of shares	**5 210**	**5 210**

Change in write-downs of shares in jointly-controlled entities and associated entities	31 December 2016	31 December 2015
As at the beginning of the period	400	1 498
Increase, establishment of write-down of shares	308	400
Decrease, resolving of write-down of shares	-	1 498
As at the end of the period	708	400

As of 31 December 2016 the Issuer made the write-down of shares in the company Itel Sp. z o. o. The value of the write-down was set for the amount of PLN 308 thousand. The write-down hereby was recognized in financial result for 2016 – in finance costs. In the comparative period the Issuer made the write-down of shares for the amount of PLN 400 thousand. The amount of the write-down was recognized in the financial result of 2015. Write-down of shares in the company ITEL as of 31 December 2016 amounts to PLN 708 thousand.

In October 2016, ITEL Sp. z o. o. based in Gdynia has joined the restructuring agreement.
The fair value of the joint venture as of 31 December 2016 amounted to PLN 144 956 thousand, of which PLN 72 478 falls on the Issuer, and - as of 31 December 2015 amounted to PLN 122 893 thousand, of which PLN 61 447 thousand falls on the Issuer.

Shares in subsidiaries as at 31 December 2016

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 entity or associate, 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 under the equity method	Date of acquisition of control/joint control and of the exertion of significant influence	Value of shares at cost	Total revaluation adjustments	The carrying value of shares	Percentage of capital held directly and indirectly	Share in total number of votes at the General Assembly (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	P.K.I. PREDOM Sp. z o.o.	Wrocław	Construction designing, urban planning, process engineering	Indirect subsidiary (Prochem Inwestycje sp. z o. o. holds 75% of capital)	full	19 July 2002	177	-	177	80.7%	71.1%
3	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%
4	ELEKTROMONTAŻ KRAKÓW S.A. *	Kraków	Assembly of electrical installations and equipment	Indirect subsidiary (Prochem Inwestycje holds 65.5% of shares)	full	10 December 2001	221	-	221	85.4%	85.4%
5	PROCHEM RPI Sp. z o.o.	Warsaw	Developer's activity	subsidiary (Prochem Inwestycje holds 3.33%)	full	08 April 1998	493	359	134	100.0%	100.0%
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	5 050	-	5 050	92.7%	92.7%

Shares in subsidiaries continuation

Item No	a	b							c			d			e	f
	Name of the company	equity, including:							Company's liabilities and provisions to liabilities, including:			Company's receivables, including:			Total company's assets	Sales revenues
			Share capital	Own shares (negative value)	Revaluation capital)	Retained earnings										
							profit (loss) brought forward	Net profit (loss)		Non-current liabilities	Current liabilities		Non-current receivables	Current receivables		
1	PROCHEM INWESTYCJE Sp. z o. o.	8 624	3 000	-	-	5 624	-	714	20 299	19 350	949	90	-	90	28 923	4 257
2	P.K.I. PREDOM Sp. z o.o.	9 986	600	-	6 050	3336	-	400	7 468	1 733	5 735	5 806	-	5 806	17 454	16 148
3	PROCHEM ZACHÓD Sp. z o.o.	1 836	1 600	-	-	236	-	-4	36	-	36	1	-	1	1 873	-
4	ELEKTROMONTAŻ KRAKÓW S.A.**	24 149	1 208	-	7 246	15 695	-	605	16 851	2 870	13 981	14 164	-	14 164	41 000	42 090
5	PROCHEM RPI Sp. z o.o.	138	600	-	-	-462	-154	-308	1	-	1	2	-	2	139	-
6	Elmont Inwestycje Sp. z o.o.	7 653	8 000	-	-	-347	-	-189	3	-	3	11	-	11	7 656	-

***** *share in the total number of votes at the General Meeting and the percentage of capital held in the subsidiary Elektromontaż Kraków S.A. were established as at 31December 2016 after the settlement of the shares purchased for redemption by the company Elektromontaż Kraków SA.*
****** *Data from the consolidated financial statements of Capital Group of Elektromontaż Kraków S.A. as at 31 December 2016 .*

Shares in jointly-controlled entities and associated companies as at 31 December 2016

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 entity or associate, 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 under the equity method	Date of acquisition of control/joint control/and of the exertion of significant influence	Value of shares at cost	Total revaluation adjustments	The carrying value of shares	Percentage of share capital held (directly and indirectly)	Share in total number of votes at the General Assembly (directly and indirectly)
1	ITEL Sp. z o.o.	Gdynia	Other electrical installations	associated	The equity method	13 September 2005	708	708	0	42.0%	42.0%
2	IRYDION Sp. z o.o.	Warsaw	Rental of own real estate	Jointly-controlled	The equity method (change in the structure of shareholding from a subsidiary for a jointly-controlled entity as from 3 April 2013)	24 March 2000	4 502	-	4 502	50.0%	50.0%

Shares in jointly-controlled entities and associated entities continuation

Item No.	a	b		c			d			e	f
	Name of the company	Company's equity, including :		Liabilities and provisions to liabilities, including:			Company's receivables, including:			Total company's assets	Sale revenues
			Net profit (loss)		Non-current liabilities	Current liabilities		Non-current receivables	Current receivables		
1	ITEL Sp. z o.o.	506	-602	1 479	517	962	806		806	1 985	1 896
2	IRYDION Sp. z o.o.	45 359	-1 715	101 688	99 930	1 758	888		888	147 047	2 686

Note No. 6 – Settlement of deferred income tax

- deferred tax assets

Change in deferred tax assets	31 December 2016	31 December 2015
1. Deferred tax assets as at the beginning of the period, recognized in financial result (profit or loss)	**2 602**	**1 900**
a) Recognized in financial result	**2 547**	**1 846**
- provisions for operating expenses	245	221
- write-down of receivables	803	803
- unpaid remuneration under contracts of mandate and specific task contracts	32	37
- provision for retirement benefit	96	92
- provision for holiday benefits	238	222
- unpaid employee benefits	1	3
- write-down of inventories	54	54
- tax loss	-	-
- deferred tax on write-down of financial assets	-	284
- discounted cash flows expenses	1	24
- surplus of costs incurred above margin	988	107
- other (including the settlement of Representation Office)	89	2
b) Recognized in equity in connection with negative temporary differences	**55**	**51**
- provision to retirement benefit	55	51
2. Increase	**4 979**	**1 394**
a) recognized in financial result	**4 979**	**1 390**
- provision for operating expenses	339	242
- unpaid remuneration under contracts of mandate and specific task contracts	14	32
- provision for retirement benefit	11	12
- provision for holiday benefits	-	26
- unpaid employee benefits	-	1
- tax loss	3 944	
- discounted cash flows expenses	36	-
- surplus of costs incurred above expected margin	583	988
- write-down of inventories	52	-
- other (including the settlement of Representation Office)	-	89
b) Recognized in equity in connection with negative temporary differences	**10**	**4**
- provision to retirement benefit	10	4
3. Decrease	**1 627**	**692**
- use of the provision for operating expenses	241	218
- use of write-down of receivables	323	-
- paid remuneration under contracts of mandate and specific task contracts	32	37
- paid employee benefits	1	3
- provision for retirement benefit	13	8
- provision for holiday benefits	29	10
- discounted cash flows expenses	-	23
- surplus of costs incurred above margin	988	107
- deferred tax on write-down of financial assets	-	284
- other (including the settlement of Representation Office)	-	2

4. Total deferred tax assets as at the end of the period, including:	5 964	2 602
a) recognized in financial result	**5 899**	**2 547**
- provisions for operating expenses	343	245
- write-down of receivables	480	803
- unpaid remuneration under contracts of mandate and specific task contracts	14	32
- provision for retirement benefit	94	96
- provision for holiday benefits	209	238
- unpaid employee benefits	-	1
- tax loss	3 944	-
- write-down of inventories	106	54
- discounted cash flows expenses	37	1
- surplus of costs incurred above expected margin	583	988
- other (including the settlement of Representation Office	89	89
b) recognized in equity in connection with negative temporary differences	**65**	**55**
- provision to retirement benefit	65	55

- provision to deferred income tax

Change in provision to deferred income tax	31 December 2016	31 December 2015
1. Provision for deferred income tax as at the beginning of the period, including:	**768**	**827**
a) recognized in financial result	**641**	**700**
- interest accrued on loan	455	458
- revaluation of non-current financial assets	136	136
- revenues under the liabilities discounted	50	106
b) recognized in equity	**127**	**127**
- revaluation to fair value of non-current assets	127	127
2. Increase	**195**	**179**
a) recognized in financial result of the period under positive temporary differences	**193**	**179**
- interest accrued on loan	131	129
- revenues under the liabilities discounted	13	50
- measurement of income, change as of the balance sheet date	49	-
b) recognized in equity	**2**	**-**
- revaluation to fair value of non-current assets	2	-
3. Decrease	**53**	**238**
a) recognized in financial result under positive temporary differences	**53**	**238**
- paid interest on loan	53	132
- revenues under the liabilities discounted	-	106
4. Total provision for deferred income tax as at the end of the period	**910**	**768**
a) recognized in financial result	**781**	**641**
- interest accrued on loan	533	455
- revaluation of non-current financial assets	136	136
- revenues under the liabilities discounted	63	50
- measurement of income, change as of the balance sheet date	49	-
b) recognized in equity	**129**	**127**
- revaluation at fair value of non-current assets	129	127

Total amount of temporary differences associated with investments in subsidiaries, to which provisions were created on 31 December 2016 is PLN 519 thousand, and relates to:

- interest on non-current loans granted to subsidiaries – PLN 266 thousand.
- interest on non-current loans granted to jointly-controlled entities and associated entities – PLN 253 thousand.

As at 31 December 2015, the total amount of temporary differences associated with investments in subsidiaries for which tax provisions were established is PLN 443 thousand and concerns:

- interest on non-current loans granted to subsidiaries – PLN 262 thousand.
- Interest on non-current loans granted to jointly-controlled entities and associated entities – PLN 181 thousand.

In 2016, the Company created a deferred income tax asset in the amount of PLN 3,944 thousand, from a tax loss incurred in 2016. The Management Board estimates that in the coming years is able to settle this loss against income achieved. The court case described in note 40 will have a significant impact on the settlement of the tax loss.

Presentation in the statement of financial position:

	31 December 2016	31 December 2015
Deferred tax assets	5 964	2 602
Provision for deferred income tax	-910	-768
Deferred tax assets	**5 054**	**1 834**

Note No. 7 – Other financial assets

Other financial assets	**31 December 2016**	**31 December 2015**
a) from subsidiaries, jointly-controlled entities and associated entities:	36 738	36 326
- non-current loans granted	36 738	36 326
Total other financial assets	**36 738**	**36 326**

Loans granted – as at 31 December 2016

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

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

Increase:

- Accrued interest on loans granted to the jointly-controlled company Irydion Sp. z o. o. in the amount of PLN 379 thousand,
- Accrued interest on loans granted to subsidiary Prochem Inwestycje Sp. z o. o. – PLN 308 thousand,

Decrease:

- The repayment of interest on the loan by the subsidiary Prochem Inwestycje in the amount of PLN 275 thousand.

Loans granted – as at 31 December 2015

- Loans granted to the jointly-controlled company Irydion Sp. z o. o. seated in Warsaw:
  - in the amount of PLN 11 720 thousand, including: amount of the loan PLN 11 000 thousand, accrued interest PLN 720 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 6 235 thousand, including: amount of the loan PLN 6 000 thousand, accrued interest PLN 235 thousand. The interest rate is set annually at 3% per year, the repayment date of the loan with interest was set on 22 September 2031;
- Loans granted to subsidiary Prochem Inwestycje Sp. z o. o.:
  - in the amount of PLN 3 594 thousand, including: amount of the loan PLN 3 000 thousand, accrued interest PLN 594 thousand. The interest rate is set annually according to WIBOR 6M rate effective at the end of every calendar year, the repayment date of the loan with interest was set on 31 December 2018;
  - in the amount of PLN14 777 thousand, including: amount of the loans PLN 14 000 thousand, accrued interest PLN 777 thousand. The interest rate is set annually according to WIBOR 6M rate effective at the end of every calendar year, the repayment date of the loan with interest was set on 31 December 2018.

Note No. 8 – Inventories

Inventories	**31 December 2016**	**31December 2015**
materials	1 698	5 247
Total inventories	**1 698**	**5 247**
Revaluation write-off of inventories	578	285

Note No. 9 – Trade and other receivables

Trade and other receivables	**31 December 2016**	**31December 2015**
Trade receivables	40 471	69 988
Revaluation write-off of trade receivables	-4 134	-5 945
Net trade receivables, including :	**36 337**	**64 043**
- with the repayment period up to 12 months	35 481	62 302
- with the repayment period more than 12 months	856	1 741
Receivables from taxes, subsidies, custom duties, social and health insurance and other benefits	**402**	**4 759**
Other receivables	1 699	450
Revaluation write-off of other receivables	-396	-396

Net other receivables	**1 303**	**54**
Total receivables	**38 042**	**68 856**

Trade and other receivables from related entities	31 December 2016	31 December 2015
Trade receivables:	3 004	9 098
- from subsidiaries	706	1 666
- from the jointly-controlled entities and associated entities	2 298	7 432
Total net trade and other receivables from related entities	**3 004**	9 098
Revaluation write-off of receivables from related entities	-	-
Total gross trade and other receivables from related entities	**3 004**	**9 098**

Change in revaluation write-offs of trade and other receivables	31 December 2016	31 December 2015
As at the beginning of the period	6 341	5 515
a) increase (due to)	117	1 107
- provision for receivables	117	1 107
b) decrease (due to)	1 929	281
- payments received	97	275
- the use of the provision created in the previous years	1 832	6
Revaluation write-offs of trade and other receivables at the end of the period	**4 529**	**6 341**

Trade receivables with the period of repayment, which remains to the balance sheet date:	31 December 2016	31 December 2015
a) up to 1 month	10 603	16 438
b) above 1 month up to 3 months	5 239	14 007
c) above 3 months up to 6 months	263	5 739
d) above 6 months up to 1 year	748	3 580
e) above 1 year	690	1 741
f) receivables overdue	22 928	28 483
Total receivables from supplies and services (gross)	40 471	69 988
g) revaluation write-offs of receivables from supplies and services	-4 134	-5 945
Total receivables from supplies and services (net)	**36 337**	**64 043**

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

Age analysis of overdue trade receivables (gross)	31 December 2016	31 December 2015
a) up to 1 month	547	3 582
b) above 1 month up to 3 months	358	337
c) above 3 months up to 6 months	238	953
d) above 6 months up to 1 year	17	948
e) above 1 year	21 768	22 663
Total overdue trade receivables (gross)	22 928	28 483
f) revaluation write-off of receivables from supplies and services	-4 134	-5 945
Total receivables overdue trade receivables (net)	**18 794**	**22 538**

As at 31 December 2016 and as at 31 December 2015, trade receivables include the security deposits under statutory warranty for construction and assembly works respectively in the amount of PLN 19 041 thousand and PLN 22 014 thousand.

The outstanding balance of trade receivables includes receivables overdue of a carrying amount of PLN 17 364 thousand under the security deposit under a statutory warranty, to which Company did not create reserves, because are considered that will be recovered. The Company has collateral in the form of the seized security deposits under the statutory warranty from subcontractors in the amount of PLN 2 928 thousands. For more information see Note No. 40 – *Information on significant proceedings pending before the court.*

In other receivables were presented the fees related to the purchase, that is resulting from the preliminary sale agreement concluded in the form of a authenticated deed Repertory A No 4628/2012, in relation to two apartments for a total net amount of PLN 396 thousand. The agreement was concluded with “Eurobudownictwo” limited liability company seated in Wrocław. Receivables mentioned above were covered by write-down in the amount of PLN 396 thousand.

Note No. 10 – Other financial assets

Other financial assets	**31 December 2016**	**31 December 2015**
a) from subsidiaries indirectly and directly:	-	845
- current loans granted	-	845
b) from other entities:	198	198
- current loans granted	198	198
c) other financial assets – discounted deposit constituting collateral for a bank guarantee of reimbursement of advance payment	-	2 526
Total other financial assets	**198**	**3 569**
Revaluation write-off of other financial assets	207	207
Gross other financial assets	**405**	**3 776**

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.

Increase

- Accrued interest on loans granted to company Elektromontaż Kraków S.A. - PLN 6 thousand.

Decrease

1. Compensating of loans granted to the company Elektromontaż Krakow S.A. with liabilities in the amount of PLN 851 thousand, including the loans in the amount of PLN 842 thousand

Loans granted - as at 31 December 2015

- 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.
- Loans granted to subsidiary Elektromontaż Kraków S.A. seated in Kraków:
    1. Loan in the amount of PLN 243 thousand, including amount of the loan PLN 242 thousand, accrued interest PLN 1 thousand, the interest rate is set according to WIBOR 1M rate effective at the end of every calendar year, the repayment date of the loan was set on 30 June 2016.
    2. Loan in the amount of PLN 602 thousand, including amount of the loan PLN 600 thousand, accrued interest PLN 2 thousand, the interest rate is set according to WIBOR 1M rate effective at the end of every calendar year, the repayment date of the loan was set on 30 June 2016.

Note No. 11 – Other assets

Other assets by type :	**31 December 2016**	**31 December 2015**
a) prepayments	920	836
- cost of property and personal insurance	178	192
- software maintenance costs	732	592
- subscriptions	7	31
- deferred costs	-	18
- other	3	3
b) other prepayments	3 837	6 835
- amounts due from the ordering parties under long-term contracts	3 837	6 835
Total other assets	**4 757**	**7 671**

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

Note No. 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))
Founding	inscribed	3 votes per 1 share	580	580	Gotówka	23-07-1991	01-10-1991
Founding	inscribed	-	6 816	6 816	Gotówka	23-07-1991	01-10-1991
Founding	bearer	-	1 810 104	1 810 104	Gotówka	23-07-1991	01-10-1991
B	inscribed	-	750	750	Gotówka	29-07-1993	01-01-1993
B	bearer	-	681 750	681 750	Gotówka	29-07-1993	01-01-1993
C	bearer	-	530 000	530 000	Gotówka	20-04-1994	01-01-1994
D	bearer	-	865 000	865 000	Gotówka	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 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 information in the Company's possession as at the day of the statements the following shareholders have at least 5% of the votes at the General Meeting of Shareholders:

Name of the shareholder	Number of shares held (in pcs.)	Number of votes	% of votes in total number of votes	% of share capital
1. Steven Tappan	817 500	817 500	20.98	20.99
2. Porozumienie PHC	662 663	662 849	17.04	17.02
3. Legg Mason Parasol Fundusz Inwestycyjny Otwarty („Legg Mason Parasol FIO"), Fundusz Własności Pracowniczej PKP Specjalistyczny Fundusz Inwestycyjny Otwarty and Legg Mason Akcji Skoncentrowany Fundusz Inwestycyjny zamknięty.				
Total above mentioned funds, including:	560 649	560 549	14.39	14.39
- Legg Mason Parasol Fundusz Inwestycyjny Otwarty („Legg Mason Parasol FIO")	284 054	284 054	7.29	7.29
- Legg Mason Akcji Skoncentrowany*	261 773	261 773	6.72	6.72
4. QUERCUS Parosolowy SFIO, QUERCUS Absolute Return FIZ, QUERCUS Absolutnego Zwrotu FIZ, QUERCUS Parasol SFIO Agresywny				
Total above mentioned funds, including:	415 532	415 532	10.67	10.67
- QUERCUS Parosolowy SFIO*	221 266	221 266	5.68	5.68
5. Otwarty Fundusz Emerytalny PZU „Złota Jesień".	387 521	387 521	9.95	9.95
6. Value Fund Poland Activist Fundusz Inwestycyjny Zamknięty	203 455	203 455	5.22	5.22

In the period from the submission of the annual report for 2015, the Company has received the following information about the change in the shareholding:

- On June 11, 2016 at the General Meeting of Shareholders the Company received information on decrease in the number of shares held by Porozmienie PHC by 5 922 shares, which results in a reduction in the participation in total number of votes by 0.15%. As of the day of receiving information by the Issuer, Porozumienie PHC held 1 173 561 shares of the Issuer, representing 30.13% of the share capital and 30.15% of the total number of votes at the General Meeting.
- On June 11, 2016, at the General Meeting of Shareholders, the Company was notified of a change in the number of shares owned by QUERCUS Towarzystwo Funduszy Inwestycyjnych S.A. - QUERCUS parasolowy SFIO, QUERCUS Absolute Return FIZ and QUERCUS Absolutnego Zwrotu FIZ - increased their share in the total number of votes in PROCHEM S.A. by 4 752 shares (through common Funds). As of the date of information obtaining, the Funds together hold 399,715 shares of the Issuer, which accounts for 10.26% of the share capital and 10.26% of the total number of votes at the General Meeting.

- On October 28, 2016, at the Extraordinary General Meeting, the Company was notified of a change in the number of shares held by QUERCUS by 15 817 shares. On the date on which the information was received, the Funds jointly hold 415 532 shares of the Issuer, representing 10.67% of the capital zakładowwego and 10.67% of the total number of votes at the General Meeting.
- On October 4, 2016, the Company was informed that the shareholder of PROCHEM S.A. Mr. Steven Tappan a member of Porozumienie PHC (hereinafter PHC) filed a notification of his withdrawal from PHC. Mr. Steven Tappan holds 510,000 shares of PROCHEM, which corresponds to 13.09% of the total number of votes and constitutes 13.09% of the share capital. Prior to the change in the composition of the Porozumienie PHC , the members of the agreement had a total of 1,173,561 shares of PROCHEM S.A., with the right to exercise 1,174,661 votes at the general meeting of shareholders of PROCHEM S.A., which accounted for 30.15% of the total number of votes and constituted 30.13% of the share capital. Following the change in the composition of Porozumienie PHC, the members of the agreement hold 663,561 shares of PROCHEM S.A. jointly, which gives the right to exercise 664,661 votes at the General Meeting of Shareholders of PROCHEM S.A., which corresponds to 17.06% of the total number of votes and constitutes 17.04% of the share capital.
- On 13 October 2016 the Company received from the Company's shareholder, Mr. Steven Tappan notification of exceeding the threshold of 15% of votes in the total number of votes in the PROCHEM S.A.
Exceeding the threshold of 15% of the total number of votes in the PROCHEM S.A. occurred upon the acquisition on 7 October 2016 during the trading session, and in the framework of OTC block trades total of 133 176 shares of the Company.
Prior to the change in shareholding, Mr. Steven Tappan have had a total of 581 824 shares of PROCHEM S.A., which constituted 14.94% of the share capital and were entitling to 581 824 votes and constituting 14.93% of the total number of votes at the General Meeting of the Company.
After the change in the shareholding Mr. Steven Tappan has a total of 715 000 shares of PROCHEM S.A., which represents 18.36% of the share capital and entitles to 715 000 votes, what represents 18.35% of the total number of votes at the General Meeting of the Company.
- On December 16, 2016, the Company received from the shareholder, Mr. Steven Tappan the notification of a change in the owned so far share by at least 2% in the total number of votes, and of the exceeding of the threshold of 20% in total number of votes at the General Meeting of PROCHEM S.A.
A change in the shareholding held so far by at least 2% of the total number of votes occurred as a result of the following events:

- OTC block trades, and the acquisition during the session in November 2016. a total of 60 000 shares entitling to 60 000 votes, representing 1.54% of the total number of votes at the General Meeting of the Company;
- the acquisition on 13 December 2016 of 42 500 shares entitling to 42 500 votes, representing 1.09% of the total number of votes at the General Meeting of the Company.

After the change in the share Mr. Steven Tappan has a total of 817 500 shares of PROCHEM S.A., which represent 20.99% of the share capital and entitling to 817 500 votes, what represents 20.98% of the total number of votes at the General Meeting of the Shareholders of the Company.
- On April 20, 2017, the Company was informed that as a result of the conclusion, on April 13, 2017, of contract of the purchase of 19 721 shares of PROCHEM S.A. (Hereinafter referred to as the "Company") by Value Fund Poland Activist Fundusz Inwestycyjny Zamknięty (hereinafter referred to as the "Fund") the threshold of the state of holding of shares of the Company by the Fund over 5% of total votes in the Company has been exceeded. Before the change, the Fund held 183 734 shares in the Company, representing 4.72% of the share capital and 183 734 votes from these shares, which represented 4.72% of the total number of votes at the General Meeting. After the transaction of purchase the Fund holds 203 455 shares of the Company, which constitutes 5.22% of the share capital of the Company and entitles to 203 455 votes at the General Meeting of the Company, what constituted 5.22% of total number of votes at the General Meeting of the Company.

*) Information obtained at the Extraordinary General Meeting on October 28, 2016.

Note No. 13 - Revaluation reserve

	31 December 2016	31 December 2015
As at opening balance	859	1 261
Revaluation of PPE	8	-
Foreign exchange translation differences	12	-385
Actuarial losses on valuation of provisions for employee benefits	-42	-17
As at closing balance	**837**	**859**

Note No. 14 - Retained earnings

	31 December 2016	31 December 2015
Spare capital	15 722	15 722
Other capital reserve	56 606	56 586
Profit of the period	-23 601	6 213
Total	**48 727**	**78 521**

Note No. 15 – Provision for retirement and similar benefits

The Company implemented the post-employment benefits program, which include the retirement gratuities for employees. Reserves for retirement gratuity payments are calculated on an individual basis for every employee. The basis for calculating provision for the employee is the expected amount of the benefit that the Company obliges to pay according to applicable terms and conditions which relate to remunerations. Retirement gratuity is paid once at the time of retirement or disability pension. Current value of these obligations is determined by an independent actuary and revalued. 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. Rate of financial discount to calculate the current value of employee benefit obligations has been determined based on market yields on government bonds, of which currency and maturities are approximate to currency and to estimated period of fulfilment of employee benefit obligations.
The principal actuarial assumptions at the end of the reporting period:

Data in percentage (%)	**In 2016**	**In 2015**
Discount rate	3.5%	3.0%
Average anticipated annual increase in the base for calculation of the retirement and pension benefits in 2017-2027; the year 2015, in 2016-2025	2.0%	2.0%
Weighted average index of employee mobility	5.48%	5.44%
Increase in the base of retirement benefits:		
- the year 2016 in 2017-2026, the year 2015 in 2016-2025	2.0%	2.0%
- in other years	2.5%	2.5%

Post-employment benefits, retirement and pension benefits

(in PLN thousands)		In 2016	In 2015
Liabilities as at the beginning of the period		**798**	**751**
Current employment costs		46	48
Cost of interest		25	20
Net actuarial gains and losses recognized in other comprehensive income		52	21
Benefits paid		-83	-42
Liabilities as at the end of the period, including:		**838**	**798**
- current liabilities	note no. 21	299	83
- non-current liabilities		539	715

Book value of liabilities under employee benefits as at 31 December 2016 and as at 31 December 2015 are the same as the current value.

Historical information

As at	Current value of liabilities arising from above benefits
31 December 2016	838
31 December 2015	798

Employee benefit costs are included in general and administrative expenses.

In 2016 the provision for employee benefits was changed as a result of updated assumptions, primarily in relation to the discount rate and change of demographic assumptions.

Total amount of expenses recognized in the financial result for 2016 amounts to PLN 12 thousands.

In PLN thousands	In 2016	In 2015
Current employment costs	46	48
Interest charges	25	20
Benefits paid	-83	-42
Total costs	**-12**	**26**

Note No. 16 – Non-current loans

	31 December 2016	31 December 2015
- loans received	7 002	-

Loans received – as at 31 December 2016

- Loan received from subsidiary Elmont Inwestycje Sp. z o. o. in the amount of PLN 6 052 thousand, including: amount of the loan PLN 6 000 thousand, accrued interest PLN 52 thousand. Interest is set annually according to rate WIBOR 6M + margin, in force at the end of every calendar year. The repayment date was set on 31 December 2018, but not earlier than repayment of a loan in Bank ING.
- Loan received from subsidiary Prochem Zachód Sp. z o. o. in the amount of PLN 950 thousand, including: amount of the loan PLN 950 thousand. The interest rate is set annually at 3% per year. The repayment date of the loan was set on 31 December 2018, but not earlier than repayment of a loan in Bank ING.

Increase:

- Accrued interest on loan from subsidiary Elmont Inwestycje Sp. z o. o. in the amount of PLN 52 thousand.
- Loan from subsidiary Elmont Inwestycje Sp. z o. o. in the amount of PLN 6 000 thousand. Interest is set annually according to rate WIBOR 6M + margin. The repayment date was set on 31 December 2018, but not earlier than repayment of a loan in Bank ING. .
- Reclassification of a loan received from a subsidiary Prochem Zachód sp. z o. o. in the amount of PLN 950 thousand from a current loan to a non-current loan. The interest rate is set annually at 3% per year. The repayment date of the loan was set on 31 December 2018, but not earlier than repayment of a loan in Bank ING.

Note No. 17 – Other non-current liabilities

	31 December 2016	31 December 2015
liability under the transformation against payment of perpetual usufruct right to right of ownership	14	14

Note No. 18 – Current bank loans

	31 December 2016	31 December 2015
- credits in the bank account	7 303	9 024

As at 31 December 2016, the Company has three credit lines totaling PLN 15 million. Commitments as at the balance sheet date amounted to PLN 7 303 thousand.
Information on bank loans.

Name of the bank	Registered office	Amount of the loan according to agreement (in PLN thousands)	Amount of a loan for repayment (in PLN thousands)	Terms of interest	The repayment date	Collateral
mBank SA	Warsaw	6,000 Credit in overdraft	1 903	WIBOR for O/N deposits in PLN + margin	30 June 2017	Promissory note in blank, pledge by court on shares
mBank SA		6,000 Revolving working capital loan	5 400	WIBOR for 1 month deposits in PLN + margin	30 June 2017	Promissory note in blank, pledge by court on shares
ING Bank Śląski S.A.	Katowice	3,000 Credit in overdraft	0	WIBOR for 1 month deposits in PLN + margin	15 November 2017	Statement on submission to forfeiting, mortgage on real estate

Breach of covenants in contracts of loans by the Issuer which was described in the Report for the first half of 2016 did not affect the change in the presentation of loans in the statement of financial position as at 31 December 2016, because according to the signed agreement, loans have to be repaid in less than 12 months.

As of 31 December 2016 the Issuer received confirmation of continuation of funding at ING Bank S.A. on the level of PLN 3 million for the further period of 11 months, and at mBank to 30 June 2017. In the signed annexes to credit agreements banks withdrew from the verification of financial covenants for the third and fourth quarter of 2016.

The Issuer established additional collateral for the loan granted by ING Bank Śląski S.A. by establishing a mortgage on the property owned by ELPRO Sp. z o. o. seated in Krakow. For the benefit of mBank SA the Issuer established a pledge on the shares of Elektromontaż Kraków S.A. seated in Kraków and Przedsiębiorstwa Konsultingowo-Inżynieryjnego Predom Sp. z o. o. seated in Wrocław.

Note No. 19 – Current loans

	31 December 2016	31 December 2015
- received borrowings	-	950

Note No. 20 – Trade payables

	31 December 2016	31 December 2015
a) to subsidiaries	3 723	2 799
- for supplies and services with maturity:	3 723	2 799
- up to 12 months	3 216	2 467
- more than 12 months	507	332
b) to associated companies and jointly-controlled entities	385	16
- for supplies and services with maturity:	385	16
- up to 12 months	385	16
c) to other entities	23 031	44 339
- for supplies and services with maturity:	23 031	44 339
- up to 12 months	19 092	41 768
- more than 12 months	3 939	2 571
Total trade payables	**27 139**	**47 154**

Note No. 21 – Other liabilities

	31 December 2016	31 December 2015
a) to other entities	1 200	882
- due to taxes, duties, insurance and other benefits	1 180	837
- due to remuneration	1	18
-other (by type)	19	27
• liabilities to employees	8	16
• to shareholders	8	2
• liability under the transformation against payment of perpetual usufruct right to right of ownership	3	3
• other	0	6
b) other short-term provisions	3 982	2 788
- provision for loss on contracts	644	385
- provision for future costs (moving part of salary, contracts of mandate)	1 875	993
- cost of audit	60	72
- short-term provision for retirement benefits	299	83
- provision for unused annual leaves	1 104	1 255
Total other liabilities	**5 182**	**3 670**

Note No. 22 – Deferred income

	31 December 2016	31 December 2015
Deferred income, including:	2 043	11 037
- deferred income – advanced payments received	444	6 183
- amounts due to the ordering parties under long-term contracts	1 599	4 854
Deferred income as at the end of the period, including:	**2 043**	**11 037**
Non-current liabilities	**-**	**-**
Current liabilities	**2 043**	**11 037**

In 2013 the Company received an advance for the implementation of an investment project in Belarus in the amount of EURO 7 230 thousand. The amount of the advance payment was recognized in deferred income and is settled for invoices issued for completed services and supplies. As of 31 December 2016, the amount of the advance has been fully settled.

Note No. 23 - Revenues from sale of services

Revenues from sale of services (type of service and type of activity)	**In 2016**	**In 2015**
- Revenues from sale of services, including:	108 914	217 631
- from related entities	19 423	28 900

Revenues from sales (territorial structure)	**In 2016**	**In 2015**
Domestic market	94 048	101 923
- including from related entities	19 423	28 900
exports	19 593	115 708

Revenues under contracts for construction services (general contracting) and other services are presented in Note No. 32 – Operating segments.
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 which were disclosed in the company's statement of profit and loss for 2016, is included in Note No. 32 – Operating segments.

Note No. 24 - Revenues from sale of goods and materials

Revenue from sale of materials (by type of material and type of activity)	**In 2016**	**In 2015**
- revenue from sale of goods	768	3 323

Revenues from sale of goods and materials (territorial structure)	**In 2016**	**In 2015**
Domestic market	-	-
Abroad	768	3 323

Note No. 25 – Cost of services

Costs by type	**In 2016**	**In 2015**
a) amortization and depreciation	876	1 015
b) consumption of materials and energy	1 471	7 133
c) outsourcing	105 107	171 776

d) taxes and levies	266	137
e) remuneration	19 611	20 661
f) social security and other benefits	3 616	3 634
g) other types of costs (by category)	4 104	4 445
- property and personal insurance	638	706
- business trips	715	685
- State Fund for Rehabilitation of Disabled Persons (PFRON)	225	179
- cars rental	1 073	1 112
- costs of operation of the Representation	906	1 371
- other	547	392
Total costs by type	**135 051**	**208 801**
Change in inventories, goods and accruals and prepayments	-400	10
General and administrative expenses (negative value)	-9 303	-9 274
Cost of services	**125 348**	**199 537**

Note No. 26 – Other operating income

	In 2016	**In 2015**
a) gain on sale of non-financial non-current assets	57	14
b) grants	-	70
c) reversal of impairment allowance (due to)	103	275
- for receivables	103	275
d) other, including:	1 210	1 119
- reimbursement of litigation costs	10	73
- received compensation, fines and penalties	815	1 018
- impairment allowance for receivables past due	308	-
- insurance reimbursement	17	-
- revenues from car rental	5	8
- other	55	20
Total other operating income	**1 370**	**1 478**

Note No. 27 – Other operating expenses

	In 2016	**In 2015**
a) impairment allowance	396	1 108
- for receivables	124	1 108
- for inventories	272	-
b) other, including:	1 499	102
- litigation costs	2	83
- provision to operating expenses	1 283	-
- other	214	19
Total operating expenses	**1 895**	**1 210**

Note No. 28 – Financial income

	In 2016	In 2015
a) income from dividends and profit sharing	65	1 003
- from related entities	65	1 003
b) interest on granted loans	693	735
- from subsidiaries	314	360
- from jointly-controlled entities	379	375
c) other interest	47	260
- from other entities	47	260
d) surplus of positive exchange rate differences	213	
e) other, including:	67	123
- revenues from discounted non-current liabilities	66	-
- reversal of write-down of financial assets	-	120
- other revenues of Representation Office in Belarus	1	3
Total financial income	**1 085**	**2 121**

Note No. 29 – Finance costs

	In 2016	In 2015
a) interest on bank loans	293	304
b) interest on loans received	52	57
- for subsidiaries	52	57
c) other interest	29	35
- for other entities	29	35
d) surplus of foreign exchange losses	644	1 382
e) other, due to :	1 119	1 149
- commission on bank guarantees	159	349
- commission on loans	92	101
- commission on letter of credit	0	11
- costs due to discount of financial assets	201	288
- costs from the impairment write-downs of financial assets	667	400
- costs related to Representation Office in Belarus.	0	-
Total finance costs	**2 137**	**2 927**

Note No. 30 – Income tax

Establishment of the effective tax rate (in PLN thousands)	In 2016	In 2015
Profit for the period	-23 601	6 213
Income tax	-3 212	2 133
Before tax profit	-26 813	8 346
Income tax at the applicable rate of 19%	-5 094	1 586
Revenues, not classified as tax revenue	-11	-2
Costs not constituting tax deductible expenses	1 018	558
Other	-180	-9
Tax loss outside the Republic of Poland	1 055	-
Income tax	**-3 212**	**2 123**

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 presented in cash flows - investing activities.
Paid interest and commission on 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 directly from the financial statements and presented in the statement of cash flows result 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 current receivables	**33 940**
Receivables as at 1 January 2016	68 856
Other assets as at 1 January 2016	7 671
Receivables from sale of non-current assets	-45
Receivables from income tax from legal persons Representation	-497
Opening balance sheet after adjustments	**75 985**
Receivables as at 31December 2016	38 042
Other assets as at 31 December 2016	4 757
Receivables from sale of non-current assets	-18
Receivables from the sale of shares	-367
Receivables from income tax from legal persons Representation	-342
Closing balance sheet after adjustments	**42 072**

Change in current liabilities (except for borrowings, loans and special funds)	**-17 920**
Liabilities as at 1 January 2016	47 154
Other liabilities as at 1 January 2016	3 670
Provision to retirement benefit obligations	-83
Provision to unused annual leaves	-1 254
Provision to audit of statements	-72
Provision to other costs	-385
Investment commitments	-46
Liabilities under discount of non-current liabilities	249
Liabilities to shareholders	-3
Opening balance sheet after adjustments	**49 230**
Liabilities as at 31 December 2016	27 139
Other liabilities as at 31 December 2016	5 182
Provision to retirement benefit obligations	-299
Provision to unused annual leaves	-1 104
Provision to audit of statements	-60
Provision to other costs	-641
Liabilities under discount of non-current liabilities	249
Compensating of loans granted, with liabilities	852
Liabilities to shareholders	-8
Closing balance sheet after adjustments	**31 310**

	In 2016	In 2015
Change in other adjustments	**-6 356**	**-3 878**
Change in deferred income - advances received	-5 739	-11 969
Security deposit constituting the collateral of a bank guarantee of reimbursement of advance payment*	2 526	4 515
Amounts due to the ordering parties under long-term contracts	-3 255	3 170
Write-down of financial assets	-	400
Other adjustments	112	6

In connection with the implementation of the investment project in Belarus, the Company in order to secure the return of received advance payment has granted a bank guarantee of advance refund to the amount of EURO 7,230 thousand. As the collateral of the guarantee, the Company, under a contract on security deposit in cash, has placed a deposit in the bank in the amount of EURO 2,191 thousand. The deposit shall be reduced by the amounts settled during the implementation of the project. Date of completion from the contract of the security deposit was determined as at 2016. As of 31 December 2015, the part of the security deposit - which was not accounted for and discounted was presented in the statement of financial position in other financial assets non-current and current in the amount of PLN 2,526 thousand (Note No 10), and as for 31 December 2016 both deposit and advance payment were settled (Note No. 7 and Note No. 10).

Note No 32 – Operating segments

Operating segment is a component part of the entity:

- that engages in business activity from which it can obtain income and incur expenses,
- whose operating results are regularly reviewed by the body responsible for making operating decisions of the Company,
- 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 Company's activities, for the managing purposes were divided into the four 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 weight.

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 18.6% 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 2016 and exceeded 10% of the total revenues from sale:

- Belarusian client – revenues in the amount of PLN 20 361 thousand, what represents 18.6 % of the total sales revenues, which was shown in the segment of „General Contracting",

- Irydion Sp. z o. o. a jointly controlled company – revenues in the amount of PLN 19,292 thousand, what represents 17.6% of the total sales revenues, which were shown in the segment of „General Contracting” and „Design services and other engineering services";
- Manufacturer of chassis subassemblies for civil and military aircraft – revenues in the amount of PLN 32 103 thousand, what represents 29.3% of the total sales revenues, which were shown in the segment of „General Contracting” and „Design services and other engineering services".

Assets of the Representation in Belarus as at 31 December 2016 do not exceed 10% of balance sheet amount disclosed in the separate statement of financial position.

Detailed data on the activities of PROCHEM S.A. in the individual segments are shown in the tables below. Analysis of the revenues and results of the Company in the different segments which are covered by reporting is presented below.

Reporting year from 1 January to 31 December 2016

For the year from 1 January to 31 December 2016	**General contracting**	**Design services, other engineering services**	**Rental of construction equipment**	**Commercial activity**	**Other**	**Items not assigned**	**Total**
Revenues	87 035	18 012	3 113	768	754	-	109 682
Total revenues of the segment	87 035	18 012	3 113	768	754	-	109 682
Result							
Profit of the segment	**-17 118**	**-9 384**	**1 064**	**9**	**-299**	**-**	**-25 728**
Financial income	-	-	-	-	-	1 577	1 577
Finance costs	-	-	-	-	-	-2 137	-2 137
Net financial income	**-**	**-**	**-**	**-**	**-**	**-560**	**-560**
Profit on other operating activities	-	-	-	-	-	-525	-525
Before tax profit	**-**	**-**	**-**	**-**	**-**	**-26 813**	**-26 813**
Income tax	-	-	-	-	-	-3 212	-3 212
Profit for the current period	**-**	**-**	**-**	**-**	**-**	**-23 601**	**-23 601**
Assets and liabilities							
Assets of the segment (related to activities)	31 308	4 335	490	-	204	-	36 337
Assets not assigned /unallocated (among others shares, stocks and other financial assets)	-	-	-		-	66 344	66 344
Total assets	**31 308**	**4 335**	**490**	**-**	**204**	**66 344**	**102 681**
Liabilities of the segment (related to activities)	27 465	176	351	-	1 525	-	29 517
Liabilities not assigned	-	-	-	-	-	18 965	18 965
Equity	-	-	-	-	-	54 199	54 199
Total equity and liabilities	**27 465**	**176**	**351**	**-**	**1 525**	**73 164**	**102 681**
Depreciation of property, plant and equipment	22	63	100	-	534	-	719
Amortization of intangible assets	-	-	-	-	-	157	157
Write-down of segment assets (receivables from supplies and services)	-36	-369	-3 349	-	-380	-	-4 134

Reporting year from 1 January to 31 December 2015

For the year from 1 January to 31 December 2015	General contracting	Design services, other engineering services	Rental of construction equipment	Commercial activity	Other	Items not assigned	Total
Revenues	186 011	28 361	1 907	3 323	1 352	-	220 954
Total revenues of the segment	**186 011**	**28 361**	**1 907**	**3 323**	**1 352**	**-**	**220 954**
Result							
Profit of the segment	**11 816**	**-2 822**	**279**	**64**	**-453**	**-**	**8 884**
Financial income	-	-	-		-	2 121	2 121
Finance costs	-	-	-		-	-2 927	-2 927
Net financial income	**-**	**-**	**-**		**-**	**-806**	**-806**
Profit on other operating activities	-	-	-		-	268	268
Before tax profit	-	-	-		-	**8 346**	**8 346**
Income tax	-	-	-		-	2 133	2 133
Profit for the current period	**-**	**-**	**-**		**-**	**6 213**	**6 213**
Assets and liabilities							
Assets of the segment (related to activities)	59 281	6 219	474	-	595	-	66 569
Assets not assigned /unallocated (among others shares, stocks and other financial assets)	-	-	-	-	-	90 631	90 631
Total assets	**59 281**	**6 219**	**474**	**-**	**595**	**90 631**	**157 200**
Liabilities of the segment (related to activities)	51 614	523	380	-	830	-	53 347
Liabilities not assigned	-	-	-	-	-	20 578	20 578
Equity	-	-	-	-	-	83 275	83 275
Total equity and liabilities	**51 614**	**523**	**380**	**-**	**830**	**103 853**	**157 200**
Depreciation of property, plant and equipment	40	425	92	-	335	-	892
Amortization of intangible assets	-	-	-	-	-	123	123
Write-down of segment assets (receivables from supplies and services)	-114	-369	-5 108	-	-354	-	-5 945

Information about the geographical areas

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

	Note No.	2016	2015
Poland		89 321	101 923
Belarus		20 361	119 031
	23, 24	**109 682**	**220 954**

Geographical breakdown of non-current assets

	Note No.	2016	2015
Poland		1 805	1 795
Belarus		-	161
	1, 2, 3	**1 805**	**1 956**

Note No. 33 – Profit per one share

Net loss per 1 share remaining in trading as at balance-sheet day 31 December 2016 amounts to PLN (6.06); in 2015 profit amounted to PLN 1.60.

Note No. 34 - Profit sharing and loss coverage

Pursuant to Resolution No. 16 of the Annual General Meeting of 11 June 2016 net profit of the Issuer for 2015 in the amount of PLN 6 213 046.33 was divided as follows:

- part of the profit in the amount of PLN 6 193 050.00 was assigned for dividend,
- part of the profit in the amount of PLN 19 996.33 was assigned for capital reserve.

Proposal to cover loss for 2016

Net loss for the year 2016 in the amount of PLN 23 600 679.75 is proposed to cover from the capital reserve.

Note No. 35 - Dividends

Pursuant to Resolution No. 16 of the Ordinary General Meeting of Shareholders of PROCHEM S.A. of June 11, 2016, the Issuer paid a dividend from the profit for the year 2015 in the amount of PLN 6 193 050.00. Dividend payment date fall on 15 July 2016. The dividend per one share amounted to PLN 1.59

Note No. 36 - Financial instruments and financial risk management

36.1 Categories and classes of financial instruments

Financial assets

31 December 2016		**Categories of financial instruments**	
		Loans, receivables and other	**Total**
Classes of financial instruments	**Note No.**		
Receivables from supplies and services	9	36 337	36 337
Cash		245	245
Loans granted	7 and 10	36 936	36 936
Total		**73 518**	**73 518**

31 December 2015		**Categories of financial instruments**	
		Loans, receivables and other	**Total**
Classes of financial instruments	**Note No.**		
Receivables from supplies and services	9	64 043	64 043
Cash		16 769	16 769

Other financial assets – the discounted security deposit constituting the collateral of a bank guarantee of reimbursement of advance payment	10	2 526	2 526
Loans granted	7 i 10	37 369	37 369
Total		**120 707**	**120 707**

Financial liabilities

31 December 2016

		Categories of financial instruments		
		Financial liabilities measured at amortized costs	**Liabilities excluded from IAS 39**	**Total**
Classes of financial instruments	Note No.			
Loans	18	7 303	-	7 303
Borrowings received	16	7 002	-	7 002
Trade payables	20	27 139	-	27 139
Total		**41 444**	**-**	**41 444**

31 December 2015

		Categories of financial instruments		
		Financial liabilities measured at amortized costs	**Liabilities excluded from IAS 39**	**Total**
Classes of financial instruments	nota			
Loans	18	9 024	-	9 024
Borrowings received	16	950	-	950
Trade payables	20	47 154	-	47 154
Total		**57 128**	**-**	**57 128**

Impairment allowances of financial assets by classes of financial instruments
(in PLN thousands)

Classes of financial instruments	**31 December 2016**	**31 December 2015**
Receivables from supplies and services	(4 134)	(5 945)
Other receivables	(396)	(396)
Other financial assets	(207)	(207)
Total	**(4 737)**	**(6 548)**

Impairment allowances of financial assets are presented in Notes 9 and 10.

Operating lease

The company is a party to the lease agreement of office space. The agreement has been classified as operating lease. It includes additional fees for additional services that are settled once a year. Rent according to the agreement once a year is subject to valorization 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.
Part of leased office space is subleased. The lease and sublease agreements expire on 31 May 2023.
On April 1, 2016, the Company entered into an agreement under which leases resort located in Tleń, district Osie. The contract was concluded for a definite period until December 31, 2020.

Revenues from the rent increase the social fund, in 2016 amounted to PLN 7 thousand.
Other revenue from the reimbursement of fees incurred by the lessor is recognized in the statement of profit and loss as income and expense on account of the lease in the amount of PLN 16 thousand.

Over the year in the statement of profit and loss for 2016 was recognized an amount of PLN 2 925 thousand as the cost of fees, in 2015 this amount was 3 466 thousand.
Revenue from sublease is recognized in operating income.
In 2016 in the statement of profit and loss was recognized an amount of PLN 170 thousand as income from the sublease, in 2015 this amount was PLN 297 thousand.
From 18 January 2011, the Company is a party to an agreement concluded with Toyota Leasing Polska sp. z o. o. for rental of passenger cars. This Agreement was classified as operating lease. As of December 31, 2016 52 company's cars were covered by rental contracts.
In 2016 in the statement of profit and loss was recognized an amount of PLN 1 059 thousand as a cost of renting cars, and in 2015 PLN 1,029 thousand.
Minimal payments under non-cancellable operating leases are as follows:

Agreement of operating lease, when the Company is the lessee

In PLN thousands	**2016**	**2015**
Up to 1 year	4 590	5 250
1-5years	15 637	16 893
More than 5 years	5 162	9 582

Agreement of operating lease when the Company is the lessor

In PLN thousands	**2016**	**2015**
Up to 1 year	51	182
1-5years	183	-
More than 5 years	43	-

36.2. Financial risk management

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

Credit risk

The company 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 company, in order to mitigate the credit risk manages the risk through the obligatory procedure of gaining hedging.
Assumed repayment period of amount due associated with the normal course of the sale is 14 - 60 days.
Amounts due from contracting parties are regularly monitored by the financial services. In case 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 reduce the risk of not recovering the receivables from deliveries and services, the Company accepts a collateral from its customers in the form of, among other: bank and insurance guarantees, mortgages, promissory notes, as well as security deposit.
For the improvement of the current liquidity, in order to release the receivables retained by investors under proper security for the implemented contracts, and statutory warranty for construction work and assembly work, Company granted bank guarantees and the insurance guarantee within the framework of guarantee lines, which were launched with this purpose.

Credit risk associated with bank deposits and with cash is considered by the Company as low.
All entities in which the Company invests its free funds operate in the financial sector. These include domestic banks and branches of the foreign banks.

Credit risk, resulting from loans granted inside the group is considered by the Company to be low, due to the fact that the loans are designed for a specific purpose as the purchase of investment property. In some cases when the subsidiary is not fulfilling its obligations under the contracted loans in the long period, the Issuer shall make write-down of the value of loans granted and of interest accrued on the loan. Changes in write-downs of loans granted were presented in note 7 and 10.
In the estimation of the Management Board, the risk of impaired financial assets is reflected in the impairment allowances. Information on impairment allowances of financial assets is presented in Note 36.1.

Liquidity risk

The Company is exposed to the liquidity risk resulting from the relation of current liabilities to current assets.
As at 31 December 2016 as at 31 December 2015 the index of ratio of current assets to current liabilities (current liquidity ratio) was respectively 1.07 and 1.07.
Detailed information regarding loans is disclosed in Note No. 18.
Analysis of maturity of the liabilities in Notes 15, 16, 17, 18, 19, 20 and 21.

Market risk

1. Exchange rate risk

Part of contracts for sale of services is concluded with foreign companies in foreign currencies (EURO, US$). In case of a significant strengthening of the domestic currency it may adversely affect the performance of the Company. 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	515	-	-	-	2 279
Cash	31	1	88	6	203
Total	**546**	**1**	**88**	**6**	**2 482**
Financial liabilities					
Payables	641	79	-	11	3 191
Total	**641**	**79**	**-**	**11**	**3 191**

Exposure to currency risk as at 31 December 2015

(in PLN thousands)	EUR	USD	NOK	BYR	Total after translation into PLN
Financial assets					
Receivables from supplies and services	2 225	-	-	3 640 078	10 246
Cash	3 441	4	88	4 093 380	16 015
Other financial assets	593	-	-	-	2 527
Total	**6 259**	**4**	**88**	**7 733 458**	**28 788**
Financial liabilities					
Payables	1 524	114			7 032
Deferred income (advanced payments received)	606	-	-	-	2 582
Total	**2 130**	**114**	**-**	**-**	**9 615**

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%	-45	15%	45
USD/PLN	15%	-49	15%	49
NOK/PLN	15%	6	15%	-6
Total impact		**-88**		**88**

Analysis of sensitivity to currency risk as at 31 December 2015

(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%	2 639	15%	-2 639
NOK/PLN	15%	6	15%	-6
BYR/PLN	15%	244	15%	-244
Total impact		**2 889**		**-2 889**

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

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.

Revenues in foreign currency, achieved in the currency in the years 2016 and 2015 were as follows:

currency	revenues		Average exchange rate for sales		expenses		Average exchange rate for purchases	
(in PLN thousands)	2016	2015	2016	2015	2016	2015	2016	2015
EUR	4106	27 703	4.3756	4.1882	2 196	32 499	4.3698	4.3129
USD	2	153	3 9295	3.7799	939	3 753	3.8847	3.7799
BYN	-	-	-	-	15	16 668	1.9765	2.0000

In the reporting period EURO was the main currency.
Hypothetically assuming that if the Polish zloty weakened/strengthened by 1% against EURO, then revenues in 2016 would increase or decrease by PLN 164 thousand, and in 2015 by PLN 1 108 thousand. PLN, which would have an impact on before tax profit, while costs would increase/decrease by PLN 88 thousand in 2016 PLN, and in 2015 by PLN 1 300 thousand.
The above deviations were calculated on the basis of historical fluctuation for particular currencies and forecasts.
Sensitivity of financial instruments for currency risk was calculated as the difference between the initial book value and potential book value of financial instruments at assumed increase/drop in exchange rates.
For other currencies the sensitivity of financial instruments is not material.

2. *Interest rate risk*

The Company is exposed to the risk of variability of cash flows from interest rate, which is resulting from bank loans based on floating interest rate WIBOR ON (overnight) and loans granted based on floating rates WIBOR 1M and WIBOR 6M.

Analysis of financial instruments with floating interest rates

	WIBOR		Fixed rate of interest	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Financial assets				
Loans granted	30 322	30 935	6 416	6 235
Financial liabilities				
Loan	7 303	9 024	-	-
Borrowings received	6 000	-	950	950

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

	The assumed fluctuations of WIBOR				The impact (in PLN thousands)			
	31 December 2016		31 December 2015		31 December 2016		31 December 2015	
	increase	decline	increase	decline	increase	decline	increase	decline
Financial assets								
Loans granted	+50 base point	-50 base point	+50 base point	-50 base point	152	(152)	155	(155)
Financial liabilities								
Loan	+50 base point	-50 base point	+50 base point	-50 base point	(37)	37	(45)	48
Borrowings received	+50 base point	-50 base point	+50 base point	-50 base point	(30)	30	(5)	5

3. The risk of disadvantageous settling the litigation with PERN S.A.

In view of the substantial prolongation of legal proceeding in a dispute with PERN SA which begun in 2006, and currently is pending before the District Court in Warsaw concerning the accounting for the contract in the formula GRI concerning investment project under the name of "Rurociąg w relacji ST-1 Adamowo - Baza Surowcowa Plebanka", which was interrupted on 10 of November 2005, the risk exists of the need of fulfilment by PROCHEM in 2017 of the commitments in relation to seized guarantee deposits of subcontractors, which on balance sheet day amounted PLN 2,928 thousand, before the recovering of guarantee deposits seized by PERN S.A. Receivables from the security deposit of the company PROCHEM S.A. from PERN S.A. on 31 December 2016 amounted to PLN 17 364 thousands. In the Company's opinion the risk is minimal, but the Management Board of PROCHEM S.A. takes into account a necessity of accumulation of adequate funds for this purpose.
A detailed description of the dispute in Note No. 40.

Note No. 37 – Related party transactions, and transactions with key management staff

Related entities include entities controlled and jointly - controlled entities, as well as those on which the Issuer has a significant influence and members of key management staff of the Issuer, and close family members of this staff (related persons).
Key management personnel constitute Members of the Company's Management Board and Members of the Company's Supervisory Board.

In 2016, key management personnel and persons related to key management personnel, in addition to remuneration did not conclude other transactions with the Issuer and the companies from the Capital Group.

Remuneration paid in 2016 in the Issuer's enterprise to the Members of Management Board:

1. Jarosław Stępniewski	PLN 503 thousand: including remuneration established on profit in 2016 – PLN 68 thousand,
2. Marek Kiersznicki	PLN 325 thousand: including remuneration established on profit in 2016 – PLN 62 thousand,
3. Krzysztof Marczak	PLN 355 thousand: including remuneration established on profit in 2016 – PLN 62 thousand

Remuneration paid in 2016 in the Issuer's enterprise to the Members of the Supervisory Board:

1. Żbikowski Karol	PLN 17 thousand,
2. Marek Garliński	PLN 190 thousand: including remuneration established on profit in 2015 – PLN 50 thousand,
3. Karczykowski Andrzej	PLN 80 thousand: including remuneration established on profit in 2015 – PLN 50 thousand,
4. Krzysztof Obłój	PLN 80 thousand: including remuneration established on profit in 2015 – PLN 50 thousand,
5. Wiesław Kiepiel	PLN 63 thousand: including remuneration established on profit in 2015 – PLN 50 thousand,
6. Steven Tappan	PLN 63 thousand: including remuneration established on profit in 2015 – PLN 50 thousand,
7. Suflida Michał	PLN 17 thousand,
8. Pędziński Marcin	PLN 5 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 2016 have received:

1. Jarosław Stępniewski PLN 68 thousand
2. Marek Kierssnicki PLN 172 thousand
3. Krzysztof Marczak PLN 182 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.

Settlements with related entities include receivables, trade payables and financial liabilities.
Guarantees and sureties granted to related entities are presented in note 38.

Reporting period
(in PLN thousands)

from 1 January to 31 December 2016					
	Sale of services	Purchase of services	Financial income – interest on loans	Financial income – dividends received	Finance costs – interest on loans
Subsidiaries	131	11 633)*	314	65	52
Jointly-controlled entities and associated entities	19 407)**	341	379	-	-

)* - including purchased electrical services and supplies of electrical equipment from a subsidiary Elektromontaż Kraków S.A. in the amount of PLN 11 250 thousand

)** - 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.

As at 31 December 2016					
	Trade receivables	Receivables under loans granted	Trade payables	Liabilities under loans	Other liabilities
Subsidiaries	706	18 404	3 657	7 002	107
Jointly-controlled entities and associated entities	2 298	18 334	385	-	-

Comparative period
(in PLN thousands)

From 1 January to 31December 2015					
	Sale of services	Purchase of services	Financial income – interest on loans	Financial income – dividends received	Finance costs – interest on loans
Subsidiaries	666	9 990	361	1 003	584
Jointly-controlled entities and associated entities	28 900	250	375	-	-

As at 31 December 2015

	Trade receivables	Receivables under loans granted	Trade payables	Other liabilities	Liabilities under loan received
Subsidiaries	1 666	19 216	2 701	107	950
Jointly-controlled entities and associated entities	17 955	17 955	16	-	-

Revenues from sale of services to jointly-controlled entities and associated companies in 2016 and 2015 totally relate to the jointly-controlled company IRYDION Sp. z o. o. in Warsaw, on whose behalf is implemented investment project under the name of "Astrum Business Park" in Warsaw.
In 2016, the costs also pertain to the lease of office space.
Guarantees and sureties granted to related parties are presented in note 38.

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

Collateral granted

	31 December 2016	31 December 2015
Bank guarantee of good performance	16 680	11 592
Payment guarantee	-	852
Tender guarantee	37	60
Guarantee of return of advance payment	-	4 115
Total collateral granted	**16 717**	**16 619**
Contingent liabilities		
Guarantee securing obligations under statutory warranty and guarantee – granted on behalf of associated entity	247	247
Letters of Credit	-	3 564
Total security granted and contingent liabilities	**16 964**	**20 430**

Collateral received

	31 December 2016	31 December 2015
Bank guarantee of good performance	5 087	3 617
Aval of good performance of a contract	-	77
Total collateral received	**5 087**	**3 694**

Contingent receivables from PERN were described in Note 40.

Note No. 39 – Events after reporting date

There were no significant events after the reporting date that could have a significant impact on the Issuer's financial position.

Note No. 40 - Information on significant proceedings pending before the court

PROCHEM S.A. continues to be a party to the proceedings before the court concerning the settlement of the contract which was interrupted on 10 November 2005, for the construction management of an investment project under the name "Pipeline in a section from the ST- 1 Adamowo - to raw material base Plebanka" concluded with PERN S.A. PROCHEM S.A. filed a lawsuit to the court for payment of PLN 41, 301 thousand under the final settlement of the contract, of which PLN 17,364 thousand is recognized in the statement of financial position as a receivable from seized guarantee deposit, and the remaining amount is the contingent receivable. On 18 January 2008 District Court in Warsaw issued a judgment in this case considering claim of PROCHEM S.A. as to be right in principle, while stating that this obligation is not yet due.
On 26 August 2008 the Court of Appeal in Warsaw issued a final judgment on the appeal lodged by PROCHEM S.A. from the a/m judgment of the District Court, recognizing in it that the claim filed by

PROCHEM S.A. regarding accounting for the contract is not premature, and at the same time has ordered that the District Court will make the accounting for the contract mentioned above pursuant to the provisions of the contract. This finding is in compliance with position in a case of PROCHEM S.A.

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

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

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

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

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

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

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

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

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

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

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

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

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

- from the principal action, jointly and severally to the Issuer and a member of the consortium adjudged from PERN:

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

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

The statutory interest on the aforementioned amounts as at 31 December 2016 amounts to PLN 50 million.
The Issuer's share in the adjudged amount amounts to about 50%.
From the above judgment on 7 December 2015 PERN lodged an appeal. The term of consideration of the appeal has not been set yet.

As of 31 December 2016 the Issuer presents the receivables from PERN SA under guarantee deposits seized during the execution of the contract worth PLN 17,364 thousand, which are the subject of a final settlement of the contract and the proceedings which is pending before the Court. These receivables are not covered by write-down. The remaining amount of principal claim, which falls on PROCHEM S.A. in the amount of PLN 2,682 thousand was recognized as a contingent asset, because on reporting day did not meet all the criteria for recognition as an asset in the understanding of IAS 37.

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

Note No. 41 - Other supplementary information to the financial statements

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

As at the date of the separate financial statements the following members of the Management Board and Supervisory Board of the company held shares of PROCHEM SA:

- Jarosław Stępniewski – 80,943 units.;
- Marek Kiersznicki –70,393 units;
- Krzysztof Marczak – 43,700 units;
- Andrzej Karczykowski – 115,186 units;

Nominal value of 1 share is PLN 1.

In the period since the publication of the annual report for the year 2015, the Issuer has been notified of a change in the number of shares of PROCHEM S.A. held by the members of the Supervisory Board. This change occurred as a result of changes in the composition of the Supervisory Board, which were introduced at the Annual General Meeting held on June 11, 2016:

- Mr. Michał Suflida appointed to the Supervisory Board together with related person held 48,500 shares.
- Mr. Steven Tappan, dismissed from the Supervisory Board, owned 510,000 shares in the Company.

At the Extraordinary Shareholders' Meeting on 28 October 2016 was dismissed Mr. Marek Garlinski, which had 86,900 of shares in the Company.

On November 24, 2016, Mr. Michał Suflida, a member of the Supervisory Board, sold 30,000 shares in the company, and the related person sold 18,500 shares in the Company.

In related companies the managing and supervising persons do not hold shares.

Information on granting a surety for loan or borrowing or guarantees by the issuer or by its subsidiary – jointly to one entity or to its subsidiary, if the total value of existing surety or guarantee is equivalent to as least 10% of the issuer's equity.

In 2016, neither the Issuer nor its subsidiaries granted any loan or loan guarantees or guarantees.

Note No. 42 – Approval of the financial statements

Financial statements of PROCHEM S.A. for 2016 were approved for issue by the Management Board of PROCHEM S.A. on 28 April 2017.

Signatures of the Members of the Management Board

28 April 2017	Jarosław Stępniewski	Chairman of the Board	....
date	first name and surname	position	signature
28 April 2017	Marek Kiersznicki	Vice Chairman	....
date	first name and surname	position	signature
28 April 2017	Krzysztof Marczak	Vice Chairman	....
date	first name and surname	position	signature

Signature of the person responsible for bookkeeping

28 April 2017	Barbara Auguścińska-Sawicka	Chief Accountant	....
date	first name and surname	position	signature