SEPARATE FINANCIAL STATEMENTS OF PROCHEM S.A.

As at and for the period ended 31December 2017

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

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

Separate financial statements of PROCHEM S.A. prepared as at and for the period ended 31 December 2017

Separate statement of financial position as at 31 December 2017

(all amounts in PLN thousands if not stated otherwise)

A s s e t s		**31 December 2017 (audited)**	**31 December 2016 (restated)**
Non-current assets			
Property, plant and equipment	1	964	1 249
Intangible assets	2	177	310
Investment properties	3	246	246
Shares in subsidiaries	4	8 478	9 642
Shares in equity-accounted investees	5	4 502	4 502
Deferred tax assets	6	2 743	4 666
Other financial assets	7	37 032	36 738
Total non-current assets		**54 142**	**57 353**
Current assets			
Inventories	8	28	1 698
Trade and other receivables	9	17 620	38 042
Other financial assets	10	130	198
Other assets	11	2 950	4 757
Cash and cash equivalents		18 642	245
Total current assets		**39 370**	**44 940**
Total assets		**93 512**	**102 293**
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	107	837
Retained earnings	14	61 974	48 339
Total equity		**65 976**	**53 071**
Non-current liabilities			
Provisions for retirement and similar benefits	15	472	539
Liabilities under non-current loans	16	950	7 002
Other non-current liabilities	17	-	14
Total non-current liabilities		**1 422**	**7 555**
Current liabilities			
Bank loans	18	-	7 303
Trade payables	19	18 350	27 139
Other liabilities	20	5 851	5 182
Deferred income	21	1 913	2 043
Total non-current liabilities		**26 114**	**41 667**
Total liabilities		**27 536**	**49 222**
Total equity and liabilities		**93 512**	**102 293**
Weighted average number of ordinary shares (units)		3 895 000	3 895 000
Book value per one share (in PLN)		16.94	13.63

Separate statement of profit and loss
From 1 January 2017 to 31 December 2017
(all amounts in PLN thousands if not stated otherwise)

	Note No.	Period ended 31December 2017 (audited)	Period ended 31December 2016 (restated)
Revenues from sale, including:		**49 177**	**109 682**
Revenues from sale of services	22	49 177	108 914
Revenue from sale of goods and materials	23	-	768
Cost of sales, including:		**-52 859**	**-126 107**
Cost of services sold	24	-52 859	-125 348
Cost of merchandise and raw materials		-	-759
Gross profit on sales		**-3 682**	**-16 425**
General and administrative expenses	24	-7 032	-9 303
Other operating income	25	112	1 370
Other operating expenses	26	-567	-1 895
Result of a one-off event	27	26 773	-
Results from operating activities		**15 604**	**-26 253**
Financial income	28	1 589	1 085
Profit on sale of assets		-	492
Finance expenses	29	-2 243	-2 137
Before tax profit		**14 950**	**-26 813**
Income tax expense:	30	2 266	-3 995
- current tax		237	1
- deferred tax		2 029	-3 996
Profit for the period		**12 684**	**-22 818**
Weighted average number of ordinary shares		3 895 000	3 895 000
Profit/diluted profit per share (in PLN per one share)		3.26	-5.86

Separate statement of comprehensive income

Profit for the period	**12 684**	**-22 818**
Other comprehensive income, net	**94**	**-149**
Other comprehensive income that will be reclassified to profit and loss under certain conditions:	**-**	**-105**
Revaluation of property, plant and equipment	-	**-117**
Exchange differences on translation of foreign operations	-	12
Other comprehensive income that will not be reclassified to profit or loss:	**94**	**-44**
Actuarial profit (losses) on valuation of provisions for employee benefits	115	-52
Income tax on other comprehensive income	-21	8
Total comprehensive income	**12 778**	**-22 967**
Weighted average number of ordinary shares (units)	3 895 000	3 895 000
Total comprehensive income per ordinary share (in PLN per one share)	3.28	-5.90

Separate statement of changes in equity

(all amounts in PLN thousands if not stated otherwise)

	Share capital	Revaluation reserve	Retained earnings	Total equity
Reporting period from 1 January 2017 to 31 December 2017				
As at the beginning of the period (audited)	**3 895**	**837**	**48 727**	**53 459**
Error adjustment	**-**		-388	**-388**
As at the beginning of the period (restated)	**3 895**	**837**	**48 339**	**53 071**
Net profit of the given period	-	-	12 684	12 684
Net other comprehensive income	-	-	*94*	***94***
Total comprehensive income	**-**	**-**	***12 778***	***12 778***
Other increases	-	127	**-**	**127**
Other changes	-	-857	857	-
As at the end of the period (restated)	**3 895**	**107**	**61 974**	**65 976**

	Share capital	Revaluation reserve	Retained earnings	Total equity
Reporting period from 1 January 2016 to 31 December 2016				
As at the beginning of the period (audited)	**3 895**	**859**	**78 521**	**83 275**
Error adjustment	**-**	**-**	**-388**	**-388**
As at the beginning of the period (restated)	**3 895**	**859**	**78 133**	**82 887**
Net loss of the given period	-	-	-23 601	-23 601
Net other comprehensive income	-	-22	-	-22
Total comprehensive income	***-***	***-22***	***-23 601***	***-23 601***
Dividend payment	-	-	-6 193	-6 193
As at the end of the period (restated)	**3 895**	**837**	**48 339**	**53 071**

Separate statement of cash flows
from 1 January 2017 to 31 December 2017

(all amounts in PLN thousands if not stated otherwise)

Cash flows – operating activities	**Note No.**	**Period ended 31December 2017 (audited)**	**Period ended 31December 2016 (restated upon audit)**
Before tax profit		14 950	-26 813
Total adjustments		**16 588**	**14 149**
Amortization and depreciation	24	550	876
Interest and profit sharing (dividends)		-831	-321
Profit on disposal of property, plant and equipment		2	-57
Loss on investing activity		1 164	823
(Profit) on sale of financial assets		-	-492
Change in provisions		-305	134
Change in inventories		1 670	3 549
Change in receivables and other assets	30	22 158	33 913
Change in current liabilities, except for loans and borrowings	30	-7 879	-17 920
Other adjustments (including deferred income)	30	59	-6 356
Cash provided by (used in) operating activities		**31 538**	**-12 664**
Income tax paid		-627	-1 360
Net cash provided by (used in) operating activities		**30 911**	**-14 024**
Cash flows – investing activities			
Inflows		**1 701**	**730**
Disposal of intangible assets and property, plant and equipment		3	105
Inflows from financial assets in related entities, including:		1 500	625
- inflows from sale of financial assets		367	285
- dividend received		741	65
- repayment of interest on loans granted		392	275
Inflows from financial assets in other assets, including:		198	-
- repayment of loans granted		133	-
- repayment of interest on loans granted		65	-
Outflows		**-264**	**-937**
Acquisition of intangible assets and property, plant and equipment		-134	-937
Loan granted to a related entity		-130	
Net cash provided by (used in) investing activities		**1 437**	**-207**
Cash flows – financing activities			
Inflows from loans received		-	6 000
Dividend paid		-	-6 187
Repayment of bank loans		-7 302	-1 721
Repayment of borrowing		-6 000	-
Paid interest on loan		-234	-
Interest and commission paid		-415	-385
Net cash provided by (used in) financing activity		**-13 951**	**-2 293**
Total cash flows, net		18 397	-16 524
Cash and cash equivalents at the beginning of the period		**245**	**16 769**
Cash and cash equivalents at the end of the period		**18 642**	**245**

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

1. Establishment of the Company and principal activity

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

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

1. The Management Board and Supervisory authorities of the Issuer

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

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

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

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

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

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

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

2. Employment

Average employment in 2017 was 177 FTEs, and in 2016 226 FTEs. Level of employment in persons as at 31December 2017 was 181, and as at 31 December 2016 206 persons.

3. Adopted accounting principles

Principles of presentation

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

The presented financial statements correspond to all IFRS requirements adopted by the EU and in clear and fairly way present the financial and property situation of the Company as at December 31, 2017, and comparable data as at December 31, 2016, as well as the results of such activities for the year ended December 31, 2017 and comparative data for the year ended December 31, 2016.

The financial statements of PROCHEM S.A. as at 31 December 2017 were prepared assuming that PROCHEM will continue to operate as a going concern in foreseeable future.

The financial statements were prepared based on the principle of the historical cost, apart from:
- Land, buildings and construction measured at revalued amount,
- Investment properties measured at fair value.

The separate financial statements of PROCHEM S.A. for 2017 include 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 the income tax from the legal entities had been calculated and paid.
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*.

The financial statements include statement of financial position, statement of profit and loss, statement of comprehensive income, statement of changes in equity, cash flow statements and explanatory notes.

PROCHEM S.A. is the Parent Entity in the Capital Group and prepares consolidated financial statements. The consolidated statements are available at ***www.prochem.com.pl***

Changes in 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 financial statements hereby were applied the same accounting principles and the same calculation methods which were applied in the financial statements of PROCHEM S.A. for the year ended 31 December 2016.

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

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

In the applied accounting principles the biggest importance had, apart from accounting estimates, the professional judgment of the management, which influences 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).

New standards, interpretations and changes in published IFRS

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

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

Standards And Interpretations endorsed by the EU	**Type of anticipated change in accounting policies**	**Possible impact on the financial statements**	**The date of entry into force for periods beginning on the day or later**
IFRS *15 Revenue from Contracts with Customers*	This standard contains principles that will replace most of the detailed guidelines on revenue recognition that are existing currently in IFRS. In particular, following the adoption of the new standard will cease to apply IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related to them interpretations. According to the new standard, entities will apply a five-step model for determining when to recognize revenue and how much revenue to recognize. This model assumes that revenue should be recognized when (or in the extent in which) the entity transfers the control over the goods or services to the customer, and revenues should be recognized in such amount, to which entity expects to be entitled. Depending on the meeting of determined criteria, the revenues: - are distributed over time in a way that reflects the implementation of the contract by the entity, or - are recognized once, in such a time when the control over the goods or services is transferred to the customer. The standard contains new disclosure requirements, both quantitative and qualitative, designed to enable users of financial statements to understand the nature, the amount, the moment of recognition and the uncertainty in relation to revenues and cash flows arising from contracts with customers.	At the time of initial application, the impact of the Standard will depend on the specific facts and circumstances relating to the customer agreements in which the Company will be a party. On the basis of the overall analysis, the Company estimates that the application of the standard for 2017 would have no impact on the financial statements for 2017	1January 2018
IFRS 9 *Financial instruments (2014)*	The new standard replaces the IAS 39 Financial Instruments: Recognition and Measurement, Guidance on Classification and Measurement of Financial Assets, including Impairment Guidance. IFRS 9 also eliminates the existing categories of financial assets in IAS 39: held to maturity, available-for- sale and loans and receivables. In accordance with the requirements of the new standard at the moment of initial recognition, financial assets	On the basis of the overall analysis, the Company estimates that the application of the amended standard will not have a material impact 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
	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 as well as their selling - for these assets, gains and losses from the measurement are recognized in other comprehensive income. In addition, if an investment in an equity instrument is not held for trading, IFRS 9 provides an opportunity to make 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. Only remaining amount of the total gain or loss from revaluation at fair value is recognized in financial results in the current period. In case, however, as if the application of this requirement had resulted in lack of commensurability of revenues and costs, or if financial liability was a result of commitments of granting a loan or financial guarantee contracts, the entire change in fair value would be recognized in profit or in loss of current period. As regards the estimation of the impairment of financial assets, IFRS 9 replaces the model of "loss incurred" in IAS 39 with the "expected loss" model, which means that the event causing the loss would not have to precede the recognition and write off. The new rules aim at preventing situations where the write-offs of credit losses are created too late and they are in the insufficient height. In short, the model of the expected loss uses two approaches to estimation of a loss, according to which the loss is determined on the basis of: • the 12-month expected credit loss, or • full life-time expected loss. Which approach will be used depends on whether, in the case of the given asset after initial recognition has been a significant increase in credit risk. In the event that the credit risk associated with financial assets did not increase significantly compared to its initial recognition, the impairment loss of these financial assets will be equal to the loss expected in the 12-months period. If, however, a	.	

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
	significant increase in credit risk occurs, the impairment loss of these financial assets will be equal to the expected loss over the life of the instrument, thereby increasing the recognized impairment loss. Standard assumes that - in the absence of contrary arguments - a sufficient criterion for the recognition of the life-time expected loss is occurrence of the delay in payment of 30 days.		
IFRS 16 *Leases*	IFRS 16 replaces IAS 17 Leases and interpretations related to it. With regard to the lessees new standard eliminates the current distinction between operating and finance leases. Recognition of operating leases in the statement of financial position will result in a recognition of the new asset - the right to use of the subject of the lease - and a new liability - the liability to make 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 will be a party. On the basis of the general analysis, the Company estimates that the application of standard for the year 2017 would result in the disclosure of a new asset - the right to use the leased asset in the amount of PLN 18 million, and a new liability - liabilities to make lease payments in the amount of PLN 18 million. The settlement of these disclosures would not have a significant impact on the result.	1 January 2019
Amendments to IFRS 15 *Revenue from Contracts with Customers*	Amendments to IFRS 15 clarify some requirements of the Standard and are providing additional transitional relief for companies that are implementing the new Standard. The amendments clarify the existing guidance for: Identification of performance obligation (a promise in the contract to transfer to a customer goods or services); Determining whether the company is a principal or an agent (is responsible for organizing the delivery of goods or providing services); and Determining whether revenue from a licensing agreement should be either recognized once or spread over time. In addition, the changes contain two additional simplifications that aim to facilitate the first application of the Standard by the companies, and reduce the associated costs.	At the time of initial application, the impact of the Standard will depend on the specific facts and circumstances relating to the customer agreements in which the Company will be a party. On the basis of the overall analysis, the Company estimates that the application of the standard for the year 2017 would not have a material impact on the financial statements for 2017.	1 January 2018
Amendments to IFRS 2 *(Share-based Payment Transactions)*	Amendments, which are clarifying the method of the recognition of some share-based payment transactions, include recognition requirements: the effect of vesting conditions and terms other than vesting conditions on the valuation of cash-settled share-based payment transactions; share-based transactions with the characteristics of net settlement with regard to the obligations arising from the tax requirements; and modification of the terms and conditions of share-based transactions that change the classification of these transactions from cash-settled to equity-settled.	The Company does not expect changes to affect its financial statements because such transactions do not occur.	1 January 2018
Annual Improvements to IFRS Standards 2014-2016 Cycle	Annual Improvements to IFRS Standards 2014-2016 Cycle include 3 amendments to standards. The main amendments: deleted the short-term exemptions for first-time adopters of IFRS (IFRS 1 First-time Adoption of International Financial Reporting Standards) relating to, among other things, the transitional provisions of IFRS 7 *Financial Instruments: Disclosures* - regarding disclosures of comparative data and transfers of financial assets, and IAS 19 *Employee Benefits*;	The Company does not expect the changes to have an impact on its financial statements at the time they are adopted.	1 stycznia 2018 r. (za wyjątkiem zmian do MSSF 12 które obowiązują w stosunku do okresów rocznych zaczynających się 1 stycznia 2017 r. lub później)

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
	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.		
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 statement of profit and loss.

Functional currency and presentation currency of financial statements

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

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

- assets and liabilities shall be translated at the closing rate as at the date of statement of financial position,
- revenues and expenses shall be translated at the exchange rate 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 regularly 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 allowances and any impairment losses.
Intangible assets, except for the goodwill are being amortized. Amortization allowances of intangible assets is made by systematic, planned allocation of the initial value in the established useful life of the component. A straight line of depreciation method is applied.

In the 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. Costs of lease 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 – item of Inventory includes - materials, goods, semi-finished products, and work-in-process. Inventories are measured initially at cost. As at the balance sheet day the measurement of goods and materials is done with the prudence accounting principle, that is the categories are valued at the lower of following - purchase price, the production cost or the net realizable value.
Stocks of slowly-rotating goods and materials are covered among others by the write-downs created according to individual evaluation of the realizable price as at the balance sheet day.
Flows of stocks are done at using the FIFO method - "first-in", "first-out".

Write-downs concerning inventory and their reversals are recognized in the other operating expenses and revenues from operating activities.

Loans granted - arise when the entity is transferring financial means directly to the debtor, and is 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 at later date is done at amortized cost, using the effective interest rate method, less possible 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 impairment allowance is recognized in other operating expenses. The amount of write-down is a difference between the carrying value of receivable 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 established as the average return on bonds with a specified return period and a time remaining to time of repayment of receivable.

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 generating 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 financial assets which are not derivatives 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 not being loans or other receivables, neither investments held-to-maturity and nor financial assets measured at fair value through the profit or loss.

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 subject to measurement in accordance with principles of hedge accounting.

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

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

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 at using the effective interest rate method.

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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 liability 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, concerned parties, or
- reference to the current fair value of another instrument which is almost the same, or
- through discounted cash flows analysis.

Measurement of other financial liabilities at amortized cost

- The Company measures other financial liabilities according to amortized cost at using the effective interest rate method.
- Financial guarantee contracts, i.e. contracts that obligate 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, not classified as liabilities at fair value through profit or loss are measured at the higher value:
- of the amount determined according to the principles of valuation of reserves,
- of the 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 objective premises exist 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 at using the initial, 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 of impairment of the financial asset available-for-sale, then the cumulative losses arisen due to measurement, recognized in the statement of comprehensive income, in accordance with the principles of valuation of financial assets, are derecognized from equity and recognized in the financial result. If in subsequent period fair value of available-for-sale debt instrument rises and the increase may be objectively linked to an event upon the impairment loss was recognized in the financial result, then reversal of the write-down is recognized in the financial result.

Impairment losses of the investment in an equity instrument, which is classified as available-for-sale are not reversed in financial result.

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

Provisions **-** are established in the justified, credibly assessed value. Provisions are created when obligation (legal or customary) resulted from the past events rests on the company, and when it is probable, that fulfilling of this duty will result in the necessity of the outflow of financial means, and the amount of this liability may be credibly estimated.

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.
Pursuant to the Remuneration Regulations, employees of the Company are entitled to receive one-off retirement and pension benefits in the event of termination of employment in connection with retirement or pension. The above-mentioned severance payments are benefits after the period of employment paid when the employee no longer performs work, therefore the expenses related to them are spread over the entire period of employment of the employee by making current allowances for provisions for benefits. The current amounts of provisions and write-downs are determined by an external actuarial office individually for each employee in accordance with the "projected entitlement for person" methodology. The accrued provisions constitute the current expected value of future long-term liabilities of the Company due to severance payments less the current expected values of future write-downs, which will be made until the employee is entitled to benefit from them.

Actuarial assumptions used for calculations are determined based on the Company's historical data, market data and forecasts. They include demographic and financial indicators, including rotation rates, mortality tables, tables of total disability, indicators of postponing the moment of taking advantage of pension rights after their acquisition, rates of increase in benefits bases, interest rate for discounting.

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

Equity

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

- Founding capital – shares capital shown in the nominal value of the issued and registered shares.
- Revaluation reserve includes:
  - the revaluation difference between the fair value and the purchase price, less deferred tax - among others - of buildings and structures, and land 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,
  - actuarial gains and losses resulting from the changes in actuarial assumptions (including those due to change in discount rate).

- Retained earnings, which include:
  - Spare capital, which is created from the surpluses of sale of shares above its nominal value, and from annual write-downs of net profits and write-downs of revaluation of property, plant and equipment in the previous years,
  - Reserve capital which arose from the profit allocated to equity,
  - Undistributed profit/loss brought forward and profit(loss) of the current year,
  - Advance payments paid on account of dividends.

Revenues from sales include the fair value of revenues from sale of services, goods and materials.
Revenues from the contracts for construction services (general contracting) and the design and engineering services are determined in proportion to the 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 under deferred income tax is recognized using the liability method, under transitional differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that are actually applicable as at the balance sheet date. Transitional differences relate to different measurement of assets and liabilities for tax purposes and balance sheet purposes.
Income tax assets are recognized when is probable that in future the taxable income will be achieved that will enable the use of transitional differences. Deferred tax assets are recognized separately from tax losses, which could be deductible in the next years.

Restatement of financial statements

On January 1, 2017, the Company adjusted the error resulting from the lack of deferred tax on the revenues determined from the valuation of long-term contracts.

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

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

(all amounts of PLN thousands if not stated otherwise)

A s s e t s	31 December 2016 (audited)	adjustment	31 December 2016 restated
Non-current assets			
Deferred tax assets	5 054	-388	4 666
Total non-current assets	**57 741**	**-388**	**57 353**
Total assets	**102 681**	**-388**	**102 293**

Equity and liabilities			
Equity			
Retained earnings	48 727	-388	48 339
Total equity	**53 459**	**-388**	**53 071**
Total equity and liabilities	**102 681**	**-388**	**102 293**

Separate statement of profit and loss from 1 January 2016 to 31 December 2016

(all amounts of PLN thousands if not stated otherwise)

	31 December 2016 (upon audit)	adjustment	31December 2016 restated
Before tax profit	**-26 813**	**-**	**-26 813**
Income tax expense :	-3 212	-783	-3 995
- current tax	1	-	1
- deferred tax	-3 213	-783	-3 996
Profit for the period	**-23 601**	**783**	**-22 818**

5. Explanatory notes to separate financial statements as at 31December 2017 and for the period of twelve months of 2017

Note No. 1 – Property, plant and equipment

	As at 31December 2017	As at 31 December 2016
Property, plant and equipment, including:	964	1 247
- machinery and equipment	207	402
- other PPE	757	845
Construction under progress	-	2
Total property, plant and equipment	**964**	**1 249**

Property, plant and equipment – ownership structure	As at 30 June 2017	As at 31 December 2016
a) own	964	1 249
Total property, plant and equipment	**964**	**1249**

Changes in property, plant and equipment – in 2017

	Land, including the right of perpetual usufruct of land	Buildings, premises, and civil engineering objects	Machinery and equipment	Vehicles	Other PPE	Construction under progress	Total PPE
Gross value							
As at 1 January 2017	**-**	**-**	**3 348**	**67**	**3 170**	**2**	**6 587**
Increase (due to)	-	-	17	-	112	-	129
- acquisition of PPE	-	-	17	-	112	-	129
Decrease (due to)	-	-	-97	-	-97	-2	-196
- Liquidation of PPE	-	-	-97	-	-97	-2	-196
As at 31 December 2017	**-**	**-**	**3 268**	**67**	**3 185**	**-**	**6 520**
Depreciation and impairment							
As at 1 January 2017 - accumulated depreciation	**-**	**-**	**2 946**	**67**	**2 168**	**-**	**5 181**
- increase – depreciation for the period	-	-	211	-	201	-	412
- decrease due to liquidation of PPE	-	-	-96	-	-97	-	-193
As at 31 December 2017 - accumulated depreciation	**-**	**-**	**3 061**	**67**	**2 272**	**-**	**5 400**
Impairment of non-current assets	-	-	-	-	-156	-	-156
Net value of PPE as at 31December 2017	**-**	**-**	**207**	**-**	**757**	**-**	**964**

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 revaluation	-	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 properties	-166	-3 587	-	-	-	-	-3 751
- other changes, including revaluation	-6	-	-	-			-6
As at 31December 2016	**0**	**0**	**3 348**	**67**	**3 189**	**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 from disposal of PPE	-	-	-23	-127	-150	-	-300
- decrease due to liquidation of PPE	-	-	-389	-	-865	-	-1 254
- transfer to investment properties	-	-3 507	-	-	-	-	-3 507
- other changes	-	-	-	-2	-	-	-2
As at 31 December 2016 - accumulated depreciation	**-**	**-**	**2 946**	**67**	**2 168**	**-**	**5 181**
Impairment of non-current assets	-	-	-	-	-157	-	-157
Net value of PPPE as at 31 December 2016	**0**	**0**	**402**	**-**	**845**	**2**	**1 249**

The Company made changes in the classification of Property, plant and equipment as at December 31, 2016, i.e. the components of Property, plant and equipment have been transferred to Investment properties due to the change in the use.

Note No. 2 – Intangible assets

	31 December 2017	31 December 2016
Acquired concessions, patents, licenses and similar assets including computer software	177	310
Total intangible assets	**177**	**310**
Ownership structure		
- own	177	310
Total intangible assets	**177**	**310**

Changes in intangible assets in 2017

	Acquired concessions, patents, licenses and similar assets including computer software	Total intangible assets
Gross value		
As at 1 January 2017	**2 786**	**2 786**
Increase (due to)	5	5
- acquisition	5	5
As at 31 December 2017	**2 791**	**2 791**
Amortization and impairment		
As at 1 January 2017 - accumulated amortization	**2 476**	**2 476**
- increase –amortization for the period	138	138
As at 31 December 2017 - accumulated amortization	**2 614**	**2 614**
Net intangible assets as at 31 December 2017	**177**	**177**

Comparative data

Change in intangible assets in 2016

	Acquired concessions, patents, licenses and similar assets including computer software	Total intangible assets
Gross value		
As at 1 January 2016	**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 201*6	**310**	**310**

Note No. 3 –Investment properties

	31 December 2017	31 December 2016
Land	166	166
Buildings and constructions	80	80
Total investment properties	**246**	**246**

In 2016, the company signed a lease agreement for the real estate located in Tleń for the period from 1 April 2016 to 31 December 2020. In connection with the change in the use, the Company has transferred the components connected with the real estate from item Property, plant and equipment to item Investment properties.

Investment properties by type	Change in investment properties for the period from 1 January 2017 to 31 December 2017	Change in investment properties for the period from 1 January 2016 to 31 December 2016
Investment property - land		
As at the opening balance sheet	-	-
- net increase due to reclassifications from property, plant and equipment	166	166
As at the closing balance sheet	**166**	**166**
Investment property - buildings and constructions		-
As at the opening balance sheet	-	-
- net increase due to reclassifications from property, plant and equipment	80	80
As at the closing balance sheet	**80**	**80**
Total investment properties	**246**	**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 2017.

	Fair value as at 31 December 2017 (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 2017	31 December 2016
a) in subsidiaries	8 478	9 642
Shares, net value	8 478	9 642
Write-downs of financial non-current assets	1 523	359
Shares, gross value	**10 001**	**10 001**

Change in shares in subsidiaries and in other entities	31 December 2017	31 December 2016
a) as at the beginning of the period	9 642	10 162
b) decrease (due to)	-	-520
- write-down of shares	-1 164	-359
- sale of shares in subsidiary	-	-161
As at the end of the period	**8 478**	**9 642**

Change in write-downs of shares in subsidiaries	31 December 2017	31 December 2016
As at the beginning of the period	359	160
Write-down of shares	1 164	359
Reversals of write-downs of shares	-	-160
As at the end of the period	1 523	359

As at 31 December 2017, the Company made a write-down of value of shares in the company Elmont Inwestycje sp. z o. o. in the amount of PLN 1 164 thousand. The performed analysis did not show any impairment in the case of other shares.

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

Shares in jointly-controlled entities and associated entities	31 December 2017	31 December 2016
- shares – net value	4 502	4 502
- write-down of shares	708	708
Gross value of shares	**5 210**	**5 210**

Change in write-downs of shares in jointly-controlled entities and associated entities	31 December 2076	31 December 2016
As at the beginning of the period	708	400
Increase, write-downs of shares	-	308
Decrease, resolving of write-downs of shares	-	-
As at the end of the period	708	708

As at December 31, 2017 the fair value of the joint venture amounted to PLN 163 200 thousand, of which on the Issuer falls the amount of PLN 81 600 thousand, and as at December 31, 2016 amounted to PLN 144 956 thousand, including the amount of PLN 72 487 thousand, which falls on the Issuer.

Shares in subsidiaries as at 31 December 2017

Item No.	a	b	c	d	e	f	g	h	i	j	k
	Name of the company and its legal form	Registered office	Scope of the Company's activity	Type of relationship (subsidiary, jointly controlled entity or associate, details of direct and indirect relationship)	Consolidation method applied/valuation using the equity method or indication that 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	wartość udziałów / akcji według ceny nabycia	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	22.06.1992	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	19.07.2002	177	-	177	80.7%	71.1%
3	PROCHEM ZACHÓD Sp. z o.o.	Warsaw	activities, construction works, design services, commercial activity and forwarding	subsidiary	full	18.03.1998	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	10.12.2001	221	-	221	85.4%	85.4%
5	PROCHEM RPI Sp. z o. o.	Warsaw	Developer's activity	subsidiary (Prochem Inwestycje holds 3.33%)	full	08.04.1998	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	05.04.2007	5 050	-	5 050	92.7%	92.7%

***** *Participation in the total number of votes at the general meeting, and the percentage share in the capital of the subsidiary Elektromontaż Krakow SA were established on December 31, 2017.*

Shares in subsidiaries as at 31 December 2017 continued

Item No	a	b							c			d			e	f
	Name of the company	equity, including:	Share capital	Own shares (negative value)	Revaluation reserve)	Retained earnings	profit (loss) put forward	Net profit (loss)	Company's liabilities and provisions to liabilities, including:	Non-current liabilities	Current liabilities	Company's receivables, including:	Non-current receivables	Current receivables	Total assets of company	Sale revenues
1	PROCHEM INWESTYCJE Sp. z o. o.	7 983	3 000	-	-	4 983	-	73	20 694	19 373	1 321	163	-	163	28 677	4 018
2	P.K.I. PREDOM Sp. z o.o.	10 125	600	-	6 050	3 475	-	335	4 345	1 724	2 621	3 929	-	3 929	14 470	14 145
3	PROCHEM ZACHÓD Sp. z o.o.	1 892	1 600	-	-	292	-	56	4	-	4	-	-	-	1 896	-
4	ELEKTROMONTAŻ KRAKÓW S.A.**	22 746	1 208	-	7 218	14 320	-	411	11 339	1 455	9 884	10 491	-	10 491	34 085	41 547
5	PROCHEM RPI Sp. z o.o.	134	600	-	-	-466	-461	-5	1	-	1	1	-	1	135	-
6	ELMONT INWESTYCJE Sp. z o.o.	7 782	8 000	-	-	-218	-347	129	1	-	1	-	-	-	7 783	-

***** *Share in the total number of votes at the general meeting, and the percentage share in the capital in the subsidiary Elektromontaż Kraków S.A. were established as at December 31, 2017 after the settlement of shares purchased for redemption by the company Elektromontaż Kraków SA.*
****** *Data from the consolidated financial statements of the Capital Group of Elektromontaż Kraków S.A. as at December 31 2017*

Shares in jointly-controlled entities and associated companies as at 31 December 2017

Item No.	a	b	c	d	e	f	g	h	i	j	k
	Name of the company and its legal form	Registered office	Scope of the company's activities	Type of relationship (subsidiary, jointly-controlled entity or associated, details of direct and indirect relationship	Consolidation method applied/valuation using the equity method, or an indication that the entity is not subject to consolidation/valuation under the equity method	Date if acquisition of control/joint control and / 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 Meeting (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 real estate on its own account	Jointly-controlled	The equity method (change in the structure of shareholding from a subsidiary to 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 companies - continued

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.	603	123	1 029	332	697	683		683	1 632	1 077
2	IRYDION Sp. z o.o.	52 281	6 922	114 379	104 543	9 836	1 703		1 703	166 660	6 885

Note No. 6 – settlement of deferred income tax

- deferred tax assets

Change in deferred tax assets	31 December 2017	31 December 2016
1. Deferred tax assets as at the beginning of the period, recognized in financial result (profit or loss)	**6 256**	**2 602**
a) Recognized in financial result	**6 191**	**2 547**
- provisions for operating expenses	343	245
- write-down of receivables	391	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
- write-down of inventories	106	54
- tax loss	3 944	-
- discounted cash flows expenses	37	1
- surplus of costs incurred above margin	964	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
2. Increase	**1 161**	**5 370**
a) recognized in financial result	**1 161**	**5 360**
- provision for operating expenses	408	339
- unpaid remuneration under contracts of mandate and specific task contracts	24	14
- provision for retirement benefit	12	11
- provision for holiday benefits	110	-
- tax loss	-	3 944
- discounted cash flows expenses	-	36
- surplus of costs incurred above expected margin	607	964
- write-down of inventories	-	52
b) Recognized in equity in connection with negative temporary differences	**-**	**10**
- provision to retirement benefit	-	10
3. Decrease	**3 489**	**1 716**
a) recognized in financial result	**3 468**	**1 716**
- use of the provision for operating expenses	360	241
- use of write-down of receivables	25	412
- paid remuneration under contracts of mandate and specific task contracts	14	32
- paid employee benefits	-	1
- provision for retirement benefit	34	13
- provision for holiday benefits	91	29
- use of a tax loss asset	1 972	-
- discounted cash flows expenses	8	-

- surplus of costs incurred above margin	964	988
b) Recognized in equity in connection with negative temporary differences	**21**	**-**
- provision for retirement benefit	21	-
4. Total deferred tax assets as at the end of the period, including:	**3 928**	**6 256**
a) recognized in financial result	**3 884**	**6 191**
- provisions for operating expenses	391	343
- write-down of receivables	366	391
- unpaid remuneration under contracts of mandate and specific task contracts	24	14
- provision for retirement benefit	72	94
- provision for holiday benefits	228	209
- tax loss	1 972	3 944
- write-down of receivables	106	106
- discounted cash flows expenses	29	37
- surplus of costs incurred above expected margin	607	964
- other (including the settlement of Representation Office)	89	89
b) Recognized in equity in connection with negative temporary differences	**44**	**65**
- provision for retirement benefit	44	65

- provision to deferred income tax

Change in provision to deferred income tax	**31 December 2017**	**31 December 2016**
1. Provision for deferred income tax as at the beginning of the period, including:	**1 590**	**768**
a) recognized in financial result	**1 461**	**641**
- interest accrued on loan	533	455
- revaluation of non-current financial assets	136	136
- revenues under the liabilities discounted	63	50
- the margin on revalued revenues	729	-
b) recognized in equity	**129**	**127**
- revaluation of non-current assets at fair value	129	127
2. Increase	**559**	**875**
a) recognized in financial result of the period under positive temporary differences	**559**	**875**
- interest accrued on loan	130	131
- revenues under the liabilities discounted	-	13
- measurement of income, change as of the balance sheet date	429	729
b) recognized in equity	**-**	**2**
- revaluation of non-current assets at fair value	-	2
3. Decrease	**964**	**53**
a) recognized in financial result of the period under positive temporary differences	**837**	**53**
- paid interest on loan	87	53
- revenues under the liabilities discounted	21	-
- the margin on revalued revenues	729	-
b) recognized in equity	**127**	**2**
- revaluation of non-current assets at fair value	127	2

4. Total provision for deferred income tax as at the end of the period	**1 185**	**1 590**
a) recognized in financial result	**1 183**	**1 461**
- interest accrued on loan	576	533
- revaluation of non-current financial assets	136	136
- revenues under the liabilities discounted	42	63
- measurement of income, change as of the balance sheet date	429	729
b) recognized in equity	**2**	**129**
- revaluation of non-current assets at fair value	2	129

Total amount of temporary differences associated with investments in subsidiaries, to which provisions for tax were created on 31 December 2017 is PLN 503 thousand, and relates to:

- interest on non-current loans granted to subsidiaries – PLN 250 thousand.
- interest on non-current loans granted to jointly-controlled entities and associated entities – PLN 253 thousand.

As at 31 December 2016, the total amount of temporary differences associated with investments in subsidiaries for which tax provisions were established is PLN 516 thousand and concerns:

- 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.

Presentation in the statement of financial position:

	31 December 2017	**31 December 2016**
Deferred tax assets	3 928	6 256
Provision for deferred income tax	-1 185	-1 590
Deferred tax assets	**2 743**	**4 666**

Note No. 7 – Other financial assets

Other financial assets	**31 December 2017**	**31 December 2016**
a) from subsidiaries, jointly-controlled entities and associated entities:	37 032	36 738
- non-current loans granted	37 032	36 738
Total other financial assets	**37 032**	**36 738**

Loans granted – as at 31 December 2017

- Loans granted to jointly-controlled company Irydion Sp. z o. o. seated in Warsaw:
  - in the amount of PLN 12 117 thousand, including: amount of the loan PLN 11 000 thousand, accrued interest PLN 1 117 thousand. The interest rate is set annually according to WIBOR 6M rate, the repayment date of the loan with interest was set on 22 September 2031;
  - in the amount of PLN 6 596 thousand, including: amount of the loan PLN 6 000 thousand, accrued interest PLN 596 thousand. The interest rate is set annually at 3% per year, the repayment date of the loan with interest was set on 22 September 2031;
- Loans granted to subsidiary Prochem Inwestycje Sp. z o. o.:
  - in the amount of PLN 3 222 thousand, including: amount of the loan PLN 3 000 thousand, accrued interest PLN 222 thousand. The interest rate is set annually according to WIBOR 6M rate effective at the end of every calendar year, the repayment date of the loan with interest was set on 31 December 2020;
  - in the amount of PLN 15 097 thousand, including: amount of the loan PLN 14 000 thousand, accrued interest PLN 1 097 thousand. The interest rate is set annually according to WIBOR 6M rate effective at the end of every calendar year, the repayment date of the loan with interest was set on 31 December 2020.

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 307 thousand,

Decrease:

- The repayment of interest on the loan by the subsidiary Prochem Inwestycje in the amount of PLN 392 thousand.

Loans granted – as at 31 December 2016

- Loans granted to the 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 PLN15 031 thousand, including: amount of the loans PLN 14 000 thousand, accrued interest PLN 1 031 thousand. The interest rate is set annually according to WIBOR 6M rate effective at the end of every calendar year, the repayment date of the loan with interest was set on 31 December 2018.

Note No. 8– Inventories

Inventories	**31 December 2017**	**31 December 2016**
materials	28	1 698
Total inventories	**28**	**1 698**
Write-downs of inventories	575	578

Note No. 9 - Trade and other receivables

Trade and other receivables	**31 December 2017**	**31 December 2016**
Trade receivables	20 086	40 471
Write-downs of trade receivables	-4 189	-4 134
Net trade receivables, including :	**15 897**	**36 337**
- with the repayment period up to 12 months	15 675	35 481
- with the repayment period more than 12 months	222	856
Receivables from taxes, subsidies, custom duties, social and health insurance and other benefits	**751**	**402**
Other receivables	1 368	1 699
Write-downs of other receivables	-396	-396
Net other receivables	**972**	**1 303**
Total receivables	**17 620**	**38 042**

Trade and other receivables from related entities	**31 December 2017**	**31 December 2016**
Trade receivables:	8 488	3 004
- from subsidiaries	1 531	706
- from the jointly-controlled entities and associated entities	6 957	2 298
Other receivables	946	-
- from the jointly-controlled entities and associated entities	946	-
Total trade and other receivables from related entities net	**9 434**	**3 004**
Write-downs of receivables from related entities	-	-
Total trade and other receivables from related entities, gross value	**9 434**	**3 004**

Change in write-downs of trade and other receivables	**31 December 2017**	**31 December 2016**
As at the beginning of the period	4 529	6 341
a) increase (due to)	372	117
- provision for receivables	372	117
b) decrease (due to)	316	1 929
- payments received	50	97
- the use of the provision created in the previous years	266	1 832
Write-downs of trade and other receivables at the end of the period	**4 585**	**4 529**

Trade receivables with the period of repayment remaining since the balance sheet date:	**31 December 2017**	**31 December 2016**
a) up to 1 month	8 492	10 603
b) above 1 month up to 3 months	2 607	5 239
c) above 3 months up to 6 months	-	263
d) above 6 months up to 1 year	647	748
e) above 1 year	222	690
f) receivables overdue	8 118	22 928
Total receivables from supplies and services (gross)	20 086	40 471
g) write-downs of receivables from supplies and services	-4 189	-4 134
Total receivables from supplies and services (net)	**15 897**	**36 337**

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 2017**	**31 December 2016**
a) up to 1 month	3 277	547
b) above 1 month up to 3 months	478	358
c) above 3 months up to 6 months	189	238
d) above 6 months up to 1 year	273	17
e) above 1 year	3 901	21 768
Total overdue trade receivables (gross)	8 118	22 928
f) write-downs of receivables from supplies and services	-4 189	-4 134
Total overdue trade receivables (net)	**3 929**	**18 794**

As at 31 December 2017 and as at 31 December 2016, trade receivables include security deposits under statutory warranty for construction and assembly works respectively in the amount of PLN 826 thousand and PLN 19 041 thousand.
The outstanding balance of trade receivables as at 31 December 2016 includes receivables overdue of a carrying amount of PLN 17 364 thousand under the security deposit under statutory warranty, to which Company did not create reserves, because are considered that will be recovered. The amount due under the deposit was fully recovered by virtue of the court judgment in November 2017. For more information see Note No. 40 – *Information on significant proceedings pending before the court.*

Note No. 10 – Other financial assets

Other financial assets	**31 December 2017**	**31 December 2016**
a) from subsidiaries indirectly and directly:	130	-
- current loans granted	130	-
b) from other entities:	-	198
- current loans granted	-	198
Total other financial assets	**130**	**198**
Write-downs of other financial assets	207	207
Gross other financial assets	**337**	**405**

Loans granted - as at 31 December 2017

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

Increase

- Loan granted to Pro-Inhut sp. z o. o. in the amount of PLN 130 thousand.

Decrease

1. Repayment of 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 135 thousand.

Loans granted - as at 31 December 2016

- A loan for Committee Civic for the Building of the Cardiologic Hospital of the name of Marshal Józef Piłsudski in Warsaw in the amount of PLN 198 thousand, including: amount of the loan PLN 133 thousand, accrued interest PLN 65 thousand, the interest rate set according to the statutory interests, repayment date 30 June 2008. Receivables secured by a mortgage on the right of perpetual usufruct, in the land register – KW No. 136324.

Note No. 11 – Other assets

Other assets by type :	**31 December 2017**	**31 December 2016**
a) prepayments	690	920
- cost of property and personal insurance	175	178
- software maintenance costs	499	732
- subscriptions	15	7
- other	1	3
b) other prepayments	2 260	3 837
- amounts due from the ordering parties under long-term contracts	2 260	3 837
Total other assets	**2 950**	**4 757**

In the item - *other prepayments* - recognized amounts due from contracting parties under 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 the date)
Founding	inscribed	3 votes per 1 share	580	580	Cash	23-07-1991	01-10-1991
Founding	inscribed	-	6 816	6 816	Cash	23-07-1991	01-10-1991
Founding	bearer	-	1 810 104	1 810 104	Cash	23-07-1991	01-10-1991
B	inscribed	-	750	750	Cash	29-07-1993	01-01-1993
B	bearer	-	681 750	681 750	Cash	29-07-1993	01-01-1993
C	bearer	-	530 000	530 000	Cash	20-04-1994	01-01-1994
D	bearer	-	865 000	865 000	Cash a	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 the information held by the Company as at the date of this report, the following shareholders hold at least 5% of votes at the general meeting of shareholders:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Before change in the shareholding the above Funds held 301,662 PROCHEM S.A. shares, which constituted 7.74% of the company's share capital. The shares held gave 301,662 votes at the General

Meeting of the Company, which constituted 7.74% of the total number of votes at the General Meeting of the Company.
As at January 4, 2018, the Funds held 193,331 shares of PROCHEM S.A., which constituted 4.96% of the share capital of the company. The shares held gave 308 553 votes at the General Meeting of the Company, which constituted 4.96% of the total number of votes at the General Meeting of the Company.

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

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

- On 23 March 2018, the company PROCHEM S.A. received a notification from the shareholder of the company, Mr. Steven Tappan on the sale on March 21, 2018, of 251,604 shares entitling to 251 604 votes, constituting 6.46% of the total number of votes at the Company's General Meeting;
Before the change, Mr. Steven Tappan held a total of 950,260 shares of PROCHEM S.A., which constituted 24.40% of the share capital and entitled to 950 260 votes, constituting 24.39% of the total number of votes at the General Meeting of the Company.
After the change in shareholding, Mr. Steven Tappan holds a total of 698,656 shares of PROCHEM S.A., which constitute 17.94% of the share capital and entitle to 698 656 votes, constituting 17.93% of the total number of votes at the General Meeting.

- on March 23, 2018, PROCHEM S.A. received from Copernicus Towarzystwo Funduszy Inwestycyjnych S.A. (hereinafter referred to as "TFI") the following information: Acting on behalf of TFI, which was acting as an organ of funds managed by TFI such as Value Fund Poland Activist Fundusz Inwestycyjny Zamknięty (hereinafter referred to as "VFPA FIZ) and Copernicus Fundusz Inwestycyjny Otwarty (hereinafter referred to as Subfundusz " FIO) (both funds jointly hereinafter referred to as Funds), in the mode of art. 69 section 1 item 2 in connection with Article 87 section 1 item 2 letter a) of the Act of July 29, 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies (hereinafter referred to as "the Act"), we hereby notify about the reduction in shareholding in PROCHEM S.A. with its registered office in Warsaw held by the Funds and reduction in total number of votes in the Company which were at disposal of the Funds below threshold of the 5%. The change in shareholding which resulted in the reduction of the total number of votes in the Company at disposal of the Funds below the 5% threshold took place as a result of the entering into transactions by Funds on March 21, 2018 (hereinafter jointly referred to as "Transactions"). Prior to Transaction VFPA FIZ held 239 690 shares in the Company, representing 6.15 % of the share capital of PROCHEM S.A, entitling to 239 690 votes at the General Meeting of PROCHEM S.A, constituting 6.15 % of the total number of votes in PROCHEM S.A. Sub-fund FIO held 1345 shares in PROCHEM S.A., representing 0.03 % of the share capital of PROCHEM S.A., entitling to 1345 votes at the General Meeting of PROCHEM S.A., constituting 0.03% of the total number of votes in PROCHEM S.A. After conducting the Transaction, VFPA FIZ holds 176 226 shares of the Company representing 4.52 % of the share capital of PROCHEM S.A, entitling to 176 226 votes at the General Meeting of PROCHEM S.A. constituting

4.52 % of the total number of votes in PROCHEM S.A. Sub-fund FIO holds 989 shares in PROCHEM S.A., representing 0.03 % of the share capital of PROCHEM S.A., entitling to 989 votes at the General Meeting of PROCHEM S.A., constituting 0.03% of the total number of votes in PROCHEM S.A.
The Funds hold jointly 177 215 shares in PROCHEM S.A., representing 4.55 % of the share capital of the Company, entitling to 177 215 votes at the General Meeting of the Company's Shareholders and constituting 4.55% of the total number of votes in the Company. TFI has also informed that: there are no subsidiaries of the Funds who hold PROCHEM SA shares; there are no other than "Funds" such investment funds managed by TFI that would have PROCHEM SA shares.

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

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

Note No. 13 - Revaluation reserve

	31 December 2017	**31 December 2016 restated**
As at opening balance sheet	710	859
Revaluation of PPE	-697	-119
Foreign exchange translation differences	-	12
Actuarial losses on valuation of provisions for employee benefits	94	-42
As at closing balance sheet	**107**	**710**

Note No. 14 - Retained earnings

	31 December 2017	**31 December 2016 restated**
Spare capital	16 285	15 722
Other capital reserve	33 005	56 606
Profit of the period	12 684	-23 989
Total	**61 974**	**48 339**

Note No. 15 – Provision for retirement and similar benefits

The Company implemented the post-employment benefits program, which include the retirement and disability pension gratuity for employees. Reserves for retirement and disability pension gratuity payments are calculated on an individual basis for every employee. The basis for calculating the provision for employee is the expected amount of the benefit that the Company obliges to pay according to applicable Regulations concerning remunerations. Retirement and disability pension gratuity is paid once at the moment of the beginning of retirement or disability pension of the person. Current value of these obligations is determined by an independent actuary 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.

The principal actuarial assumptions adopted at the end of the reporting period:

Provisions for retirement and disability pension gratuity as at December 31, 2017 were determined using the individual method using the PUCM methodology required by IAS 19 and using actuarial techniques. The actuarial assumptions have been updated based on the latest historical data of the Company, current market data and taking into account changes in the current policy of the Company. The calculations were based on individual data on employees as at December 31, 2017.

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

- weighted average rotation ratio: overall 9.97%, including for traineeships> 3 years 5.31%
- weighted average probability of death: 0.002962 (based on tables of the Central Statistical Office - GUS PTTŻ - 2016 which were reduced to 40%)
- weighted average probability of total disability: 0.002485 (indicators based on the Social Insurance Office (ZUS) case law for the years 2014 - 2016 which were increased to 150%)
- average annual increase in the basis for benefits: 2.1%
- interest rate used for discounting: 3.61% on the basis of yields on Polish government bonds with maturity corresponding to the time length of liabilities, increased by 0.25 percentage point (discounting factor: 0.965158)

For comparison, the average values of selected indicators being determined on the basis of actuarial assumptions, which were accepted for the calculation of provisions as at 31 December 2016:

- weighted average index of rotation: 5.48%
- average annual increase in the base for calculation of the retirement and pension benefits: 2% (for the years 2016 – 2027)
- interest rate used for discounting 3.50%

Change in provisions for retirement and disability pension gratuity

Description	In 2017	In 2016
Opening balance for provisions for benefits	**838**	**798**
Benefits paid during the period (-)	-177	-83
Interest cost	27	25
Current employment costs (current write-downs)	39	46
Actuarial losses (gains)	-115	52
The cost of past employment	0	0
The effects of the sale / merger of the Companies	0	0
Closing balance for provisions for benefits	**612**	**838**
Including current provision	140	299
Including non-current provision	472	539

Burdens of the period related to retirement and disability severance payments are recognized in profit and loss:

Description	In 2017	In 2016
Current employment costs (current write-downs)	-39	-46
Interest cost	-27	-25

Actuarial gains (losses) under other non-current benefits	0	0
The cost of past employment	0	0
Total gains (losses)	**-66**	**-71**

Recognized in other comprehensive income:

Description	in 2017	in 2016
Actuarial gains (losses) on post-employment benefits	115	-52

Distribution of actuarial gains/losses

Description	in 2017
Actuarial gains (losses) 'ex post'	52
Actuarial gains (losses) from the update of demographic assumptions	59
Actuarial gains (losses) from the update of financial assumptions	4
Total actuarial gains (losses)	**115**

Maturity profile of retirement and disability pension gratuity (amounts in PLN thousand, duration in years)

Period	Flows	Distribution of provisions
2018	143	140
2019	78	70
2020	80	66
2021	78	60
2022	36	26
≥ 2023	972	250
Total	**1 387**	**612**
PV / duration	901	10.39

Sensitivity analysis of provisions for changes in basic actuarial assumptions

Sensitivity analysis for the interest rate			Sensitivity analysis for employee rotation rates			Sensitivity analysis for increases in the basis of benefits	
Change in p. p.	Value of reserves		Change in %	Value of reserves		Change in p. p.	Value of reserves
-1.0%	654		-20%	644		-1.0%	572
-0.5%	632		-10%	628		-0.5%	592
0.0%	**612**		**0%**	**612**		**0.0%**	**612**
0.5%	594		10%	598		0.5%	635
1.0%	576		20%	585		1.0%	658

Note No. 16 – Non-current loans

	31 December 2017	31 December 2016
- loans received	950	7 002

Loans received – as at 31 December 2017

- 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 2020, 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 153 thousand
- Accrued interest on loan from subsidiary Prochem Zachód Sp. z o. o. in the amount of PLN 28 thousand.

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Decrease:

- Repayment of loan from subsidiary Elmont Inwestycje Sp. z o. o. with interest in the amount of PLN 6 205 thousand
- Repayment of interest on loan from subsidiary Prochem Zachód Sp. z o. o. in the amount of PLN 28 thousand.

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.

Note No. 17 - Other non-current liabilities

	31 December 2017	31 December 2016
liability under the transformation against payment from perpetual usufruct right in the ownership right	-	14

Note No. 18 – Current bank loans

	As at 31December 2017	As at 31 December 2016
Loans	-	7 303

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	5,000 Credit in overdraft	-	WIBOR for O/N deposits in PLN + margin	30 October 2018	Promissory note in blank, pledge by court on shares of company Elektromontaż Kraków S.A.

As at 31 December 2017, the Company has no liabilities under bank loans.

Note No. 19 – Trade payables

	31December 2017	31 December 2016
a) to subsidiaries	1 707	3 723
- for supplies and services with maturity:	1 707	3 723
- up to 12 months	1 216	3 216
- more than 12 months	491	507
b) to associated companies and jointly-controlled entities	10	385
- for supplies and services with maturity:	10	385
- up to 12 months	10	385
c) to other entities	16 633	23 031
- for supplies and services with maturity:	16 633	23 031
- up to 12 months	13 057	19 092
- more than 12 months	3 576	3 939
Total trade payables	**18 350**	**27 139**

Note No. 20 –Other liabilities

	31December 2017	31 December 2016
a) to other entities	1 853	1 200
- due to taxes, duties, insurance and other benefits	1 837	1 180
- due to remuneration	4	1
-other (by type)	12	19
- liabilities to employees	7	8
- to shareholders	5	8
- liability under the transformation against payment of perpetual usufruct right to right of ownership	-	3
b) other short-term provisions	3 998	3 982
- provision for loss on contracts	477	644
- provision for future costs	2 129	1 875
- cost of audit	44	60
- short-term provision for retirement benefits	141	299
- provision for unused annual leaves	1 207	1 104
Total other liabilities	**5 851**	**5 182**

Note No. 21 - Deferred income

	31December 2017	31 December 2016
Deferred income, including:	1 913	2 043
- deferred income – advanced payments received	958	444
- amounts due to the ordering parties under long-term contracts	955	1 599
Deferred income as at the end of the period, including:	**1 913**	**2 043**
Non-current liabilities	**-**	**-**
Current liabilities	**1 913**	**2 043**

Note No. 22 - Revenues from sale of services

Revenues from sale of services (type of service and type of activity)	**In 2017**	**In 2016**
- Revenues from sale of services, including:	49 177	108 914
- from related entities	14 130	19 423

Revenues from sales (territorial structure)	**In 2017**	**In 2016**
Domestic market	49 001	94 048
- including from related entities	14 130	19 423
Exports	176	14 866

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 2017, is included in Note No. 32 – Operating segments.

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

Revenue from sale of materials (by type of material and type of activity)	**In 2017**	**In 2016**
- revenue from sale of goods	-	768

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

Note No. 24 – Cost of services

Costs by type	**In 2017**	**In 2016**
a) amortization and depreciation	550	876
b) consumption of materials and energy	726	1 471
c) outsourcing	35 683	105 107
d) taxes and levies	55	266
e) remuneration	16 477	19 611
f) social security and other benefits	2 947	3 616
g) other types of costs (by category)	2 497	4 104
- property and personal insurance	564	638

- business trips	252	715
- State Fund for Rehabilitation of Disabled Persons (PFRON)	207	225
- cars rental	926	1073
`` - costs of operation of the Representation	267	906
- other	281	547
Total costs by type	**58 935**	**135 051**
Change in inventories, goods and accruals and prepayments	956	-400
General and administrative expenses (negative value)	-7 032	-9 303
Cost of services	**52 859**	**125 348**

Note No. 25 – Other operating income

	In 2017	In 2016
a) gain on sale non-financial non-current assets	-	57
b) subsidies	4	-
c) reversal of impairment allowance (due to)	23	103
- for receivables	23	103
d) other, including:	85	1 210
- reimbursement of litigation costs	11	10
- received compensation, fines and penalties	65	815
- impairment allowance for receivables past due	1	308
- insurance reimbursement	-	17
- revenues from car rental	-	5
- other	8	55
Total other operating income	**112**	**1 370**

Note No. 26 - Other operating expenses

	In 2017	In 2016
a) loss on liquidation of non-financial non-current assets	2	-
b) impairment allowance	440	396
- for receivables	440	124
- for inventories	-	272
c) other, including:	125	1 499
- litigation costs	26	2
- paid damages, penalties and fines	19	-
- provision to operating expenses	-	1 283
- other	80	214
Total operating expenses	**567**	**1 895**

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

	In 2017	In 2016
Received interest from PERN in accordance with a court judgment	25 082	-
Amount adjudged from PERN in accordance with a court judgment	6 819	-
Write-off of inventories	-1 668	-
Interest paid and settled with PERN	-2 841	-
The cost of provisions for future liabilities	-476	-
Costs related to handling the process with PERN	-143	-
Result of the event	**26 773**	**-**

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

Note No. 28 - Financial income

	In 2017	In 2016
a) income from dividends and profit sharing	741	65
- from related entities	741	65
b) interest on granted loans	686	693
- from subsidiaries	307	314
- from jointly-controlled entities	379	379
c) other interest	29	47
- from other entities	29	47
d) surplus of positive exchange rate differences	40	213
e) other, including:	93	67
- revenues from discounted non-current liabilities	39	66
- reversal of write-down of financial assets	-	-
- other revenues of Representation Office in Belarus	54	1
Total financial income	**1 589**	**1 085**

Note No. 29 – Finance costs

	In 2017	In 2016
a) interest on bank loans	288	293
b) interest on loans received	181	52
- for subsidiaries	181	52
c) other interest	96	29
- for other entities	96	29
d) surplus of foreign exchange losses	-	644
e) other, due to :	1 678	1 119
- commission on bank guarantees	242	159
- commission on loans	127	92
- costs due to discount of financial assets	145	201
- costs from the write-downs of financial assets	1 164	667
Total finance costs	**2 243**	**2 137**

Note No. 30 – Income tax

Establishment of the effective tax rate	In 2017	In 2016
(in PLN thousands)		
Profit for the period	12 684	-23 601
Income tax	2 266	-3 212
Before tax profit	14 950	-26 813
Income tax at the applicable rate of 19%	2 841	-5 094
Revenues, not classified as tax revenue	-1 436	-11
Costs not constituting tax deductible expenses	763	1 018
Other	36	-180
Tax loss outside the Republic of Poland	62	1 055
Income tax	**2 266**	**-3 212**

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

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):

	In 2017	In 2016
Change in current receivables	**22 158**	**33 913**
Receivables as at 1 January	38 042	68 856
Other assets as at 1 January	4 757	7 671
Receivables from sale of non-current assets	-18	-45
Receivables under income tax	-342	-497
Receivables from shares sold	-367	-
Opening balance sheet after adjustments	**42 265**	**75 985**
Trade and other receivables as at 31December	17 620	38 042
Other assets as at 31December	2 950	4 757
Receivables from sale of non-current assets	-15	-18
Receivables under sale of financial assets	-	-367
Receivables under income tax	-641	-342
Closing balance sheet after adjustments	**19 914**	**42 072**
Change in current liabilities (except for borrowings, loans and special funds)	**-7 879**	**-17 920**
Trade payables as at 1January	27 139	47 154
Other liabilities as at 1 January	5 182	3 670
Provision to retirement benefit obligations	-299	-83
Provision to unused annual leaves	-1 104	-1 254
Provision to audit of statements	-60	-72
Provision to other costs	-641	-385
Investment commitments	-	-46
Liabilities under discount of non-current liabilities	249	249
Loan repayment with interest by offsetting with liabilities	852	-
Liabilities to shareholders	-8	-3
Opening balance sheet after adjustments	**31 310**	**49 230**
Exclusion of loan repayment with interest by offsetting	-852	-
Exclusion of liabilities under discount of non-current liabilities	-249	-
Opening balance sheet after adjustments	**30 206**	**49 230**
Trade payables as at 31 December	18 350	27 139
Other liabilities as at 31 December	5 851	5 182
Provision to retirement benefit obligations	-141	-299
Provision to unused annual leaves	-1 207	-1 104
Provision to audit of statements	-44	-60
Provision to other costs	-477	-641
Investment commitments	-	249
Loan repayment with interest by offsetting with liabilities	-	852
Liabilities to shareholders	-5	-8
Closing balance sheet after adjustments	**22 327**	**31 310**

Change in other adjustments as at 31 December	**59**	**-6 356**
Change in deferred income - advances received	514	-5 739
Change in deferred income under amounts due to the ordering parties under long-term contracts	-644	2 526
Change - Security deposit constituting the collateral of a bank guarantee of reimbursement of advance payment*)	-	- 3 255
Other adjustments	189	112

Note No. 32– Operating segments

Assets of the Representative Office in Belarus as at December 31, 2017 and December 31, 2016 do not exceed 10% of the balance sheet total.

Revenues from operations achieved outside of Poland (Exports) in the period from January 1, 2017 to December 31, 2017 amounted to PLN 176 thousand. PLN (i.e. 0.4% of sales revenues), in the analogous period of the previous year revenues amounted to PLN 20,361 thousand (i.e. 18.6% of sales revenues).
Information on major customers of the Issuer, which share in the sales revenue for 2017 exceeded 10% of the total sales revenues:

- Irydion Sp. z o. o. a jointly controlled company – revenues in the amount of PLN 13,331 thousand, what represents 27.1% of the total sales revenues, which were shown in the segment of „General Contracting” and „Design services and other engineering services".
- Customer who deals with the implementation of new technologies - sales revenues of PLN 8 464 thousand, which constitutes 17.2% of sales revenues, which was presented in the segment "General contracting".
- Customer operating in the energy sector - sales revenues of PLN 7 408 thousand, which constitutes 15.1% of sales revenues, which was shown in the segment "Design services and other engineering services".
- A customer who deals in the production of chemical raw materials - sales revenues of PLN 6 656 thousand, which constitutes 13.5% of sales revenues, which was shown in the segment "General contracting" and "Design services and other engineering services".

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.

For the year from1 January to 31 December 2017	**General contracting**	**Design services, other engineering services**	**Rental of construction equipment**	**Commercial activity**	**Other**	**Items not assigned**	**Total**
Revenues	28 194	17 461	2 515	-	1 007	-	46 177
Total revenues of the segment	28 194	17 461	2 515	-	1 007	-	49 177
Result							
Profit of the segment	**-1 320**	**-9 667**	**384**	**-**	**-111**	**-**	**-10 714**
Financial income	-	-	-	-	-	1 589	1 589
Finance costs	-	-	-	-	-	-2 243	-2 243
Net financial income	**-**	**-**	**-**	**-**	**-**	**-654**	**-654**
Profit on other operating activities	-	-	-	-	-	26 318	26 318
Before tax profit	**-**	**-**	**-**	**-**	**-**	**14 950**	**14 950**
Income tax	-	-	-	-	-	2 266	2 266
Profit for the current period	**-**	**-**	**-**	**-**	**-**	**12 684**	12 684
Assets and liabilities							

Assets of the segment (related to activities)	9 756	5 278	699	-	166	-	15 899
Assets not assigned /unallocated (among others shares, stocks and other financial assets)	-	-	-		-	77 613	77 613
Total assets	**9 756**	**5 278**	**699**	**-**	**166**	**77 613**	**93 512**
Liabilities of the segment (related to activities)	17 972	180	332	-	634	-	19 118
Liabilities not assigned	-	-	-	-	-	8 418	8 418
Equity	-	-	-	-	-	65 976	65 976
Total equity and liabilities	**27 465**	**176**	**332**	**-**	**634**	**74 394**	**93 512**
Depreciation of property, plant and equipment	25	26	91	-	270	-	412
Amortization of intangible assets	-	-	-	-	-	138	138
Write-downs of segment assets (receivables from supplies and services)	-344	-369	-3 092	-	-384	-	-4 189

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	-	-	-	-	-	-3 995	-3 995
Profit for the current period	-	-	-	-	-	**-22 818**	**-22818**
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)	-	-	-		-	65956	66 344
Total assets	**31 308**	**4 335**	**490**	**-**	**204**	**66 344**	**102 293**
Liabilities of the segment (related to activities)	27 465	176	351	-	1 525	-	29 517
Liabilities not assigned	-	-	-	-	-	19 705	19 705
Equity	-	-	-	-	-	53 071	53 071
Total equity and liabilities	**27 465**	**176**	**351**	**-**	**1 525**	**73 164**	**102 293**
Depreciation of property, plant and equipment	22	63	100	-	534	-	719
Amortization of intangible assets	-	-	-	-	-	157	157
Write-downs of segment assets (receivables from supplies and services)	-36	-369	-3 349	-	-380	-	-4 134

Information about the geographical areas

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

	1 January-31 December 2017	**1 January -31 December 2016**
Poland	46 001	89 321
France	176	-
Belarus	-	20 361
Total sales revenues	**46 177**	**109 682**

Geographical breakdown of property, plant and equipment and intangible assets.

	31.12.2017	**31.12.2016**
Poland	1 387	1 805
Belarus	-	-
Total property, plant and equipment and intangible assets	**1 387**	**1 805**

Note No. 33 - Profit per one share

Net profit per share remaining in trading as at the balance sheet date December 31, 2017 is PLN 3.26; in 2016, the loss amounted to PLN (5.86).

Note No. 34 - Profit sharing and loss coverage

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

Proposed distribution of net profit for 2017

The Management Board of PROCHEM S.A. proposed that the net profit for 2017 in the amount of PLN 12,684,166.55 will be allocated to reserve capital.

Note No. 35 - Dividends

The Issuer did not pay dividend for 2016.

Note No. 36 - Financial instruments and financial risk management

36.1 Categories and classes of financial instruments

Financial assets

31 December 2017		**Categories of financial instruments**	
		Loans, receivables and other	**Total**
Classes of financial instruments	**nota**		
Receivables from supplies and services	9	15 897	15 897
Cash		18 642	18 642
Loans granted	7and 10	37 162	37 162
Total		**71 701**	**71 701**

31 December 2016		Categories of financial instruments	
		Loans, receivables and other	Total
Classes of financial instruments	**nota**		
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**

Financial liabilities

31 December 2017		Categories of financial instruments		
		Financial liabilities measured at amortized costs	Liabilities excluded from IAS 39	Total
Classes of financial instruments	nota			
Loans	18	-	-	-
Borrowings received	16	950	-	950
Trade payables	20	18 350	-	18 350
Total		**19 300**	**-**	**19 300**

31 December 2016		Categories of financial instruments		
		Financial liabilities measured at amortized costs	Liabilities excluded from IAS 39	Total
Classes of financial instruments	nota			
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**

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

Classes of financial instruments	31 December 2017	31 December 2016
Receivables from supplies and services	(4 189)	(4 134)
Other receivables	(396)	(396)
Other financial assets	(207)	(207)
Total	**(4 792)**	**(4 737)**

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 holiday 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 2017 amounted to PLN 10 thousand, and in 2016 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 17,7 thousand, and in 2016 the amount of income and expense was PLN 16 thousand.

Over the year in the statement of profit and loss for 2017 was recognized an amount of PLN 3 491 thousand as the cost of fees, in 2016 this amount was PLN 2 925 thousand.
Revenue from sublease is recognized in operating income.
In 2017 in the statement of profit and loss was recognized an amount of PLN 27 thousand as income from the sublease, in 2016 this amount was PLN 170 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, 2017 48 company's cars were covered by rental contracts.
In 2016 in the statement of profit and loss was recognized an amount of PLN 889 thousand as a cost of renting cars, and in 2016 1059 thousand.

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

Agreement of operating lease, when the Company is the lessee

In PLN thousands	In 2017	In 2016
Up to 1 year	3 713	5 590
1-5years	14 466	15 637
More than 5 years	-	5 162

Agreement of operating lease when the Company is the lessor

In PLN thousands	In 2017	In 2016
Up to 1 year	27	51
1-5years	117	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 2017 as at 31 December 2016 the index of ratio of current assets to current liabilities (current liquidity ratio) was respectively 1.50 and 1.08.
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 (EUR0, 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 2017

(in PLN thousands)	EUR	USD	NOK	Other in PLN	Total after translation into PLN
Financial assets					
Receivables from supplies and services	30	-	-	-	125
Cash	2	1	88	6	55
Total	**32**	**1**	**88**	**6**	**180**
Financial liabilities					
Payables	237	80	-	-	1 267
Total	**237**	**80**	**-**	**-**	**1 267**

Exposure to currency risk as at 31 December 2016

(in PLN thousands)	EUR	USD	NOK	BYN	Total after translation into PLN
Financial assets					
Receivables from supplies and services	515	-	-	-	2 279
Cash	3 1	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**

Analysis of sensitivity to currency risk as at 31 December 2017

(in PLN thousands)	Increase in exchange rate	Total impact on before tax profit	Drop in the exchange rate	Total impact on before tax profit
EUR/PLN	15%	-128	15%	128
USD/PLN	15%	-	15%	-
NOK/PLN	15%	6	15%	-6
Total impact		**-123**		**123**

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%	46
NOK/PLN	15%	-49	15%	49
BYN/PLN	15%	6	15%	-6
Total impact		**-88**		**88**

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 2017, 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 2017 and 2016 were as follows:

currency	revenues		Average exchange rate for sales		expenses		Average exchange rate for purchases	
(in PLN thousands)	2017.	2016	2017	2016	2017	2016	2017	2016
EUR	42	4 106	4.2294	4.3756	764	2 196	4.2361	4.3698
USD	-	2	3 9295	3.9295	9	939	3.9862	3.8847
BYN	-	-	-	-	-	15	-	1 9765

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 2017 would increase or decrease by PLN 2 thousand, and in 2016 by PLN 164 thousand, which would have an impact on profit before tax, then costs increased or decreased by PLN 32 thousand in 2017 PLN, and in 2016 by PLN 88 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	
	31December 2017	31 December 2016	31December 2017	31December 2016
Financial assets				
Loans granted	30 436	30 322	6 726	6 416
Financial liabilities				
Loan	-	7 303		
Borrowings received	-	6 000	950	950

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

	The assumed fluctuations of WIBOR				The impact (in PLN thousands)			
	31December 2017		31December 2016		31December 2017		31December 2016	
	increase	decline	increase	decline	increase	decline	increase	decline
Financial assets								
Loans granted	+50 base point	-50 base point	+50 base point	-50 base point	186	(186)	152	(152)
Financial liabilities								
Loan	+50 base point	-50 base point	+50 base point	-50 base point	-	-	(37)	37
Borrowings received	+50 base point	-50 base point	+50 base point	-50 base point	(47)	47	(30)	30

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.

Key management personnel include Members of the Company's Management Board and Members of the Company's Supervisory Board.
In 2017, key management personnel and persons related to key management personnel, in addition to remuneration did not conclude other transactions with the Issuer and the companies from the Capital Group.

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

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

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

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

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

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

Transactions with affiliated entities, as below, were concluded on market conditions and relate to sale and purchase of services, among others - of construction and assembly services, and rental services, as well as granting mutually loans.

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 2017	Sale of services	Purchase of services	Financial income – interest on loans	Financial income – dividends received	Finance costs – interest on loans
Subsidiaries	1 097	2 866)*	307	741	181
Jointly-controlled entities and associated entities	13 033)**	3 578	379	-	0

)* - including purchased electrical services and supplies of electrical equipment from a subsidiary

Elektromontaż Kraków S.A. in the amount of PLN 2 673 thousand

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)** - The sale of services and purchase 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 2017

	Trade receivables	Receivables under loans granted	Other receivables	Trade payables	Liabilities under loans granted
Subsidiaries	1 531	18 450	-	1 707	950
Jointly-controlled entities and associated entities	6 957	18 713	946	10	-

Comparative period
(in PLN thousands)

From 1 January to 31December 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 delivery of electrical equipment from a subsidiary Elektromontaż Kraków S.A. in the amount of PLN 11 250 thousand.

)** - The sale of services and purchase 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	Other liabilities	Liabilities under loans granted
Subsidiaries	706	18 404	3 657	107	7 002
Jointly-controlled entities and associated entities	2 298	18 334	385	-	-

Note No. 38 – Events after reporting date

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

On February 8, 2018, the company PROCHEM S.A. received a loan from the subsidiary Elmont Inwestycje sp. o. o. in the amount of PLN 7,500 thousand, the interest rate was set at WIBOR 3M increased by a margin of 0.5% annually, the date was set as at the repayment date December 31, 2019.

Note No. 39– Information on significant proceedings pending before the court

PROCHEM S.A. was a party to the proceedings before the court concerning the settlement of the contract in the formula of a Management Contracting (GRI) for an investment project under the name "Pipeline in a section from the ST- 1 Adamowo - to raw material base Plebanka" which was concluded with PERN S.A. and interrupted on 10 November 2005.
PROCHEM S.A. filed a lawsuit to the court for payment of PLN 41, 301 thousand under the final settlement of the contract. PERN S.A. filed a counter-claim from the cross action against the Company for the payment of PLN 129,444,000 PLN as the settlement of the contract.
On 22 October 2015 the District Court in Warsaw, XXVI Commercial Division announced judgment in the above matter, in which:

- in the main action, jointly and severally for the benefit of the Issuer and a member of the consortium adjudged from PERN:
  - ✓ amount of PLN 35 086 589.26, with statutory interest from 23 March 2006 until the date of payment;
  - ✓ amount of PLN 4 879 883.58, with statutory interest from 22 March 2006 until the date of payment;
  - ✓ amount of PLN 126 400,4, with statutory interest from 16 January 2007 until the date of payment.
- in the cross action, dismissed the action of PERN entirely.

PERN S.A. lodged an appealed from the above judgment, on October 30, 2017 the appeal was dismissed by the Court of Appeals in Warsaw. Due to the dismissal of the appeal, the verdict of 22 October 2015 became final and the cash adjudged was transferred to the Issuer's account.
On April 5, 2018, was delivered to the Company's representative a copy of the cassation complaint filed by PERN S.A. against the court sentence as above. Based on the legal opinion prepared by the Company's proxy, the Issuer's Management Board is of the opinion that complaint lodged by PERN has no grounds, does not contain the necessary statutory premises, and is fraught with formal deficiencies, therefore such the complaint should not be accepted by the Supreme Court for the considering. If, however, the complaint would be accepted for examination, the Supreme Court should dismiss it, due to the lack of justified basis. Therefore, the complaint creates a low risk to the stability of the judgments delivered in this case.
The value of this proceeding exceeds 10% of the equity of the Issuer.
Furthermore, the total value of other proceedings separately for the group of liabilities and for the group of receivables does not exceed 10% of the equity of the Issuer.

Note No. 40 - Other explanatory information to the separate financial statements

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

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

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

Nominal value of 1 share is PLN 1.

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 2017, the Issuer granted a loan to its subsidiary Pro-Inhut sp. o. o. based in Dąbrowa Górnicza.

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

The results of subsequent quarters will mainly depend on the Issuer's possibility to acquire new contracts for the sale of its services. Big impact on the Issuer's performance will have commercialization of the office center Astrum Business Park in Warsaw.

Note No. 41 - Approval of the financial statements

Financial statements of PROCHEM S.A. for the period from 1 January 2017 to 31 December were approved for issue by the Management Board of PROCHEM S.A. on 27 April 2018.

Signatures of the Members of the Management Board

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

Signature of the person responsible for bookkeeping

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