

REPORT FOR THE FIRST HALF OF 2020 OF THE PROCHEM S.A. CAPITAL GROUP

www.prochem.com.pl

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

Selected financial data

Sales revenue and profit expressed in PLN and statement of cash flows are translated into EURO at the exchange rate set as the arithmetic mean of average exchange rates announced by the Chairman of the National Bank of Poland for the last day of each month and amount to:

- for the first half of 2020 - 4.4413 PLN/EURO
- for the first half of 2019 - 4.2880 PLN/EURO

Carrying amounts were translated at the average exchange rate announced by the Chairman of the National Bank of Poland as at the date of financial statement, which as at balance sheet date amounted to:

- 4.4660 PLN/EURO as at 30 June 2020
- 4.2585 PLN/EURO as at 31 December 2019

Selected financial data of the Prochem S.A. Capital Group

Description	Reporting period ended 30 June		Reporting period ended 30 June	
	2020	2019	2020	2019
	In PLN thousand		In EURO thousands	
Consolidated statement of profit and loss				
Revenues from sale	166 081	98 044	37 395	23 729
Gross profit on sales	9 586	8 014	2 158	1 940
Results from operating activities	4 277	1 771	963	429
Before tax profit	3 749	2 922	844	707
Profit for the period assigned to :	2 705	2 580	609	624
Shareholders of the Parent Entity	2 780	2 563	626	620
Non-controlling interest	-75	17	-17	4
Profit/diluted profit (in PLN/EUR)- assigned to shareholders of the Parent Entity	0.95	0.87	0.21	0.21
Consolidated statement of cash flows				
Net cash provided by (used in) operating activities	2 496	1 906	562	461
Net cash provided by (used in) investing activities	4 885	-446	1 100	-108
Net cash provided by (used in) financing activities	-2 956	550	-666	133
Total cash flows, net	4 425	2 010	996	486
Description	As at		As at	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
	In PLN thousands		In EURO thousands	
Consolidated statement of financial position				
Total assets	252 987	259 375	56 647	60 908
Total non-current assets	114 970	113 488	25 743	26 650
Total current assets	138 017	142 114	30 904	33 372
Equity attributable to shareholders of the Parent Entity	94 436	91 816	21 146	21 561
Non-controlling interest	6 708	6 797	1 502	1 596
Total equity	101 144	98 613	22 648	23 157
Total non-current liabilities	41 634	45 517	9 322	10 689
Total current liabilities	110 209	115 245	24 677	27 062
Book value per one ordinary share (in PLN/EUR)- assigned to shareholders of the Parent Entity	32.18	31.28	7.20	7.35
Weighted average number of shares (in pcs)	2 935 000	2 935 000	2 935 000	2 935 000

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE PROCHEM S.A. CAPITAL GROUP

**as at and for the period of six months ended
30 June 2020**

Table of contents for the consolidated financial statements of the Prochem S.A. Capital Group

- Consolidated statement of financial position
- Consolidated statement of profit and loss
- Consolidated statement of comprehensive income
- Consolidated statement of changes in equity
- Consolidated statement of cash flows
- Additional information on the adopted accounting principles (policy) and other explanatory information to the financial statements
- Explanatory notes to interim consolidated financial statements as at and for the period of 6 months ended 30 June 2020

www.prochem.com.pl

PROCHEM S.A.
ul. Łopuszańska 95
02-457 Warszawa

Consolidated statement of financial position

(all amounts in PLN thousands if not stated otherwise)

	Note No.	As at 30 June 2020	As at 31 December 2019
Assets			
Non-current assets			
Property, plant and equipment	1	17 214	17 832
Intangible assets		98	130
Investment property	2	8 310	8 310
Right-of-use assets	3	27 781	26 909
Shares		830	830
Shares in entities valued using the equity method	4	31 998	31 499
Deferred tax assets	5	1 742	1 083
Receivables under retained security deposits		536	11
Other financial assets	6	26 461	26 884
Total non-current assets		114 970	113 488
Current assets			
Inventories	7	1 539	4 158
Trade and other receivables	8	75 394	77 980
Amounts due from recipients under contracts	15	19 965	22 851
Other financial assets		982	1 401
Other assets	9	925	943
Cash and cash equivalents	25	39 212	34 781
Total current assets		138 017	142 114
Available-for sale assets		-	3 773
Total assets		252 987	259 375

Consolidated statement of financial position

(all amounts in PLN thousands if not stated otherwise)

Equity and liabilities

Equity

Share capital	10	2 935	2 935
Revaluation reserve		6 754	6 928
Retained earnings	11	84 747	81 953
Owners' equity		94 436	91 816
Non-controlling interest		6 708	6 797
Total equity		101 144	98 613
Non-current liabilities			
Non-current bank loans	12	449	-
Provision for deferred income tax	5	2 242	2 333
Liability under retirement and similar benefits		1 862	1 862
Non-current liabilities under retained security deposits		10 583	5 790
Amounts owed to recipients under contracts	15	1 734	11 643
Non-current liabilities under lease	13	24 613	23 750
Other non-current liabilities		151	139
Total non-current liabilities		41 634	45 517
Current liabilities			
Current bank loans	12	877	1 786
Trade payables	14	50 994	69 161
Amounts owed to recipients under contracts	15	43 606	30 995
Liabilities under current income tax		60	15
Current liabilities under lease	13	4 745	4 466
Other liabilities	16	6 317	8 498
Deferred income	17	3 610	324
Total current liabilities		110 209	115 245
Total liabilities		151 843	160 762
Total equity and liabilities		252 987	259 375

	94 436	91 816
Book value – equity assigned to owners of the Parent Entity		
Average number of ordinary shares (in pcs)	2 935 000	2 935 000
Book value per one share (in PLN) – assigned to owners of the Parent Entity	32.18	31.28

Consolidated statement of profit and loss

(all amounts in PLN thousands if not stated otherwise)

	Note No.	Period ended 30 June 2020	Period ended 30 June 2019
Revenues from sale, including :		166 081	98 044
Revenues from sale of services	18	164 929	95 590
Revenues from sale of goods and materials		1 152	2 454
Cost of sales, including :		-156 495	-90 030
Cost of services sold	19	-155 435	-87 859
Cost of merchandise and raw materials		-1 060	-2 171
Gross profit on sales		9 586	8 014
General and administrative expenses	19	-7 055	-6 385
Other operating income	20	879	176
Other operating expenses	21	-148	-34
Other operating expenses – result of one-off event	22	1 015	0
Result from operating activities		4 277	1 771
Financial income	23	423	341
Result of liquidation of subsidiaries		60	-
Finance expenses	24	-1 510	-928
Profit sharing in associated entities		499	1 738
Before tax profit		3 749	2 922
Income tax expense :		1 044	342
- current tax		1 799	17
- deferred tax		-755	325
Profit for the period		2 705	2 580
Shareholders of the Parent Entity		2 780	2 563
Non-controlling interest		-75	17
Weighted average number of ordinary shares (in pcs)		2 935 000	2 935 000
Profit per one ordinary share (in PLN) assigned to owners of the Parent Entity		0.95	0.87

Consolidated statement of comprehensive income

	Period ended 30 June 2020	Period ended 30 June 2019
Profit for the period	2 705	2 580
<i>Other comprehensive income that will not be reclassified to profit or loss:</i>	<i>-172</i>	<i>-</i>
Revaluation of non-current assets	-188	-
Income tax relating to other comprehensive income	14	-
Other comprehensive income net	-174	0
Total comprehensive income	2 531	2 580
Total comprehensive income assigned to :		
Shareholders of the Parent Entity	2 780	2 563
Non-controlling interest	-75	17

Weighted average number of ordinary shares (in pcs.)	2 935 000	3 895 000
Total comprehensive income per ordinary share (in PLN per one share) assigned to owners of the Parent Entity	0.95	0.87

Notes to interim consolidated condensed financial statements constitute integral part thereof.

Consolidated statement of changes in equity

(all amounts in PLN thousands if not stated otherwise)

	Share capital	Revaluation reserve	Retained earnings	Equity assigned to shareholders of the Parent Entity	Equity assigned to minority interest	Total equity
Reporting period from 1 January 2020 to 30 June 2020						
As at the beginning of the period	2 935	6 928	81 953	91 816	6 797	98 613
Net profit (loss) of the given period	-	-	2 780	2 780	-75	2 705
Sale of real estate in subsidiary Elpro sp. z o. o use of capital from updating	-	-174	14	-160	-14	-174
<i>Other comprehensive income (net)</i>	-	-174	14	-160	-14	-174
Total comprehensive income	-	-174	2 794	2 621	-89	2 531
As at the end of the period	2 935	6 754	84 747	94 436	6 708	101 144

	Share capital	Revaluation reserve	Retained earnings	Equity assigned to shareholders of the Parent Entity	Equity assigned to minority interest	Total equity
Reporting period from 1 January 2019 to 30 June 2019						
As at the beginning of the period	2 935	11 789	69 216	83 940	6 470	90 410
Net profit (loss) of the given period	-	-	2 563	2 563	17	2 580
<i>Other comprehensive income (net)</i>	-	-	-	-	-	-
Total comprehensive income	-	-	2 563	2 563	17	2 580
Other changes	-	-	-63	-63	-5	-68
As at the end of the period	2 935	11 789	71 716	86 440	6 482	92 922

Notes to interim consolidated condensed financial statements constitute integral part thereof.

Consolidated statement of cash flows

(all amounts in PLN thousands if not stated otherwise)

	Period ended 30 June 2020	Period ended 30 June 2019
Cash flows – operating activities		
Before tax profit	3 749	2 922
Total adjustments	493	-960
Share in net profits of associated entities	-499	-1 738
Amortization and depreciation	3 094	2 685
Interest and profit sharing (dividends)	570	274
(Profit) loss on disposal of property, plant and equipment	-1 014	4
(Profit) loss on sale of shares	-60	-
Change in provisions	-275	-178
Change in inventories	2 619	901
Change in receivables and other assets	4 965	-13 982
Change in current liabilities, except for borrowings and loans	-12 529	12 519
Other adjustments (including deferred income)	3 622	-1 445
Cash provided by (used in) operating activities	4 242	1 962
Income tax paid	1 746	56
Net cash provided by (used in) operating activities	2 496	1 906
Cash flows – investing activities		
Inflows	5 284	-
Disposal of intangible assets and property, plant and equipment	4 619	-
Inflows from financial assets in related entities	665	-
Repayment of interest on loans	665	-
Outflows	-399	-446
Acquisition of intangible assets and property, plant and equipment	-399	-446
Net cash flows provided by (used in) investing activities	4 885	-446
Cash flows – financing activities		
Inflows	5	2 566
Bank loan	-	2 566
Other financial inflows	5	-
Outflows	-2 961	-2 016
Repayment of bank loans	-453	-2
Interest and commission paid	-110	-178
Repayment of liabilities under financial lease	-46	-1 836
Repayment of liabilities under operating lease IFRS 16	-2 352	-
Net cash flows provided by (used in) financing activities	-2 956	550
Total cash flows, net	4 425	2 010
Increase/(decrease) net in cash and cash equivalents	4 425	2 010
Cash and cash equivalents at the beginning of the period	34 787	3 250
Cash and cash equivalents at the end of the period	39 212	5 260
Including restricted cash	1 118	-

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

1. Establishment of the Parent Entity and its principal activity

Company Prochem S.A. (hereinafter called „Prochem”, „Company”, „Issuer”) 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, XIII 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 the company belongs to construction sector. Company 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 statutes were signed in 1991. Duration of the Company is unlimited.

2. Statement of the Management Board

Statement of the Management Board on the reliability of the preparation of the interim condensed consolidated financial statements

In compliance with the requirements of the regulation of the Minister of Finance dated 29 March 2018 on current and interim information provided by issuers of securities and the conditions for recognition as equivalent an information required by the law of a non-Member state (Official Journal from 2018, item 757) („Regulation”), the Management Board of Prochem S.A. the Parent Entity in the Capital Group declares, that according to their best knowledge:

- condensed consolidated financial statements of the Prochem S.A. Capital Group for the first half of 2020 and the comparable data were prepared according to International Financial Reporting Standards adopted by European Union, being issued and effective as at the day of financial statements hereby, and it reflects a property and financial position, and financial performance in a true, fair, and clear way;
- report of the Management Board of the Parent Entity on the activities of the Prochem S.A. Capital Group in the first half of 2020 contains a true picture of the Group’s development, achievements and financial situation, including a description of basic risks and threats.

3. The Management Board and Supervisory authorities of the Parent Entity

As at the date of preparation of hereby separate 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

Composition of the Supervisory Board of Prochem S.A.

As at the date of preparation hereby of financial statements the Supervisory Board comprises of the following persons:

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

In the first half of 2020, there were no changes in the composition of the Supervisory Board.

4. Employment

Average employment in the Prochem S.A Capital Group for the first half of 2020 was 383 FTEs, and in the first half of 2019 404 FTEs.

Level of employment in persons the Prochem S.A. Capital Group as at 30 June 2020 was 390, and as at 30 June 2019 384.

5. Description of the Capital Group's organization, with the indication of entities subject to consolidation

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

Subsidiaries covered by full consolidation:

- Prochem Inwestycje Sp. z o. o. Seated in Warsaw – subsidiary directly (100.0%);
- PRO-INHUT Sp. z o. o. seated in Dąbrowa Górnicza – subsidiary indirectly (93.2%)- subject to arrangement proceedings;
- PREDOM Sp. z o.o. seated in Wrocław – subsidiary indirectly (81.7% of share in capital and profit, 72.3% of votes);
- Prochem Zachód Sp. z o. o. seated in Warsaw – subsidiary directly (80.0%);
- ELPRO Sp. z o. o.in liquidation seated in Krakow – subsidiary indirectly (92.7%, including 85.4% of share in 50% share of Elektromontaż Kraków);
- Elmont Inwestycje Sp. z o. o. seated in Krakow, in liquidation – subsidiary indirectly (92.7%, including 85.4% of share in 50% share of Elektromontaż Kraków);
- Elektromontaż Kraków S.A. seated in Krakow – subsidiary indirectly (85.4%), including 73.0% of share in capital and voting rights belongs to company Prochem Inwestycje subsidiary in 100%. Company Elektromontaż Kraków S. A. prepares consolidated financial statements, which comprises data of subsidiary in 100%: ELMONT-POMIARY Sp. z o.o. seated in Krakow and two associated companies ELPRO Sp. z o.o. in liquidation and Elmont-Inwestycje Sp. z o.o.;
- ATUTOR Integracja Cyfrowa Sp. z o.o. seated in Warsaw – subsidiary indirectly (50.14% of share holds Prochem Inwestycje Sp. z o.o. subsidiary in 100%);
- Prochem RPI Sp. z o.o. seated in Warsaw – subsidiary in 100% (including 3.3% share in capital and voting rights belongs to Prochem Inwestycje).

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

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

Consolidated entities were included in the consolidated financial statements from the date of including the control until the date of loss of control by the Parent Company, and the jointly-controlled entities and associated entities from the date of exercising of joint control and exertion of significant influence.

Spółka Predom Projektowanie Sp. z o.o. with capital in the amount of PLN 53 thousand was excluded from consolidation. The company has not commenced activity.

Company Pro-Inhut Sp. z o. o. seated in Dąbrowa Górnicza is subject to arrangement proceedings.

By order of the District Court for the City of St. Warsaw in Warsaw, XIII Commercial Division of the National Court Register, a 100% indirect subsidiary - IRYD Sp. z o. o. with its registered office in Warsaw was liquidated and removed from the National Court Register.

By the resolution of the Shareholders' Meeting of June 23, 2020, it was decided to dissolve and open liquidation of the subsidiary Elmont Inwestycje Sp. z o. o. seated in Krakow.

In accordance with the provisions in the Notarial Deed of June 23, 2020, it was decided to dissolve and open liquidation of the subsidiary Elpro Sp. z o. o. seated in Krakow.

6. Adopted accounting principles

Principle of presentation and statement of compliance

Interim condensed consolidated financial statements of PROCHEM S.A. for the first half of 2020 was prepared according to IAS 34 „Interim Reporting”, in the shape endorsed by the European Union and with Decree of the Minister of Finance of 19 February 2009 on current and periodic information provided by issuers of securities and conditions for recognition as equivalent an information required by the law of a non-Member State (Official Journal of 2018 item 757) („Decree”). Hereby interim condensed consolidated financial statements do not contain the information and disclosures required for complete financial statements and should be read together with separate financial statements for the financial year ended 31 December 2019.

The duration of the activities of individual entities within the Group is not limited.

Financial statements of all the subsidiaries were prepared for the same reporting period as financial statements of the Parent Entity, using consistent accounting policies.

The financial year of the Parent Company and companies belonging to the Group is the calendar year.

Operational activity of the Parent Company and of entities from the Capital Group does not have seasonal character and is not subject to cyclic trends, except for the segment of the general contracting and rental of construction equipment, which are characterized by a seasonality, which in a large extent depends on weather conditions. Weather conditions have an impact on the volume of the revenues generated in these segments. Lower revenues are achieved during the winter season, when weather conditions do not allow for execution of some construction work.

Interim condensed consolidated financial statements of Prochem S.A. as at 30 June 2020 were prepared at assuming to continue business operations as a going concern in the foreseeable future.

The condensed consolidated financial statements for the period from 1 January to 30 June 2020 and as at 30 June 2020 were subject to review by a certified auditor.

The management boards of companies included in the Capital Group of Prochem S.A. analyzed the circumstances described in item 7 and, in their opinion, they do not affect the ability of individual companies to continue their operations.

Interim condensed consolidated financial statements was prepared based on the principle of the historical cost, apart from:

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

Significant accounting policies and changes in IFRS

Changes in accounting estimates and in accounting policies

The preparation of financial statements under of IFRS endorsed 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. When preparing the consolidated financial statements hereby, we applied the same accounting principles and the same calculation methods which were applied in the consolidated financial statements of the Prochem S.A. Capital Group for the year ended 31 December 2019.

New standards, interpretations and changes in published IFRS, and selected accounting principles

Standards announced but awaiting approval by the European Union, the Group intends to apply all changes in accordance with the date of their entry into force.

From 1 January 2020, the following changes to the standards are in force:

- Amendments to IAS 1 and IAS 8 concerning the definition of the concept of "material",
- Amendments to IFRS 9, IAS 39 and IFRS 7 concerning the reform of the interest rate benchmark,
- Improvements to IFRS 3 concerning the definition of a business,
- Changes to references to the conceptual framework in IFRS.

The above changes to the standards were approved for use by the European Union by the date of publication of consolidated financial statements hereby.

The Group expects that the above-mentioned standards will not have a significant impact on the consolidated financial statements of the Prochem S.A. Group.

Changes in accounting estimates

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, including in the notes. 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).

7. Impact of the coronavirus pandemic on the operations of the Prochem S.A. Group

Since the outbreak of the epidemic, Prochem S.A. and companies from the Group have implemented many procedures related to the need to adapt to the constantly changing operating conditions, as well as to prevent the spread of COVID-19 infections.

Actions taken by the Group in relation to the COVID-19 pandemic

The Companies from the Capital Group have taken a number of steps in connection with the COVID-19 pandemic. When the first cases of COVID-19 appeared in the country, the Prochem S.A. Capital Group developed action plans to ensure the continuity of operation and the provision of key services provided by Prochem S.A. Similar procedures were also implemented in other companies from the Group. They are constantly adapted to the changing environmental conditions.

In relation to the contracts in progress, the Group has implemented additional measures to mitigate the risk of potential breaches of the terms of the contracts signed by contractors as a result of changes in the economic situation. In particular, in case of contracts for construction and assembly works and deliveries, additional procedures were implemented in the field of ongoing monitoring of compliance with the terms and dates of contract performance and the contractor's financial situation

The risk of losing financial liquidity by key suppliers is analysed on an ongoing basis and, if necessary, appropriate actions are taken, including shortening payment terms in individual cases.

At the time of preparation of these interim condensed consolidated financial statements, the financial situation of the Group is stable. As a result of the analysis, the Management Board of the Parent Entity of the Prochem S.A. Capital Group sees no need of:

- revaluation of the Group's assets due to the negative effects of COVID-19,
- making write-downs of receivables due to the insolvency of contractors,
- make changes or adjustments to the Group's supply chain ,
- make adjustments to credit obligations,
- make adjustments to liabilities under lease - all lease contracts are carried out according to the schedule,
- introducing changes in the work and remuneration system of the Group's employees, all salary obligations are fulfilled on an ongoing basis.

The Group analyses the situation on the markets on an ongoing basis and signals from contractors that may indicate a deterioration of the financial situation and, if necessary, will update the adopted estimates when preparing the financial statements.

Management Board of the company Prochem S.A. monitors the current situation with particular care. Actions were also taken to stabilize the financial and operational stability of the company by collecting the necessary financial reserves and using appropriate tools and IT solutions to maintain the project potential (e.g. creating remote work opportunities). Due to the fulfillment of the conditions set out in the relevant act (e.g. due to the decline in economic turnover), two companies from the Group also took advantage of the available support programs and received loans from the State Development Fund for a total amount of PLN 3.7 million.

Aid from PFR in the amount of PLN 3,286 thousand PLN received in May 2020, as of today, the entire value of the subsidy is at the disposal of the Company, which has not used it so far, is placed under short-term liabilities.

If necessary, the Management Boards of the Companies are prepared to take steps to adapt their potential to the new conditions in order to mitigate any negative effects.

Moreover, the Group has taken a number of preventive measures to reduce the possibility of the virus spreading on the premises and protect employees, including.:

- procedures were introduced in the field of personnel and material movement, in particular consisting in minimizing direct contacts - where possible, employees were provided with the possibility of remote work;
- procedures were introduced to ensure the availability of the key personnel of the Group's companies;
- it was recommended to limit business trips and participation in business meetings, and instead to use media such as instant messaging and videoconferencing;
- employees were equipped with protective equipment (protective masks, gloves) and disinfectants, and hygienic and sanitary and disinfecting procedures were introduced.

Functional currency and presentation currency of financial statements

Consolidated financial statements of the Group is presented in Polish Zloty („zł” or ”PLN”), which is the reporting currency of the Group, and the functional currency of the Parent Entity.

8. Explanatory notes

Note 1 – Property, Plant and Equipment

	As at 30 June 2020	As at 31 December 2019
Property, plant and equipment, including:	17 179	17 807
- land	2 007	2 020
- buildings, premises, and civil engineering objects	12 478	12 883
- machinery and equipment	668	724
- vehicles	1 271	1 334
- other PPE	755	846
Construction under progress	35	25
Total property, plant and equipment	17 214	17 832
Property, plant and equipment – ownership structure	As at 30 June 2020	As at 31 December 2019
a) own	7 203	6 450
b) used under rental, lease or other agreement, including :	10 011	11 382
- lease	932	953
- rental and lease	8 412	9 762
- value of the right of perpetual usufruct	667	667
Total, the balance sheet property, plant and equipment	17 214	17 832

The Group, pursuant to an agreement dated 23 July 2004 leases property consisting of 3 buildings with an area of 6 227.5 m², on a plot of 3 311 m² located in Warsaw at Emilia Plater 18 and Hoża 76/78. The duration of the contract from the date of its conclusion is 30 years.

Land, buildings and constructions are carried at revalued amount, being its fair value at the date of the revaluation, set by experts, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Pursuant to the Accounting Policy adopted by the Group, fair value is measured with sufficient frequency so that the carrying amount did not significantly differ from fair value, wherein not less frequently than every two years.

Carrying amount as at June 30, 2020 does not significantly differ from fair value. The measurement at fair value as at December 31, 2019 was made by the independent valutors not associated with the Group. The valutors have the right qualifications to carry out valuations of land, buildings and structures, as well as current experience in such valuations in locations where are located assets of the Group. Valuation was carried out by reference to the market transaction prices for similar assets.

	Change in PPE for the period from 1 January 2020 to 30 June 2020	Change in PPE for the period from 1 January 2019 to 31 December 2019
Gross value		
As at opening balance sheet	35 438	40 680
Increase (due to)	407	1 447
- acquisition of PPE	407	1 447
Decrease (due to)	-126	-6 689
- disposal of PPE	-95	-294
- liquidation of PPE	-29	-1 029
- reclassification of PPE to PPE ready-for-sale	-	-5 364
- changes	-2	-2

As at closing balance sheet	35 719	35 438
Depreciation and impairment		
As at opening balance sheet – accumulated depreciation	17 606	17 833
Depreciation for the period (due to)	899	-227
- increase (depreciation accrued)	999	1 945
- decrease under disposal of PPE	-76	-257
- decrease due to liquidation of PPE	-28	-987
- reclassification of PPE to PPE ready-for-sale	-	-925
- other changes	4	-3
As at closing balance sheet- accumulated depreciation	18 505	17 606
Impairment of PPE	-	-
PPE net value as at closing balance sheet	17 214	17 832

Note 2 – Investment Property

	As at 30 June 2020	As at 31 December 2019 r.
Buildings and constructions	6 546	6 546
Land	1 764	1 764
Total investment property	8 310	8 310

Investment property by title	Change in investment property for the period from 1 January 2020 to 30 June 2020	Change in investment property for the period from 1 January 2019 to 31 December 2019
Investment property - land		
As at opening balance sheet	1 764	4 797
- decrease under reclassification – assets ready-for-sale	-	-3 033
As at closing balance sheet	1 764	1 764
Investment property - buildings and constructions		
As at opening balance sheet	6 546	7 193
- change due to:		
a) decrease due to reclassification – assets ready-for-sale	-	-647
Total change		-647
As at closing balance sheet	6 546	6 546
Write-down of investment property	-	-
Total investment property	8 310	8 310

Pursuant to the Accounting Policy adopted by the Group, fair value is measured with sufficient frequency so that the carrying amount did not significantly differ from fair value, wherein not less frequently than every two years.

Carrying amount as at June 30, 2020 does not significantly differ from fair value. The measurement at fair value as at December 31, 2019 was made by the independent valutors not associated with the Group. The valutors have the right qualifications to carry out valuations of land, buildings and structures, as well as current experience in such valuations in locations where are located assets of the Group. Valuation was carried out by reference to the market transaction prices for similar assets.

Details concerning investment property and information on the hierarchy of fair values as at 31 March 2020.

	Level 1	Level 2	Level 3	Fair value as at 30 June 2020
	In PLN thousands	In PLN thousands	In PLN thousands	In PLN thousands
Investment property	-	-	8 310	8 310

There were no displacements between the levels 1, 2 and 3 in the first quarter.

Note 3 – The Right-of-Use Assets

	As at 30 June 2020	As at 31 December 2019
- buildings and constructions	25 490	24 497
- machinery and equipment	196	243
- vehicles	2 095	2 169
Total assets	27 781	26 909

Change in right-of-use assets

Reporting period

Description	Buildings and constructions	Machinery and equipment	Vehicles	Total
As at 1 January 2020				
Gross book value	27 563	337	2 635	30 535
Accumulated depreciation	-3 066	-94	-466	-3 626
Write-downs	-	-	-	-
Net book value as at 1 January 2020	24 497	243	2 169	26 909
Change in the period 1 January-30 June 2020				
Increase (+)/decrease (-)				
Depreciation for the period	-1 640	-47	-372	-2 059
Reduction of depreciation due to contract termination	-	-	33	33
Newly concluded contracts	2 633	-	298	2 931
Contracts completed	-	-	-33	-33
As at 30 June 2020				
Gross book value	30 196	337	2 900	33 433
Accumulated depreciation	-4 706	-141	-805	-5 652
Write-downs	-	-	-	-
Net book value as at 30 June 2020	25 490	196	2 095	27 781

Comparative data

Description	Buildings and constructions	Machinery and equipment	Vehicles	Total
As at 1 January 2019				
Gross book value	22 901	337	272	23 510
Accumulated depreciation	-	-	-	-
Write-downs	-	-	-	-
Net book value as at 1 January 2019	22 901	337	272	23 510

Change for the period 1 January-31 December 2019

Increase (+)/decrease (-)

Depreciation for the period	-3 066	-94	-466	-3 626
Newly concluded contracts	4 662	-	2 363	7 025
As at 31 December 2019				
Gross book value	27 563	337	2 635	30 535
Accumulated depreciation	-3 066	-94	-466	-3 626
Write-downs	-	-	-	-
Net book value as at 31 December 2019	24 497	243	2 169	26 909

Note 4 – Shares Valued Using the Equity Method

Shares in jointly-controlled entities and in associated entities	As at 30 June 2020	As at 31 December 2019
-Shares - net value	31 998	31 499
- write-downs of shares	1 011	1 011
Shares, gross value	33 009	32 510

Changes in shares in jointly-controlled entities and in associated entities	As at 30 June 2020	As at 31 December 2019
a) as at the beginning of the period	31 499	28 111
- shares at cost	31 499	28 111
b) increase (due to)	499	3 388
- share in the result of current year	499	3 388
c) net at the end of the period	31 998	31 499
d) write-down	1 011	1 011
e) gross at the end of the period	33 009	32 510

Changes in write-downs of shares in jointly-controlled entities and in associated entities	As at 30 June 2020	As at 31 December 2019
As at the beginning of the period	1 011	400
- decrease – use of provisions	-	611
As at the end of the period	1 011	1 011

Note 5 –Deferred Income Tax

Changes in the values of provisions and deferred tax assets for the first half of 2020 are shown in the table below.

Deferred tax assets	As at 30 June 2020	As at 31 December 2019
As at the beginning of the period	7 977	7 235
Increase	5 244	5 396
Decrease	-6 398	-4 654
As at the end of the period	6 823	7 977
Provision under deferred income tax		
As at the beginning of the period	9 227	7 236

Increase	3 002	5 190
Decrease	-4 906	-3 199
At the end of the period	7 323	9 227

	As at 30 June 2020	As at 31 December 2019
Deferred tax assets	6 823	7 977
Provision under deferred income tax	-7 323	-9 227
Assets/(Provision) under deferred income tax	-500	-1 250

Presentation in the statement of financial position	As at 30 June 2020	As at 31 December 2019
Deferred tax assets	1 742	1 083
Provision to deferred tax asset	-2 242	-2 333
Assets/(Provision) under deferred income tax	-500	-1 250

Note 6 – Other Financial Assets

Other financial assets	As at 30 June 2020	As at 31 December 2019
a) from jointly-controlled entities:	17 859	18 419
- loans granted	17 859	18 419
b) other financial assets – security deposits constituting security for bank guarantees	8 602	8 465
Total other non-current financial assets	26 461	26 884

Loans granted – as at 30 June 2020

- loans granted to jointly-controlled company Irydion Sp. z o. o. seated in Warsaw:
 - in the amount of PLN 11 318 thousand, including: amount of the loan PLN 11 000 thousand, interest accrued PLN 318 thousand. The interest rate is set annually according to WIBOR 6M rate, loan repayment date with interest 22 September 2031;
 - in the amount of PLN 6 541 thousand, including: amount of the loan PLN 6 000 thousand, interest accrued PLN 541 thousand. The interest rate is set annually at a rate of 3% per annum, loan repayment date with interest 22 September 2031;

Increase:

- Accrued interest on loans granted in the amount of PLN 105 thousand.

Decrease

- Payment of interest on loans granted in the amount of PLN 665 thousand.

Loans granted - as at 31 December 2019

- Loans granted to jointly-controlled company Irydion Sp. z o. o. seated in Warsaw:
 - in the amount of PLN 11 743 thousand, including: amount of the loan PLN 11 000 thousand, accrued interest PLN 743 thousand. The interest rate is set annually according to WIBOR 6M rate, loan repayment date with interest 22 September 2031;
 - in the amount of PLN 6 676 thousand, including: amount of the loan PLN 6 000 thousand, accrued interest PLN 676 thousand. The interest rate is set annually at a rate of 3% per annum, loan repayment date with interest 22 September 2031;.

Note 7 – Inventories

Inventories	As at 30 June 2020	As at 31 December 2019
Materials	730	3 685
Semi-finished products and work-in-process	665	473
Goods	144	-
Total inventories	1 539	4 158
Write-down of inventories	557	557

Note 8 – Trade and Other Receivables

Trade and other receivables	As at 30 June 2020	As at 31 December 2019
Trade receivables	78 393	79 869
Write down of trade receivables	5 086	5 213
Trade receivables net, including	73 307	74 656
- with repayment period up to 12 months	67 157	70 614
- with repayment period more than 12 months	6 150	4 042
Receivables under taxes, subsidies, custom duties, social and health insurance and other benefits	779	34
Other receivables	1 308	3 296
Write-down of other receivables	-	6
Other receivables, net	1 308	3 290
Total receivables	75 394	77 980

Trade and other receivables from related entities	As at 30 June 2020	As at 31 December 2019
Trade receivables, including:	540	34
- from jointly-controlled entities and associated entities	540	34
Total trade receivables and other receivables, net	540	34
Write-downs of receivables from related entities	-	-
Total trade receivables and other receivables from related entities, gross	540	34

Change in write-downs of trade and other receivables	As at 30 June 2020	As at 31 December 2019
As at the beginning of the period	5 219	4 623
a) increase (due to)	105	677
- provision to receivables	105	677
b) decrease (due to)	238	81
- payments received	74	81
- resolving of write-downs	5	-
- use of write-downs created in previous periods	159	-
Write-downs of current trade and other receivables at the end of the period	5 086	5 219

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

Note 9 – Other Assets

Other assets by type :	As at 30 June 2020	As at 31 December 2019
a) prepayments	925	943
- cost of property and personnel insurance	352	290
- software maintenance cost	237	456
- subscriptions	7	11
- deferred costs	125	136
- other	204	50
Total other assets	925	943

Note 10 – Share Capital

SHARE CAPITAL (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	incorribed	3 votes per 1 share	580	580	cash	23-07-1991	01-10-1991
Founding	incorribed	-	6 816	6 816	cash	23-07-1991	01-10-1991
Founding	bearer	-	1 810 104	1 810 104	cash	cash	01-10-1991
B	incorribed	-	750	750	cash	29-07-1993	01-01-1993
B	bearer	-	681 750	681 750	cash	29-07-1993	01-01-1993
C	bearer	-	435 000	435 000	cash	20-04-1994	01-01-1994
Total number of shares			2 935 000				
Total share capital				2 935 000			
Nominal value of 1 share = PLN 1.00 zł							

Total number of votes from all shares is 2 936 160.

Change of rights from the issuer's securities

In accordance with information/notification received from shareholders, the Company informs that as at the date of this statement 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 held	% of votes in total number of votes	% of share capital
1. Steven Tappan	975 250	975 250	33,22	33,23
2.. APUS S.A.	311 769	311 769	10,62	10,62
3. Otwarty Fundusz Emerytalny PZU „Złota Jesień”.	284 900	284 900	9,70	9,71
4. Andrzej Karczykowski	283 391	283 391	9,66	9,66

From April 24, 2020, i.e. from the publication of the consolidated financial statements for 2019, there has been no change in the number of shares giving shareholders at least 5% of votes at the general meeting of shareholders.

The Management Board of PROCHEM S.A. with seat in Warsaw informs that on July 10, 2020, Steven Georg Tappan issued a call to subscribe for the sale of the Issuer's shares. As a result of the call, the Calling Party intended to acquire up to 66% of the total number of votes at the Company's General Meeting of Shareholders.

The Management Board of PROCHEM S.A. with its seat in Warsaw (hereinafter referred to as the "Issuer", "Company") informs that on August 18, 2020 the attorney of Steven George Tappan - a shareholder of the Company - announced an increase in his share in the share capital of Prochem and in the total number of votes in Prochem respectively to the level of approx. 33.228% and approx. 33.215% ("Transaction"). As a result, Mr. Steven George Tappan exceeded the threshold of 33% of the total number of votes at the general meeting of Prochem S.A.

Before the settlement of the Transaction, Mr. Steven George Tappan held directly 968,500 shares of Prochem, constituting approx. 32.998% of the share capital of Prochem, entitling to 968,500 votes at the general meeting of Prochem, constituting approx. 32.985% of the total number of votes at the general meeting of Prochem. Currently, after the settlement of the transaction, Mr. Steven George Tappan directly holds 975,250 shares, constituting approx. 33.228 % of the share capital of Prochem, entitling to 975,250 votes at the general meeting of Prochem, constituting approx. 33.215 % of the total number of votes at the general meeting of Prochem.

Note 11 – Retained Earnings

	As at 30 June 2020	As at 31 December 2019
Spare capital	59 863	55 489
Other capital reserve	19 551	19 764
Profit (loss) brought forward	2 553	-1 166
Profit (loss) of the period	2 780	7 866
Total	84 747	81 953

Note 12 –Bank Loans

Bank loans	As at 30 June 2020	As at 31 December 2019
- loans	1 326	1 786

Information on incurred bank loans

Name of the bank	Registered office	Limit of the loan	Amount engaged	Repayment date	Terms of interest	Collateral
------------------	-------------------	-------------------	----------------	----------------	-------------------	------------

By Prochem S.A.

mBank SA	Warsaw	8,000 credit in overdraft	-	29 November 2020	WIBOR for O/N deposits in PLN + margin	Promissory note in blank, judicial lien on shares in company Elektromontaż Kraków S.A., mortgage established on real estate owned by company Elpro Sp. z o.o. in Krakow
----------	--------	---------------------------	---	------------------	--	---

By Elektromontaż Kraków S.A.

mBank S.A.	Warsaw	500	-	26 February 2021	WIBOR for 1-month deposits in PLN + margin	Mortgage
ING BANK Śląski	Katowice	2 500	-	19 November 2020	WIBOR for 1-month deposits ON in PLN + margin	Mortgage

By Atutor Integracja Cyfrowa sp. z o. o.

Bank Millennium S.A.	Warsaw	150	142	Revolving loan in a bank account from 02 August 2016	WIBOR 1month plus margin	Granting the bank a power of attorney for collection and for the repayment from the accounts, and for blocking the funds in the case when loan is not repaid in time
----------------------	--------	-----	-----	--	--------------------------	--

By Pro-Inhut sp. z o.o.

ING Bank Śląski S.A.	Dąbrowa Górnicza	735	735	17 November 2020	WIBOR for 1-month deposits in PLN + margin	BGK Bank guarantee based on a portfolio agreement. Promissory note in blank.
ING Bank Śląski S.A.	Sosnowiec	400	398	30 July 2021	WIBOR for 1-month deposits in PLN + margin	BGK Bank guarantee based on a portfolio agreement. Promissory note in blank
ING Bank Śląski S.A.	Sosnowiec	200	51	30 July 2021	WIBOR for 1-month deposits in PLN + margin	BGK Bank guarantee based on a portfolio agreement. Promissory note in blank

Note 13 – Liabilities under Lease

Liabilities at the end of the period, including:	As at 30 June 2020	As at 31 December 2019
- liabilities under finance lease	926	947
- liabilities under right-of-use	28 432	27 269
Total liabilities	29 358	28 216
Including current liabilities	4 745	4 466

Note 14 – Trade Payables

	As at 30 June 2020	As at 31 December 2019
a) to associated entities and to jointly-controlled entities	8	6
- from supplies and services, with maturity period:	8	6
- up to 12 months	8	6
b) to other entities	50 986	69 155
- from supplies and services, with maturity period:	50 413	69 155
- up to 12 months	50 413	68 562
- above 12 months	573	593
Total current liabilities	50 994	69 161
Non-current liabilities under retained security deposits	10 583	5 790
Total trade payables	61 577	74 951

Note 15 – Amounts Owed to Recipients under Contracts

	As at 30 June 2020	As at 31 December 2019
- amounts due from recipients under contracts	19 965	22 851
Amounts due from recipients under long term contracts	19 965	22 851

	As at 30 June 2020	As at 31 December 2019
- amounts owed to recipients under contracts, including:	45 340	42 598
a) current	43 606	30 955
b) non-current	1 734	11 643
Amounts due from recipients under long-term contracts	45 340	42 598

Description	As at 30 June 2020	As at 31 December 2019
Revenues according contracts	725 105	757 242
Revenues invoiced	419 002	258 278
Liabilities planned under the implementation of contracts	665 184	712 831
Realized contractual liabilities	406 769	271 654
Amounts due from recipients	19 965	22 851
Amounts owed to recipients	45 340	42 638

Note 16 – Other Liabilities

	As at 30 June 2020	As at 31 December 2019
a) to other entities	3 081	3 690
- under taxes, duties, insurance and other charges	1 951	2 851
- under remuneration	418	456
- other (by typeu)	713	383
liabilities to employees	55	6
Liabilities to shareholders	16	16
other	641	361
b) other non-current provisions	3 236	4 808
- provision for costs booked to the previous year relating to long term contracts	1 578	1 883
- provision for costs	-	993
- cost of audit	-	63
- non-current provision for retirement benefits	341	384
- provision for unused holiday leaves	1 317	1 485
Total other liabilities	6 317	8 498

Note 17 – Deferred Income

	As at 30 June 2020	As at 31 December 2019
Other	3 610	324
Deferred income as at the end of the period, including:	3 610	324
Non-current liabilities	3 286	-
Current liabilities	324	324

Note 18 - Revenues from Sale of Services

Revenues from sale of services (type of service and type of activity)	Period ended 30 June 2020	Period ended 30 June 2019
- revenues from sale of services, including:	164 929	95 590
- from related entities	1 368	1 404

Revenues from sale of services (type of service and type of activity)	Period ended 30 June 2020	Period ended 30 June 2019
- revenues from sale of services, including:	164 774	95 425
- from related entities	1 368	1 404
Exports	155	165

Revenues under contracts for construction services (general contracting) and other services are presented in Note 26.

The gross amount due from ordering parties/ recipients for the work under the contracts was presented in Note 15.

Information on major customers, whose total value of revenues from sales of services exceeds 10% of the total revenue of the Group in the first half of 2020 is included in Note 26.

Note 19 – Cost of Services Sold

Costs by Type	Period ended 30 June 2020	Period ended 30 June 2019
a) amortization and depreciation	3 094	2 685
b) consumption of materials and energy	6 039	7 203
c) outsourcing	131 476	63 176
d) taxes and levies	362	294
e) remuneration	18 059	16 337
f) social security and other benefits	3 597	3 299
g) other costs by type (under)	1 545	2 177
- property and personal insurance	406	515
- business trips	450	523
- State Fund for Rehabilitation of Disabled Persons (PFRON)	146	124
- car rental	151	308
- other	392	707
Total costs by type	164 172	95 171
Change in inventories, goods and accruals and prepayments	-1 682	-927
General and administrative expenses (negative value)	-7 055	-6 385
Cost of services sold	155 435	87 859

Note 20 - Other operating income

	Period ended 30 June 2020	Period ended 30 June 2019
a) gain on sale of non-financial non-current assets	19	7
b) reversal of impairment (under)	74	-
- for receivables	74	-
c) other, including:	786	169
- reimbursement of litigation costs	4	3
- received compensation, fines and penalties	525	101
- write-off of past due liabilities	114	3
- other	143	42
Total other operating income	879	176

Note 21 – Other Operating Expenses

	Period ended 30 June 2020	Period ended 30 June 2019
a) loss on disposal of non-financial non-current assets	-	4
b) write-down of	105	-
- receivables	105	-
c) other, including:	43	30
- litigation costs	23	14
- paid fines, penalties and compensation	-	5
- other	20	11
Total other operating expenses	148	34

Note 22 – Result of One-off Event

	Period ended 30 June 2020	Period ended 30 June 2019
Revenues from sale of real estate	4 600	-
Assets classified for disposal	3 770	-
Resolving of deferred tax asset	-185	-
Result of the event	1 015	-

Note 23 – Financial Income

	Period ended 30 June 2020	Period ended 30 June 2019
a) interest under loan granted	105	187
- from jointly-controlled entities	105	187
b) other interest	67	63
- from other entities	67	63
c) surplus of positive exchange rate differences	-	33
d) other, including:	251	58
- revenues under discounted non-current liabilities	147	-
- other	104	58
Total financial income	423	341

Note 24 – Finance costs

	Period ended 30 June 2020	Period ended 30 June 2019
a) interest on bank loans	20	115
b) other interest	607	519
- for other entities	36	30
- under lease	571	489
c) surplus of negative exchange rate differences	99	6
d) other, under :	784	288
- commission on bank guarantees	285	140
- commission on loans	90	63
- costs under discount of financial assets	17	76
- other costs	392	9
Total finance costs	1 510	928

Note 25– Additional Disclosures to the Statement of Cash Flows

The Group presents restricted cash accumulated in the split payment account in the statement of financial position as cash and cash equivalents. Restricted funds in the statement of financial flows are presented for information in a separate item.

The differences between the amounts determined directly from the statement and those indicated in the cash flow statement result from the transfer of individual amounts from operating activities to investment and financial activities.

They refer to the following balance sheet items (data in PLN thousands):

	In 2020	In 2019
Change in current liabilities	4 965	-13 982
Receivables as at 1 January	77 980	41 472
Amounts due from recipients under contracts as at 1 January	22 851	13 691
Other assets as at 1 January	943	1 202
Receivables under retained security deposits as at 1 January	11	63
Receivables from non-current assets as at 1 January	-	-11
Opening balance sheet after adjustments	101 785	56 417
Receivables as at 30 June	75 394	53 638
Amounts due from recipients under contracts as at 30 June	19 965	13 032
Other assets as at 30 June,	925	3 593
Receivables under retained security deposits as at 30 June	536	147
Receivables from non-current assets sold as at 30 June	-	-11
Closing balance sheet after adjustments	96 820	70 399
Change in current liabilities except for current borrowings and special funds	-12 529	12 519
Trade payables as at 1 January	69 161	31 626
Other liabilities as at 1 January	8 538	8 620
Amounts owed to suppliers under contracts as at 1 January	42 598	2 863
Liabilities under retained security deposits as at 1 January	5 790	3 569
Provision for current retirement benefits	-384	-445
Provision to holiday benefits	-1 485	-1 471
Provision to audit	-63	-67
Provision to current other costs	-1 549	-1550
Liabilities under operating lease	-	-428
Liabilities under discount of non-current liabilities	-20	-
Liabilities to shareholders	-17	-16
Opening balance sheet after adjustments	122 569	42 701
Trade payables as at 30 June	50 994	43 956
Amounts owed to recipients under contracts as at 30 June	45 340	673
Other liabilities as at 30 June	6 317	10 195
Liabilities under retained security deposits as at 30 June	10 583	4 137
Provision to current retirement benefits	-341	-445
Provisions to holiday benefits	-1 317	-1 339
Provision to audit	-	-30
Provision to current other costs	-1 549	-1 549
Liabilities under operating lease	-	-362
Liabilities under discount of non-current liabilities	30	-
Liabilities to shareholders	-17	-16
Closing balance sheet upon adjustments	110 040	55 220

Change in other adjustments as at 30 June	3 622	-1 445
Change in deferred income – advances received	3 286	43
Other	336	-285
Cash on split payment account	-	-1 203

Note 26 - Information on Operating Segments

Operating segment is a component part of the Group:

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

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

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

Segment result is determined on the level of operating income.

The activities of the companies from Capital Group and the Issuer, for the managing purposes were divided into eight basic operational sectors such as: execution (general contracting), design services and other engineering services (supervisions along with the project engineer service), lease of the construction equipment, assembly of electrical installations, lease of office space, maintenance, commercial activity and other activity.

Segment assets include all assets used by a segment, consisting primarily of receivables, inventories and property, plant and equipment less the value of provisions and impairment losses.

Some assets in the joint use are assigned to the segment based on reasonable weights.

Revenues achieved beyond Polish border (Exports) in the period from 1 January 2020 to 30 June 2020 amounted to PLN 155 thousand (i.e. 0.09% of sales revenue), and in the period from 1 January 2019 to 30 June 2019 amounted to PLN 165 thousand (i.e. 0.2% of sales revenue).

Information on major customers, which share in the sales revenue for the first half of 2020 exceeded 10% of the total sales revenue:

- A Client who deals in the production of chemical raw materials – sales revenue PLN 97 697 thousand representing 59.2 % of sales revenue, which was shown in the segment „General contracting” and „Design services and other engineering services”.
- A Client involved in the production of artificial fertilizers – sales revenue PLN 36 613 thousand, representing 22.2 % of sales revenue, which was shown in the segment „General contracting”.

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

Interim condensed consolidated financial statements of the Prochem S. A. Capital Group as at and for the period of three months ended 31 March 2020

For the period from 1 January to 30 June 2020	General contracting	Design services, and other engineering services	Rental of construction equipment	Assembly of electrical installations	Rental of office space and real estate	Maintenanc e	Commerci al activity	Other IT services	Other	Items not assigned	Total
Revenues to external clients	130 600	21 165	427	8 936	2 439	173	1 152	181	848	160	166 081
Total segment revenues	130 600	21 165	427	8 936	2 439	173	1 152	181	848	160	166 081
Result											
Profit (loss) of the segment	1 387	645	-139	915	258	-7	93	-277	-164	-180	2 531
Financial income										483	483
Finance costs										-1 510	-1 510
Net financial income										-1 027	-1 027
Profit sharing in entities valued using the equity method										499	499
Profit (loss) on other operating activities										1 746	1 746
Before tax profit										3 749	3 749
Income tax										1 044	1 044
Profit for the current period										2 705	2 705
Profit assigned to non-controlling interest										-75	-75
Profit for the period assigned to shareholders of the parent entity										2 780	2 780
Segment assets (related to activity)	60 210	7 516	281	7 297	24 189	56	196	263	296	-	100 304
Unallocated assets (among others shares and other financial assets)	-	-	-	-	-	-	-	-	-	152 683	152 686
Total assets	60 210	7 516	281	7 297	24 189	56	196	263	296	152 683	252 987
Depreciation of property, plant and equipment	196	721	46	0	861	-	-	31	46	1 157	3 058
Amortization of intangible assets	-	1	-	0	-	-	-	2	-	33	36

Note - operating segments continuation

For the period from 1 January 2019 to 30 June 2019	General contracting	Design services, and other engineering services	Rental of construction equipment	Assembly of electrical installations	Rental of office space and real estate	Property management	Maintenanc e	Commercial activity	Other IT services	Other	Items not assigned	Total
Revenues to external clients	59 496	17 034	1 184	13 772	2 490	111	145	2 454	76	1 282	-	98 044
Total segment revenues	59 496	17 034	1 184	13 772	2 490	111	145	2 454	76	1 285	-	98 044
Result of the segment	522	-153	284	316	639	-	26	284	-356	67	-	1 629
Financial income											341	341
Finance costs											-928	-928
Net financial income/costs											-587	-587
Profit sharing in associated entities											1 738	1 738
Profit on other operating activities											142	142
Before tax profit											2 922	2 922
Income tax											342	342
Profit for the current period											2 580	2 580
Profit assigned to non-controlling interest											17	17
Profit for the period assigned to shareholders of the parent entity											2 563	2 563
Segment assets (related to activity)	41 188	8 506	666	11 124	31 917	-	-	107	385	131	-	94 024
Unallocated assets (among others shares and other financial assets)	-	-	-	-	-	-	-	-	-	-	96 219	96 219
Total assets	41 188	8 506	666	11 124	31 917	-	-	107	385	131	96 219	190 243
Depreciation of property, plant and equipment	24	53	36	304	711	-	18	-	27	-	1 465	2 638
Amortization of intangible assets	-	5	-	10	2	-	-	-	3	-	27	47

Information about the geographical areas

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

	1 January-30 June 2020	1 January-30 June 2019
Poland	165 926	97 879
Other countries	155	165
Total sales revenue	166 081	98 044

Geographical breakdown of property, plant and equipment and intangible assets

	30 June 2020	31 December 2019
Poland	17 312	17 962
Total property, plant and equipment and intangible assets	17 312	17 962

Note 27 - Collateral Granted and Received and Contingent Liabilities and Contingent Assets

Collateral granted	As at	
	30 June 2020	31 December 2019
Bank guarantee of good performance	49 464	51 383
Guarantee of return of advance payment	1 500	7 869
Payment guarantee	1 050	1 050
Total guarantee granted	52 014	60 302
Loan surety agreement for the company from the Capital Group of Prochem S.A.	-	36 975
Total collateral granted	52 014	97 277

Collateral received	As at	
	30 June 2020	31 December 2019
Bank guarantee of good performance	21 094	8 738
Guarantee by promissory notes for securing contract terms	450	1 777
Total contingent assets	21 544	10 515

Note 28 - Profit Distribution

The Group's financial result is not subject to distribution

Net profit of the Parent Entity Prochem S.A. for 2019 in the amount of PLN 3,697,951.01 in pursuance to Resolution No. 14 of the Ordinary General Meeting of 25 August 2020 was entirely allocated to the reserve capital.

Note 29 - Dividends

Dividend was not paid.

Note 30- Financial Instruments and Financial Risk Management

Financial assets

As at 30 June 2020

(in PLN thousands)	Categories of financial instruments		
	note	Financial assets at amortized cost	Total
Classes of financial instruments			
Receivables from supplies and services	8	73 307	73 304
Cash		39 212	39 212
Loans granted	6	17 859	17 859
Security deposits constituting collateral		9 584	9 584
Total		139 962	139 962

As at 31 December 2019

(in PLN thousands)	Categories of financial instruments		
	note	Financial assets at amortized cost	Total
Classes of financial instruments			
Receivables from supplies and services	8	74 656	74 656
Cash		34 781	32 781
Loans granted	6	18 419	18 419
Security deposits constituting collateral		9 866	9 866
Total		137 722	137 722

Financial liabilities

As at 30 June 2020

(in PLN thousands)	Categories of financial instruments		
	note	Financial liabilities measured at amortized cost	Total
Classes of financial instruments			
Loans	11	1 326	1 326
Amounts due under contracts		45 340	45 340
Liabilities under supplies and services	12	61 577	61 577
Total		108 243	108 243

As at 31 December 2019

Classes of financial instruments	Categories of financial instruments		
	note	Financial liabilities measured at amortized cost	Total
Loans	11	1 786	1 786
Amounts due under contracts		42 638	42 638
Liabilities under supplies and services	12	74 951	74 951
Total		119 375	119 375

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

The risk related to the concentration of sales revenues

Company Prochem S.A. realized in the first half of 2020 sales revenues in the amount of PLN 152 320 thousand. Clients whose sales revenue exceeded 10% of sales revenues recognized in the profit and loss account are listed in note 26.

Note 31 - Related Party Transactions and Transactions with Key Management Personnel

Related entities include entities controlled and jointly-controlled entities, as well as those on which the Issuer has an influence or is a member of key management personnel of the entity or the Parent Entity. Key managing personnel comprise the Members of the Management Board of the Parent Entity, and the Members of the Supervisory Board of the Parent Entity

In the first half of 2020 key management personnel and persons related to key management personnel, in addition to remuneration did not conclude other transactions with the companies from the Capital Group of PROCHEM S. A.

Remuneration of the Key Management Personnel

In the first quarter of 2020 in the Issuers enterprise were paid:

1. remuneration to the Members of the Management Board in total amount of PLN 615 thousand,
2. remuneration to the Members of the Supervisory Board in total amount of PLN 156 thousand.

Remuneration for performing functions in the Supervisory Boards of companies belonging to the Capital Group, paid in the first half of 2020 to members of the Management Board, amounted to PLN 80 thousand, and members of the Supervisory Board 55 PLN thousand.

Below are presented transactions with related entities, which include the jointly-controlled entities or associated entities, as well as with ones, on which the Issuer has an influence or is a member of the key management personnel of the entity or the Parent Company. All transactions of related entities were concluded on market conditions and they relate to sale and purchase of services, among others - of construction and assembly services, and rental, as well as of loans granted mutually

Settlements with related entities include trade settlements and under loans.

Guarantees and sureties granted to related entities are presented in Note 23.

Reporting period

(in PLN thousands)

from 1 January to 30 June 2020

	Sale of services	Purchase of services	Financial income – interest on loans	Financial income – dividends received
Jointly-controlled entities and associated entities	1 368	1 633	105	-

As at 30 June 2020

	Trade receivables	Receivables under loans granted	Other receivables	Trade payables
Jointly-controlled entities and associated entities	540	17 859	-	8

Comparative period

(in PLN thousands)

from 1 January to 30 June 2019

	Sale of services	Purchase of services	Financial income – interest on loans	Financial income – dividends received
Jointly-controlled entities and associated entities	1 404	1 546	187	-

As at 30 June 2019

	Trade receivables	Receivables under loans granted	Other receivables	Trade payables
Jointly-controlled entities and associated entities	596	19 277	-	-

Note 32 – Events after the Reporting Date

By resolution of the Ordinary General Meeting of Shareholders of August 25, 2020, the Supervisory Board of the 11th term of office was elected. The Supervisory Board is composed of: Marek Garliński, Andrzej Karczykowski, Wiesław Kiepiel, Krzysztof Obłój i Karol Żbikowski.

Note 33 – Other Explanatory Notes to Interim Condensed Consolidated Financial Statements

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

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

Pursuant to the contract for the sale of shares in Atutor Integracja Cyfrowa Sp. z o. o. with its registered office in Warsaw on September 17, 2019, the subsidiary Prochem Inwestycje Sp. z o. o. based in Warsaw by April 30, 2020, is to sell the second block of shares, comprising 178 shares. The ownership of the shares is transferred to the buyer on the date of payment.

Due to the epidemiological situation, the date of sale of the second block of shares was not met.

Position of the Management Board in relation to the possibility of accomplishment of previously published forecast of results for the given year, in the light of results presented in the quarterly report with respect to the forecasted results

Company Prochem S.A. did not publish any forecast of financial results neither for the Company nor for the Capital Group of Prochem S.A. for 2020.

Information on granting by the company or its subsidiary sureties for a credit or loan or granting a guarantee to another entity or a subsidiary of this entity, if the total value of the existing sureties or guarantees is equivalent to at least 10% of equity

In the first half of 2020 the companies belonging to the Capital Group did not grant any sureties and guarantees to related entities.

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

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

- Jarosław Stepniewski – 68,383 pcs.;
- Marek Kiersznicki – 59,474 pcs.;
- Krzysztof Marczak – 38,936 pcs.;
- Marek Garliński – 83,996 pcs.;
- Andrzej Karczykowski – 283,391 pcs.

On August 4-5, 2020, the Vice President of the Management Board, Mr. Krzysztof Marczak, purchased 2,028 shares of Prochem S.A. Before the transaction, Mr. Marczak had 36,hares .

The nominal value of 1 share is PLN 1.

Note 34 - Approval of the Financial Statements

These interim condensed consolidated financial statements of the Capital Group of Prochem S.A. for the period from January 1, 2020 to June 30, 2020, containing the financial information of Prochem S.A. has been approved for publication by the Management Board of the Parent Company, Prochem S.A. on September 25, 2020.

Signatures of the Members of the Supervisory Board

25.09.2020	Jarosław Stępniewski	President of the Management Board signature
date	name and surname	position	

25.09.2020	Marek Kiersznicki	Vice President of the Management Board signature
date	name and surname	position	

25.09.2020	Krzysztof Marczak	Vice President of the Management Board signature
date	name and surname	position	

Signature of person responsible for bookkeeping

25.09.2020	Barbara Auguścińska-Sawicka	Chief Accountant signature
date	name and surname	position	