

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

**as at and for the period of six months ended
30 June 2021**

PROCHEM S.A.
Łopuszańska 95, street
02-457 Warsaw
Poland

www.prochem.com.pl

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 2021 - 4.5472 PLN/EUR
- for the first half of 2020 - 4,4413 PLN/EUR

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:

- 4.5208 PLN/EUR as at 30 June 2021
- 4.6148 PLN/EUR as at 31 December 2020

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

Description	Reporting period ended 30 June		Reporting period ended 30 June	
	2021	2020	2021	2020
	In PLN thousands		In EURO thousands	
<i>Consolidated statement of profit and loss</i>				
Revenues from sale	105 895	166 081	23 288	37 395
Gross profit on sales	10 343	9 586	2 275	2 158
Results from operating activities	4 147	4 277	912	963
Before tax profit	4 668	3 749	1 027	844
Profit for the period assigned to :	3 474	2 705	764	609
Shareholders of the Parent Entity	3 496	2 780	769	626
Non-controlling interest	-22	-75	-5	-17
Profit/diluted profit (in PLN/EUR)- assigned to shareholders of the parent entity	1.19	0.95	0.26	0.21
<i>Consolidated statement of cash flows</i>				
Net cash provided by (used in) operating activities	-2 736	2 496	-602	562
Net cash provided by (used in) investing activities	-1 587	4 885	-349	1 100
Net cash provided by (used in) financing activities	-1 078	-2 950	-237	-664
Total cash flow, net	-5 401	4 431	-1 188	998
Description	As at		As at	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020
	In PLN thousands		In EURO thousands	
<i>Consolidated statement of financial position</i>				
Total assets	228 103	251 465	50 456	54 491
Total non-current assets	107 157	107 632	23 703	23 323
Total current assets	120 946	143 833	26 753	31 168
Equity attributable to shareholders of the parent entity	112 288	105 623	24 838	22 888
Non-controlling interest	3 613	6 942	799	1 504
Total equity	115 901	112 565	25 637	24 392
Total non-current liabilities	36 357	42 521	8 042	9 214
Total current liabilities	75 845	96 379	16 777	20 885
Book value per one ordinary share (in PLN/EUR)- assigned to shareholders of the parent company	38.26	35.99	8.46	7.80
Weighted average number of shares (in pcs.)	2 935 000	2 935 000	2 935 000	2 935 000

Statement of the Management Board

Statement of the Management Board regarding the true and fair preparation of the interim condensed consolidated financial statements

The Management Board of Prochem S.A. declares that interim condensed consolidated financial statements of the Prochem S.A. Capital Group were prepared in compliance with requirements of IAS 34 „Interim financial reporting” and with the Regulation of the Minister of Finance dated March 29, 2018 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 (Journal of Laws of 2018 item 757) („Regulation”) and it reflects in a true, reliable and clear manner the financial position of the Prochem S.A. Capital group as of June 30, 2021 and as of December 31, 2020, and results of its operations and cash flows for the period of 6 months ended June 30, 2021 and June 30, 2020

Statement of the Management Board regarding the entity authorized to review the true and reliable preparation of the interim condensed consolidated financial statements

The Management Board of Prochem S.A. the Parent Entity of the Prochem S.A. Capital Group declares that Misters Audytor Adviser Sp. z o.o. with headquarters in Warsaw, ul. Wiśniowa 40, 02-520 Warsaw, the entity authorized to audit and review financial statements entered on the list of auditing companies under number 3704 was selected in accordance with the law and that this entity and the statutory auditors reviewing the financial statements met the conditions for issuing an impartial and independent report on review, in accordance with applicable law.

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***Consolidated condensed financial statements of PROCHEM S.A. Capital Group
as at for the period of six months ended 30 June 2021***

Consolidated statement of financial position as at 30 June 2021

(all amounts in PLN thousands if not stated otherwise)

	Note No.	As at 30 June 2021	As at 31 December 2020
A s s e t s			
Non-current assets			
Property, plant and equipment	1	17 031	17 190
Intangible assets		115	76
Investment property	2	9 861	9 861
Right-of-use assets	3	24 221	26 318
Shares		830	830
Shares in entities valued using the equity method	4	36 412	33 907
Deferred tax assets	5	1 347	1 484
Receivables under seized security deposits		226	883
Other financial assets	6	17 114	17 083
Total non-current assets		107 157	107 632
Current assets			
Inventories	7	2 273	5 339
Trade and other receivables	8	53 500	75 099
Receivables under current income tax		454	756
Amounts due from recipients under contracts	15	21 595	13 163
Other financial assets	9	8 640	9 669
Other assets	10	957	879
Cash and cash equivalents		33 527	38 928
Total current assets		120 946	143 833
Total assets		228 103	251 465

Consolidated statement of financial position as at 30 June 2021

(all amounts in PLN thousands if not stated otherwise)

	Note No.	As at 30 June 2021	As at 31 December 2020
Equity and Liabilities			
Equity			
Share capital	11	2 935	2 935
Revaluation reserve		7 224	7 043
Retained earnings	12	102 129	95 645
Owners' equity		112 288	105 623
Non-controlling interest		3 613	6 942
Total equity		115 901	112 565
Non-current liabilities			
Provision to deferred income tax	5	2 736	2 459
Provision to retirement and similar benefits		2 066	2 066
Non-current liabilities under seized security deposits	14	10 295	14 291
Non-current liabilities under lease	16	21 117	23 562
Other non-current liabilities		143	143
Total non-current liabilities		36 357	42 521
Current liabilities			
Current bank loans	13	3 231	1 334
Trade payables	14	43 712	60 951
Amounts owed to recipients under contracts	15	16 184	20 486
Liabilities under current income tax		20	159
Current liabilities under lease	16	5 147	4 576
Other liabilities	17	7 227	8 501
Deferred income		324	372
Total current liabilities		75 845	96 379
Total liabilities		112 202	138 900
Total equity and liabilities		228 103	251 465
Book value – equity assigned to owners of the Parent Entity		112 288	105 623
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		38.26	35.99

**Consolidated statement of profit and loss
from 1 January 2021 to 30 June 2021**

(all amounts in PLN thousands if not stated otherwise)

	Note No.	Period ended 30 June 2021	Period ended 30 June 2020
Revenues from sale, including :		105 895	166 081
Revenues from sale of services	18	105 295	164 929
Revenues from sale of goods and materials		600	1 152
Cost of sales, including :		-95 552	-156 495
Cost of services sold	19	-95 009	-155 435
Cost of merchandise and raw materials		-543	-1 060
Gross profit on sales		10 343	9 586
General and administrative expenses	19	-7 311	-7 055
Other operating income	20	1 468	879
Other operating expenses	21	-353	-148
Other operating expenses – result of one-off event		-	1 015
Results from operating activities		4 147	4 277
Financial income	22	234	423
Profit (loss) on sale/liquidation of all or part of shares of subsidiary		-1 044	60
Finance expenses	23	-1 174	-1 510
Profit sharing in associated entities		2 505	499
Before tax profit		4 668	3 749
Income tax :		1 194	1 044
- current tax		778	1 799
- deferred tax		416	-755
Profit for the period		3 474	2 705
Profit for the period assigned to :			
Shareholders of the Parent Entity		3 496	2 780
Non-controlling interest		-22	-75
Weighted average number of ordinary shares (in pcs.)		2 935 000	2 935 000
Profit (loss) per ordinary share (in PLN per one share) assigned to owners of the Parent Entity		1.19	0.95

Consolidated statement of comprehensive income

	Period ended 30 June 2021	Period ended 30 June 2020
Profit for the period	3 474	2 705
Other comprehensive income net	-	-174
<i>Other comprehensive income, which will be reclassified to profit or loss when certain conditions are met:</i>	<i>-</i>	<i>-</i>
<i>Other comprehensive income, which will not be reclassified to profit or loss:</i>	<i>-</i>	<i>-174</i>
Revaluation of property, plant and equipment	-	-188
Income tax on other comprehensive income	-	14
Total comprehensive income	3474	2 531
Total comprehensive income assigned to :		
Shareholders of the Parent Entity	3 496	2 606
Non-controlling interest	-22	-75
Weighted average number of ordinary shares (in pcs.)	2 935 000	2 935 000
Total comprehensive income per ordinary share (in PLN per one share) assigned to the owners of the Parent Entity	1.19	0.89

Interim condensed consolidated financial statements of the PROCHEM S.A. Capital Group as at and for the period of 6 months ended 30 June 2021

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 non-controlling interest	Total equity
Reporting period from 1 January 2021 to 30 June 2021						
As at the beginning of the period	2 935	7 043	95 645	105 623	6 942	112 565
Net profit of the given period	-	-	3 496	3 496	-22	3 474
<i>Other comprehensive income net</i>	-	-	-	-	-	-
Total comprehensive income	-	-	3 496	3 496	-22	3 474
Other changes		181	2 988	3 169	-3 307	-138
As at the end of the period	2 935	7 224	102 129	112 288	3 613	115 901

Comparative period

	Share capital	Revaluation reserve	Retained earnings	Equity assigned to shareholders of the Parent Entity	Equity assigned to non-controlling 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 of the given period	-	-	2 780	2 780	-75	2 705
Sale of real estate in subsidiary Elpro sp. z o.o.	-	-174	14	-160	-14	-174
<i>Other comprehensive income (net)</i>	-	-174	14	-160	-14	-174
Total comprehensive income	-	-174	2 794	2 620	-89	2 531
Other changes	-	-	-	-	-	-
As at the end of the period	2 935	6 754	84 747	94 436	6 708	101 144

**Consolidated statement of cash flows
for the period from 1 January 2021 to 30 June 2021**
(all amounts in PLN thousands if not stated otherwise)

	Period ended 30 June 2021	Period ended 30 June 2020
Cash flows – operating activities		
Before tax profit	4 668	3 749
Total adjustments	-6 789	493
Share in profit of associated entities	-2 505	-499
Amortization and depreciation	3 283	3 094
Interest and profit sharing (dividends)	392	570
Gain on disposal of property, plant and equipment	-14	-1 014
(Profit) loss on investment	1 044	-60
Change in provisions	146	-275
Change in inventories	3 066	2 619
Change in receivables and other assets	13 865	4 965
Change in current liabilities, except for loans and borrowings	-27 067	-12 529
Other adjustments (including change in deferred income)	1 001	3 622
Cash provided by (used in) operating activities	-2 121	4 242
Income tax paid	615	1 746
Net cash provided by (used in) operating activities	-2 736	2 496
Cash flows – investing activities		
Inflows	314	5 284
Disposal of intangible assets and property, plant and equipment	119	4 619
Inflows from financial assets in related entities	195	665
- repayment of loan with interest	195	665
Outflows	-1 901	-399
Acquisition of intangible assets and property, plant and equipment	-879	-399
Outflows on acquisition of financial assets in related entities	-1 022	-
Net cash provided by (used in) investing activities	-1 587	4 885
Cash flows – financing activities		
Inflows	1 963	5
Bank loans	1 963	-
Other financial inflows	-	5
Outflows	-3 041	-2 961
Repayment of bank loans	-66	-453
Paid interest and commission	-34	-110
Payment of liabilities under finance lease	-33	-46
Payment of liabilities under operating lease IFRS 16	-2 908	-2 352
Net cash provided by (used in) financing activities	-1 078	-2 956
Total cash flows, net	-5 401	4 425
Increase/(decrease) in cash and cash equivalents net	-5 401	4 425
Cash and cash equivalents as at the beginning of the period	38 928	34 787
Cash and cash equivalents as at the end of the period	33 527	39 212
Including restricted cash (VAT)	1 520	1 118

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

1 Establishment of the company 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, XIV 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.

Information for esef

Place of business: Warszawa (02-457), ul. Łopuszańska 95

Country of registration: Poland

Name change: was not

1.1 The Management Board and Supervisory authorities of the Issuer

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

Marek Kiersznicki - President of the Management Board

Krzysztof Marczak - Vice President of the Management Board

Michał Dąbrowski - Member of the Management Board

In the first half of 2021, there was a change in the position of the President of the Management Board of the Company.

President of the Management Board, Mr. Jarosław Stępniewski, resigned from membership in the Management Board of the Company as of June 23, 2021. By a resolution of the Supervisory Board on May 26, 2021, was appointed the Management Board for the next term of office, composed of:

Marek Kiersznicki - President of the Management Board

Krzysztof Marczak – Vice President of the Management Board

Michał Dąbrowski- Member of the Management Board

The three-year joint term of the company's management board began on June 25, 2021.

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
- Wiesław Kiepiel
- Jarosław Stępniewski

In the first half of 2021, there was a change in the composition of the Company's Supervisory Board.

Mr. Krzysztof Obłój resigned from the position of a member of the Supervisory Board of Prochem S.A. as of June 23, 2021. Ordinary General Meeting of Shareholders of PROCHEM S.A. By Resolution No. 19 of June 24, 2021, elected Mr. Jarosław Stępniewski as a member of the Supervisory Board of the 11th joint term of office.

2 Employment

Average employment in the Capital Group for the first half of 2021 was 388 FTEs and in the first half of 2020 383 FTEs. Level of employment in persons on 30 June 2021 was 394 persons, and on 30 June 2020 390 persons.

3 Description of the organization of the Capital Group with 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 Entity comprises the following subsidiaries directly and indirectly:

Subsidiaries covered by full consolidation:

- Prochem Inwestycje Sp. z o.o. seated in Warsaw – subsidiary directly (100.0%);
- PRO-INHUT Sp. z o.o. seated in Dąbrowa Górnicza – subsidiary indirectly (93.2%);
- PREDOM Sp. z o.o. seated in Wrocław – subsidiary indirectly (81.7% of share in capital and profit, 72.3% of votes);
- Prochem Zachód Sp. z o.o. seated in Warsaw – subsidiary indirectly (80.0%);
- Elektromontaż Kraków S.A. seated in Krakow – subsidiary indirectly (91.07%), including 56.59% 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.;
- ATUTOR Integracja Cyfrowa Sp. z o.o. seated in Warsaw – subsidiary indirectly (50.14% of share holds company Prochem Inwestycje Sp. z o.o. subsidiary in 100%);
- Prochem RPI Sp. z o.o. seated in Warsaw – subsidiary in 100% (including 3.3% of share in capital and voting right belongs to company Prochem Inwestycje).

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

- 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.

Company 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.

ITEL Sp. z o.o. seated in Gdynia – 42.0% share (18.7% share in voting right and capitals holds directly Prochem S.A., and 23.3% holds Prochem RPI Sp. z o.o. subsidiary in 100%) covered by a revaluation write-off – company is not operating.

On February 4, 2021, on the basis of a share sale agreement, the company Prochem S.A. purchased 20,234 series A registered shares of Elektromontaż Kraków S.A. based in Kraków, with a nominal value of PLN 5 each. The parties agreed to purchase price of shares at PLN 50 per share, the total purchase

price was PLN 1,021,939. Before the transaction, the company Prochem S.A. had a direct and indirect share in the voting right in the amount of 85.4%, and after the transaction, the share in the voting right is 93.8%

AGM of Elektromontaż Kraków S.A. on June 15, 2021, agreed to buy back its own shares for redemption. The maximum number of shares purchased for this purpose by the company is 96,000 at the price of PLN 105 per share. The total nominal value of the purchased shares is PLN 480,000. Before the transaction of purchase of shares for their redemption, the Capital Group had a direct and indirect share in the voting right in the amount of 91.07%

On June 16, 2021, on the basis of an agreement of sale of shares for redemption, Prochem Inwestycje Sp. z o.o. sold 94,000 series A registered shares of Elektromontaż Kraków S.A. based in Kraków, with a nominal value of PLN 5 each. The share purchase price was set at PLN 105 per share, the total sale price was PLN 9,870,000

On April 8, 2021, by the decision of the District Court for Kraków-Śródmieście in Kraków, IX Commercial Division of the National Court Register was liquidated and removed from the National Court Register, indirect subsidiary Elmont Inwestycje sp. z o.o.

On June 28, 2021 by the decision of the District Court for Kraków-Śródmieście in Kraków, IX Commercial Division of the National Court Register was liquidated and removed from the National Court Register, indirect subsidiary Elpro sp. z o.o..

4 Adopted Accounting Principles

Principle of presentation and statement of compliance

Interim condensed consolidated financial statements of Prochem S.A. for the current period from January 1 to June 30, 2021, the comparable period from January 1 to June 30, 2020, together with selected explanatory notes, were reviewed by a certified auditor.

Interim condensed consolidated financial statements of PROCHEM S.A. for the first half of 2021 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 2020.

The presented financial statements of the Prochem S.A. Capital Group present fairly and clearly the financial and property position of the Group as June 30, 2021 and the comparative data as at December 31, 2020, as well as the results of this activity for the year ended June 30, 2021 and the comparative data for the year ended June 30, 2020.

Interim consolidated financial statements of the Prochem S. A. Capital Group as at June 30, 2021 were prepared at assuming to continue business operations as a going concern in the foreseeable future.

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

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

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

The duration of the operations of the individual Capital Group companies is not limited.

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

Significant accounting principles and changes in IFRS

Changes in accounting estimates, and in accounting policies

The preparation of financial statements under IFRS endorsed by EU requires using certain accounting estimates and adoption of assumptions concerning future events. Items of the financial statements set on the basis of the estimates are subject to verification if circumstances being base of estimates are changing or as a result of obtaining new information, or of the progressive development of events or of acquiring greater experience. In preparing hereby financial statements were applied the same accounting principles and the same calculation methods which were applied in the consolidated financial statements of the Prochem S.A.Capital group for the year ended 31 December 2020.

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

Approved by the IASB for use after January 1, 2021 and during 2021. Amendments to:

- IFRS 4 "Insurance Contracts" - deferred application - IFRS 9 "Financial Instruments";
- IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - IBOR reform;
- IFRS 16 "Leases" - simplification of changes resulting from contracts of lease in connection with COVID-19.

The above changes to the standards were approved for use by the European Union by the date of publication of hereby financial statements and did not affect the Group's accounting policy and the consolidated financial statements.

Standards adopted by the International Accounting Standards Board (IASB), endorsed by the European Union but not yet in force

- Amendments to IFRS 3 Business Combinations - Update of References to the Conceptual Framework;
- Amendments to IAS 16 "Property, plant and equipment" - revenues from products produced in the period of preparation of property, plant and equipment for the commencement of operation;
- Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" - explanations on costs recognized in the analysis of whether the contract is a contract that is onerous;
- Annual Amendments Program 2018-2020 - the amendments contain clarifications and clarify the guidelines of recognition and measurement standards: IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 9 "Financial Instruments", IAS 41 "Agriculture" and to illustrative examples to IFRS 16 "Leases";
- IFRS 17 "Insurance Contracts" and amendments to IFRS 17;
- Amendments to IAS 1 Presentation of financial statements - classification of liabilities as current or non-current;
- Amendments to IAS 1 "Presentation of Financial Statements" and guidelines of the IFRS Board regarding disclosures about accounting policies in practice - the requirement to disclose material information about accounting principles;
- Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" - definition of accounting estimates;

- Amendments to IAS 12 "Income Tax" - deferred tax relating to assets and liabilities resulting from a single transaction

Companies of the Capital Group of Prochem S.A. have not decided to earlier apply the Standards and amendments to standards that have been published and approved for use in the EU, but have not yet come into force, will implement them on the date of adoption.

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 additional explanatory 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).

5 Functional currency and presentation currency of financial statements

Consolidated financial statements are presented in thousands of Polish Zloty ('zloty' or "PLN"), which is the reporting currency and the functional currency of the Companies from the Capital Group S.A.

6 The impact of the coronavirus pandemic on the operations of the Prochem S.A. Capital 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

Companies from the Prochem S.A. 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. 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 the remaining companies of the Group. They are constantly adapted to the changing conditions in the environment.

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 the area of construction and assembly contracts and deliveries, additional procedures were implemented in the field of ongoing monitoring of compliance with the terms and deadlines of contracts 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.

In the first half of 2021, the impact of the COVID-19 epidemic on the activity was felt, consisting in rising prices for construction materials and shortages of goods on the market, resulting in a decrease in margins, primarily in the segment of construction and of assembly services. The above-mentioned factors will have an impact on the level of profitability of the business. It is monitored on an ongoing basis so as to take appropriate steps regarding the organization of work and fulfil obligations on time, if necessary. The execution of orders proceeded without downtime, in a manner that did not deviate from the norm.

Interim condensed consolidated financial statements of the PROCHEM S.A. Capital Group as at and for the period of 6 months ended 30 June 2021

As at the date of hereby interim condensed consolidated financial statements, the Group's financial position is stable. As a result of the analysis, the Management Board of the Parent Entity of the Capital Group Prochem S.A. sees no need to:

- 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,
- changing or correcting the Group's supply chain,
- correction of credit obligations,
- make adjustments to lease liabilities - all leasing contracts are carried out according to the schedule,
- introducing changes to the work and remuneration system of the Group's employees, all payroll obligations are met 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 boards of companies from the Capital Group of Prochem S.A. monitor the current situation with particular care. Actions were also taken to stabilize the financial and operational stability of the Group's companies by collecting the necessary financial reserves and using appropriate tools and IT solutions to maintain the project potential (e.g. creating remote work opportunities).

If necessary, the Management Boards of the Companies are prepared to take further actions 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 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.

7 Explanatory Notes to Interim Condensed Consolidated Financial Statements for six months ended June 30, 2021

Note 1 – Property, Plant and Equipment

	As at 30 June 2021	As at 31 December 2020
Property, plant and equipment, including:	17 006	17 165
- land	2 133	2 148
- buildings, premises and civil engineering objects	11 898	12 168
- machinery and equipment	1 039	872
- vehicles	1 321	1 219
- other PPE	615	758
Construction under progress	25	25
Total property, plant and equipment	17 031	17 190

Property, plant and equipment – ownership structure	As at 30 June 2021	As at 31 December 2020
a) own	15 563	5 808
b) used under rental, lease or other agreement, including :	1 468	11 382
- lease	98	953
- rental and lease	-	9 762
- value of the right of perpetual usufruct	1 370	667
Total carrying value of property, plant and equipment	17 031	17 190

The Group, pursuant to an agreement dated 23 July 2004 leases property consisting of 3 buildings with a total area of 6 227.5 m², on a plot of 3 311 m² located in Warsaw at Emilia Plater 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. Fair value as at June 30, 2020 was set based on measurement made as at December 31, 2020 made the independent valuers not associated with the Group. The valuers 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.

	Change in PPE for the period from 1 January 2021 to 30 June 2021	Change in PPE for the period from 1 January 2020 to 31 December 2020
Gross value		
As at opening balance sheet	36 353	35 438
Increase (due to)	813	1 977
- acquisition of PPE	813	1 110
- reclassification of PPE	-	867
Decrease (due to)	-182	-1 062
- disposal of PPE	-119	-296
- liquidation of PPE	-120	-59
- reversal of elimination of unpaid PPE in subsidiary	57	-706
- changes	-	-1
As at closing balance sheet	36 984	36 353

Depreciation and impairment

Interim condensed consolidated financial statements of the PROCHEM S.A. Capital Group as at and for the period of 6 months ended 30 June 2021

As at opening balance sheet – accumulated depreciation	19 163	17 606
Depreciation for the period (due to)	790	1 557
- increase (depreciation accrued)	1 025	1 964
- decrease under disposal of PPE	-115	-260
- decrease under liquidation of PPE	-121	-53
- reclassification of PPE to PPE for sale	-	-100
- other changes	1	6
As at closing balance sheet- accumulated depreciation	19 953	19 163
Impairment of PPE	-	-
PPE net value as at closing balance sheet	17 031	17 190

Note 2 – Investment Property

	As at 30 June 2021.	As at 31 December 2020
Buildings and constructions	7 673	7 673
Land	2 188	2 188
Total investment property	9 861	9 861

Investment property by titles	Change in investment property for the period from 1 January 2021 to 30 June 2021	Change in investment property for the period from 1 January 2020 to 30 June 2020
Investment property - land		
As at opening balance sheet	2 188	1 764
- increase under reclassification from PPE	-	176
- increase under measurement at fair value	-	248
As at closing balance sheet	2 188	2 188
Investment property - buildings and constructions		
As at opening balance sheet	7 673	6 546
- change under:		
b) increase under measurement at fair value	-	599
c) increase under reclassification from PPE	-	528
Total change	-	1 127
As at closing balance sheet	7 673	7 673
Write-down of investment property	-	-
Total investment property	9 861	9 861

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 once every two years.

Carrying value of the investment property as at 30 June 2021 does not significantly differ from fair value. Measurement at fair value as at 31 December 2020 was made by the independent valuers not associated with the Group. Valuers have the right qualifications to carry out valuations of investment property 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 30 June 2021.

Interim condensed consolidated financial statements of the PROCHEM S.A. Capital Group as at and for the period of 6 months ended 30 June 2021

	Level 1	Level 2	Level 3	Fair value as at 30.06.2020
	In PLN thousand	In PLN thousand	In PLN thousand	In PLN thousand
Investment property	-	-	9 861	9 861

There were no displacements between the levels 1, 2 and 3 in the first half of 2021.

Note 3 – The Right-of-Use Assets

	As at 30 June 2021	As at 31 December 2020
- buildings and constructions	22 084	23 787
- machinery and equipment	102	149
- vehicles	2 035	2 382
Total assets	24 221	26 318

For the period from 1 January 2021 to 30 June 2021	Buildings and constructions	Tools, instruments, movables and equipment	Vehicles	Total
Gross book value	30 196	337	3 604	34 137
Increase in gross value -conclusion of new contracts	-	-	61	61
Increase in gross value-updating the value of concluded contracts	-	-	65	65
Write-downs	-	-	-	-
Total	30 196	337	3 730	34 263
Depreciation				
As at opening balance sheet	6 409	188	1 222	7 819
- depreciation accrued	1 703	47	473	2 223
- decrease - end of an agreement	-	-	-	-
Total	8 112	235	1 695	10 042
Book value net as at 30.06.2021				
Book value gross	30 196	337	3 730	34 263
Accumulated depreciation	-8 112	-235	-1 695	-10 042
Write-down	-	-	-	-
Total net	22 084	102	2 035	24 221

Comparative data

For the period from 1 January 2020 to 31 December 2020	Buildings and constructions	Tools, instruments, movables and equipment	Vehicles	Total
Book value gross	27 563	337	2 635	30 535
Increase in gross value -conclusion of new contracts	2633	-	1039	3 672
Decrease in gross value - end of an agreement	-	-	-70	-70
Write-downs	-	-	-	-
Total	30 196	337	3 604	34 137
Depreciation				
As at opening balance sheet	3 066	94	466	3 626

Interim condensed consolidated financial statements of the PROCHEM S.A. Capital Group as at and for the period of 6 months ended 30 June 2021

- depreciation accrued	3 343	94	821	4 258
- decrease - end of an agreement	-	-	-65	-65
Total	6 409	188	1 222	7 819
Book value net as at 31.12.2020				
Book value gross	30 196	337	3 604	34 137
Accumulated depreciation	-6 409	-188	-1 222	-7 819
Write-downs	-	-	-	-
Total net	23 787	149	2 382	26 318

Note 4 – Shares in Entities Valued Using the Equity Method

Shares in jointly-controlled entities and associated entities	As at 30 June 2021	As at 31 December 2020
- Shares – net value	36 412	33 907
- write-downs of shares	1 011	1 011
Shares, gross value	37 423	34 918

Change in shares in jointly-controlled entities and associated entities	As at 30 June 2021	As at 31 December 2020
a) as at the beginning of the period	33 907	31 499
- shares at cost	33 907	31 499
b) increase (due to)	2 505	2 408
- share in the result of the current year	2 505	2 408
c) as at the end of the period, net	36 412	33 907
d) write-down	1 011	1 011
e) as at the end of the period gross	37 423	34 918

Note 5-Settlement of Deferred Income Tax

Changes in provision and deferred tax assets for the first half of 2021 are presented in the table below.

Deferred tax assets	As at 30 June 2021	As at 31 December 2020
As at the beginning of the period	5 896	7 977
Increase	4 818	4 682
Decrease	-4 703	-6 763
As at the end of the period	6 011	5 896
Provision for deferred income tax		
	As at 30 June 2021	As at 31 December 2020
As at the beginning of the period	6 871	9 227
Increase	3 196	3 466
Decrease	-2 667	-5 822
As at the end of the period	7 400	6 871
	As at 30 June 2021	As at 31 December 2020
Deferred tax assets	6 011	5 896
Provision under deferred income tax	-7 400	-6 871
Assets/(Provision) under deferred income tax	- 1 389	-975

Interim condensed consolidated financial statements of the PROCHEM S.A. Capital Group as at and for the period of 6 months ended 30 June 2021

Presentation in the statement of financial position	As at 30 June 2021	As at 31 December 2020
Deferred tax assets	1 347	1 484
Provision under deferred income tax	-2 736	-2 459
Assets/(Provision) under deferred income tax	-1 389	-975

Note 6 – Other Financial Assets

Other financial assets	As at 30 June 2021	As at 31 December 2020
a) from jointly-controlled entities :	17 114	17 083
- loans granted	17 114	17 083
Total other non-current financial assets	17 114	17 083

Loans granted – as at 30 June 2021

- Loans granted to jointly-controlled company Irydion Sp. z o.o. seated in Warsaw:
 - in the amount of PLN 11 069 thousand, including: amount of the loan PLN 11 000 thousand, accrued interest PLN 69 thousand. Interest rate is set annually according to WIBOR 6M rate, repayment date of loan with interest 22 September 2031;
 - in the amount of PLN 6 045 thousand, including: amount of the loan PLN 6 000 thousand, accrued interest PLN 45 thousand. Interest rate is set annually at 3% rate per year, repayment date of the loan with interest 22 September 2031;

Increase:

- Accrued interest on loans granted jointly-controlled company Irydion Sp. z o.o. in the amount of PLN 226 thousand,

Decrease:

- Repayment of interest by jointly-controlled company Irydion Sp. z o.o. in the amount of PLN 195 thousand.

Loans granted – as at 31 December 2020

- Loans granted jointly-controlled company Irydion Sp. z o.o. seated in Warsaw:
 - in the amount of PLN 11 083 thousand, including: amount of the loan PLN 11 000 thousand, accrued interest PLN 83 thousand. Interest rate is set annually according to WIBOR 6M rate, repayment date of the loan with interest 22 September 2031;
 - in the amount of PLN 6 000 thousand, including: amount of the loan PLN 6 000 thousand. Interest rate is set annually at 3% rate per year, repayment date of the loan with interest 22 September 2031;
- Loans granted to subsidiary Prochem Inwestycje Sp. z o.o.:

Note 7– Inventories

Inventories	As at 30 June 2021	As at 31 December 2020
Materials	1 670	4 315
Semi-finished products and work-in-process	312	743
Goods	291	281

Interim condensed consolidated financial statements of the PROCHEM S.A. Capital Group as at and for the period of 6 months ended 30 June 2021

Total inventories	2 273	5 339
Including write-down of inventories	557	557

Note 8 – Trade and Other Receivables

Trade and other receivables	As at 30 June 2021	As at 31 December 2020
Trade receivables	56 485	76 938
Write-down of trade receivables	4 289	4 319
Trade receivables net, including	52 196	72 619
- with repayment period up to 12 months	48 598	66 681
- with repayment period over 12 months	3 598	5 938
Receivables from taxes, subsidies, custom duties, social and health insurance and other benefits	36	1 132
Other receivables	1 268	1 348
Write-down of other receivables	0	0
Other receivables, net	1 268	1 348
Total receivables	53 500	75 099

Trade and other receivables from related entities	As at 30 June 2021	As at 31 December 2020
Trade receivables, including:	53	76
- from jointly-controlled entities and associated entities	53	76
Total trade and other receivables from related entities net	53	76
Write-downs of receivables from related entities	0	0
Total trade and other receivables from related entities gross	53	76

Change in write-downs of trade and other receivables	As at 30 June 2021	As at 31 December 2020
As at the beginning of the period	4 319	5 219
a) increase (due to)	0	156
- provision to receivables		156
b) decrease (due to)	30	1 056
- payments received	30	495
- use of write-downs created in previous periods		561
Write-downs of current trade and other receivables at the end of period	4 289	4 319

As at 30 June 2021 and as at 31 December 2020 trade receivables include current security deposits under statutory warranty granted for construction and assembly works, respectively for the amounts of PLN 8 910 thousand and PLN 15 395 thousand.

Note 9 – Other Financial Assets

Other financial assets	As at 30 June 2021	As at 31 December 2020
a) from other entities :	8 640	9 669
- other financial assets - security deposits constituting hedge for a guarantee granted by banks	8 640	9 669

Interim condensed consolidated financial statements of the PROCHEM S.A. Capital Group as at and for the period of 6 months ended 30 June 2021

Total other financial assets	8 640	9 669
Write-downs of other financial assets	18	18
Other financial assets gross	8 658	9 687

Note 10 – Other Assets

Other assets by type :	As at 30 June 2021	As at 31 December 2020
a) prepayments	957	879
- cost of property and personel insurance	238	232
- software maintenance cost	389	556
- subscriptions	6	2
- deferred costs	46	5
- other	278	84
Other assets	957	879

Note 11 – 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	-	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							

The total number of votes from all shares is 2 936 160.

Acting pursuant to resolutions No. 20 and 21 of the Ordinary General Meeting of June 24, 2021, the Management Board of Prochem S.A. on August 5, 2021, announced an invitation to submit sales offers for shares in Prochem S.A. The subject of this announcement was the purchase by the Company of no more than 580,000 shares of Prochem S.A. with a nominal value of PLN 1 each, issued by the company, dematerialized and registered by the National Depository for Securities S.A. in Warsaw ("KDPW") at the price of PLN 26 per share. The purchase of the Company's shares was settled on August 25, 2021.

As at the date of publication of hereby financial statements, the Parent Company purchased 580,000 own shares for redemption, after the redemption the number of shares remaining in trade will be 2 355 000 pcs.

Changing the rights from the issuer's securities

In accordance with information/notifications received from shareholders, the Company informs that as at the date of hereby report the following shareholders hold at least 5% votes at the general meeting of shareholders:

Interim condensed consolidated financial statements of the PROCHEM S.A. Capital Group as at and for the period of 6 months ended 30 June 2021

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	33.21	33.22
2. Otwarty Fundusz Emerytalny PZU „Złota Jesień”.	284 900	284 900	9.70	9.71

Changing the rights from shares of Prochem S.A. in 2021.

On August 27, 2021, the Management Board of PROCHEM S.A. with its seat in Warsaw (hereinafter referred to as the "Issuer", "Company") received information from Mr. Andrzej Karczykowski about the reduction of his share in the share capital of Prochem and in the total number of votes in Prochem, respectively to the level of approx. 3.81% and approx. 3, 80% as a result of a share sale transaction for the redemption of 171,699 shares. As a result, Mr. Andrzej Karczykowski decreased his share in the capital by 5.85% and by 5.85% in the total number of votes. Before the transaction, the share in the capital and voting rights amounted to 9.66%

On August 31, 2021, the Management Board of PROCHEM S.A. with its seat in Warsaw (hereinafter referred to as the "Issuer", "Company") received information from APUS S.A. based in Warsaw and a related entity - Jean-Jacques Alphandery based in Switzerland - about the reduction of his share in the share capital of Prochem and in the total number of votes in Prochem, respectively to the level of approx. 4.97% and approx. 4.97% as a result of sale of shares for redemption in the amount of 224,381 shares. As a result, APUS S.A. decreased its share in the capital by 7.65% and by 7.65% in the total number of votes. Before the transaction, the share in the capital and voting rights amounted to 10.62%.

Note 12 - Retained Earnings

	As at 30 June 2021	As at 31 December 2020
Spare capital	72 390	62 697
Other reserve capitals	24 593	19 550
Profit of the prior period	1 650	-465
Profit for the period	3 496	13 863
Total	102 129	95 645

Note 13 – Non-current Loans

	As at 30 June 2021	As at 31 December 2020
- loans	3 231	1 334

Information on bank loans

Name of the bank	Registered office	Credit limit	Engagement amount	Repayment date	Terms of interest	Collateral
By Elektromontaż Kraków S.A.						
mBank S.A.	Warsaw	500	-	19.01.2021	WIBOR for 1-month deposits in PLN + margin	Mortgage
ING BANK Śląski	Katowice	2 500	1 962	22.02.2022	WIBOR for 1-month deposits ON in PLN + margin	Mortgage

Interim condensed consolidated financial statements of the PROCHEM S.A. Capital Group as at and for the period of 6 months ended 30 June 2021

By Atutor Integracja Cyfrowa sp. z o.o.

Bank Millennium S.A.	Warsaw	150	85	Revolving loan in account from 02.08.2016r	WIBOR 1m plus margin	Granting the power of attorney to the bank to collect and repay bills and block funds if the loan is not repaid on time
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By Pro-Inhut sp. z o.o.

ING Bank Śląski S.A.	Dąbrowa Górnicza	734	735	17.05..2022	WIBOR for 1-month deposits in PLN + margin	Guarantee by BGK Bank based on a portfolio agreement, Promissory note in blank.
ING Bank Śląski S.A.	Sosnowiec	400	398	30.07.2021	WIBOR for 1-month deposits in PLN + margin	Guarantee by BGK Bank based on a portfolio agreement, Promissory note in blank.
ING Bank Śląski S.A.	Sosnowiec	200	51	30.07.2021	WIBOR for 1-month deposits in PLN + margin	Guarantee by BGK Bank based on a portfolio agreement, Promissory note in blank.

Note 14- Trade Payables

	As at 30 June 2021	As at 31 December 2020
a) to associated entities and jointly-controlled entities	-	1
- from supplies and services, with maturity period:	-	1
- up to 12 months	-	1
b) to other entities	43 712	60 950
- from supplies and services, with maturity period:	43 712	60 950
- up to 12 months	43 712	60 447
- above 12 months	-	503
Total current trade payables	43 712	60 951
Non-current payables under retained security deposits with maturity above 12 months	10 295	14 291
Total trade payables	54 007	75 242

Note 15 – Settlements under Non-current Contracts

	As at 30 June 2021	As at 31 December 2020
- amounts due from recipients under non-current contracts	21 595	13 163
Amounts due from recipients under non-current contracts	21 595	13 163

	As at 30 June 2021	As at 31 December 2020
- amounts owed to recipients under non-current contracts:	16 184	20 486
a) current	16 184	20 486
Amounts owed to recipients under non-current contracts	16 184	20 486

Specification	As at 30 June 2021	As at 31 December 2020
Revenues according to contracts	851 920	767 845
Revenues invoiced	653 340	570 103

Interim condensed consolidated financial statements of the PROCHEM S.A. Capital Group as at and for the period of 6 months ended 30 June 2021

Liabilities planned under execution of contracts	773 213	698 768
Realized liabilities under contracts	623 220	543 668
Amounts due from recipients	21 595	13 163
Amounts owed to recipients	16 184	20 486

Note 16 – Liabilities under Lease

Liabilities at the end of the period, including:	As at 30 June 2021	As at 31 December 2020
- liabilities under finance lease	998	898
- liabilities under right-of-use	25 266	27 240
Total non-current liabilities	26 264	28 138
Including current liabilities	5 147	4 576

Note 17 – Other Liabilities

	As at 30 June 2021	As at 31 December 2020
a) to other entities	3 258	3 352
- under taxes, duties, insurance and other changes	2 499	2 212
- under remuneration	34	10
- other (by type)	725	1 130
liabilities to employees	378	438
liabilities to shareholders	119	16
other	228	676
b) other non-current provisions	3 969	5 149
- provision for costs booked to the previous year, relating to non-current contracts	119	1 675
- provision for costs	1 917	1 333
- cost of audit	30	62
- current provision for retirement benefit	334	359
- provision for unused holiday leaves	1 569	1 720
Total other liabilities	7 227	8 501

Note 18 - Revenues from Sale of Services

Revenues from sale of services (type of service and type of activity)	Period ended 30 June 2021	Period ended 30 June 2020
- revenues from sale of services, including:	105 295	164 929
- from related entities	1 055	1 368
Revenues from sale of services (type of service and type of activity)	Period ended 30 June 2021	Period ended 30 June 2020
- revenues from sale of services, including:	105 295	164 774
- from related services	1 055	1 368
Exports	-	155

Revenues under contracts for construction services (general contracting) and other services are presented in Note 25 – operating segments.

The gross amount due from ordering parties/buyers 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 revenues of the entity for the first half of 2021 is included in Note 25 – Operating segments.

Interim condensed consolidated financial statements of the PROCHEM S.A. Capital Group as at and for the period of 6 months ended 30 June 2021

Note 19 – Cost of Services Sold

Costs by type	Period ended 30 June 2021	Period ended 30 June 2020
a) amortization and depreciation	3 283	3 094
b) consumption of materials and energy	7 279	6 039
c) outsourcing	68 247	131 476
d) taxes and levies	131	362
e) remuneration	18 851	18 059
f) social security and other benefits	4 084	3 597
g) other costs by type (by titles)	1 660	1 545
- property and personnel insurance	372	406
- business trips	495	450
- PFRON (State Fund for Rehabilitation of Disabled Persons)	237	146
- rental of cars	131	151
- other	425	392
Total costs by type	103 535	164 172
Change in inventories, products and prepayments	-1 215	-1 682
General and administrative expenses (negative value)	-7 311	-7 055
Costs of services sold	95 009	155 435

Note 20 – Other Operating Income

	Period ended 30 June 2021	Period ended 30 June 2020
a) gain on sale of non-financial and non-current assets	14	19
b) reversal of impairment allowance (due to)	30	74
- for receivables	30	74
c) other, including:	1 424	786
- return of litigation cost	130	4
- compensation, fines and penalties received	1 265	525
- write-off of past due liabilities	-	114
- other	29	143
Total operating income	1 468	879

Note 21 – Other Operating Expenses

	Period ended 30 June 2021	Period ended 30 June 2020
b) write-down of (due to)	-	105
- receivables	-	105
c) other, including:	353	43
- litigation cost	-	23
- fines, penalties and compensation paid	321	-
- actuarial valuation of employee benefits	4	-
- other	28	20
Total other operating costs	353	148

Note 22 – Financial Income

	Period ended 30 June 2021	Period ended 30 June 2020
a) interest under loans granted	226	105
- from jointly-controlled entities	226	105

Interim condensed consolidated financial statements of the PROCHEM S.A. Capital Group as at and for the period of 6 months ended 30 June 2021

b) other interest	-	67
- from other entities	-	67
c) surplus of positive exchange rate differences	2	-
d) other, including:	6	251
- income under discount of non-current liabilities	-	147
- other	6	104
Total financial income	234	423

Note 23 – Finance Costs

	Period ended 30 June 2021	Period ended 30 June 2020
a) interest on bank loans	24	20
b) other interest	579	607
- for other entities	10	36
- under lease	569	571
c) surplus of negative exchange rate differences	174	99
d) other, under :	397	784
- commission on bank guarantees	353	285
- commission on loans	25	90
- costs under discount of financial assets	-	17
- other costs	19	392
Total finance costs	1 174	1 510

Note 24–Additional Disclosures to the Statement of Cash Flows

Differences between the amounts established directly from the financial statements and those presented in the statement of cash flows resulted from a transfer of particular amounts from operating activity to investing activity and financing activity.

These relate to the following balance sheet items (in PLN thousands):

	30 June	
	In 2020	In 2020
Change in current receivables	13 865	4 965
Receivables as at 1 January	75 099	77 980
Amounts due from recipients under contracts as at 1 January	13 163	22 851
Other assets as at 1 January	879	943
Receivables under retained security deposits as at 1 January	883	11
Opening balance sheet after adjustments	90 024	101 785
Receivables as at 30 June	53 500	75 394
Amounts due from recipients under contracts as at 30 June	21 595	19 965
Other assets as at 30 June	957	925
Receivables under retained security deposits as at 30 June	226	536
Receivables from non-current assets sold	-119	0
Closing balance sheet after adjustments	76 159	96 820
Change in current liabilities except for current loans and special funds	-27 067	12 519
Trade payables as at 1 January	60 951	31 626
Other liabilities as at 1 January	8 501	8 620
Amounts owed to suppliers under contracts as at 1 January	20 486	2 863
Liability under retained security deposits as at 1 January	14 291	3 569

Interim condensed consolidated financial statements of the PROCHEM S.A. Capital Group as at and for the period of 6 months ended 30 June 2021

Provision for current retirement benefits	-359	-445
Provision for annual leaves	-1 720	-1 471
Provision for audit	-62	-67
Provision for current other costs	-1 565	-1 550
Liabilities under investments	-55	-428
Liabilities to shareholders	-16	-16
Opening balance sheet after adjustment	100 452	42 701
Trade payables as at 30 June	43 712	43 956
Amounts owed to recipients under contracts as at 30 June	16 184	673
Other liabilities as at 30 June	7 226	10 195
Liabilities under retained security deposits as at 30 June	10 295	4 137
Provision for current retirement benefits	-333	-445
Provision for annual leaves	-1 569	-1 339
Provision for audit	-30	-30
Provision for current other costs	-1 920	-1 549
Liabilities under investments	-62	-362
Liabilities to shareholders	-119	-16
Closing balance sheet after adjustments	73 385	55 220
Change in other adjustments as at 30 June	1 001	3 622
Change in deferred income - advances received	-48	3 286
Other	1 049	336

Note 25– Operating Segments

In the period from 1 January 2021 to 30 June 2021 there were no revenues achieved beyond Polish border (Exports) in the analogous period in the previous year revenues amounted to PLN 155 thousand (i. e. 0.09% of sales revenue).

Information on major customers, which share in sales revenue for the first half of 2021 exceeded 10% of the total sales revenue:

- A client, who deals in the production of chemical raw materials – sales revenue – PLN 54 512 thousand, representing 51.5 % of sales revenue, which were disclosed in the segment „General contracting” and „Design services and other engineering services”.
- A client, who operates in the cultural sector – sales revenue PLN 9 440 thousand, representing 8.9 % of sales revenue, which were disclosed in the segment „General contracting”.

Detailed data on the operations of Prochem S.A. in the individual segments are shown in the tables below. The analysis of the Company's revenues and results in individual reporting segments covered by the reporting is presented below.

Interim condensed consolidated financial statements of the PROCHEM S. A. Capital Group as at and for the period of 6 months ended 30 June 2021 ku

For the period from 01.01.2021 to 30.06.2021	General contracting	Design services and other engineering services	Rental of construction equipment	Assembly of electrical installation	Rental of office space and real estate	Managemen t of real estates	Commercia l activity	Other IT services	Other	Items not assigned	Total
Revenues to external clients	67 610	15 984	209	17 056	2 342	37	600	1 528	529	-	105 895
Total segment revenues	67 610	15 984	209	17 056	2 342	37	600	1 528	529	-	105 895
Result of the segment	4 483	-1 756	-336	61	535	0	57	237	-249	-	3 032
Financial income										354	354
Finance costs										-1 174	-1 174
Net financial income										-820	-820
Profit sharing in entities valued using the equity method										2 505	2 505
Profit on other operating activities										1 116	1 116
Before tax profit										5 833	5 833
Income tax										1 194	1 194
Profit for the current period										4 639	4 639
Profit assigned to non-controlling interest										-22	-22
Profit for the period assigned to shareholders of the parent entity										4 661	4 661
Segment assets (related to activity)	47 061	4 393	282	15 920	22 103	-	-	-	299	-	90 058
Unallocated /not assigned assets (among others shares and other financial assets)										138 045	138 045
Total assets	47 061	4 393	282	15 920	22 103	-	-	0	299	138 045	228 103
Depreciation of property, plant and equipment	182	819	35	500	847	-	-	31	43	792	3 249
Amortisation of intangible assets	-	4	-	7	-	-	-	-	-	23	34

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Interim condensed consolidated financial statements of the PROCHEM S.A. Capital Group as at and for the period of 6 months ended 30 June 2021

Note operating segments - continuation

For the period from 01.01.2020 to 30.06.2020	General contracting	Design services, other engineering services	Rental of construction equipment	Assembly of electrical installations	Rental of office space and real estate	Maintenance	Commercial 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 assets	130 600	21 165	427	8 936	2 439	173	1 152	181	848	160	166 081
Result of the segment	1 387	645	-139	915	258	-7	93	-277	-164	-180	2 531
Financial income										483	383
Finance costs										-1 510	-1 510
Net financial income/finance costs										-1 027	-1 027
Profit sharing in associated entities										499	499
Profit 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
Assets as at 30.06.2020											
Segment assets (related to activity)	60 210	7 512	281	7 297	24 189	56	196	263	296	-	100 304
Unallocated/not assigned assets (among others shares and other financial assets)	-	-	-	-	-	-	-	-	-	152 683	152 683
Total assets	60 210	7 516	281	7 297	24 189	56	196	263	296	152 683	252 987
Other information related to segment for the period from 01.01.2020 to 30.06.2020											
Depreciation of property, plant and equipment	196	721	46	-	861	-	-	31	46	1 157	3 058
Amortisation of intangible assets	-	1	-	-	-	-	-	2	-	33	36

Information on the geographical areas

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

	01.01-30.06.2021	01.01-30.06.2020
Poland	105 895	169 926
Japan	-	11
Italy	-	144
Total sales revenue	105 895	166 081

Geographical breakdown of property, plant and equipment and intangible assets

	30.06.2021	31.12.2020
Poland	17 146	17 266
Total property, plant and equipment and intangible assets	17 146	17 266

Note 26- Profit per One Share

Net profit per 1 share of the Parent Entity remaining in trade as at 30 June 2021 was PLN 1.19 zł, and for the analogous period of 2020 was PLN 0.60.

Note 27 – Profit Distribution and Loss Coverage

Profit for the period of the Prochem S.A. Capital Group is not subject to distribution.

Pusuant to the Resolution No. 15 of the Ordinary General Meeting of June 24, 2021 the Issuer’s net profit for 2020 in the amount of PLN 10,076,753.04 was entirely allocated to the reserve capital.

Note 28 - Dividends

The Issuer did not pay dividend for 2020.

Note 29 - Financial Instruments and Financial Risk Management

29.1 Categories and classes of financial instruments

Financial assets

30 June 2021		Categories of financial instruments	
		Loans, receivables and other	Total
	Classes of financial instruments	note	
	Receivables from supplies and services	8	52 196
	Amounts due from recipients under contracts	15	21 595
	Cash		33 527
	Security deposits constituting collateral	9	8 640
	Loans granted	6	17 114
	Total		133 072

Interim condensed consolidated financial statements of the PROCHEM S.A. Capital Groups at and for the period of 6 months ended 30 June 2021

31 December 2020	Categories of financial instruments		
		Loans, receivables and other	Total
Classes of financial instruments	note		
Receivables from supplies and services	8	72 619	72 619
Amounts due from recipients under contracts	15	13 163	13 163
Cash		38 928	38 928
Security deposits constituting collateral	9	9 669	9 669
Loans granted	6	17 083	17 083
Total		151 462	151 462

Financial liabilities

30 June 2021	Financial liabilities measured at amortized cost		
			Total
Classes of financial instruments	note		
Amounts owed to recipients under contracts	15	16 184	16 184
Trade payables	14	54 007	54 007
Loans	13	3 231	3 231
Total		73 422	73 422

31 December 2020	Financial liabilities measured at amortized cost		
			Total
Classes of financial instruments	note		
Amounts owed to recipients under contracts	15	20 486	20 486
Trade payables	14	75 242	75 242
Loans	13	1 334	1 334
Total		97 062	97 062

29.2. Impairment allowances of financial assets by classes of financial instruments

(in PLN thousands)

Classes of financial instruments	31 December 2020	31 December 2020
Receivables from supplies and services	(4 289)	(4 319)
Other receivables	-	-
Other financial assets	(18)	(18)
Total	(4 307)	(4 337)

Impairment allowances of financial assets are presented in note 8.

29.3. Liquidity risk related to the concentration of sales revenue

Prochem S.A. Capital group realized in the first half of 2021 sales revenue in the amount of PLN 105 295 thousand. Customers whose sales revenue exceeded 10% of sales revenue disclosed in the profit and loss account are listed in note 25.

Note 30 – Collateral Granted and Received and Contingent Liabilities and Contingent Assets

	As at 30 June 2021	As at 31 December 2020
Collateral granted		
Bank guarantee of good performance and statutory warranty	54 535	50 729
Tender guarantee	500	-

Interim condensed consolidated financial statements of the PROCHEM S.A. Capital Groups at and for the period of 6 months ended 30 June 2021

Guarantee of payment	995	995
Guarantee of return of advance payment	-	1 500
Total guarantee granted	56 030	53 224
surety agreement for the return of an advance payment from the company from the Capital Group of Prochem S.A.,	7 374	7 374
Total collateral and contingent liabilities	63 404	60 598

Collateral received	As at 31 December 2020	As at 31 December 2019
Bank guarantee of good performance	9 317	21 094
Guarantee by promissory notes for securing contract terms	2 003	450
Total collateral received	11 320	21 544

Note 31 - 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 an influence, or is a member of key managing staff of the Issuer.

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

In the first half of 2021 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.

In the first half of 2021 in the Issuer's enterprise was paid remuneration:

- to the Members of the Management Board in total amount of PLN 1,000,6 thousand.
- to the Members of the Supervisory Board in total amount of PLN 156 thousand.

Remuneration paid to members of the Management Board in the first half of 2021 for performing functions in the Management Boards and Supervisory Boards of companies belonging to the capital group were received by:

- | | |
|-------------------------|-----------------|
| 1. Jarosław Stępniewski | PLN 46 thousand |
| 2. Krzysztof Marczak | PLN 39 thousand |

The transactions between related entities presented below were concluded on market conditions and relate to the sale and purchase of services, among others construction, assembly and rental, as well as loans mutually granted.

Settlements with related entities include receivables, trade payables and financial liabilities.

Guarantees and sureties granted to related entities are presented in note 30.

Reporting period

(in PLN thousands)

from 1 January to 30 June 2021

	Sale of services	Purchase of services	Financial income – interest on loans	Financial income – dividends received	Financial costs – interest on loans
Jointly-controlled entities and associated entities	1 055)**	1 663	226	-	-

)** - sale of services and purchase of services in its entirety relate to revenues from the jointly controlled company Irydion Sp. z o.o. in Warsaw, for the benefit of which is implemented investment task under the name of „Astrum Biznes Park” in Warsaw.

Interim condensed consolidated financial statements of the PROCHEM S.A. Capital Groups at and for the period of 6 months ended 30 June 2021

As at 30 June 2021					
	Trade receivables	Receivables under loans granted	Other receivables	Trade payables	Liabilities under loans granted
Jointly-controlled entities and associated entities	53	17 114	-	-	-

Comparative 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	Financial costs – interest on loans
Jointly-controlled entities and associated entities	1 368)**	1.633	105	-	-

)** - sale of services and purchase of services in its entirety relate to revenues from the jointly controlled company Irydion Sp. z o.o. in Warsaw, for the benefit of which is implemented investment task under the name of „Astrum Biznes Park” in Warsaw.

As at 30 June 2020					
	Trade receivables	Receivables under loans granted	Trade payables	Other liabilities	Liabilities under loans granted
Jointly-controlled entities and associated entities	540	17 859	8	-	-

Note 32 – Events after the Balance Sheet Date

Acting pursuant to resolutions No. 20 and 21 of the Ordinary General Meeting of June 24, 2021, the Management Board of Prochem S.A. on August 5, 2021, announced an invitation to submit sales offers for shares in Prochem S.A. The subject of this announcement was the purchase by the Company of no more than 580,000 shares of Prochem S.A. with a nominal value of PLN 1 each, issued by the company, dematerialized and registered by the National Depository for Securities S.A. in Warsaw ("KDPW") at the price of PLN 26 per share. The purchase of the Company's shares was settled on August 25, 2021.

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

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

As at the date of separate financial statements hereby and according to the declaration received, the following members of the Management Board and the Supervisory Board held shares of PROCHEM S.A.:

- Marek Kiersznicki – 44,327 pcs.;
- Krzysztof Marczak – 30,268 pcs.;
- Marek Garliński – 49,929 pcs.;
- Andrzej Karczykowski – 111,692 pcs.;
- Jarosław Stępniewski – 50,206 pcs.;

The nominal value of 1 share is PLN 1.

The change in the number of shares held by managing and supervising persons results from the sale of shares for redemption at PLN 26 per share.

Interim condensed consolidated financial statements of the PROCHEM S.A. Capital Groups at and for the period of 6 months ended 30 June 2021

- Marek Kiersznicki - reducing the number of shares held by 15 147 pcs.;
- Krzysztof Marczak – reducing the number of shares held by 12 118 pcs.;
- Marek Garliński – reducing the number of shares held by 34 067 pcs.;
- Andrzej Karczykowski – reducing the number of shares held by 171 699 pcs.;
- Jarosław Stępniewski – reducing the number of shares held by 18 177 pcs.;

Information on granting a surety for loan or borrowing or guarantee 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 at least 10 % of the issuer's equity

Not applicable.

Indication of factors which, in the issuer's opinion will have an impact on the results achieved by the issuer in the perspective of at least the subsequent quarter

The Issuer participates in a few of tender procedures, which, if successful, may lead to the signing of several significant orders, and as a result, in the following quarters, improve both revenues from sales of services and results on operations. Completion of the commercialization of the Astrum Business Park project in Warsaw will also have a significant impact on the financial situation of the Issuer and the Capital Group.

Note 34 - Approval of the Consolidated Financial Statements

Interim Condensed Consolidated Financial Statements of the Prochem S.A. Capital Group for the period from 1 January 2021 to 30 June 2021 were approved for issue by the Management Board of Prochem S.A. on 27 September 2021.

Signatures of the Members of the Management Board

27.09.2021	Marek Kiersznicki	President of the Management Board
date	name and surname	position	signature

27.09.2021	Krzysztof Marczak	Vice President of the Management Board
date	name and surname	position	signature

27.09.2021	Michał Dąbrowski	Member of the Management Board
date	name and surname	position	signature

Signature of person responsible for bookkeeping

27.09.2021	Barbara Auguścińska-Sawicka	Chief Accountant
date	name and surname	position	signature