

Interim condensed consolidated financial statements of the Prochem S.A. Capital Group as at and for the period of six months ended 30 June 2019

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

**As at and for the period of six months ended
30 June 2019**

www.prochem.com.pl

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

Interim condensed consolidated financial statements of the Prochem S.A. Capital Group as at and for the period of six months ended 30 June 2019

Consolidated condensed statement of financial position

(all amounts in PLN thousands if not stated otherwise)

	Note No.	30 June 2019 (upon review)	31 December 2018 (upon audit)
A s s e t s			
Non-current assets			
Property, plant and equipment	1	17 847	22 847
Intangible assets		151	182
Investment property	2	11 990	11 990
Right-of-use assets	3	23 282	-
Shares		830	830
Shares in entities valued using the equity method	4	29 849	28 111
Deferred tax assets	5	2 000	2 340
Receivables under retained security deposits		147	63
Other financial assets	6	20 487	20 422
Total non-current assets		106 583	86 785
Current assets			
Inventories	7	2 477	3 378
Trade and other receivables	8	53 638	41 472
Amounts due from recipients under contracts	14	15 537	13 691
Other financial assets		18	-
Other assets	9	1 088	1 202
Cash and cash equivalents		6 463	3 250
Total current assets		79 221	62 993
Available-for-Sale Assets		4 439	-
Total assets		190 243	149 778
E q u i t y a n d L i a b i l i t i e s			
Equity			
Share capital	10	2 935	2 935
Revaluation reserve		11 789	11 789
Retained earnings	11	71 716	69 216
Owner's equity		86 440	83 940
Non-controlling interest		6 482	6 470
Total equity		92 922	90 410
Non-current liabilities			
Non-current bank loans	12	-	52
Provision to deferred income tax	5	2 382	2 400
Provision to retirement and similar benefits		1 757	1 763
Non-current liabilities under retained security deposits		4 137	3 569
Liabilities under lease		20 570	482
Other non-current liabilities		139	138
Total non-current liabilities		28 985	8 404
Current liabilities			
Current bank loans	12	9 469	7 077
Trade payables	13	43 956	31 626
Amounts owed to recipients due to contracts	14	673	2 863
Liabilities under current income tax		-	39

Interim condensed consolidated financial statements of the Prochem S.A. Capital Group as at and for the period of six months ended 30 June 2019

Liabilities under lease		3 719	338
Other liabilities	15	10 195	8 620
Deferred income	16	324	401
Total current liabilities		68 336	50 964
Total liabilities		97 321	59 368
Total equity and liabilities		190 243	149 778

Book value – equity assigned to owners of the Parent Equity		86 440	83 940
Average number of ordinary shares (units)		2 935 000	2 935 000
Book value per one share (in PLN) – assigned to owners of the Parent Entity		29.45	28.60

Condensed consolidated statement of profit and loss

(all amounts in PLN thousands if not stated otherwise)

	Note No.	Period ended 30 June 2019 (upon review)	Period ended 30 June 2018 (upon review)
Revenues from sale, including :		98 044	50 247
Revenue from sale of services	17	95 590	49 191
Revenues from sale of goods and materials		2 454	1 056
Cost of sales, including :		-90 030	-46 983
Cost of services sold	18	-87 859	-46 010
Cost of merchandise and raw materials		-2 171	-973
Gross profit on sales		8 014	3 264
General and administrative expenses	18	-6 385	-7 027
Other operating income	19	176	2 848
Other operating expenses	20	-34	-109
Results from operating activities		1 771	-1 024
Financial income	21	341	308
Finance expenses	22	-928	-200
Profit sharing in entities valued using the equity method		1 738	-676
Before tax profit		2 922	-1 592
Income tax :		342	10
- current tax		17	14
- deferred tax		325	-4
Profit for the period		2 580	-1 602

Profit for the period assigned to :			
Shareholders of the Parent Entity		2 563	-1 453
Non-controlling interest		17	-149
Weighted average number of ordinary shares		2 935 000	3 895 000
Profit (loss) per ordinary share (in PLN per one share) assigned to owners of the Parent Entity		0.87	-0.37

Interim condensed consolidated financial statements of the Prochem S.A. Capital Group as at and for the period of six months ended 30 June 2019

Condensed consolidated statement of comprehensive income

	Period ended 30 June 2019 (upon review)	Period ended 30 June 2018 (upon review)
Profit for the period	2 580	-1 602
Other comprehensive income net	-	-
Total comprehensive income	2 580	-1 602
Total comprehensive income assigned to :		
Shareholders of the Parent Entity	2 563	-1 453
Non-controlling interest	17	-149
Weighted average number of ordinary shares (units)	2 935 000	3 895 000
Total comprehensive income per ordinary share (in PLN per one share) assigned to the owners of the Parent Entity	0.87	-0.37

Condensed 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 2019 to 30 June 2019						
As at the beginning of the period (audited)	2 935	11 789	69 216	83 940	6 470	90 410
Net profit 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 (upon review)	2 935	11 789	71 716	86 440	6 482	92 922

	Share capital	Own shares	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 2018 to 30 June 2018							
As at the beginning of the period (audited)	3 895	-	11 521	89 826	105 242	6 524	111 766
Net profit of the given period	-	-	-	-1 453	-1 453	-149	-1 602
<i>Other comprehensive income (net)</i>	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-1 453	-1 453	-149	-1 602
Own shares bought back for redemption	-	-960	-	-23 040	-24 000	-	-24 000
Dividend paid	-	-	-	-	-	-102	-102
Other changes	-	-	-	-46	-46	3	-43
As at the end of the period (upon review)	3 895	-960	11 521	65 287	79 743	6 276	86 019

Interim condensed consolidated financial statements of the Prochem S.A. Capital Group as at and for the period of six months ended 30 June 2019

Condensed consolidated statement of cash flows

(all amounts in PLN thousands if not stated otherwise)

	Note No.	Period ended 30 June 2019 (upon review)	Period ended 30 June 2018 (upon review)
Cash flows – operating activities			
Before tax profit		2 922	-1 592
Total adjustments		-960	-2 033
Share in profit of entities valued using the equity method		-1 738	676
Amortization and depreciation		2 685	1 024
Interest and profit sharing (dividends)		274	-73
Gain on disposal of property, plant and equipment		4	-116
Change in provisions		-178	47
Change in inventories		901	-680
Change in receivables and other assets		-13 982	4 717
Change in current liabilities, except for loans and borrowings		12 519	-6 134
Other adjustments (including change in deferred income)		-1 445	-1 400
Cash provided by (used in) operating activities		1 962	-3 625
Income tax paid		-56	-20
Net cash provided by (used in) operating activities		1 906	-3 645
Cash flows – investing activities			
Inflows		-	-
Outflows		-446	-431
Acquisition of intangible assets and property, plant and equipment		-446	-431
Net cash provided by (used in) investing activities		-446	-431
Cash flows - financing activities			
Inflows		2 566	1 387
Bank loans		2 566	1 387
Outflows		-2 016	-24 269
Other than distributions to owners, payments under distribution of profit		-	-24 102
Repayment of a loan		-2	-
Payment of liabilities under finance lease agreements		-1 836	-54
Interest		-178	-113
Net cash provided by (used in) financing activities		550	-22 882
Total cash flows, net		2 010	-26 958
Cash and cash equivalents as at the beginning of the period	23	3 250	28 815
Cash and cash equivalents as at the end of the period	23	5 260	1 857

Explanatory Notes to Interim Condensed Consolidated Financial Statements

1. Establishment of the Company and Principal Activity

Company Prochem S.A. (hereinafter called „Prochem”, „Company”, „Issuer” or „Parent Company”) seated in Warsaw, 95 Łopuszańska Street. The company is registered in the National Court Register (KRS) by the District Court for the Capital City Warsaw, 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 Prochem belongs to construction sector. Prochem S.A. is a Parent Company of the Capital Group and prepares consolidated financial statements. Prochem S.A. was established through transformation of a state-owned enterprise under the name of Przedsiębiorstwo Projektowania I Realizacji Inwestycji Przemysłu Chemicznego „Prochem”. The notarial deed and Company’s Statutes were signed on 1 October 1991. Duration of the Company is unlimited.

2. The Management Board and Supervisory Authorities of the Parent Entity

As at the date 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

In the first half of 2019 there were no changes in composition of the Management Board.

Composition of the Supervisory Board of Prochem S.A.

As at the date of hereby financial statements the Supervisory Board of Prochem S.A. 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 2019 there were no changes in composition of the Supervisory Board.

3. Employment

Average employment in the Prochem Capital Group for the first half of 2019 was 404 FTEs and in the first half of 2018 383 FTEs.

Level of employment in the Prochem Capital Group on 30 June 2019 in persons was 384, and on 30 June 2018 391. As at 31 December 2018 employment in the Capital Group was 386 persons.

4. Description of the Organization of the Capital Group with Indication of Entities Subject to Consolidation

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

Subsidiaries covered by full consolidation:

- Prochem Inwestycje Sp. z o. o. seated in Warsaw – subsidiary directly (100.0%);
- PRO-INHUT Sp. z o. o. seated in Dąbrowa Górnicza – subsidiary indirectly (93.2%);
- PREDOM Sp. z o. o. seated in Wrocław – subsidiary indirectly (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. seated in Krakow – subsidiary indirectly (92.7%, including 85.4% share in 50% share of Elektromontaż Kraków);
- Elmont Inwestycje Sp. z o. o. seated in Krakow – subsidiary indirectly (92.7%, including 85.4% share in 50% share of Elektromontaż Kraków);
- Elektromontaż Kraków S.A. seated in Krakow – subsidiary indirectly (85.4%), including 73.0% 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. and Elmont-Inwestycje Sp. z o. o.;
- IRYD Sp. z o. o. seated in Warsaw – subsidiary indirectly in 100%;
- ATUTOR Integracja Cyfrowa Sp. z o. o. seated in Warsaw – subsidiary indirectly (87.3% of share holds company Prochem Inwestycje Sp. z o. o. 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:

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

Consolidated subsidiaries 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. was excluded from consolidation. The company did not start operations. The value of shares was recognized in impairment losses.

5. Adopted Accounting Principles

Principle of presentation and statement of compliance

Interim condensed consolidated financial statements of the PROCHEM S.A. Capital Group for the first half of 2019 was prepared according to IAS 34 „Interim Reporting”, in the shape it was approved by European Union, and in accordance with the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information provided by issuers of securities and the Regulation of the Minister of 29 March 2018 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 from 2018 item 757) („Decree”). Hereby interim condensed consolidated financial statements do not

Interim condensed consolidated financial statements of the Prochem S.A. Capital Group as at and for the period of six months ended 30 June 2019

contain information and disclosures required in full financial statements and should be read in conjunction with the consolidated financial statements for the financial year ended December 31, 2018.

The duration of operations of individual entities comprising 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.

Seasonality

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

Principles of preparation of the consolidated financial statements

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

- Land, buildings and construction measured at revalued amount,
- Investment real estate (land) measured at fair value.

Significant accounting policies and changes in IFRS

The preparation of financial statements under IFRS adopted by EU requires using certain accounting estimates and adoption of assumptions concerning future events. Items of the financial statements set on the basis of the estimates are subject to verification if circumstances being base of estimates are changing or as a result of obtaining new information, or of the progressive development of events or of acquiring greater experience. In preparing the hereby consolidated 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 2018, with the exception of IFRS 16 *Leases*.

New standards, interpretations and changes in published IFRS

The International Accounting Standards Board approved new standards for application from January 1, 2019:

- IFRS 16 *Leases*,
- Amendments to IAS 19 concerning changes, reductions or settlements of defined benefit plans,
- Amendments to IAS 28 regarding long-term interests that form part of the net investment in the associate or joint-venture,
- IFRIC 23 interpretation regarding uncertainty regarding the recognition of income tax,
- Amendments to IFRS 9 regarding debt financial assets with an option of early prepayment, which may result in the arising of the so-called negative compensation,
- Annual Improvements to IFRS MSSF 2015-2017 cycle.

By the day of publication of hereby consolidated financial statements, the above amendments to standards have been endorsed for use by the European Union and, with the exception of IFRS 16, will not affect the Group's accounting policy and the consolidated financial statements.

Interim condensed consolidated financial statements of the Prochem S.A. Capital Group as at and for the period of six months ended 30 June 2019

Implementation of IFRS 16

As of January 1, 2019, the Group applied the requirements of the new Standard regarding the recognition, measurement and presentation of lease agreements. The implementation of IFRS 16 was made using a modified retrospective approach, therefore the comparative data for 2018 has not been restated, and the combined effect of the first application of IFRS 16 has been recognized as an adjustment to the opening balance of retained earnings on the day of the first application.

The Group recognized the right-of-use assets in the amount of PLN 29 331 thousand on the basis of contracts that were previously classified as "operating leases" in accordance with the principles of IAS 17 Leases. These liabilities have been measured at the present value of lease payments remaining to be paid at the date of commencement of application of IFRS 16. For the purposes of implementing IFRS 16 and disclosures regarding the impact of the implementation of IFRS 16, discounting was applied using the marginal interest rate of the lessee as at January 1, 2019.

In order to calculate discount rates for IFRS 16, the Group applied the marginal interest rate reflecting the cost of financing that would be incurred to purchase the leased asset. In order to estimate the discount rate, the Group took into account the following parameters of the agreement: type, duration, currency and potential margin that it would have to pay to financial institutions in order to obtain financing.

The implementation of IFRS 16 required some estimates and calculations that have an impact on the valuation of lease liabilities:

- determination of contracts covered by IFRS 16,
- determination of the remaining duration of application of the leases in relation to contracts concluded before January 1, 2019.
- determination of marginal interest rates used to discount future cash flows,
- indication of utility periods and determination of amortization rates for use rights to assets recognized on January 1, 2019.

When applying IFRS 16 for the first time, the Group applied the following practical simplifications allowed by the standard:

- one discount rate was applied to the portfolio of lease agreements with similar features,
- an assessment has been made as to whether leases expense in accordance with IAS 37 at the time the standard is implemented, as an alternative to performing impairment tests for the asset leased,
- contracts under operating lease with the remaining lease period of less than 12 months as at January 1, 2019 has been treated as short-term lease,
- the time perspectives (using the knowledge gained after the fact) in determining the leasing period were used, if the contract included options for extending or terminating the lease agreement.

Initial recognition and valuation

As at the commencement date of the lease, the Group recognizes *the right-of-use assets and lease liabilities*.

The cost of the right-of-use asset include:

- the value of the initial measurement of lease liability,
- any lease payments paid on the day of commencement of the lease or before this date less any incentives received,
- any costs incurred by the lessee, and
- an estimate of the costs to be borne by the lessee, e.g. dismantling, removal of the underlying asset, carrying out the renovation of the asset to the condition required by the terms of the leases.

The lease fees included in the measurement of lease liabilities include:

- fixed lease payments,
- variable lease payments that depend on the index or rate,
- amounts expected to be paid after the end of the leases,
- financial penalties for terminating the contract of lease, unless it can be assumed with certainty that the Group will not use the option of termination.

Interim condensed consolidated financial statements of the Prochem S.A. Capital Group as at and for the period of six months ended 30 June 2019

After the lease commencement date, the right-of-use asset is measured through:

- an increase in the carrying amount to reflect interest on the lease liability,
- a decrease in the carrying amount to reflect lease payments paid, and
- updating the balance sheet valuation to take into account any reassessment or change of the lease or to include updated fixed lease payments.

Depreciation

The right-of-use assets are depreciated on a straight-line basis over the shorter of the two periods: the lease period or the useful life.

The useful life of right-of-use assets is determined in the same way as for property, plant and equipment.

The Group has contracts on leases for using:

- a) of buildings and constructions, including office space, which has been concluded for a limited period up to 30 years,
- b) of vehicles, including passenger cars, depreciation period up to 5 years,
- c) of tools, movable instruments and equipment, depreciation period up to 5 years.

In case of contracts on leases, being characterized by the maximum possible duration, including extension options up to 12 months, the Group applies simplifications. Lease payments resulting from these contracts are accounted for as costs:

- with straight-line method over the period of the contract,
- with another systematic method if it better reflects the way in which the beneficiary benefits are distributed over time.

The Group does not apply general principles for recognition, measurement and presentation of leases contracts concluded, which subject has a low value.

As low value assets are considered such assets which, when new, have a value of not more than PLN 15,000.

The Group assesses whether the contract contains lease and non-lease components. Non-lease components are separated from contracts which include lease and non-lease components, e.g. provision of a maintenance service of assets that are the subject of the contract.

Reconciliation of future minimum lease payments as at December 31, 2018 with lease liabilities recognized in the statement of financial position as at January 1, 2019

	In PLN thousand
Value of future minimum operating lease payments	29 331
Value of future minimum finance lease payments	820
Contractual liabilities under lease as at 31 December 2018	30 151
Discount	-5 879
Current value of lease liabilities as at 1 January 2019	24 272
Current value under finance lease as at 31 December 2018	-753
Value of contractual liabilities under lease – impact of implementing of IFRS 16 as at 1 January 2018	23 519

Interim condensed consolidated financial statements of the Prochem S.A. Capital Group as at and for the period of six months ended 30 June 2019

The Standards announced but waiting to be endorsed by the European Union:

Approved by the IASB for use after 1 January 2021.
Changes in reference to Conceptual Framework in IFRS
Amendments to IFRS 3 "Business combinations" - project definition
Amendments to IAS 1 and IAS 8 definition of „material”

Approved by the IASB for use after January 1, 2021.
IFRS 17 Insurance Contracts

The Company has not decided to early apply the following Standards and amendments to Standards that have been published and endorsed for use in the EU, but have not yet entered into force and will introduce them on the date of adoption.

Changes in estimates

In the applied accounting principles the greatest significance, apart from accounting estimates, has the professional judgment of the management, which has an impact on the amounts reported in the financial statements, including those in explanatory notes. Assumptions of such estimates are based on the Management Board best knowledge in relation to current and future events and actions in particular areas of activity. They relate to the valuation of pension benefits, assessing the stage of execution, and the profitability of long-term contracts (gross margin).

Functional currency and presentation currency of financial statements

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

6. Explanatory Notes to Condensed Consolidated Financial Statements

Note No. 1 – Property, Plant and Equipment

	As at 30 June 2019	As at 31 December 2018
Property, plant and equipment, including:	17 826	22 829
- land	2 034	4 749
- buildings, premises and civil engineering objects	13 303	15 423
- machinery and equipment	678	591
- vehicles	1 101	1 267
- other PPE	710	799
Construction under progress	21	18
Total property, plant and equipment	17 847	22 847

Property, plant and equipment – ownership structure	As at 30 June 2019	As at 31 December 2018
a) own	6 363	8 225
b) used under rental, lease or other agreement, including :	11 484	14 622
- lease	689	775
- rental and lease own outlays for modernization	10 128	10 477
- value of the right of perpetual usufruct	667	3 370
Total, the balance sheet property, plant and equipment	17 847	22 847

Interim condensed consolidated financial statements of the Prochem S.A. Capital Group as at and for the period of six months ended 30 June 2019

In pursuance to the agreement dated July 23, 2004, the Group leases property consisting of 3 buildings with a total area of 6 227.5 square m on a plot of 3,311 square m located in Warsaw at Emilia Plater 18 Street and Hoża 76/78 Street. The duration of the contract is 30 years from the date of signing the contract.

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 once every two years.

Carrying amount as at 30 June 2019 does not significantly differ from fair value. The measurement at fair value as at 31 December 2018 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.

Changes in property, plant and equipment

	Change in PPE for the period from 1 January 2019 to 30 June 2019	Change in PPE for the period from 1 January 2018 to 31 December 2018
Gross value		
As at opening balance sheet	40 680	39 537
Increase (due to)	431	2 355
- acquisition of PPE	432	1 307
- reclassification of PPE	-1	1 048
Decrease (due to)		-1 212
- disposal of PPE	-53	-564
- liquidation of PPE	-862	-642
- updating of PPE	-	-4
- changes – assets to be disposed	-5 362	-2
As at closing balance sheet	34 834	40 680
Depreciation and impairment		
As at opening balance sheet – accumulated depreciation	17 833	16 899
Depreciation for the period (due to)	-846	934
- increase (depreciation accrued)	951	1 932
- decrease under disposal of PPE	-53	-508
- decrease under liquidation of PPE	-820	-490
- reclassification of PPE – assets to be disposed	-924	-
As at closed balance sheet - accumulated depreciation	16 987	17 833
Impairment of PPE	-	-
PPE net value as at closing balance sheet	17 847	22 847

Interim condensed consolidated financial statements of the Prochem S.A. Capital Group as at and for the period of six months ended 30 June 2019

Note No. 2 – Investment Property

	As at 30 June 2019	As at 31 December 2018
Buildings and constructions	7 193	7 193
Land	4 797	4 797
Total investment property	11 990	11 990
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Investment properties by type	Change in investment property for the period from 1 January 2019 to 30 June 2019	Change in investment property for the period from 1 January 2018 to 31 December 2018
<hr/>		
Investment property - land		
As at opening balance sheet	4 797	4 267
- decrease, including sales	-	-166
- increase due to measurement at fair value	-	696
As at closing balance sheet	4 797	4 797
<hr/>		
Investment property under construction		
As at opening balance sheet	-	1 128
- change due to:		
- under reclassification from PPE	-	-752
- under measurement at fair value	-	-376
Total change	-	-1 128
As at closing balance sheet	-	0
<hr/>		
Investment property - buildings and constructions		
As at opening balance sheet	7 193	5 917
- change due to:		
a) decrease under disposal	-	-80
b) increase due to measurement at fair value	-	601
c) increase due to reclassification from PPE	-	755
Total change	-	1 276
As at closing balance sheet	7 193	7 193
<hr/>		
Write-down of investment property	-	-
Total investment properties	11 990	11 990

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 amount of the investment property as at 30 June 2019 does not significantly differ from fair value. The measurement at fair value as at 31 December 2018 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 30 June 2019.

Interim condensed consolidated financial statements of the Prochem S.A. Capital Group as at and for the period of six months ended 30 June 2019

	Level 1	Level 2	Level 3	Fair value as at 30 June 2019
	In PLN thousand	In PLN thousand	In PLN thousand	In PLN thousand
Investment property	-	-	11 990	11 990

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

Note No. 3 – The Right-of-Use-Assets

Change in the right-of-use-assets

Description	Buildings and constructions	Tools, movable instruments and equipment	Vehicles	Total
Gross book value	22 900	349	269	23 518
Write-downs	-	-	-	-
Total	22 900	349	269	23 518
Increase (diminishments) net:				
Newly concluded contracts	-	-	1 435	1 435
Depreciation	-1500	-49	-122	-1 671
Write-downs	-	-	-	-
Total	-1 500	-49	1 313	-236
Net book value as at 30 June 2019				
Gross book value	22 900	349	1 704	24 953
Accumulated depreciation	-1 500	-49	-122	-1 671
Write-downs	0	0	0	0
Total	21 400	300	1 582	23 282

Note No. 4 – Shares Valued Using the Equity Method

Shares in entities valued using the equity method	As at 30 June 2019	As at 31 December 2018
- Shares – net value	29 849	28 111
- write-downs of shares	1 011	1 011
Shares, gross value	30 860	29 122

Change in shares in entities valued the equity method	As at 30 June 2019	As at 31 December 2018
a) as at the beginning of the period	28 111	26 488
- shares at cost	28 111	26 139
- application of IFRS 15 as at 1 January 2018	-	349
b) increase (due to)	1 738	1 623
- share in the result of the current year	1 738	1 623
d) as at the end of the period, net	29 849	28 111
e) write-down	1 011	1 011
f) as at the end of the period, gross	30 860	29 122

Note No. 5 – Deferred Income Tax

Interim condensed consolidated financial statements of the Prochem S.A. Capital Group as at and for the period of six months ended 30 June 2019

Changes in the values of provisions and deferred income tax assets for the first half of 2019 are shown in the table below.

Deferred tax assets	As at 30 June 2019	As at 31 December 2018
As at the beginning of the period	7 176	6 073
Increase	4 605	4 244
Decrease	-4 436	-3 141
As at the end of the period	7 345	7 176

Provision for deferred income tax	As at 30 June 2019	As at 31 December 2018
As at the beginning of the period	7 236	5 577
Increase	2 796	4 001
Decrease	-2 305	-2 342
As at the end of the period	7 727	7 236

	As at 30 June 2019	As at 31 December 2018
Deferred tax assets	7 345	7 176
Provision for deferred tax assets	-7 727	-7 236
Assets/(Provision) under deferred income tax	-382	-60

Presentation in the statement of financial position	As at 30 June 2019	As at 31 December 2018
Deferred tax assets	2 000	2 340
Provision under deferred income tax	-2 382	-2 400
Assets/(Provision) under deferred income tax	-382	-60

Note No. 6 – Other Financial Assets

Other financial assets	As at 30 June 2019	As at 31 December 2018
a) from jointly-controlled entities :	19 277	19 090
- loans granted	19 277	19 090
b) security deposits constituting collateral for bank guarantee lines	1 210	1 332
Total other non-current financial assets	20 487	20 422

Loans granted – as at 30 June 2019

- Loans granted to jointly-controlled company Irydion Sp. z o. o. seated in Warsaw:
 - in the amount of PLN 12 412 thousand, including: amount of the loan PLN 11 000 thousand, accrued interest as at balance sheet day amounts to PLN 1 412 thousand. The interest rate is set annually according to WIBOR 6M rate, repayment date 22 September 2031.
 - in the amount of PLN 6 865 thousand, including: amount of the loan granted PLN 6 000 thousand, accrued interest as at balance sheet day amounts to PLN 865 thousand. The interest rate is set at a fixed rate of 3% per year, repayment date 22 September 2031.

Increase:

Interim condensed consolidated financial statements of the Prochem S.A. Capital Group as at and for the period of six months ended 30 June 2019

- Accrued interest on loans granted in the amount of PLN 187 thousand.

Loans granted – as at 31 December 2018

- Loans granted to jointly-controlled company Irydion Sp. z o. o. seated in Warsaw:
 - in the amount of PLN 12 314 thousand, including: amount of the loan PLN 11 000 thousand, accrued interest PLN 1 314 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 6 776 thousand, including: amount of the loan PLN 6 000 thousand, accrued interest PLN 776 thousand. The interest rate is set annually at a rate of 3% per year, loan repayment date with interest 22 September 2031.

Note No. 7 – Inventories

Inventories	As at 30 June 2019	As at 31 December 2018
Materials	1 361	1 597
Semi-finished products and work-in-process	1 116	1 105
Goods	0	676
Total inventories	2 477	3 378
Write-down of inventories	575	575

Note No. 8 – Trade and Other Receivables

Trade and other receivables	As at 30 June 2019	As at 31 December 2018
Trade receivables	57 117	44 752
Write-down of trade receivables	4 617	4 617
Trade receivables net, including	52 500	40 135
- with repayment period up to 12 months	52 034	39 927
- with repayment period over 12 months	466	208
Receivables from taxes, subsidies, custom duties, social and health insurance and other benefits	16	32
Other receivables	1 158	1 311
Write-down of other receivables	36	6
Other receivables, net	1 122	1 305
Total receivables	53 638	41 472

Trade and other receivables from related entities	As at 30 June 2019	As at 31 December 2018
Trade receivables, including:	596	1 562
- from jointly-controlled entities and associated entities	596	1 562
Total trade and other receivables from related entities net	596	1 562
Write-downs of receivables from related entities	-	-
Total trade and other receivables from related entities gross	596	1 562

Interim condensed consolidated financial statements of the Prochem S.A. Capital Group as at and for the period of six months ended 30 June 2019

Change in write-downs of trade and other receivables	As at 30 June 2019	As at 31 December 2018
As at the beginning of the period	4 623	5 904
a) increase (due to)	30	298
- provision to receivables	30	298
b) decrease (due to)	-	1 579
- payments received	-	111
- use of write-downs created in previous periods	-	1 467
- resolving of write-down	-	1
	4 653	4 623
Write-downs of current trade and other receivables at the end of the period		

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

Note No. 9 – Other Assets

Other assets by type :	As at 30 June 2019	As at 31 December 2018
a) prepayments	1 088	1 202
- cost of property and personal insurance	677	411
- software maintenance cost	196	582
- subscriptions	14	14
- deferred costs	166	121
- other	35	74
Total other assets	1 088	1 202

Note No. 10 – 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							

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

Interim condensed consolidated financial statements of the Prochem S.A. Capital Group as at and for the period of six months ended 30 June 2019

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:

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	965 000	965 000	32.87	32.88
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	201 882	201 882	6.88	6.88

On May 9, 2019 the Management Board of PROCHEM S.A. received information from APUS S.A. on purchase of 168 646 pcs of the Issuer's shares. As a result of the transaction, the threshold of the holding of shares in PROCHEM S.A. was exceeded over 10% of the total number of votes.

Prior to the change APUS S.A., held 143,123 of Company's shares, representing 4.88 % of share capital and held 143,123 votes from these shares, which constitutes 4.87 % of the total number of votes at the General Meeting. After the transaction of purchase APUS S.A. holds 311,769 of Company's shares, which represents 10.62 % of Company's share capital. These shares give 311,769 votes at the Company's General Meeting, which constitutes 10.62 % of the total number of votes at the General Meeting.

On May 9, 2019 the Management Board of PROCHEM S.A. received information from ESALIENS Parasol Fundusz Inwestycyjny Otwarty, ESALIENS Senior Fundusz Inwestycyjny Otwarty (hereinafter as „Funds”) on sale of 168 646 pcs of Issuer's shares.

Prior to the day of transaction on the accounts of ESALIENS Parasol Fundusz Inwestycyjny Otwarty, ESALIENS Senior Fundusz Inwestycyjny Otwarty (hereinafter as „Funds”) were 168,646 of Company's shares, which represented 5.75 % of Company's share capital, entitling to 168,646 votes from these shares, which constituted 5.74% of total number of votes at the Company's General Meeting. Currently, the Funds do not hold any shares of the Company.

Note No. 11 – Retained Earnings

	As at 30 June 2019	As at 31 December 2018
Spare capital	50 117	49 741
Other reserve capitals	19 777	18 688
Profit of the prior period	-346	-1 136
Profit for the period	2 563	1 922
Total	72 111	69 215

Note No. 12 –Bank Loans

	As at 30 June 2019	As at 31 December 2018
- non-current bank loans	-	52
- current bank loans	9 469	7 077

Bank loans

Interim condensed consolidated financial statements of the Prochem S.A. Capital Group as at and for the period of six months ended 30 June 2019

Name of the bank	Registered office	Amount of the loan acc. to agreement (in PLN thousand)	Loan amount to be repaid (in PLN thousand)	Terms of interest	Repayment date	Collateral
CURRENT LOANS						
Incurred by Prochem S.A.						
mBank SA	Warsaw	8 000 Credit in overdraft	5 511	WIBOR for O/N deposits in PLN + margin	29 November 2019	Promissory note in blank
Incurred by the company Elektromontaż Kraków SA						
ING Bank Śląski	Katowice	2 500	2 274	WIBOR for 1-month deposits in PLN + margin	19 November 2019	Mortgage
mBank	Warsaw	500	462	WIBOR for 1-month deposits in PLN + margin	28 February 2020	Mortgage
Incurred by Atutor Integracja Cyfrowa Sp. z o. o.						
Bank Millennium S.A.	Warsaw	150	38	WIBOR 1 month plus margin	15 April 2020	Granting the power of attorney to the bank to collect and repay bills and block funds if the loan is not repaid on time
Incurred by Pro-Inhut Sp. z o. o.						
ING Bank Śląski	Sosnowiec	38 Working capital credit	38	WIBOR 1 month plus margin	31 May 2019	guarantee granted by Bank Gospodarstwa Krajowego based on a portfolio agreement, promissory note in blank.
ING Bank Śląski	Sosnowiec	50 Working capital credit	50	WIBOR 1 month plus margin	17 May 2019	guarantee granted by Bank Gospodarstwa Krajowego based on a portfolio agreement, promissory note in blank.
ING Bank Śląski	Dąbrowa Górnicza	Revolving credit	363	WIBOR 1 month plus margin	31 December 2019	guarantee granted by Bank Gospodarstwa Krajowego based on a portfolio agreement, promissory note in blank.
ING Bank Śląski	Dąbrowa Górnicza	Revolving credit	733	WIBOR 1 month plus margin	31 December 2019	guarantee granted by Bank Gospodarstwa Krajowego based on a portfolio agreement, promissory note in blank.

Note No. 13 – Trade Payables

	As at 30 June 2019	As at 31 December 2018
a) to associated entities and jointly-controlled entities	-	12
- from supplies and services, with maturity period:	-	12
- up to 12 months	-	12
b) to other entities	43 956	31 614
- from supplies and services, with maturity period:	43 956	31 614
- up to 12 months	43 365	30 929
- over 12 months	591	685
Total trade payables	43 956	31 626

Interim condensed consolidated financial statements of the Prochem S.A. Capital Group as at and for the period of six months ended 30 June 2019

Note No. 14 – Amounts owed to recipients under Contracts

The disclosures according to IFRS 15 are presented in the table below

Description	As at 30 June 2019	As at 31 December 2018
Revenues according to contracts	219 005	361 967
Revenues invoiced	120 121	219 674
Liabilities planned under the execution of a contract	186 959	338 234
Realized liabilities under contracts	120 042	216 775
Amounts due from recipients	15 537	13 691
Amounts owed to recipients	673	2 863

Note No. 15 – Other Liabilities

	As at 30 June 2019	As at 31 December 2018
a) to other entities	6 646	4 202
- under taxes, duties, insurance and other charges	6 112	3 409
- under remuneration	359	477
- other (by type)	175	316
liabilities to employees	67	43
liabilities to shareholders	17	17
other	91	256
b) other non-current provisions	3 549	4 418
- provision for costs booked to the previous year relating to long-term contracts	1 549	1 550
- provision for costs	188	885
- cost of audit	30	67
- current provision for retirement benefit	443	445
- provision for unused holiday leaves	1 339	1 471
Total other liabilities	10 195	8 620

Note No. 16 – Deferred Income

	As at 30 June 2019	As at 31 December 2018
- advanced payments and prepayments received	-	77
- other	324	324
Deferred income as at the end of the period, including:	324	401
Non-current liabilities	-	-
Current liabilities	324	401

Note No. 17 - Revenues from Sale of Services

Revenues from sale of services (type of service and type of activity)	Period ended 30 June 2019	Period ended 30 June 2018
- revenues from sale of services, including:	95 590	49 191
- from related entities	1 404	7 098

Interim condensed consolidated financial statements of the Prochem S.A. Capital Group as at and for the period of six months ended 30 June 2019

Revenues from sale of services (type of service and type of activity)	Period ended 30 June 2019	Period ended 30 June 2018
- revenues from sale of services, including:	95 425	49 078
- from related entities	1 404	7 098
Exports	165	113

Revenues under contracts for construction services (general contracting) and other services are presented in Note No. 24.

The gross amount due from ordering parties/buyers for the work under the contracts was presented in Note No. 14.

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 2019 is included in Note No.24.

Note No. 18 – Cost of Services Sold

Costs by type	Period ended 30 June 2019	Period ended 30 June 2018
a) amortization and depreciation	2 685	1 024
b) consumption of materials and energy	7 203	7 241
c) outsourcing	63 176	25 284
d) taxes and levies	294	324
e) remuneration	16 337	16 047
f) social security and other benefits	3 299	3 156
g) other costs by type	2 177	2 241
- property and personal insurance	515	537
- business trips	523	611
- State Fund for Rehabilitation of Disabled Persons (PFRON)	124	101
- rental of cars	308	454
- other	707	538
Total costs by type	95 171	55 317
Change in inventories, products and prepayments	-927	-2 280
General and administrative expenses (negative value)	-6 385	-7 027
Cost of services sold	87 859	46 010

Note No. 19 – Other Operating Income

	Period ended 30 June 2019	Period ended 30 June 2018
a) gain on sale of non-financial and non-current assets	7	116
b) reversal of impairment allowance (due to)	-	126
- for receivables	-	111
- other	-	15
c) other, including:	169	2 606
- reimbursement of litigation cost	23	0
- compensation, fines and penalties received	101	317
- write-down of past due liabilities	3	2 287
- other	42	2
Total operating income	176	2 848

Note No. 20 – Other Operating Expenses

Interim condensed consolidated financial statements of the Prochem S.A. Capital Group as at and for the period of six months ended 30 June 2019

	Period ended 30 June 2019	Period ended 30 June 2018
a) loss on disposal of non-financial non-current assets	4	-
b) write-down of	-	23
- receivables	-	23
c) other, including:	30	86
- donations	3	-
- litigation cost	14	45
- paid fines, penalties and compensation	5	6
- other	8	35
Total other operating costs	34	109

Note No. 21 – Financial Income

	Period ended 30 June 2019	Period ended 30 June 2018
a) interest under loans granted	187	186
- from jointly-controlled entities	187	186
b) other interest	63	47
- from other entities	63	47
c) surplus of positive exchange rate differences	33	11
d) other, including:	58	64
- other	58	64
Total financial income	341	308

Note No. 22 – Finance Costs

	Period ended 30 June 2019	Period ended 30 June 2018
a) interest on bank loans	115	83
b) other interest	519	17
- for other entities	30	17
- under lease	489	-
c) surplus of negative exchange rate differences	6	1
d) other, under :	288	99
- commission on bank guarantees	140	66
- commission on loans	63	30
- costs under discount of financial assets	76	-
- other costs	9	3
Finance costs	928	200

Note No. 23 – Additional Disclosures to the Statement of Cash Flows

The Group discloses cash of restricted disposal accumulated on the split payment account in the statement of financial position within the frame of cash and cash equivalents. For the purposes of the statement of cash flows, the balance of cash at the beginning and end of the period is reduced by restricted cash, and their carrying change is recognized in operating cash flows.

Interim condensed consolidated financial statements of the Prochem S.A. Capital Group as at and for the period of six months ended 30 June 2019

	As at 30 June 2019	As at 31 December 2018	As at 30 June 2018
Cash and cash equivalents	6 463	3 250	1 857
Restricted cash – split payment account	1 203	0	0
Cash for the purposes of the cash flow statement	5 260	3 250	1 857

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):

	In 2019	In 2018
Change in current receivables	-13 982	4 717
Receivables as at 1 January	41 472	32 236
Amounts due from recipients under contracts as at 1 January	13 691	-
Other assets as at 1 January	1 202	10 881
Receivables under retained security deposits as at 1 January	63	-
Receivables from non-current assets sold	-11	-15
Receivables under income tax	0	-641
Opening balance sheet after adjustments	56 417	42 461
Receivables as at 30 June	53 638	21 903
Amounts due from recipients under contracts as at 30 June	13 032	13 853
Other assets as at 30 June	3 593	2 642
Receivables under retained security deposits as at 30 June	147	-
Receivables from non-current assets sold	-11	-13
Receivables under income tax	0	-641
Closing balance sheet after adjustments	70 399	37 744
Change in current liabilities except for borrowings and loans and special funds	12 519	-6 134
Trade payables as at 1 January	31 626	27 018
Other liabilities as at 1 January	8 620	8 872
Amounts owed to suppliers under contracts as at 1 January	2 863	-
Liabilities under retained security deposits as at 1 January	3 569	-
Provision for current retirement benefits	-445	-328
Provision for annual leaves	-1 471	-1 382
Provision for audit	-67	-71
Provision for current other costs	-1 550	-477
Liabilities under operating lease	-428	-276
Liabilities to shareholders	-16	-16
Opening balance sheet after adjustments	42 701	33 340
Trade payables as at 30 June	43 956	22 406
Amounts owed to recipients under contracts as at 30 June	673	1 095
Other liabilities as at 30 June	10 195	6 275
Liabilities under retained security deposits as at 30 June	4 137	-
Provision for current retirement benefits	-445	-314
Provisions for annual leaves	-1 339	-1 234
Provisions for audit	-30	-30
Provision for current other costs	-1 549	-657

Interim condensed consolidated financial statements of the Prochem S.A. Capital Group as at and for the period of six months ended 30 June 2019

Liabilities under operating lease	-362	-330
Liabilities to shareholders	-16	-5
Closing balance sheet after adjustments	55 220	27 206
Change in other adjustments as at 30 June	-1 445	-1 400
Change in deferred income - advances received	43	-728
Amounts received from ordering parties under non-current contracts	-	-955
Other	-285	283
Cash on the split payment account	-1 203	-

Note No. 24- 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.

The segment's result is determined at the level of operating result, without taking into account other operating activities.

The activities of the Capital Group for the managing purposes were divided into the eleven basic operational sectors such as: construction services indicated in general contracting, design services and other engineering services (supervisions along with the project engineer service), lease of the construction equipment, assembly of the electrical installations, lease of office space and real estate, management of real estate, maintenance, commercial activity, IT services and other activity. Segment assets include all assets used by a segment, consisting primarily of receivables, inventories and property, plant and equipment diminished by the value of provisions and impairment losses.

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

Revenues achieved outside Poland (Exports) in the period from 1 January 2019 to 30 June 2019 amounted to PLN 165 thousand (i.e. 0.2 % of sales revenue), in the analogous period of the previous year revenues did not occur.

Information on major customers, which share in the sales revenue for the first half of 2019 exceeded 10% of the total sales revenue:

- A customer, who deals in the production of chemical raw materials – sales revenue PLN 53 334 thousand, representing 55.8 % of sales revenue, which was shown in the segment „General contracting” and „Design services and other engineering services”.

Assets not assigned/unallocated to the segments are mainly shares in jointly-controlled entities and associated entities as well as loans granted. With respect to the assets mentioned above, no indications of possible impairment were identified as at 30 June 2019. In addition, the Group carried out analysis of the implemented contracts for construction services as at the balance sheet date against the results budgeted. For all contracts, for which the budgeted expenses exceeded budgeted revenues the Group created provisions for loss coverage as at the balance sheet date. Detailed data on the operations 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 six months ended 30 June 2019

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 installation	Rental of office space and real estate	Management of real estates	Maintenance	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	1 282	-	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/finance 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
Assets as at 30 June 2019												
Segment assets (related to activity)	41 188	8 506	666	11 124	31 917	-	-	107	385	131	-	94 024
Unallocated/not assigned 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
Other information related to segment												
For the period from 1 January 2019 to 30 June 2019												
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

Interim condensed consolidated financial statements of the Prochem S.A. Capital Group as at and for the period of six months ended 30 June 2019

Note operating segments - continuation

For the period from 1 January 2018 to 30 June 2018	General contracting	Design services, other engineering services	Rental of construction equipment	Assembly of electrical installation	Rental of office space and real estate	Management of real estates	Maintenance	Commercial activity	Other IT services	Other	Items not assigned	Total
Revenues to external clients	20 332	11 450	1 783	13 293	2 442	-	94	7	270	576	-	50 247
Total segment revenues	20 332	11 450	1 783	13 293	2 442	-	94	7	270	576	-	50 247
Result of the segment	460	-4 260	183	-304	278	-	-191	-2	-205	278	-	-3 763
Financial income											308	308
Finance costs											-200	-200
Net financial income/finance costs											108	108
Profit sharing in associated entities											-676	-676
Profit on other operating activities											2 739	2 739
Before tax profit											-1 592	-1 592
Income tax											10	10
Profit for the current period											-1 602	-1 602
Profit assigned to non-controlling interest											-149	-149
Profit for the period assigned to shareholders of the parent entity											-1 453	-1 453
Assets as at 30 June 2018												
Segment assets (related to activity)	9 849	7 088	1 036	6 118	16 849	-	58	-	-	968	-	41 066
Unallocated/ not assigned assets (among others shares and other financial assets)											83 683	83 683
Total assets	9 849	7 088	1 036	6 118	16 849	-	58	-	-	968	83 683	124 749
Other information related to segment												
For the period from 1 January 2018 to 30 June 2018												
Depreciation of property, plant and equipment	46	60	48	273	347	-	16	-	27	123		940
Amortization of intangible assets	-	6	-	10	1	-	-	-	-	-	67	84

Interim condensed consolidated financial statements of the Prochem S.A. Capital Group as at and for the period of six months ended 30 June 2019

Information about 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.

	1 January - 30 June 2019	1 January - 30 June 2018
Poland	97 879	50 134
Other countries	165	113
Total sales revenue	98 044	50 247

Geographical breakdown of property, plant and equipment and intangible assets

	30 June 2019	31 December 2018
Poland	29 988	35 019
Other countries	-	-
Total property, plant and equipment and intangible assets	29 988	35 019

Note No. 25 - Collateral Granted and Received and Contingent Liabilities and Contingent Assets

Collateral granted

	As at 30 June 2019	As at 31 December 2018
Bank guarantee of good performance and statutory warranty	13 327	14 192
Guarantee of reimbursement of advance payment	11 805	11 400
Payment guarantee	1 050	-
Tender guarantee	-	250
Total collateral granted	26 182	25 842
Contingent liabilities		
- surety for bills of exchange issued by Pro-Inhut sp. z o. o. seated in Dąbrowa Górnicza for the benefit of an investor to secure the claims under good performance	-	247
Total collateral granted and contingent liabilities	26 182	26 089

Collateral received

	As at 30 June 2019	As at 31 December 2018
Bank guarantee of good performance	28 547	16 865
Guarantee by promissory notes for securing contract terms	450	450
Total contingent assets	28 997	17 315

Note No. 26 - Profit Distribution

The Group's financial result is not subject to distribution.

Pursuant to the Resolution No. 13 of the Ordinary General Meeting of 1st June, 2019 the Issuer's net profit for 2018 in the amount of PLN 1 088 573.12 was entirely allocated to the reserve capital.

Note No. 27 - Dividends

Dividend was not paid.

Interim condensed consolidated financial statements of the Prochem S.A. Capital Group as at and for the period of six months ended 30 June 2019

Note No. 28 - Financial Instruments and Financial Risk Management

Financial assets

As at 30 June 2019

(in PLN thousands)	Categories of financial instruments		
	Note No.	Loans, receivables and other	Total
Classes of financial instruments			
Receivables from supplies and services	8	52 500	52 500
Cash		6 463	6 463
Loans granted	6	19 277	19 277
Other financial assets – non-current security deposit	6	1 210	1 210
Total		79 450	79 450

As at 31 December 2018

(in PLN thousand)	Categories of financial instruments		
	Note No.	Loans, receivables and other	Total
Classes of financial instruments			
Receivables from supplies and services	8	40 198	40 198
Cash		3 250	3 250
Loans granted	6	19 090	19 090
Other financial assets – non-current security deposit	6	1 332	1 332
Total		63 870	63 870

Financial liabilities

As at 30 June 2019

(in PLN thousands)	Note No.	Financial liabilities measured at amortized cost	
		Financial liabilities measured at amortized cost	Total
Classes of financial instruments			
Loans	12	9 469	9 469
Trade payables	13	43 956	43 956
Liabilities under lease		24 289	24 289
Total		77 714	77 714

As at 31 December 2018

(in PLN thousands)	Note No.	Categories of financial instruments		Total
		Financial liabilities measured at amortized cost	Liabilities excluded MSSF 16	
Classes of financial instruments				
Loans	10	9 469	-	9 469
Finance lease		-	24 126	24 126
Trade payables	11	43 956	-	43 956
Total		53 425	24 126	77 551

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

Interim condensed consolidated financial statements of the Prochem S.A. Capital Group as at and for the period of six months ended 30 June 2019

Note No. 29 - 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 entity or the parent entity.

Key management personnel include Members of the Management Board of the Parent Entity and Members of the Supervisory Board of the Parent Entity.

In the first half of 2019 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 half of 2019 in the Issuer's Enterprise was paid:

1. remuneration to the Members of the Management Board in total amount of PLN 532 thousand, including, remuneration determined from 2018 profit was PLN 34 thousand
2. remuneration to the Members of the Supervisory Board in total amount of PLN 156 thousand.

Remuneration paid to the Members of the Management Board and Members of the Supervisory Board in the first half of 2019 on account of serving on the Management Boards and the Supervisory Boards of the companies from the Capital Group was PLN 125 thousand.

Below are presented transactions with related parties, which include the jointly-controlled entities or the associated entities, as well as 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 services, as well as granting mutually loans.

Settlements with related entities include trade settlements and under loans.

Guarantees and sureties granted to related entities are presented in Note No. 25.

Reporting 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	-	-

Interim condensed consolidated financial statements of the Prochem S.A. Capital Group as at and for the period of six months ended 30 June 2019

Comparative period
(in PLN thousand)

from 1 January to 30 June 2018

	Sale of services	Purchase of services	Financial income – interest on loans	Financial income – dividends received
Jointly-controlled entities and associated entities	7 098	1 695	186	-

As at 30 June 2018

	Trade receivables	Receivables under loans granted	Other receivables	Trade payables
Jointly-controlled entities and associated entities	584	18 899	866	971

Note No. 30 – Events after the Reporting Date

In the third quarter of 2019, the Group of Prochem S.A. has begun the process of selling investment property located in Kraków at Czysza Street. On September 6, 2019, the Group signed a preliminary property sale agreement for the amount of PLN 5,950,000

Note No. 31 – 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 completion of the construction and commercialization of the Astrum Business Park project in Warsaw will have a large impact on the results of the Issuer and the Capital Group.

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 Prochem S.A. Capital Group for 2019.

Information on granting surety of loan or borrowing or giving a guarantee by the Issuer or by its subsidiary - jointly to one entity or subsidiary of this entity, if the total value of existing surety or guarantee is equivalent to at least 10% of the Issuer's equity

In the first half of 2019 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 the 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 SA.:

- Jarosław Stępniewski – 68,383 units;
- Marek Kiersznicki – 59,474 units;

Interim condensed consolidated financial statements of the Prochem S.A. Capital Group as at and for the period of six months ended 30 June 2019

- Krzysztof Marczak – 36,908 units;
- Marek Garliński – 83,996 units;
- Andrzej Karczykowski – 201,882 units;
The nominal value of 1 share is PLN 1.

Change in the ownership of shares by supervising persons:

On 4 June 2019 the Member of the Supervisory Board Mr. Marek Garliński acquired 10,000 units of shares in Prochem S.A. before the transaction owned 73,966 units.

Note No. 32- Approval of the Financial Statements

Interim condensed consolidated financial statements of the Capital Group of Prochem S.A. for the period from 1 January 2019 to 30 June 2019 were approved for issue by the Management Board of Prochem S.A. on 19 September 2019.

Signatures of the Members of the Management Board

19 September 2019	Jarosław Stępniewski	President of the Management Board
date	first name and surname	position	signature

19 September 2019	Marek Kiersznicki	Vice President of the Management Board
date	first name and surname	position	signature

19 September 2019	Krzysztof Marczak	Vice President of the Management Board
date	first name and surname	position	signature

Signature of the person responsible for bookkeeping

19 September 2019	Barbara Auguścińska-Sawicka	Chief Accountant
date	first name and surname	position	signature