SEPARATE FINANCIAL STATEMENTS OF PROCHEM S.A.

As at and for the year ended 31 December 2018

PROCHEM S.A.
Łopuszańska 95 Street
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Separate statement of financial position as at 31 December 2018

(all amounts in PLN thousands if not stated otherwise)

	Note No.	31 December 2018	31 December 2017
A s s e t s			
Non-current assets			
Property, plant and equipment	1	923	964
Intangible assets	2	121	177
Investment properties	3	0	246
Shares in subsidiaries	4	8 478	8 478
Shares in equity-accounted investees	5	4 502	4 502
Deferred tax assets	6	2 205	2 743
Non-current receivables under retained security deposits		63	726
Other financial assets	7	38 942	37 032
Total non-current assets		**55 234**	**54 868**
Current assets			
Inventories	8	717	28
Trade and other receivables	9	27 172	16 894
Amounts due from recipients under contracts	19	5 799	2 260
Other financial assets	10	-	130
Other assets	11	795	690
Cash and cash equivalents		1 336	18 642
Total current assets		**35 819**	**38 644**
Total assets		**91 053**	**93 512**
E q u i t y a n d l i a b i l i t i e s			
Equity			
Share capital	12	2 935	3 895
Revaluation reserve	13	-343	107
Retained earnings	14	40 230	61 974
Total equity		**42 822**	**65 976**
Non-current liabilities			
Provisions for retirement and similar benefits	15	612	472
Non-current loans	16	8 450	950
Long-term liabilities due to retained security deposits		3 569	4 067
Total non-current liabilities		**12 631**	**5 489**
Current liabilities			
Current bank loans	17	3 830	-
Trade payables	18	22 723	14 283
Amounts owed to recipients under contracts	19	2 863	1 913
Other liabilities	20	6 107	5 851
Deferred income	21	77	-
Total non-current liabilities		**35 600**	**22 047**
Total liabilities		**48 231**	**27 536**
Total equity and liabilities		**91 053**	**93 512**
Weighted average number of ordinary shares (units)		2 935 000	3 895 000

Book value per one share (in PLN)	14.59	16.94

Separate statement of profit and loss
from 1 January 2018 to 31 December 2018 roku
(all amounts in PLN thousands if not stated otherwise)

	Note No.	In 2018	In 2017
Revenues from sale, including :		98 986	49 177
Revenues from sale of services	22	96 936	49 177
Revenues from sale of goods and materials	23	2 050	-
Cost of sales, including :		-93 051	-52 859
Cost of services sold	24	-91 107	-52 859
Cost of merchandise and raw materials		-1 944	-
Gross profit on sales		**5 935**	**-3 682**
General and administrative expenses	24	-7 895	-7 032
Other operating income	25	3 236	112
Other operating expenses	26	-794	-567
Result on one-off event	27	-	26 773
Results from operating activities		**482**	**15 604**
Financial income	28	2 035	1 589
Finance expenses	29	-975	-2 243
Before tax profit		**1 542**	**14 950**
Income tax expense:	30	453	2 266
- current tax		2	237
- deferred tax		451	2 029
Profit for the period		**1 089**	**12 684**
Weighted average number of ordinary shares		2 935 000	3 895 000
Profit/diluted profit per share (in PLN per one share)		0.37	3.26

Separate statement of comprehensive income

	In 2018	In 2017
Profit for the period	**1 089**	**12 684**
Other comprehensive income, net	**-157**	**94**
Other comprehensive income that will be reclassified to profit and loss under certain conditions:	**0**	**0**
Other comprehensive income that will not be reclassified to profit and loss:	**-157**	**94**
Actuarial profit (losses) on valuation of provisions for employee benefits	-157	115
Income tax on other comprehensive income		-21
Total comprehensive income	**932**	**12 778**
Weighted average number of ordinary shares (units)	2 935 000	3 895 000
Total comprehensive income per ordinary share (in PLN per one share)	0.32	3.28

Separate statement of changes in equity

(all amounts in PLN thousands if not stated otherwise)

	Share capital	Revaluation reserve	Retained earnings	Total equity
Reporting period from 1 January 2018 to 31 December 2018				
As at the beginning of the period	**3 895**	**107**	**61 974**	**65 976**
Net profit of the given period			1 089	**1 089**
Repurchase of own shares for redemption	-960		-23 040	**-24 000**
Other comprehensive income (net)			***-157***	**-157**
Total comprehensive income	**-960**	**0**	**-22 108**	**-23 068**
Other decreases		-450	364	**-86**
As at the end of the period	**2 935**	**-343**	**40 230**	**42 822**

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

Separate statement of cash flows
from 1 January 2018 to 31 December 2018
(all amounts in PLN thousands if not stated otherwise)

	Note No.	In 2018	In 2017
Cash flows – operating activities			
Before tax profit		1 542	14 950
Total adjustments		-7 051	16 588
Amortization and depreciation		495	550
Interest and profit sharing (dividends)		-1 198	-831
Profit on disposal of property, plant and equipment		-83	2
Loss on investing activity		246	1 164
Change in provisions		1 248	-305
Change in inventories		-689	1 670
Change in receivables		-13 904	22 158
Change in current liabilities except for borrowings and loans		8 271	-7 879
Other adjustments (including deferred income)		-1 437	59
Cash provided by (used in) operating activities		-5 510	31 538
Income tax paid		388	-627
Net cash provided by (used in) operating activities		**-5 122**	**30 911**
Cash flows – investing activities			
Inflows		**1 190**	**1 701**
Disposal of intangible assets and property, plant and equipment		4	3
Inflows from financial assets		1 186	1 698
- in related entities		1 186	1 500
inflows from disposal of financial assets		-	367
dividend received		1 069	741
repayment of loans granted		9	-
repayment of interest on loans granted		108	392
- in other entities		-	198
repayment of loans granted		-	133
repayment of interest on loans granted		-	65
Outflows		**-398**	**-264**
Acquisition of intangible assets and property, plant and equipment		-398	-134
- in related entities		-	-130
granting a loan		-	-130
Net cash provided by (used in) investing activities		**792**	**1 437**
Cash flows – financing activities			
Inflows		**11 330**	**-**
Bank loan		3 830	-
Borrowings received		7 500	-
Outflows		**-24 306**	**-13 951**
Acquisition of own shares		-24 000	-
Loan repaid		-	-6 000

Repayment of bank loans	-	-7 302
Interest and commission paid (loan)	-130	-415
Interest on loans paid	-176	-234
Net cash provided by(used in) financing activities	**-12 976**	**-13 951**
Total cash flows, net	-17 306	18 397
Increase/(decrease) cash and cash equivalent net	-17 306	18 397
Cash and cash equivalents at the beginning of the period	**18 642**	**245**
Cash and cash equivalents at the end of the period	**1 336**	**18 642**

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

1. Establishment of the Company and principal activity

Company Prochem S.A.(hereinafter called „Prochem", „Company", „Issuer" or „Parent Company") seated in Warsaw, 95 Łopuszańska Street. The company is registered in the National Court Register (KRS) by the District Court for the Capital City Warsaw, 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 Articles of Association were signed on 1 October 1991. Duration of the Company is unlimited.

1.1. The Representation Office

In 2013 the Company commenced implementation of investment project „Turnkey construction of system for the production of highly purified paraffin, oils, lubricant and cooling greases and model compounds with the expansion of power complex" in Belarus. The request to close the Representation Office was submitted on 25 May 2018.

1.2. The Management Board and Supervisory authorities of the Issuer

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

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

The Management Board of Prochem S.A. was appointed by Resolution No. 16 / X of the Supervisory Board of Prochem S.A. of June 12, 2018.

Composition of the Supervisory Board of Prochem S.A.

As at the date of preparation hereby of 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

1.3. Employment

Average employment in 2018 was 183 FTEs, and in 2017 177 FTEs. Level of employment in persons as at 31 December 2018 was 191 persons, and as at 31 December 2017 was 181 persons.

2. Adopted accounting principles

2.1. Principles of presentation

Separate financial statements was prepared according to International Financial Reporting Standards adopted by European Union.
The separate financial statements consist of the statement of financial position, the statement of profit and loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and explanatory notes.

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

- Investment properties measured at fair value.

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

2.2. Significant accounting principles

When preparing financial statements hereby, the same accounting principles and the same calculation methods were applied that were applied in the separate financial statements of PROCHEM S.A. for the year ended December 31, 2017, with the exception of the adopted new IFRS 15 "Revenue from Contracts with Customers" and "IFRS 9 Financial Instruments".

2.3. Estimates made

The preparation of financial statements under IFRS adopted by EU requires using certain accounting estimates and adoption of assumptions concerning future events. Items of the financial statements set under the estimation are subject to verification if circumstances being base of estimates are changing or as a result of obtaining new information or of progressing course of events or of acquiring greater experience. When preparing the financial statements hereby, were applied the same accounting principles and the same calculation methods which were applied in the financial statements of Prochem S.A. for the year ended 31 December 2017 except for adopted new standards IFRS 15 "Revenues from Contracts with Customers" and IFRS 9 "Financial Instruments".

Information about the adopted assumptions and uncertainties relating to estimates made are included in the following notes to financial statements.

- Note 15 – Liabilities under retirement benefits: key actuarial assumptions;
- Note 40 – Information on significant proceedings pending before the court.

In the applied accounting principles the biggest importance had, apart from accounting estimates, the professional judgment of the management, which influences the amounts disclosed in the financial statements. Assumptions of these estimates are based on the best knowledge of the Management Board regarding current and future activities and events in particular areas of activity. They relate to the valuation of retirement benefits, the assessment of the degree of realization and profitability of long-term contracts (of gross margin).

2.4. New standards, interpretations and changes in published IFRS and its impact

The International Accounting Standards Board has approved new standards to be applied from January 1, 2018:

- IFRS 9 „Financial Instruments",
- IFRS 15 „Revenue from Contracts with Customers" and amendments to IFRS 15 explaining some of the requirements of the standard,
- Amendments to IFRS 2 regarding the classification and valuation of share-based payment transactions,
- Amendments to IFRS 4 regarding the application of IFRS 9 together with IFRS 4,
- Amendments to IAS 40 regarding the rules of transferring to or from investment properties,
- Annual Improvements to IFRS 2014-2016 cycle in the scope of further specifying IAS 28 and IFRS 1,
- IFRIC 22 Interpretation regarding transactions in a foreign currency and remuneration paid or received in advance.

The above amendments to the standards have been approved for application by the European Union by the date of publication of the hereby financial statements, with the exception of IFRS 9 and IFRS 15, will have no impact on the Company's accounting policy and financial statements.

Description of the impact of applying IFRS 9 and IFRS 15

The company Prochem S.A. retrospectively applied the IFRS 15 and IFRS 9 standard with effect from 1 January 2018. In accordance with the possibility allowed by the standard, the Company resigned from restatement of comparable data. Data as at December 31, 2017 were prepared based on IAS 39, IAS 18 and IAS 11.
The previously applied selected accounting principles for sales revenue (IAS 18, IAS 11) and financial instruments (IAS 39) were disclosed in the financial statements for 2017.

IFRS 15
The company applies the principles of IFRS 15 taking into account the assumptions adopted in this model. This model assumes that revenue are recognized when (or in the extent in which) the entity transfers the control over the goods or services to the customer, and to such amount, to which entity expects to be entitled. Depending on the meeting of determined criteria, the revenues:
- are distributed over time in a way that reflects the implementation of the contract by the entity, or to which entity expects to be entitled.
- are recognized once, in such a time when the control over the goods or services is transferred to the customer.

The analysis made by the Company did not show the impact of the application of IFRS 15 on the financial statements prepared in previous years.

To ensure the comparability of data in the statement of financial position, the following reclassifications of data were made as at December 31, 2017.

Statement of financial position

Assets	As at 31 December 2017 (in PLN thousands)	Reclassification (in PLN thousands)	As at 31 December 2017 after restatement (in PLN thousands)
Other assets	2 950	-2 260	690
Amounts due from receivers under agreements	0	2 260	2 260
Equity and liabilities			
Deferred income	1 913	-1 913	0
Amounts owed to receivers due to agreements	0	1 913	1 913

IFRS 9
At the moment of initial recognition, financial assets should be classified into one of three categories:
• financial assets measured at amortized cost;
• financial assets measured at fair value through profit or loss; or
• financial assets measured at fair value through other comprehensive income.

The Group qualifies financial assets to the appropriate category depending on the business model of financial assets management and the characteristics of contractual cash flows for a given financial asset.

Component of financial assets is classified into the category of measured on initial recognition at amortized cost if the following two conditions are met:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- its contractual terms give rinse on specified dates to cash flows which are solely payments of principal and interest on the principal outstanding.

Component of financial assets is classified into the category of measured at fair value through other comprehensive income if:

- the Group’s objective is to hold assets in order both to receive cash flows from the contracts as well as their selling,
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Other financial assets are measured at fair value through profit or loss for the current period.

The impact of the implementation of IFRS 9 on the change in the classification of financial assets as at 1 January 2018 is presented below.

Classes of financial instruments	**Classification under IAS 39**	**Classification under IFRS 9**
Financial assets available for sale	Available for sale	Measured at fair value through profit or loss
Security deposits under contracts for construction	Loans and receivables	Measured at amortized costs
Trade and other receivables	Loans and receivables	Measured at amortized costs
Loans granted	Loans and receivables	Measured at amortized costs
Derivative financial instruments not covered by hedge accounting	Financial assets measured at fair value through profit or loss	Measured at fair value through profit or loss

IFRS 9 did not introduce changes to the classification of financial liabilities.

In the scope of hedge accounting, the Company has decided to continue the existing measurement and classification methods.

IFRS 9 introduces a new approach to estimating the impairment of financial assets. Currently, the impairment model is based on the calculation of expected losses as opposed to the model resulting from IAS 39, which was based on the concept of losses incurred.
To estimate the expected credit losses in relation to trade receivables, the Company applied the simplified method allowed by IFRS 9. For the purpose of estimating the expected credit loss, the Company uses the provisions ratio, which takes into account historical data.
Taking into account the above calculation methodology for expected credit losses, the value of receivables may also be updated individually in case if in the individual assessment of the Management Board the risk of non-recoverability is significant, in particular in relation to:
- receivables from contractors put in liquidation or bankruptcy
- debts questioned by debtors, and such when the debtor is in arrears, and according to the assessment of the debtor's property and financial situation, the repayment of the contractual receivable is fraught with significant risk.
As a result of individual analysis, in case when despite significant overdue of receivables, the Company has a credible declaration of the contractor's payment, the creation of a write-off may be suspended.
The implementation of IFRS 9 did not significantly affect the amounts of write-downs as at 31 December 2018 as well as at 1 January 2018. Due to the fact that the calculated amount of impairment allowance as at 1 January 2018 in accordance with the adopted model of expected credit losses did not significantly differ from the amounts already recognized in the financial statements as at December 31, 2017, the Company took advantage of possibilities provided by in IFRS 9 and in result did not make restatement of the data of earlier periods, and because of that an adjustment was not made of the initial balance of the Company's retained earnings under the implementation of this IFRS.

The company has not decided to early apply the 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.

2.5. Standards and interpretations approved by the EU, which have not entered into force for the annual periods ended December 31, 2018

IFRS 16 Leases effective from January 1, 2019.

IFRS 16 replaces MSR 17 *Leases* and interpretations related to this standard. With regard to lessees, the new Standard eliminates the current distinction between financial and operating leases. The recognition of an operating lease in the statement of financial position will result in the recognition of a new asset - the right to use the leased asset - and a new liability - a liability to make a lease payment. Right to use the assets leased will be subject to amortisation, but interest will be charged on the liability. This will result in arising of higher costs in the initial leasing phase, even if its parties have agreed on fixed annual fees.
Recognition of lease agreements of the lessor will in most cases remain unchanged due to the maintained division into operating and financial leases agreements.

Impact of IFRS 16 on financial statements

At the time of preparing hereby financial statements, the Company completed work related to the implementation of the new IFRS 16 standard. The implementation of IFRS 16 was carried out as follows:

 - analysis of all being executed contracts for purchase of services was made, regardless of the current classification, aimed at selecting those contracts on the basis of which the Company uses assets belonging to suppliers;
– each identified contract has been assessed in terms of meeting the criteria for being classified as a lease in accordance with IFRS 16,
- the subject of the made analysis was all financial lease contracts, operating lease contracts, and also rental and lease agreements.
The company decided to implement the standard on January 1, 2019. In accordance with the transitional provisions contained in IFRS 16.C5 (b), the new principles will be adopted retrospectively with referring the cumulative effect of the initial application of the new standard to equity as at January 1, 2019. Therefore, comparative data for the financial year 2018 will not be transformed (modified retrospective approach).
The company will recognize liabilities under lease related to contracts that were previously classified as "operating leases" in accordance with the principles of IAS 17 Lease. These liabilities will be measured at the current value of lease payments remaining to be paid at the date 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 Company will apply 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 contract: 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 to be made that have an impact on the valuation of liabilities under lease”
- establishing of contracts covered by IFRS 16,
- determination of the remaining applicable lease period with respect to contracts concluded before January 1, 2019,
- establishing of marginal interest rates used to discount future cash flows,
- indication of useful periods and determination of amortization rates for use rights to assets recognized as at January 1, 2019.
When applying IFRS 16 for the first time, the Company will apply the following practical simplifications allowed by the standard:
- the using of one discount rate for a portfolio of leasing agreements with similar features,
- the application of an assessment whether leases give rise to burdens in accordance with IAS 37 at the moment of implementing the standard, as an alternative to conducting impairment tests of the lease assets,
- agreements under operating lease with the remaining lease period of less than 12 months as at 1 January 2019 will be treated as short-term leasing,
- the using of the time perspective (using the knowledge gained after the fact) in determining the leasing period, if the agreement includes options for extending or terminating of the lease agreement.
As at December 31, 2018, the Company had an irrevocable off-balance sheet liability due to operating lease with regard to office lease agreements and car rental. As at December 31, 2018, the nominal value of assets used under lease agreements was PLN 16,024 thousand (detailed information is presented in note 35 of which the amount of PLN 15 684 thousand relates to lease agreements in accordance with IFRS 16 upon excluding short-term lease. For the aforementioned contracts, the Company made a valuation at the present value of assets used under these agreements and recognized as at January 1, 2019 the right to use an asset in the amount of PLN 14,427 thousand, and liability under lease with the same value. Off-balance sheet liability under leasing in the amount of PLN 16 024 thousand PLN will be derecognised. In the case of contracts in which the Company acts as a lessor, the application of IFRS 16 will not result in the necessity to recognize the adjustments as at 1 January 2019.
Projected financial results of the implementation of IFRS 16 (applicable only to lease agreements concluded or amended before January 1, 2019) on:
Statement of financial position as at 1 January 2019
- the right to use an asset – property, plant and equipment PLN 14 427 thousand,
- liabilities under lease PLN 14 427 thousand.

Statement of profit and loss: for the period from 1 January -31 December 2019.
- decrease in service costs by PLN 662 thousand;
- increase in depreciation and amortization by PLN 402 thousand;
- increase in interest expenses by PLN 260 thousand.
Statement of cash flows
- increase in cash flows from operating activities by PLN 260 thousand
- decrease in cash flows from financial activities by PLN 260 thousand
- decrease in costs due to taxes and fees and services (59) - increase in depreciation 30 - increase of costs The annual cost under short-term leases will amount to PLN 509 thousand.

Other published but not yet endorsed standards and interpretations do not apply to the Company's activities or will not affect it:

• Amendments to IFRS 10 and IAS 28 regarding the sale or transfer of assets between an investor and its associates or joint ventures,
• IFRIC 23 interpretation regarding uncertainty regarding the recognition of income tax,
• MSSF 17 Insurance Contracts,
• 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,
• Amendments to IAS MSR 28 regarding long-term interests that form part of the net investment in the associate or joint venture,
• Annual Improvements to IFRS Standards 2015-2017 cycle,
• Amendments to IAS 19 concerning changes, reductions or settlements of defined benefit plans,
• Amendments of references to conceptual assumptions in IFRS,
• Amendments to IFRS 3 to the definitione of a business,
• Amendments to IAS 1 and IAS 8 regarding the definition of materiality.

The above-mentioned standards, with the exception of IFRIC 23 interpretations and amendments to IFRS 9, are awaiting endorsement by the European Union. The Group intends to apply all amendments in accordance with the date of their entry into force.

2.6. Remaining accounting principles applied by the Company

Property, plant and equipment and intangible assets

Property, plant and equipment include fixed assets and expenditures on construction in progress which the entity intends to use in their business operations in a period longer than one year, and which will result in future economic benefits to the entity.
Expenditures on property, plant and equipment include incurred investment expenditures as well as incurred expenses on future supply of machinery, equipment and services relating to production of PPE (transferred advance payments).
PPE are initially stated at cost. Measurement after initial recognition:

- Land, buildings and construction are carried at revalued amount, being its fair value at the date of revaluation, set by experts, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Fair value will be set by experts regularly every two years.
- Other PPE are carried at their cost increased by possible improvement costs, less any accumulated depreciation and any accumulated impairment losses.

Increase in value resulting from the revaluation of land, buildings and constructions is recognized in other comprehensive income and accumulated in total amount in equity - *Revaluation reserve*, as revaluation surplus unless it represents the reversal of a revaluation decrease previously recognized in the statement of profit and loss. A decrease in value arising as a result of a revaluation of land, buildings and constructions is recognized as cost of the period to the extent that it exceeds any amount previously credited to the revaluation surplus relating to the same asset and recognized in other comprehensive income. A decrease resulting from revaluation included in other comprehensive income decreases the amount of total surplus arising from the revaluation recognized in the equity.

Value of PPE designated to liquidation, withdrawn from use as a result of the change of technology or other reasons, is being revalued by write down. Write-down is recognized in other operating costs.

Expenditures on PPE incurred at a later date are recognized at their carrying amount when it is probable that future economic benefits associated with them will flow to the entity, and this cost could be reliably measured. All other repair and maintenance costs of PPE are recognized in the cost of the period, in which they were incurred.

Profit and loss on sale of PPE are set by comparing the revenues from sale with the carrying amount of the given component of non-current assets and recognized in the statement of profit and loss. PPE are subject to depreciation since they are available for use. Depreciation allowances on PPE are provided by systematic, scheduled allocation of the initial value over the established useful life of the component. A straight line depreciation method is applied.

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

• Buildings and constructions	10-40 years
• Machinery and equipment	5-12 years
• Vehicles	5 years
• Tools, devices, movables and equipping	5-10 years

The correctness of the applied useful lives, of depreciation methods is verified at the end of each reporting year, and in justified cases is adjusted.

Own land is not subject to depreciation.

PPE in-progress arising for the operating activity, as well as for purposes not yet identified, are presented in the financial statements at their cost less recognized impairment losses. The cost of all items comprises all fees and borrowing costs capitalized in accordance with the applied accounting principles.

PPE are subject to the impairment tests, if premises for impairment exist, while in case of PPE in progress, the possible impairment is determined at least for each balance sheet day. The effects of the impairment are recognized in other operating costs.
The component of intangible assets is measured at cost less any depreciation allowances and any impairment losses.
Intangible assets, except for the goodwill are being amortized. Amortization allowances of intangible assets is made by systematic, planned allocation of the initial value in the established useful life of the component. A straight line of depreciation method is applied.

In the financial statements for the current period and comparative periods the Company applied useful life period of 3-10 years for amortization of intangible assets.

The correctness of the applied useful lives, of depreciation methods is verified at the end of each reporting year, and in justified cases is adjusted in the current and in subsequent periods.

Intangible assets are subject to the impairment tests if premises for impairment exist. The effects of the impairment are recognized in other operating costs.

Investment properties

Investment property is a property (land or a building or part of a building, or both), which the Company treats as a source of rental income or maintains due to the increase in value, or in order to benefit from both of them, and the investment property :

- is not used in operating activities,
- is not offered for sale in the ordinary course of investment activity.

Investment properties are also real estates under construction or their adaptation, which are to be used in the future as investment properties. Gains or losses arising from the sale / liquidation of the investment property shall be determined as the difference between proceeds from sale and the carrying amount of these assets and are recognized in the statement of profit and loss.
Investment properties are initially measured at its cost, including transaction costs. After initial recognition, investment properties are measured at fair value as defined in the fair value model and in IFRS 13 *Fair Value Measurement*. The method of valuation is obligatory to all investment properties unless some investment properties cannot be measured by this method – then, the cost approach is used until the property is sold.

Profit or loss from changes in the fair value of the property is recognized in the result for the period in which the change occurred.

Change in classification, i.e. transfers to, or from, the investment property are only made when there is a change in use, e.g..:

- commencement of owner-occupation – transfer from investment property to property, plant and equipment,
- end of owner-occupation – transfer from property, plant and equipment to investment property,
- commencement of development with a view to sale – transfer from investment property to inventories,
- commencement of an operating lease to third party – transfer from inventories to investment property.

The cost of an investment property transferred to property, plant and equipment or to inventories is its fair value as at the date of change in the method of use.

The difference between the fair value and the carrying amount, which arose at the time of transfer to investment properties measured at fair value:

- PPE - is accounted for as a revaluation in accordance with IAS 16,
- inventories - is recognized as profit or as loss for the period,

end of construction or development of investment property on own account - as the profit or loss for the period.

The fair value in accordance with IFRS 13 is such a price, which would be received from the sale of an asset, or which could be paid for the transfer of a liability in transaction made on usual conditions between market participants at the measurement date. Measurement of fair value refers to a specific asset. Therefore, at measurement at fair value should be taken into account the features of the asset, if market participants would consider such features when determining the price of the asset at the measurement date. Such features include, for example:
- condition and location,
- any restrictions on the sale or use of the asset.

The impact of individual features is to differ in depending on how these features will be taken into account by the market participants.

Fair value measurement is based on the assumption that the transaction on disposal of assets is held:
- on the principal market for the asset,

- in case of the absence of a principal market, the most advantageous market for the asset. The most advantageous market means market that maximises the amount that would be received to sell the asset by the seller of the asset, after taking into account transaction costs and transport costs.

The standard requires the classification of fair value measurements depending on the information obtained for the purposes of valuation in accordance with the following hierarchy:

- Level 1: quoted exchange prices for identical assets or for liabilities in the active markets that are available at the measurement date.
- Level 2: initial data not constituting prices of Level 1, but are observable either directly or indirectly.
- Level 3: unobservable data.

IFRS 13 requires disclosures in financial statements. The scope of required disclosures depends on the category of fair value measurement (i.e. whether it is included in the financial statements or in the notes only) and on the level of the fair value hierarchy within which the fair value measurements are categorised.

Disclosures resulting from IFRS 13 concerning fair value model relate to:

- Reconciliation of fair value at the beginning of the period and its value at the end of the period.
- A level from the three levels of fair value hierarchy. For investment properties, it will be a level 2 or 3 for which it is required:
  - disclosure of the amount of transfer between levels (the reasons for those transfers and the policy applied by the Group for determining whether such a change in levels has occurred),
  - description of applied valuation techniques and inputs,
  - in case of the change in the valuation techniques used in the fair value measurement, disclosure of such a change and the reasons for making such a change.
- If the highest and best use of a non-financial asset differs from its current use, should be disclosed the reason for different use of this asset.
- Information enabling reconciliation of classes of assets and liabilities, which were disclosed at the separate levels of the fair value hierarchy with items presented in the statement of financial position.

Measurement of fair value of the entity's investment property is carried out by an independent expert, who has qualifications relevant to carrying out valuations of real estate, as well as current experience in such valuations in locations where assets of the Group are located.

In justified cases, investment properties whose value changes by at least 10%, are valued in each year.

Leases

The company as the lessee

A lease is classified as a finance lease if substantially all the risks and rewards incidental to ownership of an asset falls to the Company Prochem S.A. Components of the assets under this lease are measured in the financial statements at the lower of amounts set in commencement of the use: at fair value or at present value of minimum lease payments. Each lease payment is divided into the part constituting the liability and the financial part. The liability is presented in the balance-sheet in the position „Other liabilities” with the division into the current liabilities (payable up to one year) and non-current liabilities (payable in the period longer than one year). Finance costs are recognized in the Statement of profit and loss. Principles of the amortization and depreciation of assets being a subject of the financial lease and the principles of determining impairment allowances by assets under finance lease are consistent with principles applied for the Company’s assets. PPE held under lease agreements are depreciated over the economic useful life of assets. Straight-line method of depreciation is used.

Lease payments under an operating lease and subsequent lease instalments are recognized in current costs using straight-line method for the duration of the lease.

The company as the lessor

Lease agreements, such as rent agreements according to which the Company retains substantially all the risks and all rewards resulting from having a leased object, are ranked among operating lease agreements. Costs of lease are recognized in current costs while income from the leased object are recognized in revenues of the period.

Borrowing costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except for costs that are directly attributable to the acquisition, construction or production of an asset (PPE, intangible assets).
Capitalization of borrowing costs commences when:

1. borrowing costs are incurred,
2. expenditures are incurred for the asset,
3. the activities necessary to prepare the asset for its intended use or sale are undertaken.

Capitalization of borrowing costs shall be suspended in the case of interruption for extended periods of active investing activity by the entity. Borrowing costs are capitalized until the designation of the asset for use or sale.

Investments in subsidiaries, associates or in joint ventures

The Company measures the value of shares at cost, i.e. at the price of the purchase reduced by any impairment losses.
The fair value of investment on the date when it ceases to be a subsidiary shall be treated as the purchase price at the moment of initial measurement as financial asset.

Inventory – item of Inventory includes - materials, goods, semi-finished products, and work-in-process.
Inventories are measured initially at cost. As at the balance sheet day the measurement of goods and materials is done with the prudence accounting principle, that is the categories are valued at the lower of following - purchase price, the production cost or the net realizable value.
Stocks of slowly-rotating goods and materials are covered among others by the write-downs created according to individual evaluation of the realizable price as at the balance sheet day.
Flows of stocks are done at using the FIFO method - "first-in", "first-out".
Write-downs concerning inventory and their reversals are recognized in the other operating expenses and revenues from operating activities.
Loans granted - arise when the entity is transferring financial means directly to the debtor, and is not intending to enter the receivable into trade. They are classified as current assets, provided the date if their maturity does not exceed 12 months from the balance sheet day. Loans with the maturity date exceeding 12 months starting from the balance sheet day are classified as non-current assets. Loans are initially recognized at their fair value. The measurement of loans at later date is done at amortized cost, using the effective interest rate method, less possible impairment losses.

Receivables are recognized initially at fair value, and subsequently measured at amortized cost using the effective interest rate method less impairment allowances. Impairment allowance of receivables is identified when there is objective evidence that the entity will not receive all amounts due according to the original terms of receivables and impairment allowance is recognized in other operating expenses. The amount of write-down is a difference between the carrying value of receivable and present value of estimated future cash flows, discounted using the effective interest rate.
Discounting involves determining the present value of future payments to maturity. For this purpose, we set an interest rate for calculation purposes (discount interest rate) calculated on the basis of the interest rate established as the average return on bonds with a specified return period and a time remaining to time of repayment of receivable.

Cash and cash equivalents include cash in hand and on bank accounts, bank deposits with the original maturity date up to three months and financial assets measured at fair value through profit or loss and meeting the requirements of the definition of the cash equivalent. Cash is measured at nominal value.

Non-current assets held- for- sale

Non-current assets held-for-sale are assets meeting the following criteria:

- by the Management is committed to a plan to sell,
- an active program to locate a buyer is initiated,
- an asset is available for immediate sale,
- the sale is highly probable within 12 months from classification as held for sale,
- the selling price is rational in relation to the current fair value,
- it is unlikely that the sales plan will be significantly changed.

Change of classification is reflected in the reporting period in which the criteria are met.

Immediately prior to reclassification to the group held for the sale or the disposal, these assets are re-measured according to accounting principles. Non-current assets held for the sale (excluding financial assets and investment properties) are recognized in the financial statements in lower of two values: the carrying amount or the fair value less costs to sell.

In case of increase of value, at a later date, of fair value less costs to sell, the income is recognized, however, at the value not higher than previously recognized impairment allowance. Upon allocating the given component of assets as held for sale, the calculation of depreciation allowances is stopped.

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

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

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

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

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

Equity

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

- Founding capital – shares capital shown in the nominal value of the issued and registered shares.
- Revaluation reserve includes:
  - the revaluation difference between the fair value and the purchase price, less deferred tax - among others - of buildings and structures, and land and investment property which are measured at fair value,
  - capital arisen from the foreign exchange differences – from translation of the foreign operations of Representation Office,
  - actuarial gains and losses resulting from the changes in actuarial assumptions (including those due to change in discount rate).
- Retained earnings, which include:
  - Spare capital, which is created from the surpluses of sale of shares above its nominal value, and from annual write-downs of net profits and write-downs of revaluation of property, plant and equipment in the previous years,
  - Reserve capital which arose from the profit allocated to equity,
  - Undistributed profit/loss brought forward and profit(loss) of the current year,
  - Advance payments paid on account of dividends.

Revenues from sales **-** include in particular revenue from execution of contracts of construction services (general contracting) and design and engineering services. From 1 January 2018, the Company applies the principles of IFRS 15 taking into account the assumptions adopted in this model. This model assumes that revenues are recognized when (or to the extent to which) the entity transfers control over the goods or services to the client and in the amount to which the entity expects to be entitled. Depending on the meeting of determined criteria, the revenues:
- are distributed over time in a way that reflects the implementation of the contract by the entity, or to which entity expects to be entitled.
- are recognized once, in such a time when the control over the goods or services is transferred to the customer.
Revenues from the contracts for construction services (general contracting) and the design and engineering services are determined in proportion to the level of the progress of the service. The level of progress of the service is measured by the share of costs incurred from the date of the contract to the date of recognition of income in the total cost of the execution of service.
Correctness of calculations of the level of the progress of service as well as expected the total expenses and revenues from the performing of the service is verified at the end of each quarter.

Revenues from sale of goods and materials are recognized in the profit and loss account when the control over goods has been transferred to the client.

Income tax – tax burdens include the current taxation by corporate income tax, and the change in provisions or deferred tax assets.

Current tax liabilities are established on the basis of current tax regulations and the established taxable income. Current tax liabilities for the current period and previous periods are included as the liability in the amount, in which it wasn't paid.
Provision under deferred income tax is recognized using the liability method, under transitional differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that are actually applicable as at the balance sheet date. Transitional differences relate to different measurement of assets and liabilities for tax purposes and balance sheet purposes.
Income tax assets are recognized when is probable that in future the taxable income will be achieved that will enable the use of transitional differences. Deferred tax assets are recognized separately from tax losses, which could be deductible in the next years.

2.7. Seasonality

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

2.8. Transactions in foreign currencies

Transactions in foreign currencies are initially recognized at the exchange rate of the NBP effective as at the transaction date. Balance sheet items of assets and liabilities expressed in foreign currencies are measured at the average NBP exchange rate in force at the balance sheet date. Gains and losses arising from the settlement of such transactions and carrying value of assets and liabilities expressed in foreign currencies are recognized in the statement of profit and loss.

2.9. Functional currency and presentation currency of financial statements

The financial statements is presented in thousands of Polish Zlotys (‘zloty’ or ‘PLN’) which is the functional currency and presentation currency.

The financial result and financial position of the Representation Office are translated using the following procedures:
- assets and liabilities shall be translated at the closing rate as at the date of statement of financial position,
- revenues and expenses shall be translated at the medium exchange rate on the transaction date, and
- arisen exchange differences shall be recognized in statement of profit and loss.

3. Explanatory notes to separate financial statements as at 31 December 2018 and for the period of twelve months of 2018

Note No. 1 – Property, plant and equipment

	31 December 2018	31 December 2017
Property, plant and equipment, including:	923	964
- machinery and equipment	332	207
- other PPE	591	757
Total property, plant and equipment	**923**	**964**

Property, plant and equipment – ownership structure	31 December 2018	31 December 2017
a) own	923	964
Balance sheet property, plant and equipment, total	**923**	**964**

Changes in property, plant and equipment – in 2018

	Land, including the right of perpetual usufruct of land	Buildings, premises, and civil engineering objects	Machinery and equipment	Vehicles	Other PPE	Construction under progress	Total PPE
Gross value							
As at 1 January 2018	**-**	**-**	**3 268**	**67**	**3 185**	**-**	**6 520**
Increase (due to)	-	-	309	-	28	-	337
- acquisition	-	-	309	-	28	-	337
Decrease (due to)	-	-	-427	1	-287	-	-713
- disposal	-	-	-165	-		-	-165
- liquidation	-	-	-262	-	-286	-	-548
- other changes	-	-	-	1	-1	-	-
As at 31 December 2018	**-**	**-**	**3 150**	**68**	**2 926**	**-**	**6 144**
Depreciation and impairment							
As at 1 January 2018 – accumulated depreciation	**-**	**-**	**3 061**	**67**	**2 272**	**-**	**5 400**
Depreciation for the period (under)	-	-	-243	1	63	-	-179
- increase – depreciation for the period	-	-	184		194	-	378
- decrease under disposal	-	-	-165			-	-165
- decrease under liquidation	-	-	-262		-132	-	-394
- other decrease	-	-	-	1	1	-	2
As at 31 December 2018 - accumulated depreciation	**-**	**-**	**2 818**	**68**	**2 335**	**-**	**5 221**
Impairment of PPE	-	-	-	-	-	-	-
Net value of PPE as at 31 December 2018	**-**	**-**	**332**	**-**	**591**	**-**	**923**

Changes in property, plant and equipment – in 2017

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

Note No. 2 – Intangible assets

	Acquired concessions, patents, licenses and similar assets including computer software	Total intangible assets
Gross value		
As at 1 January 2018	**2 791**	**2 791**
Increase (under)	61	61
- acquisition	61	61
Decrease (under)	-69	-69
- liquidation	-69	-69
As at 31 December 2018	**2 783**	**2 783**
Amortization and impairment		
As at 1 January 2018 - accumulated amortization	**2 614**	**2 614**
Amortization for the period (under)	48	48
- increase (accrued amortization)	117	117
- decrease under liquidation	-69	-69
As at 31 December 2018 - accumulated amortization	**2 662**	**2 662**
Net intangible assets as at 31 December 2018	**121**	**121**

Change in intangible assets – in 2017

	Acquired concessions, patents, licenses and similar assets including computer software	Total intangible assets
Gross value		
As at 1 January 2017	**2 786**	**2 786**
Increase (due to)	5	5
- acquisition	5	5
As at 31 December 2017	**2 791**	**2 791**
Amortization and impairment		
As at 1 January 2017 - accumulated amortization	**2 476**	**2 476**
- increase –amortization for the period	138	138
As at 31 December 2017 - accumulated amortization	**2 614**	**2 614**
Net intangible assets as at 31 December 2017	**177**	**177**
Ownership structure		
- owned	121	177
Total intangible assets	**121**	**177**

Note No. 3 –Investment properties

	31 December 2018	31 December 2017
Land	-	166
Buildings and constructions	-	80
Total investment properties	**-**	**246**

On November 21, 2018, by virtue of the notary act Repetytorium A No. 5893/2018, the Company sold the investment property. Non-current assets being the basis for the creation of an investment property were being used in social activities, and therefore funds obtained from sales in the amount of PLN 394 thousand have increased the account of the company's social fund.

Investment properties by type	Change in investment properties for the period from 1 January 2018 to 31 December 2018	Change in investment properties for the period from 1 January 2017 to 31 December 2017
Investment property - land		
As at the opening balance sheet	166	-
- net increase due to reclassification from property, plant and equipment	-	166
- decrease due to disposal	-166	166
As at the closing balance sheet	**166**	**166**
Investment property – buildings and constructions		-
As at the opening balance sheet	80	-
- net increase due to reclassification from property, plant and equipment	-	80
- decrease due to disposal of non-current assets	-80	80
As at the closing balance sheet	**-**	**80**
Total investment properties	**-**	**246**

Note No. 4 – Shares in subsidiaries

Shares in subsidiaries	**31 December 2018**	**31 December 2017**
a) in subsidiaries	8 478	9 642
Shares, net value	8 478	9 642
Write-downs of financial non-current assets	1 523	359
Shares, gross value	**10 001**	**10 001**

Change in shares in subsidiaries and other entities	**31 December 2018**	**31 December 2017**
a) as at the beginning of the period	8 478	9 642
- shares at cost	8 478	9 642
b) decrease (due to)	-	1 164
- write-down of shares	-	1 164
As at the end of the period	**8 478**	**8 478**

Change in write-downs of shares in subsidiaries	**31 December 2018**	**31 December 2017**
As at the beginning of the period	1 523	359
Write-down of shares	-	1 164
As at the end of period	1 523	1 523

As at December 31, 2018, the Company performed an analysis which did not show any impairment in the case of shares.

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

Shares in jointly-controlled entities and in associated entities	**31 December 2018**	**31 December 2017**
- Shares – net value	4 502	4 502
- write-down of shares	708	708
Shares, gross value	**5 210**	**5 210**

Change in shares in jointly-controlled entities and in associated entities	**31 December 2018**	**31 December 2017**
a) as at the beginning of the period	4 502	4 502
- shares at cost	4 502	4 502
b) at the end of the period, net	4 502	4 502
c) write-down	708	708
d) at the end of the period, gross	5 210	5 210

As at December 31, 2018 the fair value of the joint venture was PLN 177 923 thousand, of which PLN 88 961 thousand is attributable to the Issuer, - as at 31 December 2017 was PLN 163 200 thousand, of which PLN 81600 thousand was attributable to the Issuer.

Shares in subsidiaries as at December 31, 2018

Item No.	a	b	c	d	e	f	g	h	i	j	k
	Name of the company and its legal form	Registered office	Scope of the Company's activity	Type of relationship (subsidiary, associated, with detailing direct and indirect relations)	Consolidation method applied/ valuation using the equity method, or indication that entity is not subject to consolidation / valuation under equity method	Date of gaining control/joint control / date of obtaining significant influence	Value of shares / at cost	Total revaluation adjustments	Carrying value of shares	Percentage of share capital held directly and indirectly	Share in total number of votes at the General Meeting (directly or indirectly)
1	PROCHEM INWESTYCJE Sp. z o. o.	Warsaw	Consultancy on business activity and management	subsidiary	full	22 June 1992	2 999	-	2 999	100.0%	100.0%
2	P.K.I. PREDOM Sp. z o.o.	Wrocław	Construction designing, urban planning, process engineering	subsidiary indirect(Prochem Inwestycje sp. z o. o. holds 75% of capital)	full	19 July 2002	177	-	177	81.7%	72.3%
3	PROCHEM ZACHÓD Sp. z o.o.	Warsaw	Marketing activity, providing construction works and design services, commercial activity and forwarding	subsidiary	full	18 March 1998	1 061	-	1 061	80.0%	80.0%
4	ELEKTROMONTAŻ KRAKÓW S.A. *	Kraków	Assembly of electrical installations and equipment	subsidiary indirectly(Prochem Inwestycje holds 65.5% of shares)	full	10 December 2001	221	-	221	85.4%	85.4%
5	PROCHEM RPI Sp. z o.o.	Warsaw	developer's activity	subsidiary (Prochem Inwestycje holds 3.33%)	full	08 April 1998	493	359	134	100.0%	100.0%
6	ELMONT INWESTYCJE Sp. z o.o.	Kraków	developer's activity	Subsidiary indirectly (Elektromontaż Kraków S.A. holds 50% shares)	pełna	05April.2007	5 050	-	5 050	92.7%	92.7%

***** *Participation in the total number of votes at the general meeting, and the percentage share in the capital in the subsidiary Elektromontaż Kraków S.A. were established as at December 31, 2018*

Shares in subsidiaries - continuation

Item No	a	b							c			d			e	f
	Name of the company	equity, including:	Share capital	Own shares (negative value)	Revaluation reserve)	Retained earnings	profit(loss) put forward	Net profit (loss)	Company’s liabilities and provisions to liabilities, including:	Non-current liabilities	Current liabilities	Company’s receivables, including:	Non-current receivables	Current receivables	Total assets of company	Sales revenue
1	PROCHEM INWESTYCJE Sp. z o. o.	7 350	3 000	-	-	4 350	-	367	20 828	19 678	1 150	86	-	86	28 178	4 036
2	P.K.I. PREDOM Sp. z o.o.	9 526	600	-	6 173	2 753	-	-563	3 124	1 860	1 264	1 282	-	1 282	12 650	5 358
3	PROCHEM ZACHÓD Sp. z o.o.	1 909	1 600	-	-	309	-	17	3	-	3	-	-	-	1 912	-
4	ELEKTROMONTAŻ KRAKÓW S.A.**	24 783	1 208	-	7 479	16 096	-	523	12 963	1 480	11 483	18 434	-	18 434	37 746	41 387
5	PROCHEM RPI Sp. z o.o.	129	600	-	-	-471	-466	-5	-	-	-	-	-	-	129	-
6	ELMONT INWESTYCJE Sp. z o.o.	7 896	8 000	-	-	-104	-218	114	14	-	14	-	-	-	7 910	-

***** *Share in the total number of votes at the general meeting, and the percentage share in the capital in the subsidiary Elektromontaż Kraków S.A. were established as at December 31,2018 after the settlement of shares purchased for redemption by the company Elektromontaż Kraków SA.*
****** *Data from the consolidated financial statements of the Capital Group of Elektromontaż Kraków S.A. as at December 31, 2018*

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

Item No.	a	b	c	d	e	f	g	h	i	j	k
	Name of the company and its legal form	Registered office	Scope of the company's activities	Type of relationship (subsidiary, associated, with detailing direct and indirect relations)	Consolidation method applied/ valuation using the equity method, or indication that entity is not subject to consolidation / valuation under equity method	Date of gaining control/joint control / date of obtaining significant influence	Value of shares / at cost	Total revaluation adjustments	Carrying value of shares	Percentage of share capital held directly and indirectly	Share in total number of votes at the General Meeting (directly or indirectly)
1	ITEL Sp. z o.o.	Gdynia	Other electrical installations	associated	The equity method	13September 2005	708	708	0	42.0%	42.0%
2	IRYDION Sp. z o.o.	Warsaw	Rental of real estate on its own account	Jointly-controlled	The equity method (change in the structure of shareholding from a subsidiary to a jointly-controlled entity as from April 3, 2013)	24 March 2000	4 502	-	4 502	50.0%	50.0%

Shares in jointly-controlled entities and associated companies - continued

Item No.	a	b		c			d			e	f
	Name of the company	Company's equity, including:		Company's liabilities and provisions to liabilities, including:			Company's receivables, including:			Total company's assets	Sales revenue
			Net profit (loss)		Non-current liabilities	Current liabilities		Non-current receivables	Current receivables		
1	ITEL Sp. z o.o.	No data	No data	No data	No data	No data	No data	No data	No data	No data	No data
2	IRYDION Sp. z o.o.	56 222	3 245	126 206	121 062	5 144	1 517		1 517	182 428	12 610

Note No. 6 – settlement of deferred income tax

- deferred tax assets

Change in deferred tax assets	**31 December 2018**	**31 December 2017**
1. Deferred tax assets as at the beginning of the period, recognized in financial result (profit or loss)	**3 928**	**6 256**
a) recognized in financial result	**3 884**	**6 191**
- provisions for operating expenses	391	343
- write-down of receivables	366	391
- unpaid remuneration under contracts of mandate and specific task contracts	24	14
- provision for retirement benefit	72	94
- provision for holiday benefits	228	209
- tax loss	1 972	3 944
- write-down of inventories	106	106
- discounted cash flow expenses	29	37
- surplus of costs incurred above margin expected	607	964
- other	89	89
b) recognized in equity	**44**	**65**
- provision for retirement benefits	44	65
2. Increase	**3 272**	**1 161**
a) recognized in financial result	**3 272**	**1 161**
- provision for operating expenses	138	408
- unpaid remuneration under contracts of mandate and specific task contracts	31	24
- provision for retirement benefits	41	12
- provision for holiday benefits	22	110
- discounted cash flow expenses	39	-
- surplus of costs incurred above margin expected	3 001	607
3. Decrease	**2 297**	**3 489**
a) recognized in financial result	**2 297**	**3 468**
- use of provision for operating expenses	415	360
- write-down of receivables	-	25
- paid remuneration under contracts of mandate and specific task contracts	24	14
- provision for retirement benefit	22	34
- provision for holiday benefits	6	91
- use of tax loss asset	1 105	1 972
- discounted cash flow expenses	29	8
- surplus of costs incurred above margin expected	607	964
- other, including the settlement of Representation Office	89	0
b) recognized in equity in connection with negative temporary differences (due to)	-	**21**
- provision for retirement benefit	-	21
4. Total deferred tax assets as at the end of the period, including	**4 903**	**3 928**
a) recognized in financial result	**4 859**	**3 884**
- provision for expenses	114	391

- write-down of receivables	366	366
- unpaid remuneration under contracts of mandate and specific task contracts	31	24
- provision for retirement benefit	91	72
- provision for holiday benefits	244	228
- tax loss	867	1 972
- write-down of inventories	106	106
- discounted cash flow expenses	39	29
- surplus of costs incurred above margin expected	3 001	607
- other, including the settlement of Representation Office	-	89
b) recognized in equity in connection with negative temporary differences (due to)	**44**	**44**
- provision for retirement benefit	44	44

- provision for deferred income tax

Change in provision for deferred income tax	**31 December 2018**	**31 December 2017**
1. Provision for deferred income tax as at the beginning of the period, including:	**1 185**	**1 590**
a) recognized in financial result	**1 183**	**1 461**
- interest accrued on loan	576	533
- revaluation of non-current financial assets	136	136
- revenues under discounted liabilities	42	63
- margin on revalued revenues	429	729
b) recognized in equity	**2**	**129**
- revaluation of non-current investment at fair value	2	129
2. Increase	**1 944**	**559**
a) recognized in financial result of the period under positive temporary differences (due to)	**1 944**	**559**
- interest accrued on loan	130	130
- measurement of revenues, change as at balance sheet date	1 814	429
3. Decrease	**431**	**964**
a) recognized in financial result of the period under positive temporary differences (due to)	**429**	**837**
- paid interest on loan	-	87
- revenues under discounted liabilities	-	21
- measurement of income, change as of the balance sheet date	429	729
b) recognized in equity	**2**	**127**
- revaluation of non-current investment at fair value	2	127
4. Total provision for deferred income tax as at the end of the period	**2 698**	**1 185**
a) recognized in financial result	**2 698**	**1 183**
- interest accrued on loan	706	576
- revaluation of non-current financial assets	136	136
- revenues under discounted liabilities	42	42
- measurement of revenues, change as of the balance sheet date	1 814	429
b) recognized in equity	**-**	**2**
- revaluation of non-current investment at fair value	-	2

Total amount of temporary differences associated with investments in subsidiaries, to which provisions for tax were created as at 31 December 2018 was PLN 706 thousand and relates to:

- interest on non-current loans granted to subsidiaries – PLN 309 thousand
- interest on non-current loans granted to jointly-controlled entities and associated entities – PLN 397 thousand.

As at 31 December 2017, the total amount of temporary differences associated with investments in subsidiaries for which tax provisions were established is PLN 576 thousand and relates to:

- interest on non-current loans granted to subsidiaries – PLN 250 thousand
- interest on non-current loans granted to subsidiaries – PLN 326 thousand.

Presentation in the statement of financial position:

	31 December 2018	31 December 2017
Deferred tax assets	4 903	3 928
Provision for deferred income tax	-2 698	-1 185
Deferred tax assets	**2 205**	**2 743**

Note No. 7 – Other financial assets

Other financial assets	31 December 2018	31 December 2017
a) from subsidiaries indirectly and directly :	18 520	18 319
- non-current loans granted	18 520	18 319
b) from associated entities and jointly-controlled entities :	19 090	18 713
- non-current loans granted	19 090	18 713
c) security deposit securing the bank guarantee line	1 332	-
Total non-current financial assets	**38 942**	**37 032**

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, the repayment date of the loan with interest was set on 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 3% per year, the repayment date of the loan with interest was set on 22 September 2031;
- Loans granted to subsidiary Prochem Inwestycje Sp. z o. o.:
  - in the amount of PLN 3 228 thousand, including: amount of the loan PLN 3 000 thousand, accrued interest PLN 228 thousand. The interest rate is set annually according to WIBOR 6M rate effective at the end of every calendar year, the repayment date of the loan with interest was set on 31 December 2020;
  - in the amount of PLN 15 292 thousand, including: amount of the loan PLN 14 000 thousand, accrued interest PLN 1 292 thousand. The interest rate is set annually according to WIBOR 6M rate effective at the end of every calendar year, the repayment date of the loan with interest was set on 31 December 2020.

Increase:

- Accrued interest on loans granted to the jointly-controlled company Irydion Sp. z o. o. in the amount of PLN 377 thousand,

- Accrued interest on loans granted to subsidiary Prochem Inwestycje Sp. z o. o. – PLN 304 thousand,

Decrease:

- Repayment of interest on loan by subsidiary Prochem Inwestycje in the amount of PLN 103 thousand.

Loans granted – as at 31 December 2017

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

Note No. 8– inventories

Inventories	**31 December 2018**	**31 December 2017**
Materials	41	28
Goods	676	-
Total inventories	**717**	**28**
Write-down of inventories	575	575

Note No. 9 – Trade and other receivables

Trade and other receivables	**31 December 2018**	**31 December 2017**
Trade receivables	30 455	19 360
Write-down of receivables	-3 305	-4 189
Net trade receivables, including	**27 150**	**15 171**
- with the repayment period up to 12 months	26 994	14 949
- with the repayment period more than 12 months	156	222
Receivables from taxes, subsidies, custom duties, social and health insurance and other benefits	-	751
Other receivables	22	1 368
Write-down of receivables	-	-396
Net other receivables	**22**	**972**
Total receivables	**27 172**	**16 894**

Trade and other receivables from related entities	**31 December 2018**	**31 December 2017**

Trade receivables, including:	2 541	8 488
- from subsidiaries	979	1 531
- from jointly-controlled entities and associated entities	1 562	6 957
other, including:	-	946
- from jointly-controlled entities and associated entities	-	946
Total trade and other receivables from related entities, net	**2 541**	**9 434**
Write-downs of receivables from related entities	-	-
Total trade and other receivables from related entities, gross value	**2 541**	**9 434**

Change in write-downs of trade and other receivables	**31 December 2018**	**31 December 2017**
As at the beginning of the period	4 585	4 529
a) increase (due to)	298	372
- provision for trade receivables	298	372
b) decrease (due to)	1 578	316
- payments received	111	50
- the use of the provision created in the previous years	1 467	266
Write-downs of non-current trade and other receivables at the end of the period	**3 305**	**4 585**

Trade receivables with the period of repayment remaining since the balance sheet date:	**31 December 2018**	**31 December 2017**
a) up to 1 month	14 584	8 492
b) above 1 month up to 3 months	6 524	2 607
c) above 3 months up to 6 months	33	-
d) above 6 months up to 1 year	4 508	143
e) above 1 year	156	-
f) receivables overdue	4 550	8 118
Total receivables from supplies and services (gross)	30 455	19 360
g) write-downs of receivables from supplies and services	-3 305	-4 189
Total receivables from supplies and services (net)	**27 150**	**15 171**

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

Age analysis of overdue trade receivables (gross)	**31 December 2018**	**31 December 2017**
a) up to 1 month	862	3 277
b) above 1 month up to 3 months	54	478
c) above 3 months up to 6 months	419	189
d) above 6 months up to 1 year	172	273
e) above 1 year	3 043	3 901
Total overdue trade receivables (gross)	4 550	8 118
f) write-downs of receivables from supplies and services	-3 305	-4 189
Total overdue trade receivables (net)	**1 245**	**3 929**

As at 31 December 2017 and as at 31 December 2016, trade receivables include non-current security deposits under statutory warranty for construction and assembly works respectively in the amount of PLN 5 270 thousand and PLN 99 thousand.

Note No. 10 – Other financial assets

Other financial assets	**31 December 2018**	**31 December 2017**
a) from subsidiaries indirectly and directly:	-	130
- current loan granted	-	130
Total other financial assets	**-**	**198**
Write-downs of other financial assets	328	207
Other financial assets, gross	**328**	**405**

Loans granted - as at 31 December 2018

Increase

- Loan granted to subsidiary Pro-Inhut Sp. z o. o. in the amount of PLN 38 thousand interest rate set at 3.25% per annum, repayment date 15 November 2018.
- Calculation of interest on loans granted to Pro-Inhut sp. z o. o. in the amount of PLN 3 thousand.

Decrease

1. Repayment of interest on loans granted to company Pro-Inhut sp. z o. o. in the amount of PLN 4 thousand.
2. Repayment of interest on loans granted to company Pro-Inhut sp. z o. o. in the amount of PLN 38 thousand.
3. Write-down of loan granted to company Pro-Inhut sp. z o. o. in the amount of PLN 121 thousand.

Loans granted - as at 31 December 2017

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

Note No. 11 – other assets

Other assets by type:	**31 December 2018**	**31 December 2017**
a) prepayments	795	690
- cost of property and personal insurance	267	175
- software maintenance costs	523	499
- subscriptions	2	15
- deferred costs	3	-
- other	-	1
Total other assets	**795**	**690**

Note No. 12 – Share capital

SHARE CAPITAL (THE STRUCTURE)							
Series / emission	Type of share	Type of share references	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							

On September 10, 2018, the company Prochem received the decision of the District Court for the capital city of Warsaw in Warsaw, 13th Commercial Department of the National Court Register on making the entry in the National Court Register (KRS).
On August 29, 2018, the Court registered changes to the Company's Statutes resulting from the resolutions of the Ordinary General Meeting of June 21, 2018. The Issuer informs that in pursuance to the resolutions of the abovementioned Ordinary General Meeting of the Issuer's Shareholders, the Court registered the reduction of the Company's share capital from PLN 3,895,000.00 to PLN 2,935,000.00, i.e. by PLN 960,000 by redemption of 960,000 shares with a nominal value of PLN 1.00 each, which constitutes 960,000 of votes. The share capital of the Company currently amounts to PLN 2,935,000.00 and is divided into 2,935,000 shares with a nominal value PLN 1.00 each, giving jointly the right to 2,936,160 votes.

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

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 this report the following shareholders hold at least 5% of votes at the general meeting of shareholders:

Name of the shareholder	**Number of shares held (in pcs.)**	**Number of votes held**	**% of votes in total number of votes**	**% of share capital**
1. Steven Tappan	965 000	965 000	32.87	32.88
2.Otwarty Fundusz Emerytalny PZU „Złota Jesień”	284 900*	284 900	9.70	9.71
3. Fundusze managed by Esaliens TFI including: - Esaliens Parasol FIO - Esaliens Akcji Skoncentrowany FIZ	168 646** 114 114	168 646 114 114	5.74 3.89	5.75 3.89
4. Andrzej Karczykowski	201 882***	201 882	6.88	6.88

*) according to the number of shares registered on XXXIX AGM of Prochem S.A. on 21.06.2018.
**) information on the number of shares managed jointly by Esaliens TFI - notification dated 14.02.2019.
***) information from 18.01.2018. (274 586 of shares) and information from 23.03.2018 (sale of 72 704 shares).
As of 13 June 2017, the Legg Mason TFI fund changed its name to Esaliens TFI S.A. . The names of all funds managed by the fund have also changed.

In the period from the submission of the annual report for 2017, the Group has received the following information about the change in the shareholding:
- On June 22, 2018, received from the shareholder Mr. Steven Tappan a notice of a change in the share held so far as a result of the purchase of 176 226 shares of the company Prochem S.A. entitling to 176 226 votes at the General Meeting. Before the change Mr. Steven Tappan held a total of 723 774 shares of Prochem S.A., which constituted 18.58% of the share capital and entitled to 723 774 votes, constituting 18.58% of the total number of votes at the General Meeting of the Company. After

the change Mr. Steven Tappan holds a total of 900 000 shares of Prohem S.A., which constitute 23.11% of the share capital and entitle to 900 000 votes constituting 23.10% of total number of votes at the Company's General Meeting.

On September 12, 2018 received from Mr. Steven Tappan information about the change of share in equity and voting rights. The change occurred in result of the redemption of 960,000 shares. After the change, Mr. Steven Tappan exceeded the threshold of 25% of the total number of votes and as at the date of publication of the report holds 32.88% of the share capital and 32.87% in the total number of votes at the General Meeting.

Note No. 13 - Revaluation reserve

	31 December 2018	31 December 2017
As at opening balance sheet	107	710
Foreign exchange translation differences	200	-697
Actuarial losses on valuation of provisions for employee benefits	-157	94
Disposal of PPE	-493	-
As at closing balance sheet	**-343**	**107**

Note No. 14 - Retained earnings

	31 December 2018	31 December 2017
Spare capital	15 797	16 285
Other capital reserve	23 344	33 005
Profit of the period	1 089	12 684
Total	**40 230**	**61 974**

Note No. 15 – Provision for retirement and similar benefits

The Company implemented the post-employment benefits program, which include the retirement and disability pension gratuity for employees. Reserves for retirement and disability pension gratuity payments are calculated on an individual basis for every employee. The basis for calculating the provision for employee is the expected amount of the benefit that the Company obliges to pay according to applicable Regulations of remuneration. Retirement and disability pension gratuity is paid once at the moment of the beginning of retirement or disability pension of the person. Current value of these obligations is determined by an independent actuary and revalued. The level of provisions corresponds with the discounted payments that will be made in the future, taking into consideration the staff turnover, and relate to the period until the date ending the reporting year.

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

Provisions for retirement and disability pension gratuity as at December 31, 2018 were determined using the individual method using the PUCM methodology required by IAS 19 and using actuarial techniques. The actuarial assumptions have been updated based on the latest historical data of the Company, current market data and taking into account changes in the current policy of the Company. The calculations were based on individual data on employees as at December 31, 2018.

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

- weighted average rotation ratio: overall 8.71%, including for traineeships > 3 years 4.97%

- weighted average probability of death: 0.002904 (based on tables of the Central Statistical Office - GUS PTTŻ - 2017 which were reduced to 40%)
- weighted average probability of total disability: 0.002136 (indicators based on the Social Insurance Office (ZUS) case law for the years 2014 - 2017 which were increased to 150%)
- average annual increase in the basis for benefits: 2.0%
- interest rate used for discounting: 3.25% on the basis of yields on Polish government bonds with maturity corresponding to the time length of liabilities, increased by 0.25 percentage point (discounting factor: 0.968523)

For comparison, the average values of selected indicators being determined on the basis of actuarial assumptions, which were accepted for the calculation of provisions as at 31 December 2017:

- weighted average index of rotation: 8.71%
- average annual increase in the base for calculation of the retirement and pension benefits: 2% (for the years 2018 – 2028)
- interest rate used for discounting 3.25% (discounting factor: 0,965158)

Change in provisions for retirement and disability pension gratuity

Description	In 2017	In 2017
Opening balance for provisions for benefits	**612**	**838**
Benefits paid during the period (-)	-115	-177
Interest cost	21	27
Current employment costs (current write-downs)	38	39
Actuarial losses (gains)	157	-115
The cost of past employment	0	0
The effects of the sale / merger of the Companies	0	0
Closing balance for provisions for benefits	**713**	**612**
Including current provision	101	140
Including non-current provision	612	472

Burdens of period under retirement and disability severance charges being recognized in profit and loss:

Description	In 2018	In 2017
Current employment costs (current write-downs)	-38	-39
Interest cost	-21	-27
Actuarial gains (losses) under other non-current benefits	0	0
The cost of past employment	0	0
Total gains (losses)	**-59**	**-66**

Recognized in other comprehensive income:

Description	In 2018	In 2017
Actuarial gains (losses) on post-employment benefits	-157	115

Breakdown of actuarial gains/losses

Description	In 2017
Actuarial gains (losses) ‘ex post’	-117

Actuarial gains (losses) from the update of demographic assumptions	-32
Actuarial gains (losses) from the update of financial assumptions	-8
Total actuarial gains (losses)	**-157**

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

Period	Flows	Breakdown of provisions
2019	103	101
2020	95	86
2021	108	91
2022	45	37
2023	58	40
≥ 2024	1 403	358
Total	**1 812**	**713**
PV / duration	1 158	12.36

Sensitivity analysis of provisions for changes in basic actuarial assumptions

Sensitivity analysis for the interest rate			Sensitivity analysis for employee rotation rates			Sensitivity analysis for increases in the basis of benefits	
Change in p.p.	Value of provisions		Change in %	Value of provisions		Change in p.p.	Value of provisions
-1,0%	658		-20%	744		-1.0%	772
-0,5%	684		-10%	728		-0.5%	741
0,0%	**713**		**0%**	**713**		**0.0%**	**713**
0,5%	744		10%	699		0.5%	687
1,0%	776		20%	685		1.0%	663

Note No. 16 – Non-current loans

Non-current loans	31 December 2018	31 December 2017
a) to subsidiaries indirectly and directly	8 450	950
Total current loans	**8 450**	**950**

Loans received – as at 31 December 2018

- Loan received from subsidiary Elmont Inwestycje Sp. z o. o. in the amount of PLN 7 500 thousand, including: amount of the loan PLN 7 500 thousand. The interest rate is set annually according to rate WIBOR 3M being in force at the end of each calendar year + 0.5 p. p.. Repayment date was set on 31 December 2021, but not earlier than repayment of a loan in ING Bank.
- Loan received from subsidiary Prochem Zachód Sp. z o. o. in the amount of PLN 950 thousand, including: amount of the loan 950 thousand. The interest rate is set annually according to rate of 3% annually. Repayment date was set on 31 December 2020, but not earlier than repayment of a loan in ING Bank.

Increase:

- Loan received from subsidiary Elmont Inwestycje Sp. z o. o. in the amount of PLN 7 500 thousand. The interest rate is set annually according to rate WIBOR 6M + margin, being in force at the end of each calendar year. Repayment date was set on 31 December 2018, but not earlier than repayment of a loan in ING Bank.

- Accrued interest on loan from subsidiary Elmont Inwestycje Sp. z o.o. in the amount of PLN 147 thousand.
- Accrued interest on loan from subsidiary Prochem Zachód Sp. z o.o. in the amount of PLN 29 thousand.

Decrease:

- Repayment of interest on loan from subsidiary Elmont Inwestycje Sp. z o. o. in the amount of PLN 147 thousand.
- Repayment of interest on loan from subsidiary Prochem Zachód Sp. z o. o. in the amount of PLN 29 thousand.

Loans received – as at 31 December 2017

- Loan received from subsidiary Prochem Zachód Sp. z o. o. in the amount of PLN 950 thousand, including: amount of the loan PLN 950 thousand. The interest rate is set annually at 3% per year. The repayment date of the loan was set on 31 December 2018, but not earlier than repayment of a loan in Bank ING.

Note No. 17 – Current bank loans

	As at 31December 2018	**As at 31 December 2017**
Loans	3 830	-

Information on bank loans:

Name of the bank	Registered office	Amount of the loan according to agreement (in PLN thousands)	Amount of a loan for repayment (in PLN thousands)	Terms of interest	The repayment date	Collateral
mBank SA	Warsaw	6,000 Credit in overdraft	3 830	WIBOR for O/N deposits in PLN + margin	29 November 2019	Promissory note in blank, pledge by court on shares in company Elektromontaż Kraków S.A., establishing a mortgage on real estate being property of company Elpro sp. z o. o. in Krakow.

Note No. 18- Trade payables

	31 December 2018	**31 December 2017**
a) to subsidiaries	1 254	1 216
- for supplies and services, with maturity:	1 254	1 216
- up to 12 months	1 254	1 216
b)) to associated companies and jointly-controlled entities	12	10
- for supplies and services with maturity:	12	10
- up to 12 months	12	10
c) to other entities	21 457	13 057
- for supplies and services with maturity:	21 457	13 057
- up to 12 months	21 457	13 057
Total trade payables	**22 723**	**14 283**

Note No. 19 – Amounts owed to recipients under non-current agreements

Description	**31 December 2018**
The value of revenues according to contracts	308 430
The value of revenues being invoiced	200 768
Planned commitments under the implementation of contracts	284 997
Realized contractual obligations	198 854
Amounts due from recipients	5 799
Amounts owed to suppliers	2 863

Note No. 20 –Other liabilities

	31 December 2018	**31 December 2017**
a) to other entities	2 257	1 853
- due to taxes, duties, insurance and other benefits	2 242	1 837
- due to remuneration	-	4
-other (by type)	15	12
liabilities to employees	10	7
to shareholders	5	5
b) other non-current provisions	3 850	3 998
- provision for loss on contracts	1 549	477
- provision for future costs	874	2 129
- cost of audit	40	44
- non-current provision for retirement benefits	101	141
- provision for unused annual leaves	1 286	1 207
Total other liabilities	**6 107**	**5 851**

Note No. 21 – Deferred income

	31 December 2018	**31 December 2017**
Deferred income, including:	77	1 913
- prepayments and advance payments received	77	958
- amounts owed to ordering parties under non-current contracts		955
- other		
Deferred income as at the end of the period, including:	**77**	**1 913**
Non-current liabilities	**77**	**1 913**

Note No. 22 - Revenues from sale of services

Revenues from sale of services (type of service and type of activity)	**In 2018**	**In 2017**
- Revenues from sale of services, including:	**96 936**	**49 177**
- from related entities	13 196	14 130

Revenues from sales (territorial structure)	**In 2018**	**In 2017**
Domestic market	96 936	49 001
- including from related entities	13 196	14 130
Exports	138	176

Revenues under contracts for construction services (general contracting) and other services are presented in Note No. 32 – Operating segments.
The gross amount due from ordering parties/buyers for the work under the contracts was presented in Note No. 11.
Information on major customers, whose total value of revenues from sales of services exceeds 10% of the total revenues which were disclosed in the company's statement of profit and loss for 2018, is included in Note No. 32 – Operating segments.

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

Revenue from sale of materials (by type of material and type of activity)	**In 2018**	**In 2017**
- revenue from sale of goods	2 050	-

Revenues from sale of goods and materials (territorial structure)	**In 2018**	**In 2017**
Domestic market	2 050	-

Note No. 24 – Cost of services

Costs by type	**In 2018**	**In 2017**
a) amortization and depreciation	495	550
b) consumption of materials and energy	753	726
c) outsourcing	74 428	35 683
d) taxes and levies	70	55
e) remuneration	19 127	16 477
f) social security and other benefits	3 168	2 947
g) other types of costs (by category)	2 306	2 497
- property and personal insurance	692	564
- business trips	187	252
- State Fund for Rehabilitation of Disabled Persons (PFRON)	201	207
- cars rental	850	926
- other costs of the Representation Office	23	267
- other	353	281
Total costs by type	**100 347**	**58 935**
Change in inventories, goods and accruals and prepayments	-1 345	956
General and administrative expenses (negative value)	-7 895	-7 032
Cost of services	**91 107**	**52 859**

Note No. 25 – Other operating income

	In 2018	**In 2017**
a) gain on sale non-financial non-current assets	83	-
b) subsidies	-	4
c) reversal of impairment allowance (due to)	113	23
- for receivables	113	23
d) other, including:	3 040	85
- reimbursement of litigation costs	385	11
- received compensation, fines and penalties	97	65
- impairment allowance for receivables past due	1 871	1

- other revenues disclosure of asset held for sale	676	-
- other	11	8
Total operating income	**3 236**	**112**

Note No. 26 - Other operating expenses

	In 2018	In 2017
a) loss on disposal of non-financial non-current assets	-	2
b) impairment allowance	298	440
- for receivables	298	440
c) other, including:	496	125
- litigation costs	98	26
- paid damages, penalties and fines	16	19
- own cost of investment property sale	246	-
- other operational costs of the Representation Office	118	-
- other	18	80
Total operating expenses	**794**	**567**

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

	In 2018	In 2017
Received interest from PERN in accordance with a court judgment	-	25 082
Amount adjudged from PERN in accordance with a court judgment	-	6 819
Write-off of inventories	-	-1 668
Interest paid and settled with PERN	-	-2 841
The cost of provisions for future liabilities	-	-476
Costs related to the court proceeding with PERN	-	-143
The result of event	**-**	**26 773**

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

Note No. 28 - Financial income

	In 2018	In 2017
a) income from dividends and profit sharing	1 069	741
- from related entities	1 069	741
b) interest on granted loans	684	686
- from subsidiaries	307	307
- from jointly-controlled entities	377	379
c) other interest	40	29
- from other entities	40	29
d) surplus of positive exchange rate differences	32	40
e) other, including:	210	93
- revenues from(under) discounted non-current liabilities	205	39
- other	5	54
Total financial income	**2 035**	**1 589**

Note No. 29 – Finance costs

	In 2018	In 2017
a) interest on bank loans	43	288
b) interest on loans received	176	181
- for subsidiaries	176	181
b) other interest	3	96
- for other entities	3	96
d) other, due to :	753	1 678
- commission on bank guarantees	258	242
- commission on loans	130	127
- costs due to discount of financial assets	206	145
- costs from the write-downs of financial assets	121	1 164
- other costs	38	-
Total finance costs	**975**	**2 243**

Note No. 30 – Income tax

Establishment of the effective tax rate	**In 2018**	**In 2017**
(in PLN thousands)		
Profit for the period	1 089	12 684
Income tax	451	2 266
Before tax profit	1 542	14 950
Income tax at the applicable rate of 19%	293	2 841
Revenues, not classified as tax revenue	-203	-1 436
Costs not constituting tax deductible expenses	283	763
Other	78	36
Tax loss outside the Republic of Poland	-	62
Income tax	**451**	**2 266**

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

Differences between the amounts established directly from the financial statements and presented disclosed in the statement of cash flows, result from a transfer of specified amounts from operating activity to investing activity and financing activity.

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

	In 2018	**In 2017**
Change in current receivables	**-13 904**	**22 158**
Trade and other receivables as at 1 January	16 894	38 042
Receivables under seized security deposits as at 1 January	726	-
Other assets as at 1 January	690	-
Amounts due under agreements as at 1 January	2 260	4 757
Receivables for sold non-current assets	-15	-18
Receivables under income tax	-641	-342
Receivables for shares sold		-367
Opening balance sheet after adjustments	**19 914**	**42 265**
Trade and other receivables as at 31 December	27 172	17 620
Receivables under seized security deposits as at 31 December	63	-

Other assets as at 31 December	795	2 950
Amounts due under agreements as at 31 December	5 799	-
Receivables for sold non-current assets	-11	-15
Receivables under income tax		-641
Closing balance sheet after adjustments	**33 818**	**19 914**
Change in current liabilities (except for borrowings, loans and special funds)	**8 271**	**-7 879**
Trade payables as at 1January	14 283	27 139
Other liabilities as at 1 January	5 851	5 182
Amounts owed under agreements	1 683	-
Liabilities under seized security deposits	4 067	-
Provision to retirement benefit obligations	-141	-299
Provision to unused annual leaves	-1 207	-1 104
Provision to audit of statements	-44	-60
Provision to other costs	-477	-641
Liabilities under discount non-current liabilities	-	249
Loan repayment with interest by offsetting with liabilities	-	852
Liabilities to shareholders	-5	-8
Opening balance sheet after adjustments	**24 010**	**31 310**
Exclusion of loan repayment with interest by offsetting	-	-852
Exclusion of liabilities under discount of non-current liabilities	-	-249
Opening balance sheet after adjustments	**30 206**	**30 206**
Trade payables as at 31 December	22 723	18 350
Other liabilities as at 31 December	6 107	5 851
Amounts owed under agreements as at 31 December	2 863	-
Liabilities under seized security deposits as at 31 December	3 569	-
Provision to retirement benefit obligations	-101	-141
Provision to unused annual leaves	-1 286	-1 207
Provision to audit of statements	-40	-44
Provision to other costs	-1 549	-477
Liabilities to shareholders	-5	-5
Closing balance sheet after adjustments	**32 281**	**22 327**
Change in other adjustments as at 31 December	**-1 437**	**59**
Change in deferred income - advances received	77	514
Adjustment of non-current financial assets	-1 538	-
Change in deferred income under amounts owed to the ordering parties under long-term contracts	-	-644
Other	23	189

Note No. 32– Operating segments

Revenues from operations achieved outside of Poland (Exports) in the period from January 1, 2018 to December 31, 2018 amounted to PLN 138 thousand (i.e. 0.1 % of sales revenue), in the analogous period of the previous year revenues amounted to PLN 176 thousand (i.e. 0.4% of sales revenue).

Information on major customers of the Issuer, which share in the sales revenue for 2018 exceeded 10% of the total sales revenue:

- A customer who deals in the production of chemical raw materials – sales revenue PLN 52 616 thousand, representing 53.0 % of sales revenue, which was shown in the segment "General contracting" and "Design services and other engineering services".

- Irydion Sp. z o.o. jointly-controlled company – revenues in the amount of PLN 13 063 thousand, representing 13.2% of sales revenue, which was shown in the segment "General contracting" and "Design services and other engineering services".
- A customer who deals in the construction of industrial and service facilities – sales revenue PLN 5 123 thousand, representing 5.2 % of sales revenue, which was shown in the segment "General contracting".
- A customer operating in the energy sector – sales revenue PLN 5 057 thousand, representing 5.1% of sales revenue, which was shown in the segment "Design services and other engineering services".

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

For the year from 1 January 2018 to 31, December 2018	**General contracting**	**Design services, other engineering services**	**Rental of construction equipment**	**Commercial activity**	**Other**	**Items not assigned**	**Total**
Revenues for external clients	70 606	22 823	2 130	2 050	1 377	-	98 986
Total revenues of the segment	**70 606**	**22 823**	**2 130**	**2 050**	**1 377**	**-**	**98 986**
Result							
Profit(loss) of the segment	**2 267**	**-4 485**	**243**	**94**	**-79**	**-**	**-1 960**
Financial income	-	-	-	-	-	2 035	2 035
Finance costs	-	-	-	-	-	-975	-975
Net financial income	**-**	**-**	**-**	**-**	**-**	**1 060**	**1 060**
Profit (loss)on other operating activities	-	-	-	-	-	2 442	2 442
Before tax profit	-	-	-	-	-	1 542	**1 542**
Income tax	-	-	-	-	-	453	453
Profit for the current period	**-**	**-**	**-**	**-**	**-**	**1 089**	**1 089**
Assets of the segment (related to activities)	23 624	2 779	570	676	240	-	27 889
Assets not assigned /unallocated (among others shares, stocks and other financial assets)	-	-	-	-	-	62 522	62 522
Total assets	**23 624**	**2 779**	**570**	**676**	**240**	**62 522**	**91 053**
Liabilities of the segment (related to activities)	25 261	105	1 134		968	-	28 068
Liabilities not assigned	-	-	-	-	-	20 163	20 163
Equity	-	-	-	-	-	42 822	42 822
Total equity and liabilities	**25 261**	**105**	**1 134**	**0**	**968**	**62 985**	**91 053**
Depreciation of property, plant and equipment	27	24	93	-	-	235	379
Amortization of intangible assets	-	-	-	-	-	116	116
Write-downs of segment assets (receivables from supplies and services)		-226	-3 061	-	-18	-	-3 305

For the year from1 January to 31 December 2017	**General contracting**	**Design services, other engineering services**	**Rental of construction equipment**	**Commercial activity**	**Other**	**Items not assigned**	**Total**
Revenues	28 194	17 461	2 515	-	1 007	-	46 177
Total revenues of the segment	28 194	17 461	2 515	-	1 007	-	49 177
Result							

Profit of the segment	**-1 320**	**-9667**	**384**	**-**	**-111**	**-**	**-10 714**
Financial income	-	-	-	-	-	1 589	1 589
Finance costs	-	-	-	-	-	-2 243	-2 243
Net financial income	**-**	**-**	**-**	**-**	**-**	**-654**	**-654**
Profit on other operating activities	-	-	-	-	-	26 318	26 318
Before tax profit	-	-	-	-	-	**14 950**	**14950**
Income tax	-	-	-	-	-	2 266	2 266
Profit for the current period	-	-	-	-	-	**12 684**	12 684
Assets and liabilities							
Assets of the segment (related to activities)	9 756	5 278	699	-	166	-	15 899
Assets not assigned /unallocated (among others shares, stocks and other financial assets)	-	-	-		-	77 613	77 613
Total assets	**9 756**	**5 278**	**699**	**-**	**166**	**77 613**	**93 512**
Liabilities of the segment (related to activities)	17 972	180	332	-	634	-	19 118
Liabilities not assigned	-	-	-	-	-	8 418	8 418
Equity	-	-	-	-	-	65 976	65 976
Total equity and liabilities	**27 465**	**176**	**332**	**-**	**634**	**74 394**	**93 512**
Depreciation of property, plant and equipment	25	26	91	-	270	-	412
Amortization of intangible assets	-	-	-	-	-	138	138
Write-downs of segment assets (receivables from supplies and services)	-344	-369	-3 092	-	-384	-	-4 189

Information about the geographical areas

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

	1 January-31 December 2018	**1 January-31 December 2017**
Poland	98 848	49 001
France	138	176
Total sales revenue	**98 986**	**49 177**

Geographical breakdown of property, plant and equipment and intangible assets

	31December2018	**31December2017**
Poland	1 044	1 387
Total property, plant and equipment and intangible assets	**1 044**	**1 387**

Note No. 33 - Profit per one share

Net profit per share remaining in trading as at the balance sheet date December 31, 2018 is PLN 0,37; in 2017 profit amounted to PLN 3.26.

Note No. 34 - Profit sharing and loss coverage

The Issuer's net profit for 2017 in the amount of PLN 12,684,166.55 According to Resolution No. 15 of the Ordinary General Meeting of Shareholders of June 21, 2018, was allocated to reserve capital.

Proposed distribution of net profit for 2018

The Management Board of Prochem S.A. proposed that the net profit for 2018 in the amount of PLN 1 088 573.12 will be allocated to reserve capital.

Note No. 35 - dividends

The Issuer did not pay dividend for 2017.

Note No. 36 - Financial instruments and financial risk management

36.1 Categories and classes of financial instruments

Financial assets

31 December 2018

		Categories of financial instruments	
		Loans, receivables and other	**Total**
Classes of financial instruments	**Note No.**		
Receivables from supplies and services	9	27 150	27 150
Amounts due from recipients under agreements	20	5 799	5 799
Cash		1 336	1 336
Security deposits constituting collateral	7	1 332	1 332
Loans granted	7 and 10	37 610	37 610
Total		**73 227**	**73 227**

31 December 2017

		Categories of financial instruments	
		Loans, receivables and other	**Total**
Classes of financial instruments	**nota**		
Receivables from supplies and services	9	15 171	15 171
Amounts due from recipients under agreements	20	2 260	2 260
Cash		18 642	18 642
Loans granted	7 and 10	37 162	37 162
Total		**73 235**	**73 235**

Financial liabilities

31 December 2018

		Financial liabilities measured at amortized costs	**Total**
Classes of financial instruments	nota		
Loans	18	3 830	3 830
Borrowings received	16	8 450	8 450
Amounts owed to recipients under agreements	20	2 863	2 863
Liabilities under supplies and services	19	22 723	22 723
Total		**37 866**	**37 866**

31 December 2017

		Financial liabilities measured at amortized costs	**Total**
Classes of financial instruments	nota		
Loans	18	-	-
Borrowings received	16	950	950
Amounts owed to recipients under agreements	20	1 913	1 913

Liabilities under supplies and services	19	14 283	14 283
Total		**17 146**	**17 146**

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

	31 December 2018	31 December 2017
Classes of financial instruments	(3 305)	(4 189)
Receivables from supplies and services	-	(396)
Other receivables	(328)	(207)
Other financial assets	**(3 633)**	**(4 792)**

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

Operating lease

The company is a party to the lease agreement of office space. The agreement has been classified as operating lease. It includes additional fees for additional services that are settled once a year. Rent according to the agreement once a year is subject to valorization according to a Harmonized Index of Growth of Consumer Goods Price in the European Union (index), which is published two months before the date of indexation.
Part of leased office space is subleased. The lease and sublease agreements expire on 31 May 2023.
Over the year in the statement of profit and loss for 2018 was recognized an amount of PLN 3 346 thousands the cost of fees in 2017 this amount was PLN 3 491 thousand.
Revenue from sublease is recognized in operating income.
Over the year 2018 in the statement of profit and loss was recognized an amount of PLN 21 thousand as income from sublease, in 2017 this amount was PLN 27 thousand.
From 18 January 2011, the Company is a party to an agreement concluded with Toyota Leasing Polska sp. z o. o. for rental of passenger cars. This Agreement was classified as operating lease. As of December 31, 2018 47 company's cars were covered by rental contracts.
Over the year 2018 in the statement of profit and loss was recognized an amount of PLN 830 thousand as a cost of renting cars, and in 2017 889 thousand.

Minimal payments due to non-cancellable operating lease agreements are as follows:

Agreement of operating lease, when the Company is the lessee

In PLN thousands	In 2018	In 2017
Up to 1 year	3 831	3 713
1-5 years	12 193	14 466
More than 5 years	-	-

Agreement of operating lease when the Company is the lessor

In PLN thousands	In 2018	In 2017
Up to 1 year	17	27
1-5years	53	117
More than 5 years	-	-

36.2. Financial risk management

The Company's operations are exposed to the following financial risks:
- credit risk;
- liquidity risk;

- market risk (including currency risk, interest rate risk).

Credit risk

The company during its commercial activity conducts sale of services to business entities with the deferred payment date, as a result of it may arise the risk of not receiving of amounts due from contractors for the services provided. The company, in order to mitigate the credit risk manages the risk through the obligatory procedure of gaining hedging.
Assumed repayment period of amount due associated with the normal course of the sale is 14 - 60 days.
Amounts due from contracting parties are regularly monitored by the financial services. In case of overdue amounts procedures of the vindication are started.
The age analysis of trade receivables, which are overdue on the end of the reporting period, but in case of which no impairment occurred, is presented in Note 9.
In order to reduce the risk of not recovering the receivables from deliveries and services, the Company accepts a collateral from its customers in the form of, among other: bank and insurance guarantees, mortgages, promissory notes, as well as security deposit.
For the improvement of the current liquidity, in order to release the receivables, which were being retained by investors for a proper security for the implemented contracts, and statutory warranty for construction work and assembly work, Company grants bank guarantees and the insurance guarantee within the framework of guarantee lines, which were launched with this purpose.

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

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

Liquidity risk

The Company is exposed to the liquidity risk resulting from the relation of current liabilities to current assets.
As at 31 December 2018 and as at 31 December 2017 the index of ratio of current assets to current liabilities (current liquidity ratio) was respectively 1.03 and 1.75
Detailed information regarding loans is disclosed in Note No. 18.
Analysis of maturity of the liabilities in Notes 15, 16, 17, 18, 19, 20 and 21.

Market risk

1. Exchange rate risk

Part of contracts of sale of services is concluded with foreign companies in foreign currencies (EUR0, US$). In case of a significant strengthening of the domestic currency it may adversely affect the performance of the Company. Partly, this risk is mitigated in the natural way through the purchase of equipment and services necessary for the accomplishment of these contracts abroad, as well as through the purchase of relevant financial instruments.

Exposure to currency risk as at 31 December 2018

(in PLN thousands)	EUR	USD	NOK	Other in PLN	Total after translation into PLN
Financial assets					
Receivables from supplies and services	50	-	-	-	215
Amounts due from recipients under agreements	2 306	-	-	-	9 916
Cash	230	57	88	6	1 247
Total	**2 586**	**57**	**88**	**6**	**11 378**
Financial liabilities					
Liabilities under supplies and services	1 091	50	-	-	4 879
Total	**1 091**	**50**	**-**	**-**	**4 879**

Exposure to currency risk as at 31 December 2017

(in PLN thousands)	EUR	USD	NOK	BYR	Total after translation into PLN
Financial assets					
Receivables from supplies and services	30	-	-	-	125
Cash	2	1	88	6	55
Total	**32**	**1**	**88**	**6**	**180**
Financial liabilities					
Liabilities under supplies and services	641	79	-	11	3 191
Total	**641**	**79**	**-**	**11**	**3 191**

Analysis of sensitivity to currency risk as at 31 December 2018

(in PLN thousands)	Increase in exchange rate	Total impact on before tax profit	Drop in the exchange rate	Total impact on before tax profit
EUR/PLN	15%	964	15%	-964
USD/PLN	15%	32	15%	-32
NOK/PLN	15%	6	15%	-6
Total impact		**1 002**		**-1 002**

Analysis of sensitivity to currency risk as at 31 December 2017

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

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

Analysis of the impact of potential change in the value of financial instruments as at 31 December 2018, on the gross financial result in connection with hypothetical change in foreign currency exchange rates compared to the Polish Zloty / functional currency.

Revenues in foreign currency, achieved in the currency in the years 2018 and 2017 were as follows:

currency	revenues		Average exchange rate for sales		expenses		Average exchange rate for purchases	
(in PLN thousand)	2018	2017	2018	2017	2018	2017	2017	2017
EUR	360	42	4.2810	4.2294	1 319	764	4.2713	4.2361
USD	1 805	-	3.7324	3.9295	721	9	3.6805	3.9862

In the reporting period EURO was the main currency.
Hypothetically assuming that if the Polish zloty weakened / strengthened by 1% against EURO, then revenues in 2018 would increase or decrease by PLN 15 thousand, and in 2017 by PLN 2 thousand which would have an impact on profit before tax, while costs would increase by PLN 56 thousand in 2018, and in 2017 by PLN 32 thousand.
The above deviations were calculated on the basis of historical fluctuation for particular currencies and forecasts. Sensitivity of financial instruments for currency risk was calculated as the difference between the initial book value and potential book value of financial instruments at assumed increase/drop in exchange rates.
For other currencies sensitivity of financial instruments is not material.

4. *Interest rate risk*

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

Analysis of financial instruments with floating interest rates

	WIBOR		Fixed rate of interest	
	31December 2018	31 December 2017	31December 2017	31December 2017
Financial assets				
Loans granted	30 835	30 322	6 775	6 726
Financial liabilities				
Loan	-	-		
Borrowings received	7 500	-	950	950

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

	The assumed fluctuations of WIBOR				The impact (in PLN thousands)			
	31December 2018		31December 2017		31December 2018		31December 2017	
	increase	decline	increase	decline	increase	decline	increase	decline
Financial assets								
Loans granted	+50 base point	-50 base point	+50 base point	-50 base point	188	(188)	186	(186)
Financial liabilities								
Loan	+50 base point	-50 base point	+50 base point	-50 base point	-	-	-	-
Borrowings received	+50 base	-50 base	+50 base	-50 base	(42)	42	(47)	47

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

Related entities include entities controlled and jointly - controlled entities, as well as those on which the Issuer has a significant influence and members of key management staff of the Issuer.

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

Remuneration paid in 2018 in the Issuer's enterprise to the Members of Management Board:

1. Jarosław Stępniewski PLN 576 thousand
2. Marek Kiersznicki PLN 483 thousand
3. Krzysztof Marczak PLN 458 thousand

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

1. Marek Garliński PLN 76 thousand
2. Karczykowski Andrzej PLN 60 thousand
3. Krzysztof Obłój PLN 60 thousand
4. Marcin Pędziński PLN 60 thousand
5. Karol Zbikowski PLN 60 thousand

The remuneration on account of serving on the Management Boards and the Supervisory Boards of companies belonging to the Capital Group paid to Members of the Management Board in 2018 have received the following persons:

1. Jarosław Stępniewski PLN 76 thousand
2. Marek Kiersznicki PLN 86 thousand
3. Krzysztof Marczak PLN 126 thousand

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

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

Reporting period
(in PLN thousands)

from 1 January to 31 December 2018

	Sale of services	Purchase of services	Financial income – interest on loans	Financial income – dividends received	Finance costs – interest on loans
Subsidiaries	133	3 552)*	307	1 069	176
Jointly-controlled entities and associated entities	13 067)**	3 404	377	-	-

)* - - including purchased electrical services and supplies of electrical equipment from a subsidiary Elektromontaż Kraków S.A. in the amount of PLN 3 495 thousand

)** - The sale of services and purchase of services in total concern revenues from the jointly controlled company Irydion Sp. z o. o. in Warsaw, for the benefit of which is implemented investment project under the name of "Astrum Business Park" in Warsaw.

As at 31 December 2018

	Trade receivables	Receivables under loans granted	Other receivables	Trade payables	Liabilities under loans granted
Subsidiaries	979	18 520	-	1 242	8 450
Jointly-controlled entities and associated entities	1 562	19 090	-	12	-

Comparative period
(in PLN thousand)

From 1 January to 31December 2017

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

)* - including purchased electrical services and delivery of electrical equipment from a subsidiary Elektromontaż Kraków S.A. in the amount of PLN 2673 thousand

)** - The sale of services and purchase of services in total concern revenues from the jointly controlled company Irydion Sp. z o. o. in Warsaw, for the benefit of which is implemented investment project under the name of "Astrum Business Park" in Warsaw.

As at 31 December 2017

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

Note No. 38 – Collateral granted and received and contingent liabilities and contingent assets

	As at 31 December 2018	As at 31 December 2017
Collateral granted		
Bank guarantee of good performance and statutory warranty	9 553	6 932
Tender guarantee	250	-
Guarantee of reimbursement of advance payment	11 400	1 177
Total collateral granted	**21 203**	**8 109**
Contingent liabilities		

surety of bills of exchange issued by subsidiary Pro-Inhut sp. z o. o. seated in Dąbrowa Górnicza for the benefit of an investor to secure the claims of the good performance	247	247
Total collateral granted and contingent liabilities	**21 450**	**8 356**

Collateral received	As at 31 December 2018	As at 31 December 2017
Bank guarantee of good performance	16 865	3 866
Bill-of-exchange guarantees securing the terms of the contract	450	-
Total collateral received	**17 315**	**3 866**

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

On 22 October 2018 the Management Board of PROCHEM S.A. received from their proxy a copy of the decision of the Supreme Court refusing to take for consideration a cassation complaint lodged by the Public Prosecutor's Office of the Republic of Poland on behalf of PERN S.A. from the verdict of the Court of Appeal in Warsaw, 1st Civil Department of October 30, 2017.

Note No. 40 - Other explanatory notes to separate 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 the separate financial statements hereby, according to the statements received, the following members of the Management Board and the Supervisory Board held shares of PROCHEM SA:
- Jarosław Stępniewski – 68,383 units.;
- Marek Kiersznicki – 59,474 units;
- Krzysztof Marczak – 36,908 units;
- Marek Garliński – 73,996 units;
- Andrzej Karczykowski – 201,882 units;

The nominal value of 1 share is PLN 1.

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

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

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

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

Note No. 41 - Approval of the financial statements

Financial statements of Prochem S.A. for the period from 1 January 2018 to 31 December 2018 were approved for issue by the Management Board of Prochem S.A. on 26 April 2019.

Signatures of the Members of the Management Board

26 April 2019 Jarosław Stępniewski President of the Management Board ....
date first name and surname position signature

26 April 2019 Marek Kiersznicki Vice President
of the Management Board ....
date first name and surname position signature

26 April 2019 Krzysztof Marczak Vice President
of the Management Board ....
date first name and surname position signature

Signature of the person responsible for bookkeeping

26 April 2019 Barbara Auguścińska-Sawicka Chief Accountant ....
date first name and surname position signature