

## REPORT FOR THE THIRD QUARTER OF 2018

### Contents:

- Interim condensed consolidated financial statements of the Capital Group of Prochem S.A. as at and for the period of nine months ended 30 September 2018
- Financial information of PROCHEM S.A.

and

- Selected financial data
- Statement of the Management Board

[www.prochem.com.pl](http://www.prochem.com.pl)

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

## Selected financial data

Revenues from sales and profit expressed in PLN and the statement of cash flows have been translated into EURO at the exchange rate set as the arithmetic mean of the average exchange rates announced by the Chairman of the National Bank of Poland on the last day of each month and amount to:

- For three quarters of 2018 - 4.2566 PLN/EURO
- For three quarters of 2017 - 4.2533 PLN/EURO

The balance sheet data have been translated at the average exchange rate announced by the Chairman of the National Bank of Poland as at the date of preparing the financial statements, which as at the balance sheet date amounted to:

- 4.2714 PLN/EURO as at 30 September 2018
- 4.1709 PLN/EURO as at 31 December 2017

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

Description	Reporting period ended 30 September		Reporting period ended 30 September	
	2018	2017	2018	2017
	In PLN thousands		In EURO thousands	
<b>Consolidated statement of profit and loss</b>				
Revenues from sale	106 505	82 559	25 040	19 394
Gross profit (loss) on sale	7 399	7 477	1 740	1 757
Results from operating activities	303	6 587	71	1 547
Before tax profit	711	7 007	167	1 646
Profit for the period assigned to:	376	7 220	88	1 296
Shareholders of the Parent Entity	503	7 142	118	1 678
Non-controlling interest	-127	78	-30	18
Profit/diluted profit per one share (in PLN/EURO)- assigned to shareholders of the parent entity	0.17	1.83	-0.04	0.43
<b>Consolidated statement of cash flows</b>				
Net cash provided by (used in) operating activities	-3 291	-5 142	-774	-1 208
Net cash provided by (used in) investing activities	-965	1 271	-227	299
Net cash provided by (used in) financing activities	-19 669	3 542	-4 624	832
Total cash flow, net	-23 925	-329	-5 625	-77
Description	As at		As at	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
	In PLN thousands		In EURO thousands	
<b>Consolidated statement of financial position</b>				
Total assets	156 286	156 824	36 589	37 600
Total non-current assets	82 457	82 892	19 304	19 874
Total current assets	73 829	73 932	17 284	17 726
Equity attributable to shareholders of the parent entity	81 701	105 242	19 127	25 232
Non-controlling interest	6 294	6 524	1 474	1 564
Total equity	87 995	111 766	20 601	26 797
Total non-current liabilities	9 229	9 284	2 161	2 226
Total current liabilities	59 062	35 774	13 827	8 577
Book value per one ordinary share (in PLN/EURO)-assigned to shareholders of the parent company	27.84	27.02	6.52	6.48
Weighted average number of shares (units)	2 935 000	3 895 000	2 935 000	3 895 000

*Selected financial data of Prochem S.A.*

Description	Reporting period ended 30 September		Reporting period ended 30 September	
	2018	2017	2018	2017
	In PLN thousands		In EURO thousands	
<i>Separate statement of profit and loss</i>				
Revenues from sale	69 534	36 092	16 348	8 479
Gross profit on sale	3 651	2 143	858	503
Results from operating activities	377	5 626	89	1 322
Before tax profit	1 756	6 058	413	1 423
Profit for the period	1 452	6 468	341	1 520
Profit/diluted profit per one ordinary share (in PLN/EURO)	0.49	1.66	0.12	0.39
<i>Statement of cash flows</i>				
Net cash provided by (used in) operating activities	-3 406	-4 869	-801	-1 144
Net cash provided by (used in) investing activities	871	1 670	205	392
Net cash provided by (used in) financing activities	-13 173	3 110	-3 097	731
Total cash flows net	-15 708	-89	-3 693	-21

Description	As at		As at	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
	In PLN thousands		In EURO thousands	
<i>Statement of financial position</i>				
Total assets	100 594	93 512	23 551	22 420
Total non-current assets	54 203	54 868	12 690	13 155
Total current assets	46 391	38 644	10 861	9 265
Total equity	43 428	65 976	10 167	15 818
Total non-current liabilities	13 184	5 489	3 087	1 316
Total current liabilities	43 982	22 047	10 297	5 286
Book value per one share (in PLN/EURO)	14.80	16.94	3.46	4.06
Weighted average number of shares (units)	2 935 000	3 895 000	2 935 000	3 895 000

## **Statement of the Management Board**

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

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

The Management Board of Prochem S.A. the Parent Company of the Capital Group of Prochem S.A. declares, that interim condensed consolidated financial statements of the Capital Group of Prochem S.A. and interim condensed separate financial statements of Prochem S.A. were prepared in compliance with requirements of IAS 34 „Interim financial reporting” and with the Regulation of the Minister of Finance dated 29 March 2018 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Journal of Laws of 2018 item 757) („Regulation”) and presents financial position of the Capital Group of Prochem S.A. and Prochem S.A. as at 30 September 2018 and 31 December 2017, results of its operations and cash flows for the period of 9 months ended on September 30, 2018 and on September 30 2017.

Vice President of the  
Management Board  
Krzysztof Marczak

Vice President of the  
Management Board  
Marek Kiersznicki

President of the Management Board  
Jarosław Stępniewski

Warsaw, 14 November 2018

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

**As at and for the period of nine months ended  
30 September 2018**

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

### **Consolidated statement of financial position**

(all amounts in PLN thousands, if not stated otherwise)

Interim condensed consolidated financial statements of the Capital Group of Prochem S.A. as at and for the period of nine months ended 30 September 2018

	Note No.	As at 30 September 2018	As at 31 December 2017
<b>A s s e t s</b>			
<b>Non-current assets</b>			
Property, plant and equipment	1	21 967	22 481
Intangible assets		195	242
Investment property	2	11 312	11 312
Shares		830	830
Shares valued using the equity method	3	26 454	26 139
Deferred tax assets	4	2 660	2 953
Receivables under seized the security deposits		44	222
Other financial assets	5	18 995	18 713
<b>Total non-current assets</b>		<b>82 457</b>	<b>82 892</b>
<b>Current assets</b>			
Inventories	6	3 078	2 222
Trade and other receivables	7	43 055	32 014
Amounts due from customers under contracts	12	20 298	8 415
Other assets	8	2 508	2 466
Cash and cash equivalents		4 890	28 815
<b>Total current assets</b>		<b>73 829</b>	<b>73 932</b>
<b>Total assets</b>		<b>156 286</b>	<b>156 824</b>
<b>E q u i t y a n d l i a b i l i t i e s</b>			
<b>Equity</b>			
Share capital	9	2 935	3 895
Revaluation reserve		11 520	11 521
Retained earnings		67 246	89 826
<b>Equity assigned to shareholders of the Parent Entity</b>		<b>81 701</b>	<b>105 242</b>
<b>Non-controlling interest</b>		<b>6 294</b>	<b>6 524</b>
<b>Total equity</b>		<b>87 995</b>	<b>111 766</b>
<b>Non-current liabilities</b>			
Non-current bank loans	10	204	141
Provision to deferred income tax	4	2 481	2 457
Liabilities under retirement benefits		1 712	1 712
Non-current liabilities under seized the security deposits		4 135	4 592
Other non-current liabilities		697	382
<b>Total non-current liabilities</b>		<b>9 229</b>	<b>9 284</b>
<b>Current liabilities</b>			
Bank loans	10	6 849	2 233
Trade payables	11	35 023	22 426
Amounts owed to recipients under contracts	12	9 617	1 913
Liabilities under current income tax		-	6
Other liabilities	13	7 250	8 872
Deferred income	14	323	324
<b>Total current liabilities</b>		<b>59 062</b>	<b>35 774</b>
<b>Total liabilities</b>		<b>68 291</b>	<b>45 058</b>
<b>Total equity and liabilities</b>		<b>156 286</b>	<b>156 824</b>
Weighted average number of ordinary shares (units)		2 935 000	3 895 000
Book value per one share (in PLN) – assigned to shareholders of the Parent Entity		27.84	27.02

## Consolidated statement of profit and loss

(all amounts in PLN thousands, if not stated otherwise)

	Note No.	Period ended 30 September 2018	Period ended 30 September 2017
Revenues from sale, including:		106 505	82 559
Revenues from sale of services	15	104 960	82 402
Revenues from sale of goods and materials		1 545	157
Cost of sales, including :		-99 106	-75 082
Cost of services sold	16	-97 774	-74 944
Cost of merchandise and raw materials		-1 332	-138
<b>Gross profit on sales</b>		<b>7 399</b>	<b>7 477</b>
General and administrative expenses	16	-10 095	-9 644
Other operating income	17	3 181	10 502
Other operating expenses	18	-182	-1 748
<b>Results from operating activities</b>		<b>303</b>	<b>6 587</b>
Financial income	19	524	346
Finance expenses	20	-431	-843
Profit sharing in entities valued using the equity method		315	917
<b>Before tax profit</b>		<b>711</b>	<b>7 007</b>
Income tax		335	-213
- current tax		20	65
- deferred tax		315	-278
<b>Profit for the period</b>		<b>376</b>	<b>7 220</b>

Profit for the period assigned to :			
Shareholders of the Parent Entity		503	7 142
Non-controlling interest		-127	78
Profit/ diluted profit (in PLN per one share) assigned to owners of the Parent Entity		0.17	1.83

## Consolidated statement of comprehensive income

<b>Profit for the period</b>		<b>376</b>	<b>7 220</b>
<b>Other comprehensive income (net):</b>		<b>-</b>	<b>-824</b>
<i>Other comprehensive income that will be reclassified to profit or loss:</i>		<b>-</b>	<b>-824</b>
Revaluation of fixed assets		-	-824
<b>Total comprehensive income</b>		<b>376</b>	<b>6 396</b>

Total comprehensive income assigned to :			
Shareholders of the Parent Entity		503	6 318
Non - controlling interest		-127	78
Weighted average number of ordinary shares (units)		2 935 000	3 895 000
Total comprehensive income per one ordinary share (in PLN per one share) assigned to owners of the Parent Entity		0.17	1.62

Explanatory notes to interim condensed consolidated financial statements constitute the integral part thereof.

## Consolidated statement of changes in equity

(all amounts in PLN thousands, if not stated otherwise)

	Share capital	Revaluation reserve	Retained earnings	Equity assigned to shareholders of the Parent Entity	Equity assigned to non-controlling interest	Total equity
<b>Reporting period from 1 January 2018 to 30 September 2018</b>						
As at the beginning of the period	3 895	11 521	89 826	105 242	6 524	111 766
Prior period error adjustment	-	-	-	-	-	-
As at the beginning of the period after bringing the data to comparability	3 895	11 521	89 826	105 242	6 524	111 766
Net profit of the given period	-	-	503	503	-127	376
<i>Other comprehensive income (net)</i>	-	-	-	-	-	-
<b>Total comprehensive income</b>	-	-	503	503	-127	376
Own shares purchased for redemption	-960	-	-23 040	-24 000	-	-24 000
Dividend paid	-	-	-	-	-102	-102
Other changes	-	-1	-43	-44	-1	-45
<b>As at the end of the period</b>	<b>2 935</b>	<b>11 520</b>	<b>66 256</b>	<b>80 701</b>	<b>6 294</b>	<b>87 995</b>

	Share capital	Revaluation reserve	Retained earnings	Equity assigned to shareholders of the Parent Entity	Equity assigned to non-controlling interest	Total equity
<b>Reporting period from 1 January 2017 to 30 September 2017</b>						
As at the beginning of the period (audited)	3 895	12 146	72 542	88 583	6 448	95 031
Prior period error adjustment	-	-	-388	-388	-	-388
As at the beginning of the period (restated)	3 895	12 146	72 154	88 195	6 448	94 643
Net profit of the given period	-	-	7 142	7 142	78	7 220
<i>Other comprehensive income (net)</i>	-	-824	951	127	-	127
<b>Total comprehensive income</b>	-	-824	8 093	7 269	78	7 347
Dividend paid	-	-	-	-	-55	-55
Other changes	-	-	13	13	-13	-
<b>As at the end of the period (after the review)</b>	<b>3 895</b>	<b>11 322</b>	<b>80 260</b>	<b>95 477</b>	<b>6 458</b>	<b>101 935</b>

Explanatory notes to interim condensed consolidated financial statements constitute the integral part thereof.



## Consolidated statement of cash flows

(all amounts in PLN thousands, if not stated otherwise)

	Note No.	Period ended 30 September 2018	Period ended 30 September 2017
<b>Cash flows – operating activities</b>			
Before tax profit		711	7 007
Total adjustments		-4 284	-12 054
Share in profit of entities valued with the equity method		-315	-917
Amortization and depreciation		1 546	1 519
Interest and profit sharing (dividends)		-98	112
Gain on disposal of property, plant and equipment		-172	-1
Profit on investment		-	371
Change in provisions		-136	-1 224
Change in inventories	6	-856	3 040
Change in receivables and other assets	7	-23 349	4 133
Change in current liabilities, except for loans and borrowings	12	18 295	-10 553
Other adjustments (including change in deferred income)		801	-268
<b>Cash provided by (used in) operating activities</b>		<b>-3 573</b>	<b>-5 047</b>
Income tax paid		-282	95
<b>Net cash provided by (used in) operating activities</b>		<b>-3 291</b>	<b>-5 142</b>
<b>Cash flows – investing activities</b>			
<b>Inflows</b>		<b>28</b>	<b>2 023</b>
Disposal of intangible assets and property, plant and equipment		28	19
Disposal of real estate		-	1 439
Inflows from financial assets, including:		-	565
a) in subsidiaries – disposal of financial assets		-	367
b) in other entities		-	198
- repayment of the loan with interest		-	198
<b>Outflows</b>		<b>-993</b>	<b>-752</b>
Acquisition of intangible assets and property, plant and equipment		-993	-752
<b>Net cash provided by (used in) investing activities</b>		<b>-965</b>	<b>1 271</b>
<b>Cash flows – financing activities</b>			
<b>Inflows</b>		<b>4 679</b>	<b>4 161</b>
Bank loans		4 679	4 161
<b>Outflows</b>		<b>-24 348</b>	<b>-619</b>
Other than payments to owners, expenditure under distribution of profit		-24 102	-54
Payment of liabilities under finance lease agreement		-62	-170
Interest		-184	-395
<b>Net cash provided by (used in) financing activities</b>		<b>-19 669</b>	<b>3 542</b>
Total cash flows, net		-23 925	-329
<b>Cash and cash equivalents at the beginning of the period</b>		<b>28 815</b>	<b>3 783</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>4 890</b>	<b>3 454</b>

Explanatory notes to interim condensed consolidated financial statements constitute the integral part thereof.

## Explanatory notes to interim condensed consolidated financial statements

### 1. Establishment of the Parent Entity and principal activity

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

In 2013 the Company commenced implementation of investment project „Turnkey construction of system for the production of highly purified paraffin, oils, lubricant and cooling greases and model compounds with the expansion of power complex in Belarus.” In the connection with above, the Representation Office was established for the period of implementation of the project. An application was filed to close the Representation Office on May 31, 2018.

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

As at the date of preparation hereby consolidated 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. has been appointed by Resolution No. 16/X of the Supervisory Board of Prochem S.A. of June 12, 2018.

In the third quarter of 2018 there were no changes in composition of the Management Board.

#### *Composition of the Supervisory Board of Prochem S.A.*

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

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

In the third quarter of 2018 there were no changes in composition of the Management Board.

### 3. Employment

Average employment in the Capital Group for three quarters of 2018 was 375 FTEs, and for three quarters of 2017 411 FTEs.

Level of employment in the Capital Group of Prochem on 30 September 2018 was 383 persons and on 30 September 2017 was 418 persons.

#### 4. Description of the organization of the Capital Group, with the indication of entities subject to consolidation

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

##### Subsidiaries covered by full consolidation:

- Prochem Inwestycje Sp. z o.o. seated in Warsaw – subsidiary directly (100.0%);
- PRO-INHUT Sp. z o.o. seated in Dąbrowa Górnicza – subsidiary indirectly (93.2%);
- P.K.I. PREDOM Sp. z o.o. seated in Wrocław – subsidiary indirectly (81.7% of share in capital and profit, 72.3% of votes);
- Prochem Zachód Sp. z o.o. seated in Warsaw – subsidiary directly (80.0%);
- ELPRO Sp. z o.o. seated in Krakow – subsidiary indirectly (92.7%, including 85.4% share in the 50% share of Elektromontaż Kraków);
- Elmont Inwestycje Sp. z o.o. seated in Krakow – subsidiary indirectly (92.7%, including 85.4% share in 50% share of Elektromontaż Kraków);
- Elektromontaż Kraków S.A. seated in Krakow – subsidiary indirectly (85.4%), including 73.0% share in capital and voting rights belongs to company Prochem Inwestycje subsidiary in 100%. Company Elektromontaż Kraków S.A. prepares consolidated financial statements, which comprises data of subsidiary in 100%: ELMONT-POMIARY Sp. z o.o. seated in Krakow and two associated companies ELPRO Sp. z o.o. and Elmont-Inwestycje Sp. z o.o.;
- IRYD Sp. z o.o. seated in Warsaw – subsidiary indirectly in 100%;
- ATUTOR Integracja Cyfrowa Sp. z o.o. seated in Warsaw – subsidiary indirectly (87.3% of share holds company Prochem Inwestycje Sp. z o.o. subsidiary in 100%);
- Prochem RPI Sp. z o.o. seated in Warsaw – subsidiary in 100% (including 3.3% of share in capital and voting rights belongs to company Prochem Inwestycje).

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

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

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

Company P.K.I. Predom Sp. z o.o. made redemption of 40 shares of the Company from net profit. As a result of the redemption, the Parent Entity increased its share, which as at 30 June 2017 amounts to 81.7% of the share in the capital and 72.3% of the share in votes.

Company Predom Projektowanie Sp. z o.o. was excluded from consolidation. The company has not commenced activities. Value of shares was included in the impairment losses.

#### 5. Adopted accounting principles

##### *Principles of presentation and statement of compliance*

Interim condensed consolidated financial statements of Prochem S.A. Capital Group for three quarters of 2018 was prepared according to IAS 34 “Interim Reporting”, in the shape it was approved by European Union, and in accordance with Regulation of the Minister of Finance of 19 February 2009 on current and periodic information provided by issuers of securities and with Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and conditions for recognition as equivalent required by the law of a non-Member State (Official Journal of 2018 item 757) (“Decree”). The interim condensed consolidated financial statements do not contain the information and disclosures required

for complete financial statements and should be read together with the financial statements for the financial year ended 31 December 2017.

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

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

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

### ***Seasonality***

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

### ***Principles of preparation of consolidated financial statements***

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

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

### ***Significant accounting policies and changes in IFRS***

In preparing of the interim condensed consolidated financial statements hereby, were applied the same accounting principles and the same calculation methods which were applied in the consolidated financial statements of Prochem S.A. Capital Group for the year ended 31 December 2017.

In preparing of the interim condensed consolidated financial statements hereby, were applied the same accounting principles and the same calculation methods which were applied in the consolidated financial statements of PROCHEM S.A. Capital Group for the year ended 31 December 2017.

### ***Restatement***

The Management Board of the Capital Group of Prochem S.A. decided to change the presentation in the financial statement of receivables and liabilities under the security deposits retained at the performance of long-term contracts for construction and assembly works. They will be presented in the financial statements as non-current receivables, and long-term liabilities under the retained security deposits.

### ***New standards, interpretations and changes in published IFRS***

A number of new standards, amendments to standards and interpretations are not effective yet for annual periods ended 31 December 2017 and they have not been applied in the consolidated financial statements, except for the adopted new standards IFRS 15 - Revenue from Contracts with Customers and IFRS 9 – Financial Instruments, which were described below.

The Group retrospectively applied the IFRS 15 and IFRS 9 standards with effect from 1 January 2018. According to the option allowed by the standard, the Group resigned from restating of comparable data. Data as at 31 December 2017 as well as for the first half of 2017 were prepared based on IAS 39, IAS 18 and IAS 11.

The previously applied selected accounting principles in the scope of sales revenue (IAS 18, IAS 11) and financial instruments (IAS 39) were disclosed in the financial statements for 2017.

## IFRS 15

The Group applies the principles of IFRS 15 taking into account the assumptions adopted in this model. This model assumes that revenue should be recognized when (or in the extent in which) the entity transfers the control over the goods or services to the customer, and in the 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 Group 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	10 881	-8 415	2 466
Amounts due from receivers under agreements	0	8 415	8 415
Equity and liabilities			
Deferred income	2 237	-1 913	324
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 rise 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
Cash and cash equivalents	Loans and receivables	Measured at amortized costs

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

In the scope of hedge accounting, the Group 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 Group applied the simplified method allowed by IFRS 9. For the purpose of estimating the expected credit loss, the Group 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 placed in liquidation or bankruptcy
- receivables contested by debtors and such receivables from debtor, payments of which are in arrears and according to assessment of property and financial situation of the debtor the payment of contractual receivable is burdened with significant risk.

As a result of individual analysis, in case when despite significant overdue of receivables, the Group 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 30 September 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 following Standards and amendments to standards that have been published and endorsed for use in the EU, but have not yet entered into force and will introduce them on the date of adoption.

### *Changes in estimates*

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

### *Functional currency and presentation currency of financial statements*

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

## **6. Explanatory notes to interim condensed consolidated financial statements**

### *Note No. 1 – Property, plant and equipment*

	As at 30 September 2018	As at 31 December 2017
<b>Property, plant and equipment, including:</b>	<b>21 967</b>	<b>22 481</b>
- land	4 129	4 208
- buildings, premises and civil engineering objects	15 222	15 152
- machinery and equipment	451	544
- vehicles	1 298	1 125
- other PPE	851	971
- PPE in progress	16	481
<b>Total property, plant and equipment</b>	<b>21 967</b>	<b>22 481</b>

<b>PPE – ownership structure</b>	As at 30 September 2018	As at 31 December 2017
a) own	10 192	10 258
b) used under rental, lease or other agreement, including:	11 775	12 223
- lease	573	692
- outlays on PPE not owned	10 650	10 979
- value of the right of perpetual usufruct	552	552
<b>Total carrying amount of PPE</b>	<b>21 967</b>	<b>22 481</b>

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

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

Carrying amount as at 30 September 2018 does not significantly differ from fair value. The measurement at fair value as at 31 December 2017 was made by the independent valuers not associated with the Group. The valuers have the right qualifications to carry out valuations of land, buildings and structures, as well as



current experience in such valuations in locations where are located assets of the Group. Valuation was carried out by reference to the market transaction prices for similar assets.

	Change in PPE for the period from 1 January 2018 to 30 September 2018	Change in PPE for the period from 1 January 2017 to 30 September 2017
<b>Gross value - as at opening balance sheet</b>	<b>39 537</b>	<b>38 576</b>
increase (due to)	914	1 616
- acquisition	914	1 616
decrease (due to)	-623	-655
- disposal of PPE	-315	-221
- liquidation of PPE	-308	-434
<b>Gross value as at closing balance sheet</b>	<b>39 828</b>	<b>39 537</b>
<b>Depreciation and impairment</b>		
<b>Accumulated depreciation – as at opening balance sheet</b>	<b>16 699</b>	<b>15 706</b>
- increase (depreciation for the period)	1 421	1 834
- decrease due to disposal	-308	-217
- decrease due to liquidation	-308	-424
<b>Accumulated depreciation – as at closing balance sheet</b>	<b>17 704</b>	<b>16 899</b>
<b>Impairment of PPE</b>	<b>-157</b>	<b>-157</b>
<b>PPE net value – as at closing balance sheet</b>	<b>21 967</b>	<b>22 481</b>

*Note No. 2 – Investment property*

	As at 30 September 2018	As at 31 December 2017
Property under construction	1 128	1 128
Buildings and constructions	5 917	5 917
Land	4 267	4 267
<b>Total investment property</b>	<b>11 312</b>	<b>11 312</b>

<i>Investment property by titles</i>	Change in investment property for the period from 1 January 2018. to 30 September 2018	Change in investment property for the period from 1 January 2017 to 30 September 2017
<b>Investment property - land</b>		
As at opening balance sheet	4 267	5 352
- decrease - disposal	-	-1 085
<b>As at closing balance sheet</b>	<b>4 267</b>	<b>4 267</b>
<b>Investment property under construction</b>		
As at opening balance sheet	1 128	1 128
- change due to:	-	-
<b>As at closing balance sheet</b>	<b>1 128</b>	<b>1 128</b>
<b>Real estates - buildings and constructions</b>		
As at opening balance sheet	5 917	6 270
- decrease - disposal	-	-353
As at closing balance sheet	5 917	5 917
<b>Total investment properties by titles – net as at balance sheet day</b>	<b>11 312</b>	<b>11 312</b>



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

Carrying amount as at 30 September 2018 does not significantly differ from fair value. The measurement at fair value as at 31 December 2017 was made by the independent valuers not associated with the Group. The valuers have the right qualifications to carry out valuations of land, buildings and structures, as well as current experience in such valuations in locations where are located assets of the Group. Valuation was carried out by reference to the market transaction prices for similar assets.

Details concerning investment property and information on the hierarchy of fair values as at 30 September 2018

	Level 1	Level 2	Level 3	Fair value as at 30 September 2018
	In PLN thousands	In PLN thousands	In PLN thousands	In PLN thousands
Investment property	-	-	11 312	11 312

There were no displacements between the levels 1, 2 and 3 in the first half of 2018

### Note No. 3 – Shares valued using the equity method

	As at 30 September 2018	As at 31 December 2017
- Shares – net value	26 454	26 139
- Write-downs of shares	1 011	1 011
<b>Shares, gross value</b>	<b>27 465</b>	<b>27 150</b>

Change in shares valued using the equity method	As at 30 September 2018	As at 31 December 2017
a) as at the beginning of the period	26 139	22 678
- shares at cost	26 139	22 678
b) changes (due to)		
- share in the current year result	315	3 461
<b>As at the end of the period, net value</b>	<b>26 454</b>	<b>26 139</b>
c) write-down	1 011	1 011
<b>As at the end of the period, gross value</b>	<b>27 465</b>	<b>27 150</b>

### Note No. 4 – Deferred income tax

Changes in the values of provisions and deferred income tax assets for three quarters of 2018 are shown in the table below.

	As at 30 September 2018	As at 31 December 2017
<b>Deferred income tax assets</b>		
As at the beginning of the period	6 073	8 890
Increase	3 610	2 045
Decrease	-2 382	-4 862
<b>As at the end of the period</b>	<b>7 301</b>	<b>6 073</b>

	As at 30 September 2018	As at 31 December 2017
<b>Provision for deferred income tax</b>		
As at the beginning of the period	5 577	5 747
Increase	2 910	2 218
Decrease	-1 365	-2 380
<b>As at the end of the period</b>	<b>7 122</b>	<b>5 577</b>
	As at 30 September 2018	As at 31 December 2017
Deferred income tax assets	7 301	6 073
Provision for deferred income tax	-7 122	-5 777
<b>Surplus of deferred income tax assets</b>	<b>179</b>	<b>496</b>

	As at 30 September 2018	As at 31 December 2017
<i>Presentation in the statement of financial position</i>		
Deferred income tax assets	2 660	2 953
Provision for deferred income tax	-2 481	-2 457
<b>Surplus of deferred income tax assets</b>	<b>179</b>	<b>496</b>

#### *Note No. 5 – Other financial assets*

	As at 30 September 2018	As at 31 December 2016
a) from jointly-controlled entities	18 995	18 713
- borrowings	18 995	18 713
<b>Total other financial assets</b>	<b>18 995</b>	<b>18 713</b>

#### *Loans granted – as at 30 September 2018*

- Loans granted to jointly-controlled company Irydion Sp. z o. o. seated in Warsaw:
  - in the amount of PLN 12 264 thousand, including: amount of the loan PLN 11 000 thousand, accrued interest as at balance sheet day amounts to PLN 1 264 thousand. The interest rate is set annually according to WIBOR 6M rate, repayment date 22 September 2031.
  - in the amount of PLN 6 731 thousand, including: amount of the loan PLN 6 000 thousand, accrued interest as at balance sheet day amounts to PLN 731 thousand. The interest rate is set at fixed rate of 3% per year, repayment date 22 September 2031.

#### *Increase:*

- Accrued interest on loans granted in the amount of PLN 282 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, repayment date of the loan with interest 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 is set annually according to rate 3% annually, repayment date of the loan with interest 22 September 2031.

**Note No. 6 – Inventories**

	As at 30 September 2018	As at 31 December 2017
Materials	2 376	2 092
Semi-finished products and work-in-process	621	130
Goods	81	-
<b>Total inventories</b>	<b>3 078</b>	<b>2 222</b>
Write-down of inventories	575	575

**Note No. 7 – Trade and other receivables**

	As at 30 September 2018	As at 31 December 2017
Trade receivables, including:	46 869	33 960
Write-downs of inventories	-5 396	-5 508
<b>Trade receivables net including:</b>	<b>41 473</b>	<b>28 452</b>
- with repayment period up to 12 months	39 964	27 674
- with repayment period over 12 months	1 509	778
<b>Receivables from taxes, subsidies, custom duties, social and health insurance and other benefits</b>	<b>218</b>	<b>864</b>
Other receivables	1 766	3 094
Write-downs of other receivables	402	396
<b>Net other receivables</b>	<b>1 364</b>	<b>2 698</b>
<b>Total receivables, net</b>	<b>43 055</b>	<b>32 014</b>

<b>Trade and other receivables from related entities</b>	As at 30 September 2018	As at 31 December 2017
Trade receivables, including:	1 163	6 957
- from jointly-controlled entities	1 163	6 957
Other receivables, including:	-	946
- from jointly-controlled entities	-	946
<b>Total current trade and other receivables from related entities, net</b>	<b>1 163</b>	<b>7 903</b>
Write-downs of receivables from related entities	-	-
<b>Total current trade and other receivables from related entities, gross</b>	<b>1 163</b>	<b>7 903</b>

<b>Change in write-downs of trade and other receivables</b>	As at 30 September 2018	As at 31 December 2017
<b>As at the beginning of the period</b>	<b>5 904</b>	<b>5 851</b>
a) increase (due to)	23	380
- write-downs of receivables	23	380
b) decrease (due to)	129	327
- resolving of write-downs (payments received)	1	60
- the use of write-downs made in the previous periods	17	1
- resolving of write-down	111	266
<b>Write-downs of trade and other receivables</b>	<b>5 798</b>	<b>5 904</b>

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

**Note No. 8 – Other assets**

Other assets by type :	As at 30 September 2018	As at 31 December 2017
a) prepayments	2 508	2 466
- cost of property and personal insurance	556	350
- software maintenance costs	699	540
- subscriptions	18	18
- deferred costs	1 212	1 555
- other	23	3
<b>Total other assets</b>	<b>2 508</b>	<b>2 466</b>

**Note No. 9 – Share capital**

SHARE CAPITAL (STRUCTURE)							
Series / emission	Type of share	Type of share preference	Number of shares	Series / emission at nominal value	Capital coverage method	Registration date	Right to dividend (from)
Founding	inscribed	3 votes per 1 share	580	580	Cash	23July1991	1October1991
Founding	inscribed	-	6 816	6 816	Cash	23July1991	1October1991
Founding	bearer	-	1 810 104	1 810 104	Cash	23July1991	1October1991
B	inscribed	-	750	750	Cash	29July1993	1October1993
B	bearer	-	681 750	681 750	Cash	29July1993	1October1993
C	bearer	-	435 000	435 000	Cash	20April 1994	1October1994
<b>Total number of shares</b>			<b>2 935 000</b>				
<b>Total share capital</b>				<b>2 935 000</b>			
<b>Nominal value of 1 share = PLN 1.00</b>							

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**

According to the information held by the Group at the date of this report the following shareholders hold at least 5% of votes at the general meeting of shareholders:

Name of the shareholder	Number of shares held (in pcs)	Number of votes	% of votes in total number of votes	% of share capital
1. Steven Tappan	965 000	965 000	32.87	32.88
2. Otwarty Fundusz Emerytalny PZU „Złota Jesień”.	387 521	387 521	13.20	13.20
3. Funds managed by Esaliens TFI including: - Esaliens Parasol FIO - Esaliens Akcji Skoncentrowany FIZ	354 525	354 525	12.07	12.08
4. Andrzej Karczykowski	201 882	201 882	6.88	6.88

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 Prochem 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. 10 – Bank loans

	As at 30 September 2018	As at 31 December 2017
- non-current bank loans	204	141
- current bank loans	6 849	2 233
Total loans	7 053	2 374

#### Bank loans

Name of the bank	Registered office	Amount of the loan acc. To agreement (in PLN thousands)	Amount of the loan to be repaid (in PLN thousands)	Terms of interest	Repayment date	Collateral
By Pro-Inhut Sp. z o. o.						
ING Bank Śląski	Sosnowiec	300 Working capital loan	51	WIBOR 1 month plus margin	08 December 2018	Guarantee provided by Bank Gospodarstwa Krajowego under a portfolio agreement, promissory note in blank
ING Bank Śląski	Sosnowiec	200 Working capital loan	71	WIBOR 1 month plus margin	17 May 2019	Guarantee provided by Bank Gospodarstwa Krajowego under a portfolio agreement, promissory note in blank
ING Bank Śląski	Sosnowiec	579 Working capital loan	82	WIBOR 1 month plus margin	8 December 2018	Guarantee provided by Bank Gospodarstwa Krajowego under a portfolio agreement, promissory note in blank
ING Bank Śląski	Dąbrowa Górnicza	400 Working capital loan	400	WIBOR 1 month plus margin	31 March 2019	Guarantee provided by Bank Gospodarstwa Krajowego under a portfolio agreement, promissory note in blank
ING Bank Śląski	Dąbrowa Górnicza	750 Working capital loan	722	WIBOR 1 month plus margin	31 March 2019	Guarantee provided by Bank Gospodarstwa Krajowego under a portfolio agreement, promissory note in blank

By Prochem S.A.						
mBank SA	Warsaw	5000 Credit in overdraft	3 377	WIBOR for O/N deposits in PLN + margin	30 November 2018	Promissory note in blank
By Spółkę Elektromontaż Kraków SA						
ING Bank Śląski	Kraków	2 500	2 208	WIBOR for 1-month deposits in PLN + margin	19 November 2018	Mortgage
Deutsche Bank	Kraków	500	-	WIBOR for 1-month deposits in PLN + margin	28 February 2019	Mortgage
Pekao S.A.	Kraków	150	-	WIBOR for 1-month deposits in PLN + margin	31 March 2019	Promissory note in blank
By Atutor Integracja Cyfrowa Sp. z o. o.						
Bank Millennium S.A.	Warsaw	150	142	WIBOR 1 month plus margin	15 April 2019	Granting the bank a power of attorney for collection and for repayment from the accounts and for the blocking the funds in case when loan is not repaid in time

**Note No. 11 – Trade payables**

	As at 30 September 2018	As at 31 December 2017
a) to associated entities and jointly-controlled entities:	213	10
- from supplies and services, with maturity period:	213	10
- up to 12 months	213	10
a) to other entities :	34 810	22 416
- from supplies and services, with maturity period:	34 810	22 416
- up to 12 months	33 995	22 416
- over 12 months	815	-
<b>Total trade payables</b>	<b>35 023</b>	<b>22 426</b>

**Note No. 12 – Amounts owed to recipients under agreements**

	As at 30 September 2018	As at 31 December 2017
- advance payments and prepayments received	4 199	958
- amounts owed to the ordering parties under long-term contracts	5 418	955
<b>Amounts owed to recipients under long-term agreements</b>	<b>9 617</b>	<b>1 913</b>

Disclosures specified in MSSF 15 are presented in the table below

Description	As at 30 September 2018	As at 31 December 2017
Value of revenues according to contracts	376 924	219 689
Value of revenues invoiced	212 836	179 418
Planned liabilities under the performance of contracts	349 189	210 153
Realized contractual obligations	214 714	180 945
Amounts due from customers	20 298	8 415
Amounts owed to suppliers	9 617	1 913

**Note No. 13 – Other liabilities**

	As at 30 September 2018	As at 31 December 2017
a) to other entities	4 649	4 473
- under taxes, duties, insurance and other benefits	3 667	3 337
- under remuneration	456	399
- other (by type)	526	737
• liabilities to employees	16	51
• liabilities to shareholders	17	16
• liabilities under lease agreement	338	625
• other liabilities	155	45
b) other short-term provisions	2 601	4 399
- provision for costs related to long-term contracts	629	477
- provision for costs (movable part of salary, contracts of mandate)	484	2 143
- cost of audit	-	69
- short-term provision for retirement benefits	275	328
- provision for unused annual leaves	1 213	1 382
<b>Total other liabilities</b>	<b>7 250</b>	<b>8 872</b>

**Note No. 14 – Deferred income**

	As at 30 September 2018	As at 31 December 2017
Other	323	324
<b>Deferred income as at the end of the period, including:</b>	<b>323</b>	<b>324</b>
<b>Non-current liabilities</b>	<b>-</b>	<b>-</b>
<b>Current liabilities</b>	<b>323</b>	<b>324</b>

**Note No. 15 - Revenues from sale of services**

Revenues from sale of services (type of service and type of activity)	Period ended 30 September 2018	Period ended 30 September 2017
Revenue from sale of services, including:	<b>104 960</b>	<b>82 402</b>
- from jointly-controlled entity	11 194	5 886

Revenue from sales (territorial structure)	Period ended 30 September 2018	Period ended 30 September 2017
Domestic market	104 822	53 586
- including from jointly-controlled entities	11 194	2 828
Exports	138	-

Revenues under contracts for construction services (general contracting) and other services are presented in Note No. 22.

The gross amount due from ordering parties/buyers for the work under the contracts was presented in Note No. 12.

Information on major customers, whose total value of revenues from sales of services exceeds 10% of the total revenues of the entity for the first half of 2018 is included in Note No. 22.

**Note No. 16 – Costs of services sold**

	Period ended 30 September 2018	Period ended 30 September 2017
a) amortization and depreciation	1 546	1 519
b) consumption of materials and energy	16 336	16 408
c) outsourcing	60 582	38 743
d) taxes and levies	439	734
e) remuneration	24 165	22 063
f) social security and other benefits	4 587	4 291
g) other costs by type, including:	2 967	3 274
- property and personal insurance	696	615
- business trips	891	1 040
- PFRON (State Fund for Rehabilitation of Disabled Persons)	152	164
- rental of cars	650	700
- other	578	755
<b>Costs by type, total</b>	<b>110 622</b>	<b>87 032</b>
Change in inventories, products and accruals and prepayments	-2 753	-2 444
General and administrative expenses (negative value)	-10 095	-9 644
<b>Cost of services sold</b>	<b>97 774</b>	<b>74 944</b>

**Note No. 17- Other operating income**

	Period ended 30 September 2018	Period ended 30 September 2017
a) gain on sale of non-financial non-current assets	172	437
b) reversal of write-downs of	126	44
- receivables	111	44
- other	15	-
c) other, including:	2 883	10 021
- reimbursement of legal proceedings	262	4
- received compensation, fines, penalties	323	75
- income adjudged by a court judgment	-	9 888
- writing-off of the expired liabilities	2 287	-
- other	11	54
<b>Total other operating income</b>	<b>3 181</b>	<b>10 502</b>



**Note No. 18 – Other operating expenses**

	Period ended 30 September 2018	Period ended 30 September 2017
a) loss on disposal of non-financial non-current assets	-	6
b) write-downs of:	31	29
- receivables	31	29
c) other, including:	151	1 713
- litigation costs	79	16
- paid compensation, fines and penalties	6	5
- cost of material	-	1 668
- other	66	24
<b>Total other operating expenses</b>	<b>182</b>	<b>1 748</b>

**Note No. 19 – Financial income**

	Period ended 30 September 2018	Period ended 30 September 2017
a) interest on loan granted	282	284
- from jointly-controlled entities	282	284
b) other interest	54	19
- from other entities	54	19
c) the surplus of foreign exchange gains	27	9
d) other, including:	161	34
- income under discounted non-current liabilities	154	-
- other	7	34
<b>Total financial income</b>	<b>524</b>	<b>346</b>

**Note No. 20 – Finance costs**

	Period ended 30 September 2018	Period ended 30 September 2017
a) interest on bank loans	126	319
b) other interest	22	74
- for other entities	22	74
c) the surplus of foreign exchange losses	3	45
d) other, due to :	280	405
- commission on bank guarantees	181	198
- commission on loans	57	76
- costs under discount of financial assets	-	94
- other	42	37
<b>Total finance costs</b>	<b>431</b>	<b>843</b>

**Note No. 21–Additional disclosures to the statement of cash flows**

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

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

	In 2018	In 2017
<b>Change in current receivables</b>	<b>-23 349</b>	<b>-4 133</b>
Receivables as at 1 January	32 236	56 652
Other assets as at 1 January	10 881	11 135
Receivables from non-current assets sold	-15	-18
Receivables from sale of assets	-	-367
Receivables under income tax	-641	-342
<b>Opening balance sheet after adjustments</b>	<b>42 461</b>	<b>67 060</b>
Receivables as at 30 September	43 099	55 931
Amounts owed to recipients under agreements as at 30 September	20 298	-
Other assets as at 30 September	2 508	15 542
Receivables from non-current assets sold	-13	-15
Receivables under income tax	-82	-265
<b>Closing balance sheet after adjustments</b>	<b>65 810</b>	<b>71 193</b>
<b>Change in current liabilities except for current borrowings and special funds</b>	<b>18 295</b>	<b>-10 563</b>
Trade payables as at 1 January	27 018	39 525
Other liabilities as at 1 January	8 872	8 086
Amounts owed to recipients under agreements	1 913	-
Provision for current retirement benefits	-323	-433
Provision for annual leaves	-1 382	-1 305
Provision for audit	-71	-87
Provision for other current costs	-477	-641
Other differences under discount of liabilities	-	250
Liabilities under operating lease	-276	-
Liabilities to shareholders	-16	-29
<b>Opening balance sheet after adjustments</b>	<b>35 258</b>	<b>45 366</b>
Trade payables as at 30 September	39 158	32 002
Amounts owed to recipients under agreements as at 30 September	9 617	-
Other liabilities as at 30 September	7 250	4 121
Provision for current retirement benefits	-275	-377
Provision for annual leaves	-1 213	-725
Provision to current other costs	-629	-140
Investment commitments	-	-94
Other differences under discount of liabilities	-	221
Liabilities under lease	-338	-180
Liabilities to shareholders	-17	-25
<b>Closing balance sheet after adjustments</b>	<b>53 553</b>	<b>34 803</b>
<b>Change in total adjustments, total</b>	<b>801</b>	<b>-268</b>
Change in deferred income – advances received	-1	1 059
Change in deferred income under amounts owed to ordering parties under long-term contracts	-	-1 443
Change in other deferred income	-	-18
Other	802	134

## ***Note No. 22 - Information on operating segments***

Operating segment is a component part of the entity:

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

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

Expenses of the segment are expenses, which are composed of costs related to the sale to external customers.

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

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

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

Income from operations outside Poland (Exports) in the period from January 1, 2018 until September 30, 2018 amounted to PLN 138 thousand (i.e. 0.13 % of sales revenue), in the analogous period of the previous year revenues did not occur.

Information on major customers which share in the sales revenue for three quarters of 2018 exceeded 10 % of the total revenues from sale:

- A client who operates in the production of bioethanol and ethanol produced from maize grain – revenues in the amount of PLN 34 566 thousand, what constitutes 32.45% of share in sales revenue, which were shown in the segment of „General contracting” and „Design services and other engineering services”.
- Irydion Sp. z o. o. joint-controlled company – revenues in the amount of PLN 11 194 thousand, what constitutes 10.51% of share in sales revenue, which were shown in the segment „General contracting” and „Design services and other engineering services”.
- A client who operates on the market of the general contracting – revenues in the amount PLN 6 279 thousand, what constitutes 5.9% of share in sales revenue, which were shown in the segment „Design services and other engineering services”.

Assets not assigned/not allocated to the segments are mainly shares in jointly-controlled entities and in associated entities and loans granted. With respect to the assets mentioned above, no indications of possible impairment were identified as at September 30, 2018. In addition, the Group carried out analysis of the implemented construction service contracts as at the balance sheet date against the results budgeted. For all contracts for which budgeted expenses exceeded budgeted revenues, the Group created provisions for loss coverage as at the balance sheet date. Detailed data on the operations of the Group companies in individual segments are presented in the following tables.

Interim condensed consolidated financial statements of the Capital Group of Prochem S.A. as at and for the period of nine months ended 30 September 2018

For the period from 1 January 2018 to 30 September 2018	General contracting	Design services, and other engineering services	Rental of construction equipment	Electrical installations	Rental of office space and real estate	Property management	Maintenance	Commercial activity	Other IT services	Other	Items not assigned	Total
Revenues from external clients	56 596	16 017	2 636	25 514	3 668	-	221	7	435	1 411	-	106 505
<b>Total segment revenues</b>	<b>56 596</b>	<b>16 017</b>	<b>2 636</b>	<b>25 514</b>	<b>3 668</b>	<b>-</b>	<b>221</b>	<b>7</b>	<b>435</b>	<b>1 411</b>	<b>-</b>	<b>106 505</b>
Result of the segment	<b>3 903</b>	<b>-6 794</b>	<b>353</b>	<b>38</b>	<b>487</b>	<b>-</b>	<b>-102</b>	<b>-2</b>	<b>-248</b>	<b>-331</b>	<b>-</b>	<b>-2 696</b>
Financial income											524	524
Finance costs											-431	-431
Net financial income/finance costs											93	93
Profit sharing in associated entities											315	315
<b>Profit on other operating activities</b>											<b>2 999</b>	<b>2 999</b>
<b>Before tax profit</b>											<b>711</b>	<b>711</b>
Income tax											335	335
<b>Profit for the current period</b>											<b>376</b>	<b>376</b>
<b>Profit assigned to non-controlling interest</b>											<b>-127</b>	<b>-127</b>
<b>Profit for the period assigned to shareholders of the parent entity</b>											<b>503</b>	<b>503</b>
<b>Assets as at 30 September 2018</b>												
Segment assets (related to activity)	27 602	6 176	1 123	11 096	16 511	-	130	-	313	506	-	63 457
Assets not assigned/not allocated (among others shares and other financial assets )											92 829	92 829
<b>Total assets</b>	<b>27 602</b>	<b>6 176</b>	<b>1 123</b>	<b>11 096</b>	<b>16 511</b>	<b>-</b>	<b>130</b>	<b>-</b>	<b>313</b>	<b>506</b>	<b>92 829</b>	<b>156 286</b>
<b>Other information related to segment for the period from 1 January 2018 to 30 September 2018</b>												
Depreciation of property, plant and equipment	72	85	72	419	530	-	27	-	36	180		940
Amortization of intangible assets	-	7	-	14	3	-	-	-	3	-	98	84

*Note of operating segments - continuation*

For the period from 1 January 2017 to 30 September 2017	General contracting	Design services, and other engineering services	Rental of construction equipment	Electrical installations	Rental of office space and real estate	Property management	Maintenance	Commercial activity	Other IT services	Other	Items not assigned	Total
Revenues from external clients	14 920	32 046	1 991	28 643	3 466	-	195	157	145	996	-	82 559
<b>Total segment revenues</b>	<b>14 920</b>	<b>32 046</b>	<b>1 991</b>	<b>28 643</b>	<b>3 466</b>	<b>-</b>	<b>195</b>	<b>157</b>	<b>145</b>	<b>996</b>	<b>-</b>	<b>82 559</b>
Result of the segment	534	-3 337	427	303	530	-	-168	19	-253	-222	-	-2 167
Financial income											346	346
Finance costs											-843	-843
Net financial income/finance costs											-497	-497
Profit sharing in associated entities											917	917
<b>Profit on other operating activities</b>											<b>8 754</b>	<b>8 754</b>
<b>Before tax profit</b>											<b>7 007</b>	<b>7 007</b>
Income tax											-213	-213
<b>Profit for the current period</b>											<b>7 220</b>	<b>7 220</b>
<b>Profit assigned to non-controlling interest</b>											<b>78</b>	<b>78</b>
<b>Profit for the period assigned to shareholders of the parent entity</b>											<b>7 142</b>	<b>7 142</b>
<b>Assets as at 30 September 2017</b>												
Segment assets (related to activity)	25 582	8 352	626	10 606	16 606	-	431	408	-	69	-	62 680
Assets not assigned/not allocated (among others shares and other financial assets )											96 826	96 826
<b>Total assets</b>	<b>25 582</b>	<b>8 352</b>	<b>626</b>	<b>10 606</b>	<b>16 606</b>	<b>-</b>	<b>431</b>	<b>408</b>	<b>-</b>	<b>69</b>	<b>96 826</b>	<b>159 506</b>
<b>Other information related to segment for the period from 1 January 2017 to 30 September 2017</b>												
Depreciation of property, plant and equipment	76	54	71	361	524	-	52	-	-	210	32	1 380
Amortization of intangible assets	-	13	-	13	7	-	-	-	-	-	106	139

### Information on the geographical areas

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

	1 January-30 September 2018	1 January -30 September 2017
Poland	104 822	82 559
Other countries	138	-
<b>Total sales revenue</b>	<b>104 960</b>	<b>82 559</b>

Geographical breakdown of property, plant and equipment and intangible assets

	30 September 2018	31 December 2017
Poland	33 474	34 035
Other countries	-	-
<b>Total property plant and equipment and intangible assets</b>	<b>33 474</b>	<b>34 035</b>

### Note No. 23 - Collateral granted and received and contingent liabilities and contingent assets

#### Collateral granted

	As at 30 September 2018	As at 31 December 2017
Bank guarantee of good performance and statutory warranty	16 819	11 475
Guarantee of reimbursement of advance payment	2 973	1 177
<b>Total collateral granted</b>	<b>19 792</b>	<b>12 652</b>

#### 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
<b>Total collateral granted and contingent liabilities</b>	<b>20 039</b>	<b>12 899</b>

#### Collateral received

	As at 30 September 2018	As at 31 December 2017
Bank guarantee of good performance	9 691	3 866
Bill-of-exchange guarantees securing the terms of the contract	450	-
<b>Total contingent assets</b>	<b>11 141</b>	<b>3 866</b>

### Note No. 24 - Profit distribution

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

Pursuant to the Resolution No. 15 of the Ordinary General Meeting of 21 June 2018 the Issuer's net profit for 2017 in the amount of PLN 12 684 166.55 will be entirely allocated to the reserve capital.

### Note No. 25 - Dividends

Dividend has not been paid.

### Note No. 26- Financial instruments and financial risk management

#### Financial assets

As at 30 September 2018

(in PLN thousands)

	Categories of financial instruments		
	Note No.	Loans, receivables and other	Total
<b>Classes of financial instruments</b>			
Receivables from supplies and services	7	41 473	41 473
Cash		4 890	4 890
Loans granted	5	18 995	18 995
<b>Total</b>		<b>65 358</b>	<b>65 358</b>

As at 31 December 2017 (in PLN thousands)	Categories of financial instruments		
	Note No.	Loans, receivables and other	Total
<b>Classes of financial instruments</b>			
Receivables from supplies and services	7	28 452	28 452
Cash		28 815	28 815
Loans granted	5	18 713	18 713
<b>Total</b>		<b>75 980</b>	<b>75 980</b>

#### Financial liabilities

As at 30 September 2018 (in PLN thousands)	Categories of financial instruments			Total
	Note No.	Financial liabilities measured at amortized cost	Liabilities excluded from IAS 39	
<b>Classes of financial instruments</b>				
Loans	10	7 053	-	7 053
Finance lease		-	901	901
Trade payables	11	35 023	-	35 023
<b>Total</b>		<b>42 076</b>	<b>901</b>	<b>42 977</b>

As at 31 December 2017 (in PLN thousands)	Categories of financial instruments			Total
	Note No.	Financial liabilities measured at amortized cost	Liabilities excluded from IAS 39	
<b>Classes of financial instruments</b>				
Loans	10	2 374	-	2 374
Finance lease		-	912	912
Trade payables	11	22 426	-	22 426
<b>Total</b>		<b>24 800</b>	<b>912</b>	<b>25 712</b>

**Fair value of financial instruments** - does not differ from the book value.

#### *Note No. 27 - Transactions with related entities and key management personnel*

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

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

In the third quarter of 2018 key management personnel and persons related to key management personnel, in addition to remuneration did not conclude other transactions with the companies from the Capital Group of PROCHEM S.A.

### **Remuneration of the key management personnel**

In three quarters of 2018 in the Issuer`s enterprise was paid:

1. Remuneration to the Members of the Management Board in total amount of PLN 1 200,9 thousand, including remuneration established on profit for 2017 amounted to PLN 393,0 thousand
2. Remuneration paid to the Members of the Supervisory Board in total amount of PLN 237,9 thousand.

In three quarters of 2018 the remuneration paid to the Members of the Management Board for performing functions in the Management Boards and in the Supervisory Boards of companies belonging to the Capital Group amounted to PLN 314,5 thousand.

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

Settlements with related entities include trade settlements and under loans.

Guarantees and sureties granted to related entities are presented in Note No. 23.

#### **Reporting period**

(in PLN thousands)

##### **from 1 January to 30 September 2018**

	Sale of services	Purchase of services	Financial income interest on loans	Financial income – dividends received
Jointly-controlled entities and associated entities	11 194	2 557	282	-

##### **As at 30 September 2018**

	Trade receivables	Receivables under loans granted	Other receivables	Trade payables
Jointly-controlled entities and associated entities	1 163	18 995	-	213

#### **Comparative period**

(in PLN thousands)

##### **from 1 January to 30 September 2017**

	Sale of services	Purchase of services	Financial income interest on loans	Financial income – dividends received
Jointly-controlled entities and associated entities	5 886	2 738	284	-

##### **As at 30 September 2017**

	Trade receivables	Receivables under loans granted	Other receivables	Trade payables
Jointly-controlled entities and associated entities	1 081	18 618	-	271



***Note No. 28 – Information on significant proceedings pending before the court***

PROCHEM S.A. was a party to the proceedings before the court concerning the settlement of the contract in the formula of a Management Contracting (GRI) for an investment project under the name "Pipeline in a section from the ST-1 Adamowo - to raw material base Plebanka" which was concluded with PERN S.A. and interrupted on 10 November 2005.

PROCHEM S.A. filed a lawsuit to the court for payment of PLN 41, 301 thousand under the final settlement of the contract. PERN S.A. filed a counter-claim from the cross action against the Company for the payment of PLN 129,444 thousand as the settlement of the contract.

On 22 October 2015 the District Court in Warsaw, XXVI Commercial Division announced judgment in the above matter, in which:

- from a principal action, has adjudged from PERN jointly and severally for the benefit of the Issuer and a member of the consortium:
  - ✓ amount of PLN 35 086 589.26 with statutory interest from 23 March 2006 until the date of payment;
  - ✓ amount of PLN 4 879 883.58 with statutory interest from 22 March 2006 until the date of payment;
  - ✓ amount of PLN 126 400.44 with statutory interest from 16 January 2007 until the date of payment.
- from the cross action, dismissed the action of PERN in its entirety.

PERN S.A. lodged an appeal from the above judgment, on October 30, 2017 the appeal was dismissed by the Court of Appeal in Warsaw. Due to the dismissal of the appeal, the verdict of 22 October 2015 became final and the cash adjudged was transferred to the Issuer's account.

On April 5, 2018, was delivered to the Company's proxy a copy of the cassation complaint filed by PERN S.A. against the court sentence as above. Based on the legal opinion prepared by the Parent Company's proxy, the Management Board of the Parent Company is of the opinion that complaint lodged by PERN has no grounds, does not contain the necessary statutory premises, and is fraught with formal deficiencies, and being such the complaint should not be accepted by the Supreme Court for the considering. If, however, the complaint would be accepted for examination, the Supreme Court should dismiss it, due to the lack of justified basis. Therefore, the complaint creates a low risk to the stability of the judgments delivered in this case.

On 22 October 2018 the Management Board of PROCHEM S.A. seated in Warsaw (hereinafter the „Company”) 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.

The value of this proceeding exceeds 10% of the equity of the Issuer.

Furthermore, the total value of other proceedings separately for the group of liabilities and for the group of receivables does not exceed 10% of the equity of the Capital Group.

***Note No. 29 – Events after reporting date***

They did not occur.

***Note No. 30 – Other explanatory notes to interim condensed consolidated financial statements***

**Indication of factors which in the issuer's estimation will have an impact on the financial results achieved by the issuer in the prospects of at least subsequent quarter**

The Issuer is conducting intensive activities that will lead to the signing of several significant orders in the near future. These orders in subsequent quarters will cause improving both in terms of revenues from sales of services and results on activities. The completion of the construction and commercialization of the

Astrum Business Park project in Warsaw will have a large impact on the results of the Issuer and the Capital Group.

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

Company Prochem S.A. did not publish any forecast of financial results neither for the Company nor for the Prochem S.A. Capital Group for 2018.

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

In the period of three quarters of 2018 the companies belonging to the Capital Group did not grant any sureties and guarantees to related entities.

In the period of three quarters of 2018 the Parent Entity:

- 1) Granted a loan to subsidiary Pro-Inhut Sp. z o. o. seated in Dąbrowa Górnicza in the amount of 130 thousand. The interest rate was set at 3.25% per year, the repayment date 30 September 2018.
- 2) Drew a loan from subsidiary Elmont Inwestycje Sp. z o. o. in the amount of PLN 7 500 thousand. The interest rate was determined according to the WIBOR 3M rate applicable at the end of each calendar year plus a margin of 0.5p.p. The repayment date was set for 31 December 2019.

**Statement of changes in the ownership of the issuer's shares or rights to them (options) by managing persons and supervising persons of the issuer, according to the information held by the issuer, in the period from the previous quarterly report**

As at the date of the 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;
- Andrzej Karczykowski – 201,882 units;
- Marek Garliński – 73,996 units.

## Financial information of PROCHEM S.A.

### Separate statement of financial position

(all amounts in PLN thousands if not stated otherwise)

	As at 30 September 2018	As at 31 December 2017
<b>A s s e t s</b>		
<b>Non-current assets</b>		
Property, plant and equipment	813	964
Intangible assets	139	177
Investment property	246	246
Shares in subsidiaries	8 478	8 478
Shares in equity-accounted investees	4 502	4 502
Deferred tax assets	2 439	2 743
Non-current receivables under the security deposits detained	44	726
Other financial assets	37 542	37 032
<b>Total non-current assets</b>	<b>54 203</b>	<b>54 868</b>
<b>Current assets</b>		
Inventories	33	28
Trade and other receivables	27 422	16 894
Amounts due from customers under contracts	14 976	2 260
Other financial assets	132	130
Other assets	894	690
Cash and cash equivalents	2 934	18 642
<b>Total current assets</b>	<b>46 391</b>	<b>38 644</b>
<b>Total assets</b>	<b>100 594</b>	<b>93 512</b>
<b>E q u i t y a n d l i a b i l i t i e s</b>		
<b>Equity</b>		
Share capital	2 935	3 895
Revaluation reserve	107	107
Retained earnings	40 386	61 974
<b>Total equity</b>	<b>43 428</b>	<b>65 976</b>
<b>Non-current liabilities</b>		
Provision to retirement and similar benefits	472	472
Non-current liabilities under the security deposits detained	4 135	4 067
Non-current loans	8 577	950
<b>Total non-current liabilities</b>	<b>13 184</b>	<b>5 489</b>
<b>Current liabilities</b>		
Current bank loans	3 377	-
Trade payables	26 006	14 283
Amounts owed to recipients under contracts	9 617	1 913
Other liabilities	4 982	5 851
<b>Total current liabilities</b>	<b>43 982</b>	<b>22 047</b>
<b>Total liabilities</b>	<b>57 166</b>	<b>27 536</b>
<b>Total equity and liabilities</b>	<b>100 594</b>	<b>93 512</b>
Weighted average number of ordinary shares (units)	2 935 000	3 895 000
Book value per one share (in PLN)	14.80	16.94

**Separate statement of profit and loss**  
**For the period from 1 January 2018 to 30 September 2018**  
(all amounts in PLN thousands if not stated otherwise)

	Period ended 30 September 2018	Period ended 30 September 2017
Revenues from sale, including :	69 534	36 092
Revenues from sale of services	68 238	36 092
Revenues from sale of goods and materials	1 296	-
Cost of sales, including :	-65 883	-33 949
Cost of services sold	-64 746	-33 949
Cost of merchandise and raw materials	-1 137	-
<b>Gross profit on sales</b>	<b>3 651</b>	<b>2 143</b>
General and administrative expenses	-5 900	-4 836
Other operating income	2 759	10 035
Other operating costs	-133	-1 716
<b>Results from operating activities</b>	<b>377</b>	<b>5 626</b>
Financial income	1 790	1 289
Finance expenses	-411	-857
<b>Before tax profit</b>	<b>1 756</b>	<b>6 058</b>
Income tax :	304	-410
- current tax	-	2
- deferred tax	304	-412
<b>Profit for the period</b>	<b>1 452</b>	<b>6 468</b>
Weighted average number of ordinary shares (units)	2 935 000	3 895 000
Profit/diluted profit per one ordinary share (in PLN per one share)	0.49	1.66

**Separate statement of comprehensive income**

	Period ended 30 September 2018	Period ended 30 September 2017
<b>Profit for the period</b>	<b>1 452</b>	<b>6 468</b>
<b>Other comprehensive income net</b>	<b>-</b>	<b>-824</b>
<i>Other comprehensive income that will be reclassified to profit or loss under after fulfilling certain conditions:</i>	<b>-</b>	<b>-824</b>
Revaluation of fixed assets	-	-824
<b>Total comprehensive income</b>	<b>1 452</b>	<b>5 644</b>
Weighted average number of ordinary shares (units)	2 935 000	3 895 000
Total comprehensive income per one share (in PLN per one share)	0.49	1.45

### Separate statement of changes in equity

(all amounts in PLN thousands if not stated otherwise)

	Share capital	Revaluation reserve	Retained earnings	Total equity
<b>Reporting period from 1 January 2018 to 30 September 2018</b>				
As at the beginning of the period	3 895	107	61 974	65 976
Error adjustment	-	-	-	-
As at the beginning of the period (upon adjustment)	3 895	107	61 974	65 976
Net profit of the given period	-	-	1 452	1 452
Buy-back of own shares for redemption	-960	-	-23 040	-24 000
<i>Other comprehensive income (net)</i>	-	-	-	-
<b>Total comprehensive income</b>	<b>-960</b>	<b>-</b>	<b>-21 588</b>	<b>-22 548</b>
As at the end of the period	2 935	107	40 386	43 428

	Share capital	Revaluation reserve	Retained earnings	Total equity
<b>Reporting period from 1 January 2018 to 30 September 2018</b>				
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	-	-	6 468	6 468
<i>Other comprehensive income (net)</i>	-	-824	951	127
<b>Total comprehensive income</b>	<b>-</b>	<b>-824</b>	<b>7 419</b>	<b>6 595</b>
As at the end of the period	3 895	13	55 758	59 666

**Separate statement of cash flows for the period from 1 January 2018 to 30 September 2018**  
(all amounts in PLN thousands if not stated otherwise)

	Period ended 30 September 2018	Period ended 30 September 2017
<b>Cash flows – operating activities</b>		
Before tax profit	1 756	6 058
Total adjustments	-5 470	-10 929
Amortisation and depreciation	387	425
Interest and profit sharing (dividends)	-1 387	-846
Gain on disposal of property, plant and equipment	-83	-
Change n provisions	43	-1 043
Change in inventories	-5	1 675
Change in receivables	-23 327	-5 676
Change in current liabilities, except for loans and borrowings	18 813	-5 181
Other adjustments (including change in deferred income)	89	-283
Cash provided by (used in) operating activities	-3 714	-4 871
Income tax paid	-308	2
<b>Net cash provided by (used in) operating activities</b>	<b>-3 406</b>	<b>-4 869</b>
<b>Cash flows – investing activities</b>		
<b>Inflows</b>	<b>1 069</b>	<b>1 701</b>
Disposal of intangible assets and property, plant and equipment	2	3
From financial assets	1 067	1 698
- in related entities	1 067	1 500
Proceeds from disposal of financial assets	-	367
Dividend received	1 067	741
Repayment of interest on loans granted	-	392
- in other entities	-	198
Repayment of loans granted	-	133
Repayment of interest on loan granted	-	65
<b>Outflows</b>	<b>-198</b>	<b>-31</b>
Acquisition of intangible assets and property, plant and equipment	-198	-31
<b>Net cash provided by (used in) investing activities</b>	<b>871</b>	<b>1 670</b>
<b>Cash flows – financing activities</b>		
<b>Inflows</b>	<b>10 877</b>	<b>3 380</b>
Bank loan	3 377	3 380
Borrowings	7 500	-
<b>Outflows</b>	<b>-24 050</b>	<b>-270</b>
Acquisition of own shares	-24 000	-
Interest and commission paid ( loan)	-50	-270
<b>Net cash provided by (used in) financing activities</b>	<b>-13 173</b>	<b>3 110</b>
Total cash flows, net	-15 708	-89
<b>Cash and cash equivalents at the beginning of the period</b>	<b>18 642</b>	<b>245</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>2 934</b>	<b>156</b>

### ***Approval of the financial statements***

Hereby interim condensed consolidated financial statements of the Capital Group of Prochem S.A. for the period from 1 January 2018 to 30 September 2018, containing financial information of Prochem S.A. was approved for publication by the Management Board of the Parent Entity Prochem S.A. on 14 November 2018.

### **Signatures of the Management Board**

14 November 2018	Jarosław Stępniewski	President of the Management Board	.....
date	first name and surname	position	signature

14 November 2018	Marek Kiersznicki	Vice President of the Management Board	.....
date	first name and surname	position	signature

14 November 2018	Krzysztof Marczak	Vice President of the Management Board	.....
date	first name and surname	position	signature

### **Signature of the person responsible for bookkeeping**

14 November 2018	Barbara Auguścińska-Sawicka	Chief Accountant	.....
date	first name and surname	position	signature