

REPORT FOR THE THIRD QUARTER OF 2019

Contents:

- Interim condensed consolidated financial statements of the Prochem S.A. Capital Group as at and for the period of nine months ended 30 September 2019
- Financial information of PROCHEM S.A.

and

- Selected financial data
- Statements of the Management Board

www.prochem.com.pl

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

Selected financial data

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

- For three quarters of 2019 - 4.3086 PLN/EURO
- For three quarters of 2018 - 4.2566 PLN/EURO

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

- 4.3736 PLN/EURO as at 30 September 2019
- 4.3000 PLN/EURO as at 31 December 2018

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

Description	Reporting period ended 30 September		Reporting period ended 30 September	
	2019	2018	2019	2018
	In PLN thousands		In EURO thousands	
Consolidated statement of profit and loss				
Revenues from sale	223 226	106 505	51 810	25 021
Gross profit on sales	13 140	7 399	3 050	1 738
Results from operating activities	3 645	303	846	71
Before tax profit	4 823	711	1 119	167
Profit for the period assigned to :	4 151	376	963	88
Shareholders of the Parent Entity	4 110	503	954	118
Non-controlling interest	41	-127	10	-30
Profit/diluted profit (in PLN/EURO)- assigned to shareholders of the parent entity	1.40	0.13	0.33	0.03
Consolidated statement of cash flows				
Net cash provided by (used in) operating activities	10 555	-3 291	2 450	-773
Net cash provided by (used in) investing activities	-72	-965	-17	-227
Net cash provided by (used in) financing activities	-9 107	-19 669	-2 114	-4 621
Total cash flows, net	1 376	-23 925	319	-5 621
As at				
Description	As at		As at	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018
	In PLN thousands		In EURO thousands	
Consolidated statement of financial position				
Total assets	229 330	149 778	52 435	34 832
Total non-current assets	106 092	86 785	24 257	20 183
Total current assets	118 799	62 993	27 163	14 650
Equity assigned to shareholders of the parent entity	88 050	83 940	20 132	19 521
Non-controlling interest	6 511	6 470	1 489	1 505
Total equity	94 561	90 410	21 621	21 026
Total non-current liabilities	30 161	8 404	6 896	1 954
Total current liabilities	104 608	50 964	23 918	11 852
Book value per one ordinary share (in PLN/EURO)- assigned to shareholders of the parent entity	30.00	28.60	6.86	6.65
Weighted average number of shares (units)	2 935 000	2 935 000	2 935 000	2 935 000

Selected financial data of Prochem S.A.

Description	Reporting period ended 30 September		Reporting period ended 30 September	
	2019	2018	2019	2018
	In PLN thousand		In EURO thousand	
<i>Separate statement of profit and loss</i>				
Revenues from sale	187 067	69 534	43 417	16 348
Gross profit on sales	8 160	3 651	1 894	858
Results from operating activities	2 712	377	629	89
Before tax profit	2 682	1 756	622	413
Profit for the period	2 075	1 452	482	341
Profit/diluted profit (in PLN/EURO) per one ordinary share	0.71	0.49	0.16	0.12
<i>Statement of cash flows</i>				
Net cash provided by (used in) operating activities	6 196	-3 406	1 438	-801
Net cash provided by (used in) investing activities	259	871	60	205
Net cash provided by (used in) financing activities	-6 169	-13 173	-1 432	-3 097
Total cash flows, net	286	-15 708	66	-3 693

Description	As at		As at	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018
	In PLN thousand		In EURO thousand	
<i>Statement of financial position</i>				
Total assets	153 008	91 053	34 984	21 175
Total non-current assets	64 956	55 234	14 852	12 845
Total current assets	88 052	35 819	20 133	8 330
Total equity	44 897	42 822	10 265	9 959
Total non-current liabilities	22 900	12 631	5 236	2 937
Total current liabilities	85 211	35 600	19 483	8 279
Book value per one ordinary share (in PLN/EURO)	15.30	14.59	3.50	3.39
Weighted average number of shares (units)	2 935 000	2 935 000	2 935 000	2 935 000

Statement of the Management Board

Statement of the Management Board on the reliability of the preparation of the interim 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 reflects the financial position of the Prochem S.A. Capital Group and Prochem S.A. in a true, reliable and clear manner as at 30 September 2019 and 31 December 2018, and results of its operations and cash flows for the period of 9 months ended 30 September 2019 and 30 September 2018.

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 2019

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

**As at and for the period of nine months ended
30 September 2019**

Contents

1. Consolidated statement of financial position
2. Consolidated statement of profit and loss
3. Consolidated statement of comprehensive income
4. Consolidated statement of changes in equity
5. Consolidated statement of cash flows
6. Explanatory Notes to interim condensed consolidated financial statements as at and for the period of nine months ended 30 September 2019
7. Financial information of PROCHEM S.A.
 - Separate statement of financial position
 - Separate statement of profit and loss
 - Separate statement of comprehensive income
 - Separate statement of changes in equity
 - Separate statement of cash flows
8. Approval of financial statements

www.prochem.com.pl

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

Consolidated statement of financial position

(all amounts in PLN thousands if not stated otherwise)

	Note No,	30 September 2019	31 December 2018
A s s e t s			
Non-current assets			
Property, plant and equipment	1	17 582	22 847
Intangible assets		145	182
Investment property	2	11 990	11 990
Right-of-use assets	3	23 940	-
Shares		830	830
Shares in entities valued using the equity method	4	29 940	28 111
Deferred tax assets	5	1 721	2 340
Receivables under retained security deposits		128	63
Other financial assets	6	19 816	20 422
Total non-current assets		106 092	86 785
Current assets			
Inventories	7	2 061	3 378
Trade and other receivables	8	90 566	41 472
Amounts due from recipients under contracts	13	19 252	13 691
Other financial assets		18	
Other assets	9	1 316	1 202
Cash and cash equivalents	22	5 586	3 250
Total current assets		118 799	62 993
Assets classified as for sale		4 439	-
Total assets		229 330	149 778
E q u i t y a n d l i a b i l i t i e s			
Equity			
Share capital	10	2 935	2 935
Revaluation reserve		11 789	11 789
Retained earnings		73 326	69 216
Equity assigned to shareholders of the parent entity		88 050	83 940
Non-controlling interest		6 511	6 470
Total equity		94 561	90 410
Non-current liabilities			
Non-current bank loans		-	52
Provision to deferred income tax	5	2 365	2 400
Provision to retirement and similar benefits		1 748	1 763
Non-current liabilities under retained security deposits		5 932	3 569
Liabilities under lease		19 977	482
Other non-current liabilities		139	138
Total non-current liabilities		30 161	8 404
Current liabilities			
Current bank loans	11	1 767	7 077
Trade payables	12	81 017	31 626
Amounts owed to recipients under contracts	13	1 357	2 863
Liabilities under current income tax		-	39
Liabilities under lease		5 038	338

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

Other liabilities	14	14 605	8 620
Deferred income	15	824	401
Total current liabilities		104 608	50 964
Total liabilities		134 769	59 368
Total equity and liabilities		229 330	149 778

Book value – equity assigned to owners of the Parent Entity		88 050	83 940
Average number of ordinary shares (units)		2 935 000	2 935 000
Book value per one share (in PLN) – assigned to owners of the Parent Entity		30.00	28.60

Consolidated statement of profit and loss

(all amounts in PLN thousands if not stated otherwise)

	Note No.	Period ended 30 September 2019	Period ended 30 September 2018
Revenues from sale, including:		223 226	106 505
Revenues from sale of services	16	220 533	104 960
Revenues from sale of goods and materials		2 693	1 545
Cost of sales, including :		-210 086	-99 106
Cost of services sold	17	-207 730	-97 774
Cost of merchandise and raw materials		-2 356	-1 332
Gross profit on sales		13 140	7 399
General and administrative expenses	17	-9 492	-10 095
Other operating income	18	312	3 181
Other operating expenses	19	-315	-182
Results from operating activities		3 645	303
Financial income	20	615	524
Finance expenses	21	-1 266	-431
Profit sharing in entities valued using the equity method		1 829	315
Before tax profit		4 823	711
Income tax :		672	335
- current tax		97	20
- deferred tax		575	315
Profit for the period		4 151	376

Profit for the period assigned to :			
Shareholders of the Parent Entity		4 110	503
Non-controlling interest		41	-127
Weighted average number of ordinary shares (units)		2 935 000	2 935 000
Profit (loss) per ordinary share (in PLN per one share) assigned to owners of the Parent Entity		1.40	0.17

Consolidated statement of comprehensive income

	Period ended 30 September 2019	Period ended 30 September 2018
Profit for the period	4 151	376
Other comprehensive income net	0	0
Total comprehensive income	4 151	376

Total comprehensive income assigned to :

Shareholders of the Parent Entity	4 110	503
Non-controlling interest	41	-127
Weighted average number of ordinary shares (units)	2 935 000	3 895 000
Total comprehensive income per ordinary share (in PLN per one share) assigned to owners of the Parent Entity	1.40	0.13

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
Reporting period from 1 January 2019 to 30 September 2019						
As at the beginning of the period	2 935	11 789	69 216	83 940	6 470	90 410
Net profit of the given period	-	-	4 110	4 110	41	4 151
<i>Other comprehensive income (net)</i>	-	-	-	-	-	-
Total comprehensive income	-	-	4 110	4 110	41	4 151
Other changes	-	-	-	-	-	-
As at the end of the period	2 935	11 789	73 326	88 050	6 511	94 561

	Share capital	Revaluation reserve	Retained earnings	Equity assigned to shareholders of the parent entity	Equity assigned to non-controlling interest	Total equity
Reporting period from 1 January 2018 to 30 September 2018						
As at the beginning of the period	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>	-	-	-	-	-	-
Total comprehensive income	-	-	503	503	-127	376
Own shares bought back for redemption	-960	-	-23 040	-24 000	-	-24 000
Dividend paid	-	-	-	-	-102	-102
Other changes	-	-1	-43	-44	-1	-45
As at the end of the period	2 935	11 520	67 246	81 701	6 294	87 995

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)

	Period ended 30 September 2019	Period ended 30 September 2018
Cash flows – operating activities		
Before tax profit	4 823	711
Total adjustments	5 868	-4 284
Share in net profits of associates	-1 829	-315
Amortization and depreciation	4 102	1 546
Interest and profit sharing (dividends)	446	-98
Gain on disposal of property, plant and equipment	4	-172
Change in provisions	-323	-136
Change in inventories	1 317	-856
Change in receivables and other assets	-54 846	-23 349
Change in current liabilities, except for loans and borrowings	56 968	18 295
Other adjustments (including change in deferred income)	28	801
Cash provided by (used in) operating activities	10 691	-3 573
Income tax paid	136	-282
Net cash provided by (used in) operating activities	10 555	-3 291
Cash flows – investing activities		
Inflows	591	28
Disposal of intangible assets and property, plant and equipment	11	28
Proceeds from financial assets	580	-
- in related entities	580	-
Repayment of interest on loans	580	-
Outflows	-663	-993
Acquisition of intangible assets and property, plant and equipment	-663	-993
Net cash provided by (used in) investing activities	-72	-965
Cash flows – financing activities		
Inflows	2	4 679
Bank loan incurred	2	4 679
Outflows	-9 109	-24 348
Outflows under distribution of profit, other than payments to the owners	0	-24 102
Repayment of bank loans	-5 360	-
Interest and commission paid	-252	-184
Payment of liabilities under finance lease	-1 320	-62
Payment of liabilities under operating lease IFRS 16	-2 177	-
Net cash provided by (used in) financing activities	-9 107	-19 669
Total cash flows, net	1 376	-23 925
Increase/(decrease) net of cash and cash equivalents	1 376	-23 925
Cash and cash equivalents as at the beginning of the period	24	28 815
Cash and cash equivalents at the end of the period	24	4 626

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

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

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

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

Composition of the Supervisory Board of Prochem S.A.

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

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

In the third quarter of 2019 there were no changes in composition of the Supervisory Board.

3. Employment

Average employment in the Capital Group of Prochem S.A for three quarters of 2019 was 377 FTEs, and for three quarters of 2018 375 FTEs.

Level of employment in the Capital Group of Prochem S.A. on 30 September 2019 in persons was 392, and on 30 September 2018 383.

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

Prochem S.A. Capital Group (hereinafter referred to as „Capital Group”, „Group”), in addition to the data of the Parent 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%) – covered by arrangement proceedings;
- PREDOM Sp. z o. o. seated in Wrocław – subsidiary indirectly (81.7% of share in capital and profit, 72.3% of votes);
- Prochem Zachód Sp. z o. o. seated in Warsaw – subsidiary directly (80.0%);
- ELPRO Sp. z o. o. seated in Krakow – subsidiary indirectly (92.7%, including 85.4% share in 50% share of Elektromontaż Kraków);
- Elmont Inwestycje Sp. z o.o. seated in Krakow – subsidiary indirectly (92.7%, including 85.4% share in 50% share of Elektromontaż Kraków);
- Elektromontaż Kraków S.A. seated in Krakow – subsidiary indirectly (85.4%), including 73.0% share in capital and voting rights holds 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 associates 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 holds company Prochem Inwestycje).

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

- ITEL Sp. z o. o. seated in Gdynia – 42.0% share (18.7% of share in voting right 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 jointly-controlled company.

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

Company Predom Projektowanie Sp. z o. o. with capital in the amount of PLN 53 thousand was excluded from consolidation. The company did not start operations.

Company Pro-Inhut Sp. z o. o. seated in Dąbrowa Górnicza is covered by arrangement proceedings.

5. Adopted Accounting Principles

Principles of presentation and statement of compliance

Interim condensed consolidated financial statements of the Capital Group of PROCHEM S.A. for three quarters of 2019 were 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 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 an information required by the law of a non-Member State (Official Journal from 2018 item 757) („Regulation”). Hereby interim condensed consolidated financial statements do not contain information and disclosures required in full financial statements and should be read in conjunction with the consolidated financial statements for the financial year ended December 31, 2018.

The duration of operations of individual entities comprising the Group is not limited.

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

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

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

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 and investment property in-progress measured at fair value.

Significant accounting policies and changes in IFRS

Changes in accounting estimates, and in accounting policies

The preparation of financial statements under IFRS adopted by EU requires using certain accounting estimates and adoption of assumptions concerning future events. Items of the financial statements set on the basis of the estimates are subject to verification if circumstances being base of estimates are changing or as a result of obtaining new information, or of the progressive development of events or of acquiring greater experience. In preparing the hereby consolidated financial statements, were applied the same accounting principles and the same calculation methods which were applied in the consolidated financial statements of the Prochem S.A. Capital Group for the year ended 31 December 2018, with the exception of IFRS 16 *Leases*.

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

The Group retrospectively applied IFRS 16 with effect from 1 January 2018. Pursuant to the option allowed by the standard, the Group resigned from restating comparable data. Data as at 31 December 2018 and for three quarter of 2018 were prepared based on IAS 17.

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

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

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

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

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

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

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

Initial recognition and valuation

At the date of commencement of lease, the Group recognises *the right-of-use asset and lease liability*.

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

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

The lease payments included in the measurement of lease include:

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

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

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

Depreciation

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

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

The Group has contracts on leases for using:

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

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

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

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

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

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

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

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

The Standards announced, but waiting to be endorsed by the European Union, the Group intends to apply all changes in accordance with their effective date.

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

Changes in estimates

In the applied accounting principles the greatest significance, apart from accounting estimates, has the professional judgment of the management, which has an impact on the amounts reported in the financial statements, including those in explanatory notes. Assumptions of such estimates are based on the Management Board best knowledge in relation to current and future events and actions in particular areas of activity. They relate to the valuation of pension benefits, assessment of the degree of implementation 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

Note No. 1 – Property, Plant and Equipment

	As at 30 September 2019	As at 31 December 2018
Property, plant and equipment, including:	17 558	22 829
- land	2 027	4 749
- buildings, premises and civil engineering objects	13 103	15 423
- machinery and equipment	659	591
- vehicles	1 073	1 267
- other PPE	696	799
Construction under progress	24	18
Total property, plant and equipment	17 582	22 847

Property, plant and equipment – ownership structure	As at 30 September 2019	As at 31 December 2018
a) own	6 245	8 225
b) used under rental, lease or other agreement, including:	11 337	14 622
- lease	716	775
- rental and lease own outlays for modernization	9 954	10 477
- value of the right of perpetual usufruct	667	3 370
Total balance sheet items of property, plant and equipment	17 582	22 847

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 2019 does not significantly differ from fair value. The measurement at fair value as at 31 December 2018 was made by the independent valutors not associated with the Group. The valutors have the right qualifications to carry out valuations of land, buildings and structures, as well as current experience in such valuations in locations where are located assets of the Group. Valuation was carried out by reference to the market transaction prices for similar assets.

	Change in PPE for the period from 1 January 2019 to 30 September 2019	Change in PPE for the period from 1 January 2018 to 30 September 2018
Gross value		
As at opening balance sheet	40 680	39 537
Increase (due to)	632	2 355
- acquisition of PPE	633	1 307
- reclassification of PPE	-	1 048
- changes	-1	-
Decrease (due to)	-6 447	-1 212
- disposal of PPE	-54	-564
- liquidation of PPE	-1 029	-642
- updating of PPE	-	-4
- reclassification of PPE to PPE-for-sale	-5 363	-
- changes	-1	-2
As at closing balance sheet	34 865	40 680
Depreciation and impairment		
As at opening balance sheet – accumulated depreciation	17 833	16 899
Depreciation for the period (due to)	-550	934
- increase (depreciation accrued)	1 415	1 932
- decrease due to disposal of PPE	-53	-508
- decrease due to liquidation of PPE	-986	-490
- reclassification of PPE to PPE-for-sale	-924	-
- other changes	-2	-
As at closing balance sheet- accumulated depreciation	17 283	17 833
Impairment of PPE		
PPE net as at closing balance sheet	17 582	22 847

Note No. 2 – Investment property

	As at 30 September 2019	As at 31 December 2018
Buildings and constructions	7 193	7 193
Land	4 797	4 797
Total investment property	11 990	11 990

Investment property by titles	Change in investment property for the period from 1 January 2019 to 30 September 2019	Change in investment property for the period from 1 January 2018 to 30 September 2018
Investment property - land		
As at opening balance sheet	4 797	4 267
- decrease including sale	-	-166
- increase due to measurement at fair value	-	696
As at closing balance sheet	4 797	4 797

Investment property under construction

As at opening balance sheet	-	1 128
- under reclassification from PPE	-	-752
- under measurement at fair value	-	-376
Total change	-	-1 128
As at closing balance sheet	-	0

Property - buildings and constructions

As at opening balance sheet	7 193	5 917
a) decrease due to sale	-	-80
b) increase under measurement at fair value	-	601
c) increase under reclassification from PPE	-	755
Total change	-	1 276
As at closing balance sheet	7 193	7 193

Write-down of property	-	-
Total investment property	11 990	11 990

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

Carrying amount as at 30 September 2019 does not significantly differ from fair value. The measurement at fair value as at 31 December 2018 was made by the independent valuers not associated with the Group. The valuers have the right qualifications to carry out valuations of investment property, as well as current experience in such valuations in locations where are located assets of the Group. Valuation was carried out by reference to the market transaction prices for similar assets.

Details concerning investment property and information on the hierarchy of fair values as at 30 September 2019.

	Level 1	Level 2	Level 3	Fair value as at 30 September 2018
	In PLN thousand	In PLN thousand	In PLN thousand	In PLN thousand
Investment property	-	-	11 990	11 990

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

Note No. 3 – The Right-of-Use-Assets

Change in the right-of-use-assets

Description	Buildings and constructions	Tools, instruments, movables and equipment	Vehicles	Total
Gross book value	22 900	349	269	23 518
Total	22 900	349	269	23 518
Increase (decrease):				
Depreciation	-2 258	-72	-286	-2 616
Newly concluded contracts - increase		-	2 319	2 319
Change in contract terms	719	-	-	719
Total	-1 539	-72	2 033	422

Net book value as at 30 September 2019

Gross book value	23 619	349	2 588	26 556
Accumulated depreciation	-2 258	-72	-286	-2 616
Total	21 361	277	2 302	23 940

Note No. 4 – Shares Valued Using the Equity Method

Shares in jointly controlled entities and associated entities	As at 30 September 2019	As at 31 December 2018
-Shares – net value	29 940	28 111
- write-downs of shares	1 011	1 011
Shares, gross value	30 951	29 122

Change in shares in jointly-controlled entities and in associated entities	As at 30 September 2019	As at 31 December 2018
a) as at the beginning of the period	28 111	26 488
- shares at cost	28 111	26 139
- application of IFRS 15 on 1 January 2018	-	349
b) increase (due to)	1 829	1 623
- share in the result of current year	1 829	1 623
c) as at the end of the period, net	29 940	28 111
d) write-down	1 011	1 011
As at the end of the period, gross	30 951	29 122

Change in write-downs of shares in jointly-controlled entities and in associated entities	As at 30 September 2019	As at 31 December 2018
As at the beginning of the period	1 011	400
- decrease – use of provision	-	611
As at the end of the period	1 011	1 011

Note No. 5 – Deferred Income Tax

Changes in the values of provisions and deferred tax assets for three quarters of 2019 are shown in the table below.

Deferred tax assets	As at 30 September 2019	As at 31 December 2018
As at the beginning of period	7 176	6 073
Increase	3 923	4 244
Decrease	-4 238	-3 141
As at the end of period	6 861	7 176

Provision under deferred income tax	As at 30 September 2019	As at 31 December 2018
As at the beginning of period	7 236	5 577
Increase	2 860	4 001
Decrease	-2 591	-2 342
As at the end of period	7 505	7 236

	As at 30 September 2019	As at 31 December 2018
Deferred tax assets	6 861	7 176
Provision under deferred income tax	-7 505	-7 236
Assets/(Provision) under deferred income tax	-644	-60

Presentation in the statement of financial position	As at 30 September 2019	As at 31 December 2018
Deferred tax assets	1 721	2 340
Provision under deferred income tax	-2 365	-2 400
Assets/(Provision) under deferred income tax	-644	-60

Note No. 6 – Other Financial Assets

Other financial assets	As at 30 September 2019	As at 31 December 2018
a) from jointly-controlled entities:	18 792	19 090
- loans granted	18 792	19 090
b) the security deposits constituting security for bank guarantee lines	1 024	1 332
Total other non-current financial assets	19 816	20 422

Loans granted – as at 30 September 2019

- Loans granted to jointly-controlled company Irydion Sp. z o. o. seated in Warsaw:
 - in the amount of PLN 11 937 thousand, including: amount of the loan PLN 11 000 thousand, amount of accrued interest PLN 937 thousand. The interest rate is set annually according to WIBOR 6M rate, loan repayment date with interest on 22 September 2031;
 - in the amount of PLN 6 855 thousand, including: amount of the loan PLN 6 000 thousand, amount of accrued interest PLN 855 thousand. The interest rate is set annually as a rate of 3% annually, loan repayment date with interest on 22 September 2031;

Increase:

- Interest accrued on loans granted in the amount of PLN 282 thousand.

Decrease:

- Repaid interest on loans granted in the amount of PLN 580 thousand.

Loans granted – as at 31 December 2018

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

Note No. 7 – Inventories

Inventories	As at 30 September 2019	As at 31 December 2018
Materials	1 304	1 597
Semi-finished products and work-in-process	757	1 105
Goods	-	676

Total inventories	2 061	3 378
Write-down of inventories	575	575

Note No. 8 – Trade and Other Receivables

Trade and other receivables	As at 30 September 2019	As at 31 December 2018
Trade receivables	91 306	44 752
Write-down of trade receivables	4 570	4 617
Trade receivables net, including	86 736	40 135
- with repayment period up to 12 months	82 084	39 927
- with repayment period over 12 months	4 652	208
Receivables from taxes, subsidies, custom duties, social and health insurance and other benefits	45	32
Other receivables	3 791	1 311
Write-down of other receivables	6	6
Net other receivables	3 785	1 305
Total receivables	90 566	41 472

Trade and other receivables from related entities	As at 30 September 2019	As at 31 December 2018
Trade receivables, including:	601	1 562
- from jointly-controlled entities and associated entities	601	1 562
Total trade and other receivables from related entities net	601	1 562
Write-down of receivables from related entities	-	-
Total trade and other receivables from related entities gross	604	1 562

Change in write-downs of trade and other receivables	As at 30 September 2019	As at 31 December 2018
As at the beginning of the period	4 623	5 904
a) increase (due to)	-	298
- provision to receivables	-	298
b) decrease (due to)	47	1 579
- payments received	47	111
- use of write-downs created	-	1 467
- resolving of write-downs	-	1
Write-downs of current trade and other receivables at the end of the period	4 576	4 623

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

Note No. 9 – Other Assets

Other assets by type :	As at 30 September 2019	As at 31 December 2018
prepayments	1 316	1 202
- cost of property and personnel insurance	574	411
- software maintenance cost	618	582

- subscriptions	12	14
- deferred costs	112	121
- other	-	74
Total other assets	1 316	1 202

Note No. 10 – Share Capital

SHARE CAPITAL (STRUCTURE)							
Series / emission	Type of share	Type of shares preference	Number of shares	Series / emission at nominal value	Method of coverage of capital	Registration date	Right to dividend (from the date)
Founding	inscribed	3 votes per 1 share	580	580	Cash	23-07-1991	01-10-1991
Founding	inscribed	-	6 816	6 816	Cash	23-07-1991	01-10-1991
Founding	bearer	-	1 810 104	1 810 104	Cash	23-07-1991	01-10-1991
B	inscribed	-	750	750	Cash	29-07-1993	01-01-1993
B	bearer	-	681 750	681 750	Cash	29-07-1993	01-01-1993
C	bearer	-	435 000	435 000	Cash	20-04-1994	01-01-1994
Total number of shares			2 935 000				
Total share capital				2 935 000			
Nominal value of 1 share = PLN 1.00							

Total number of votes from all shares 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 hereby 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.. APUS S.A.	311 769	311 769	10.62	10.62
3. Otwarty Fundusz Emerytalny PZU „Złota Jesień”.	284 900	284 900	9.70	9.71
4. Andrzej Karczykowski	201 882	201 882	6.88	6.88

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

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

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

Prior to the day of transaction on the accounts of ESALIENS Parasol Fundusz Inwestycyjny Otwarty, ESALIENS Senior Fundusz Inwestycyjny Otwarty (hereinafter as „Funds”) were 168,646 of Company's

shares, which represented 5.75 % of Company's share capital, entitling to 168,646 votes from these shares, which constituted 5.74% of total number of votes at the Company's General Meeting. Currently, the Funds do not hold any shares of the Company.

Note No. 11 – Bank Loans

	As at 30 September 2019	As at 31 December 2018
- non-current bank loans	-	52
- current bank loans	1 767	7 077
Total loans	1 767	7 129

Information on incurred bank loans

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

By Prochem S.A.

mBank SA	Warsaw	8,000 Credit in overdraft	-	29 November 2019	WIBOR for O/N deposits in PLN + margin	Promissory note in blank, judicial lien on shares in company Elektromontaż Kraków S.A., mortgage established on real estate owned by company Elpro Sp. z o. o. in Krakow
----------	--------	---------------------------------	---	------------------------	--	--

By Elektromontaż Kraków S.A.

mBank S.A.	Warsaw	500	435	28 February 2020	WIBOR for 1- month deposits in PLN + margin	Mortgage
ING BANK Śląski	Katowice	2 500	-	19 November 2019	WIBOR for 1- month deposits in PLN + margin	Mortgage

By Elmont Pomiary Sp. z o. o.

Pekao S.A.	Warsaw	200	-	31 March 2019	WIBOR for 1- month deposits in PLN + margin	Promissory note in blank
------------	--------	-----	---	------------------	---	--------------------------

By Atutor Integracja Cyfrowa sp. z o. o.

Bank Millenium S.A.	Warsaw	150	148	15 April 2019	WIBOR 1m plus margin	Granting the bank of a power of attorney to collect and repay from the account and block the funds if the loan is not repaid on time
---------------------	--------	-----	-----	------------------	-------------------------	---

By Pro-Inhut sp. z o. o.

ING Bank Śląski S.A.	Dąbrowa Górnicza	734	734	17 May 2019	WIBOR for 1- month deposits in PLN + margin	BGK Bank guarantee based on a portfolio agreement. Promissory note in blank..
ING Bank Śląski S.A.	Sosnowiec	400	400	30 June 2020	WIBOR for 1- month deposits in PLN + margin	BGK Bank guarantee based on a portfolio agreement. Promissory note in blank..
ING Bank Śląski S.A.	Sosnowiec	200	52	30 June 2020	WIBOR for 1- month deposits in PLN + margin	BGK Bank guarantee based on a portfolio agreement. Promissory note in blank.

Note No. 12 – Trade Payables

	As at 30 September 2019	As at 31 December 2018
a) to associated entities and jointly-controlled entities	5	12
- for supplies and services, with maturity period:	5	12
- up to 12 months	5	12
b) to other entities	81 012	31 614
- for supplies and services, with maturity period:	81 012	31 614
- up to 12 months	80 421	30 929
- over 12 months	591	685
Total trade payables	81 017	31 626

Note No. 13 – Amounts Owed to Recipients under Contracts

Disclosures specified in IFRS 15 are presented in the table below

Description	As at 30 September 2019	As at 31 December 2018
Revenues according to contracts	294 244	361 967
Revenues invoiced	216 226	219 674
Liabilities planned under the implementation of contracts	269 208	338 234
Realized contractual liabilities	220 125	216 775
Amounts due from recipients	19 252	13 691
Amounts owed to suppliers	1 357	2 863

Note No. 14 – Other Liabilities

	As at 30 September 2019	As at 31 December 2018
a) to other entities	11 143	4 202
- under taxes, duties, insurance and other changes	10 594	3 409
- under remuneration	440	477
- other (by type)	109	316
liabilities to employees	3	43
liabilities to shareholders	17	17
other	89	256
b) other current provisions	3 462	4 418
- provision for the costs booked for the previous year, relating to long-term contracts	1 549	1 550
- provision to costs	228	885
- cost of audit	-	67
- current provision for retirement benefits	380	445
- provision for unused holiday leaves	1 295	1 471
Total other liabilities	14 605	8 620

Note No. 15 – Deferred Income

	As at 30 September 2019	As at 31 December 2018
Other	824	324
Deferred income as at the end of the period, including:	824	324
Non-current liabilities	-	-
Current liabilities	824	324

Note No. 16 - Revenues from sale of services

Revenues from sale of services (type of service and type of activity)	Period ended 30 September 2019	Period ended 30 September 2018
- revenues from sale of services, including:	220 533	104 960
- from related entities	1 416	11 194
Revenues from sale of services (type of service and type of activity)	Period ended 30 September 2019	Period ended 30 September 2018
Domestic sale, including:	220 378	104 822
- from related entities	1 416	11 194
Exports	155	138

Revenues under contracts for construction services (general contracting) and other services are presented in Note No. 23.

The gross amount due from ordering parties/buyers for the work under the contracts was presented in Note No 13.

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 quarter of 2018 is included in Note No.23.

Note No. 17 – Cost of Services Sold

Costs by type	Period ended 30 September 2019	Period ended 30 September 2018
a) amortization and depreciation	4 102	1 546
b) consumption of materials and energy	20 589	16 336
c) outsourcing	159 961	60 582
d) taxes and levies	382	439
e) remuneration	25 045	24 165
f) social security and other benefits	4 966	4 587
g) costs by type (under)	2 923	2 967
- property and personal insurance	663	696
-business trips	854	891
- State Fund for Rehabilitation of Disabled Persons (PFRON)	192	152
- car rental	427	650
- other	787	578
Total costs by type	217 968	110 622
Change in inventories, goods and accruals and prepayments	-746	-2 753
General and administrative expenses (negative value)	-9 492	-10 095
Cost of services sold	207 730	97 774

Note No. 18- Other Operating Income

	Period ended 30 September 2019	Period ended 30 September 2018
a) gain on sale of non-financial non-current assets	8	172
b) reversal of write-down (of)	38	126
- receivables	-	111
- other	38	15
c) other, including:	266	2 883

- reimbursement of litigation cost	23	262
- received compensation, fines and penalties	141	323
- write-off of past due liabilities	3	2 287
- other	99	11
Total other operating income	312	3 181

Note No. 19 – Other Operating Expenses

	Period ended 30 September 2019	Period ended 30 September 2018
a) loss on disposal of non-financial non-current assets	4	-
b) write-down (of)	-	31
- receivables	-	31
c) other, including:	311	151
- donations	3	-
- litigation costs	33	79
- paid fines, penalties and compensation	219	6
- other	56	66
Total other operating expenses	315	182

Note No. 20 – Financial Income

	Period ended 30 September 2019	Period ended 30 September 2018
a) interest under loan granted	282	282
- from jointly-controlled entities	282	282
b) other interest	70	54
- from other entities	70	54
c) surplus of positive exchange rate differences	-	27
d) other, including:	263	161
- income under discounted non-current liabilities	-	154
- realised income from financial assets	62	-
- reversal of write-down of financial assets	180	-
- other	21	7
Total financial income	615	524

Note No. 21 – Finance Costs

	Period ended 30 September 2019	Period ended 30 September 2018
a) interest on bank loans	167	126
b) other interest	718	22
- for other entities	44	22
- under lease	674	-
c) surplus of negative exchange rate differences	51	3
d) other, under :	330	280
- commission on bank guarantees	201	181
- commission on loans	85	57
- cost under discount of financial assets	34	-
- other costs	10	42
Total finance costs	1 266	431

Note No. 22– Additional Disclosures to the Statement of Cash Flows

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

	As at 30 September 2019	As at 31 December 2018	As at 30 September 2018
Cash and cash equivalents	5 586	3 250	4 890
Restricted cash – split payment account	960	0	0
Cash for the purposes of the cash flow statement	4 626	3 250	4 890

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

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

	2019	2018
Change in current receivables	-54 845	-23 349
Receivables as at 1 January	41 472	32 236
Amounts due from recipients under contracts as at 1 January	13 691	-
Other assets as at 1 January	1 202	10 881
Receivables under retained security deposits as at 1 January	63	-
Receivables from non-current assets	-11	-15
Receivables under income tax	-	-641
Opening balance sheet after adjustments	56 417	42 461
Receivables as at 30 September	90 566	43 099
Amounts due from recipients under contracts as at 30 September	19 252	20 298
Other assets as at 30 September	1 316	2 508
Receivables under retained security deposits as at 30 September	128	-
Receivables from non-current assets sold	-	-13
Receivables under income tax	-	-82
Closing balance sheet after adjustments	111 262	65 810
Change in current liabilities except for current loans and special funds	56 968	18 295
Trade payables as at 1 January	31 626	27 018
Other liabilities as at 1 January	8 620	8 872
Amounts owed to suppliers under contracts as at 1 January	2 863	1 913
Liabilities under retained security deposits as at 1 January	3 569	-
Provision for current retirement benefits	-445	-323
Provision for annual leaves	-1 471	-1 382
Provision for audit	-67	-71
Provision for current other costs	-1 549	-477
Liabilities under operating lease	-428	-276
Liabilities to shareholders	-16	-16
Opening balance sheet after adjustments	42 702	35 258
Trade payable as at 30 September	81 017	39 158

Amounts owed to recipients under contracts as at 30 September	1 357	9 617
Other liabilities as at 30 September	14 605	7 250
Liabilities under retained security deposits as at 30 September	5 932	-
Provision for current retirement benefits	-380	-275
Provision for annual leaves	-1 295	-1 213
Provisions for audit	-	-
Provision for current other costs	-1 549	-629
Liabilities under operating lease	0	-338
Liabilities to shareholders	-17	-17
Closing balance sheet after adjustments	99 670	53 553
Change in other adjustments as at 30 September	7	801
Change in deferred income – advances received	730	-1
Other	237	802
Cash on the split payment account	-960	-

Note No. 23- Information on Operating Segments

Operating segment is a component part of the Group:

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

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

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

The segment's result is determined at the level of operating result.

The activities of the companies from Capital Group and the Issuer, for the managing purposes were divided into the eleven basic operational sectors such as: execution (general contracting), design services and other engineering services (supervisions along with the project engineer service), the lease of the construction equipment and other activities, which include, among others, income from sublease, sale of photocopying services and other.

The segment assets include all assets used by the segment, which mainly consist of receivables, inventories and property, plant and equipment after deducting the value of reserves and impairments.

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

Revenues achieved outside Poland (Exports) from 1 January 2019 to 30 September 2019 amounted to PLN 155 thousand (i.e. 7% of sales revenue), and in the period from 1 January 2018 to 30 September 2018 amounted to PLN 138 thousand (i.e. 0.15% of sales revenue).

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

- A customer, who deals in the production of chemical raw materials – sales revenue PLN 148 296.8 thousand, representing 79.3% of sales revenue, which was shown in the segment „General contracting” and „Design services and other engineering services”.

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

For the period from 01.01.2019 to 30.09.2019	General contracting	Design services, other engineering services	Rental of construction equipment	Assembly of electrical installation	Rental of office space and real estate	Management of real estates	Maintenance	Commercial activity	Other IT services	Other	Items not assigned	Total
Revenues to external clients	157 209	27 201	1 603	28 619	3 693	122	145	2 693	269	1 672	-	223 226
Total segment revenues	157 209	27 201	1 603	28 619	3 693	122	145	2 693	269	1 672	-	223 226
Result												
Profit (loss) of the segment	1 367	721	278	719	984	0	26	337	-388	-396	-	3 648
Financial income											615	615
Finance costs											-1 266	-1 266
Net financial income											-651	-651
Share in the profit of entities valued using the equity method											1 829	1 829
Profit on other operating activities											-3	-3
Before tax profit											4 823	4 823
Income tax											672	672
Profit for the current period											4 151	4 151
Profit assigned to non- controlling interest											41	41
Profit for the period assigned to shareholders of the parent entity											4 110	4 110
Segment assets (related to activity)	69 030	9 876	426	12 397	28 293	-	-	-	385	136	-	120 543
Not assigned/unallocated assets (among others shares and other financial assets)	-	-	-	-	-	-	-	-	-	-	108 787	108 787
Total assets	69 030	9 876	426	12 397	28 293	-	-	-	385	136	108 787	229 330
Depreciation of property, plant and equipment	29	74	52	471	1 198	-	18	-	38	185	1 970	4 035
Amortization of intangible assets	-	7	-	14	3	-	-	-	3	-	40	67

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

Note operating segments - continuation

For the period from 01.01.2018 . to 30.09.2018	General contracting	Design services, other engineering services	Rental of construction equipment	Assembly of electrical installation	Rental of office space and real estate	Maintenance	Commercial activity	Other IT services	Other	Items not assigned	Total
Revenues to external clients	56 596	16 017	2 636	25 514	3 668	221	7	435	1 411	-	106 505
Total segment revenues	56 596	16 017	2 636	25 514	3 668	221	7	435	1 411	-	106 505
Result of the segment	3 903	-6 794	353	38	487	-102	-2	-248	-331	-	-2 696
Financial income										524	524
Finance costs										-431	-431
Net financial income/finance costs										93	93
Share in profit of associates										315	315
Profit on other operating activities										2 999	2 999
Before tax profit										711	711
Income tax										335	335
Profit for the current period										376	376
Profit assigned to non-controlling interest										-127	-127
Profit for the period assigned to shareholders of the parent entity										503	503
Assets as at 30 September 2018											
Segment assets (related to activity)	27 602	6 176	1 123	11 096	16 511	-	130	313	506	-	63 457
Not assigned/unallocated assets (among others shares and other financial assets)										92 829	92 829
Total assets	27 602	6 176	1 123	11 096	16 511	-	130	313	506	92 829	156 286
Other information related to segment											
For the period from 1 January 2018 to 30 September 2018											
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

Information about the geographical areas

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

	1 January-30 September 2019	1 January-30 September 2018
Poland	220 378	104 822
Other countries	155	138
Total sales revenue	220 533	104 960

Geographical breakdown of property, plant and equipment

	30 September 2019	31 December 2018
Poland	29 717	35 019
Total property, plant and equipment and intangible assets	29 717	35 019

Note No. 24 - Collateral Granted and Received and Contingent Liabilities and Contingent Assets

Collateral granted

	As at 30 September 2019	As at 31 December 2018
Bank guarantee of good performance and statutory warranty	20 639	14 192
Guarantee of reimbursement of advance payment	12 633	11 400
Payment guarantee	1 050	-
Tender guarantee	-	250
Total collateral granted	34 322	25 842
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 under good performance	-	247
Total collateral granted and contingent liabilities	34 322	26 089

Collateral received

	As at 30 September 2019	As at 31 December 2018
Bank guarantee of good performance	13 308	16 865
Guarantee by promissory notes for securing contract terms	597	450
Total contingent assets	13 905	17 315

Note No. 25 - Profit Distribution

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

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

Note No. 26 - Dividends

Dividend was not paid.

Note No. 27- Financial instruments and Financial Risk Management

Financial assets

As at 30 September 2019

(in PLN thousand)	Categories of financial instruments		
	Note No.	Loans, receivables and other	Total
Classes of financial instruments			
Receivables from supplies and services	7	86 736	86 864
Cash		5 586	5 586
Loans granted	5	18 792	18 792
Other financial assets – non-current security deposit		1 024	1 024
Total		112 138	112 266

As at 31 December 2018

(in PLN thousand)	Categories of financial instruments		
	Note No.	Loans, receivables and other	Total
Classes of financial instruments			
Receivables from supplies and services	7	40 198	40 198
Cash		3 250	3 250
Loans granted	5	19 090	19 090
Other financial assets – non-current security deposit		1 332	1 332
Total		63 870	63 870

Financial liabilities

stan na 30 września 2019 roku

(in PLN thousand)	Note No.	Categories of financial instruments		
		Financial liabilities measured at amortized cost	Liabilities under lease IFRS 16	Total
Classes of financial instruments				
Loans	10	1 767		1 767
Non-current liabilities under retained security deposits		5 932		5 932
Trade payables	11	81 017		81 017
Liabilities under lease			25 015	25 015
Total		88 716	25 015	113 731

As at 31 December 2018

	Note No.	Categories of financial instruments		
		Financial liabilities measured at amortized cost	Liabilities Excluded IFRS 16	Total
Classes of financial instruments				
Loans	10	7 129		7 129
Non-current liabilities under retained security deposits		3 569		3 569
Finance lease			820	820
Trade payables	11	31 626		31 626
Total		42 324	820	43 144

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

Note No. 28 - Related Party Transactions and Transactions with Key Management Staff

Related entities include entities controlled and jointly - controlled entities, as well as those on which the Issuer has an influence, or is a member of key managing staff of the entity or the parent entity.

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

In the third quarter of 2019 key management personnel and persons related to key management personnel, in addition to remuneration did not conclude other transactions with the companies from the Capital Group of PROCHEM S.A.

Remuneration of the Key Management Personnel

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

1. Remuneration to the Members of the Management Board in total amount of PLN 777 thousand, including remuneration determined from the 2018 profit amounted to PLN 34 thousand.
2. Remuneration to the Members of the Supervisory Board in total amount of PLN 234 thousand.

Remuneration paid to the Members of the Management Board in three quarters of 2019 on account of serving on the Management Boards and the Supervisory Boards of the companies from the Capital Group amounted to PLN 180 thousand.

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

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 2019

	Sale of services	Purchase of services	Financial income – interest on loans	Financial income – dividends received
Jointly-controlled entities and associated entities	1 416	820	282	-

As at 31 March 2019

	Trade receivables	Receivables under loans granted	Other receivables	Trade payables
Jointly-controlled entities and associated entities	601	18 792	-	5

Comparative 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

Note No. 29 – Events after the Reporting Date

On October 30, 2019, the subsidiary Prochem Inwestycje Sp. z o. o. received payment in the amount of PLN 220,000 for the first block of shares in Atutor Integracja Cyfrowa Sp. z o. o. sold under a contract of sale of 17 September 2019. The first package constitute 132 shares with a nominal value of PLN 1,000 each.

Note No. 30 - Other Explanatory Notes to Interim Condensed Consolidated Financial Statements

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

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

On September 6, 2019, the subsidiary Energomontaż Kraków S.A. with its registered office in Kraków, signed a preliminary property sale agreement at Czysa Street in Krakow for the amount of PLN 5,950 thousand. The date of conclusion of the promised contract of sale was set for December 31, 2019.

On September 17, 2019, the subsidiary Prochem Inwestycje Sp. z o. o. with its registered office in Warsaw, concluded a contract for the sale of shares in company Atutor Integracja Cyfrowa Sp. z o. o. seated in Warsaw. Under the contract of sale of 310 shares owned by Prochem Inwestycje Sp. z o. o. the sale will take place in two packages: the date of disposal of the first package of 132 shares was determined by October 31, 2019, and the second package of 178 shares was determined by April 30, 2020. The ownership of shares is transferred to the buyer on the day of payment.

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

Company Prochem S.A. did not publish any forecast of financial results neither for the Company nor for the Prochem S.A. Capital Group for 2019.

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

In three quarters of 2019 the companies belonging to the Capital Group did not grant any sureties and guarantees to related entities.

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

As at the date of the hereby financial statements, the following members of the Management Board and Supervisory Board of the company held shares of PROCHEM SA.

- Jarosław Stępniewski – 68,383 units;
- Marek Kiersznicki – 59,474 units;
- Krzysztof Marczak – 36,908 units;
- Marek Garliński – 83,996 units;
- Andrzej Karczykowski – 201,882 units.

The nominal value of 1 share is PLN 1.

Financial information of PROCHEM S.A.

Unconsolidated statement of financial position

(all amounts in PLN thousands if not stated otherwise)

	As at 30 September 2019	As at 31 December 2018
A s s e t s		
Non-current assets		
Property, plant and equipment	954	923
Intangible assets	102	121
Right-of-use-assets	10 630	-
Shares	8 478	8 478
Shares in equity-accounted investees	4 502	4 502
Deferred tax assets	1 598	2 205
Receivables under retained security deposits	128	63
Other financial assets	38 564	38 942
Total non-current assets	64 956	55 234
Current assets		
Inventories	27	717
Trade and other receivables	72 251	27 172
Amounts due from customers under contracts	12 303	5 799
Other assets	889	795
Cash and cash equivalents	2 582	1 336
Total current assets	88 052	35 819
Total assets	153 008	91 053
E q u i t y a n d l i a b i l i t i e s		
Equity		
Share capital	2 935	2 935
Revaluation reserve	-343	-343
Retained earnings	42 305	40 230
Total equity	44 897	42 822
Non-current liabilities		
Liabilities under retirement and similar benefits	612	612
Non-current liabilities under retained security deposits	6 769	3 569
Liabilities under right-of-use	6 923	-
Non-current loans	8 596	8 450
Total non-current liabilities	22 900	12 631
Current liabilities		
Current bank loans	-	3 830
Trade payables	67 631	22 723
Amounts owed to recipients under agreement	1 357	2 863
Liabilities under lease	3 698	-
Other liabilities	12 525	6 107
Deferred income	-	77
Total current liabilities	85 211	35 600
Total liabilities	108 111	48 231
Total equity and liabilities	153 008	91 053
Weighted average number of ordinary shares (in pcs)	2 935 000	2 935 000
Book value per one share (in PLN)	15.30	14.59

**Unconsolidated statement of profit and loss
for the period from 1 January 2019 to 30 September 2019**

(all amounts in PLN thousands if not stated otherwise)

	Period ended 30 September 2019	Period ended 30 September 2018
Revenues from sale, including:	187 067	69 534
Revenues from sale of services	184 582	68 238
Revenues from sale of goods and materials	2 485	1 296
Cost of sales, including :	-178 907	-65 883
Cost of services sold	-176 622	-64 746
Cost of merchandise and raw materials	-2 285	-1 137
Gross profit on sales	8 160	3 651
General and administrative expenses	-5 427	-5 900
Other operating income	207	2 759
Other operating expenses	-228	-133
Result from operating activities	2 712	377
Financial income	783	1 790
Finance expenses	-813	-411
Before tax profit	2 682	1 756
Income tax expense :	607	304
- deferred tax	607	304
Profit for the period	2 075	1 452

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)	0.71	0.49

Unconsolidated statement of comprehensive income

	Period ended 30 September 2019	Period ended 30 September 2018
Profit for the period	2 075	1 452
Other comprehensive income net	-	-
Total comprehensive income	2 075	1 452

Weighted average number of ordinary shares (units)	2 935 000	3 895 000
Total comprehensive income per ordinary share (in PLN per one share)	0.79	0.49

Unconsolidated 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 2019 to 30 September 2019				
As at the beginning of the period	2 935	-343	40 230	42 822
Net profit (loss) of the given period	-	-	2 075	2 075
<i>Other comprehensive income (net)</i>	-	-	-	-
Total comprehensive income	-	-	2 075	2 075
Other changes	-	-	-	-
As at the end of the period	2 935	-343	42 305	44 897

	Share capital	Revaluation reserve	Retained earnings	Total equity
Reporting period from 1 January 2018 to 30 September 2018				
As at the beginning of the period	3 895	107	61 974	65 976
Net profit (loss) of the given period	-	-	1 452	1 452
Buyback of own shares for redemption	-960	-	-23 040	-23 040
<i>Other comprehensive income (net)</i>	-	-	-	-
Total comprehensive income	-960	-	-21 588	-21 588
Other changes	-	-	-	-
As at the end of the period	2 935	107	40 386	44 388

**Unconsolidated statement of cash flows
for the period from 1 January 2019 to 30 September 2019**

(all amounts in PLN thousands if not stated otherwise)

	Period ended 30 September 2019	Period ended 30 September 2018
Cash flows – operating activities		
Before tax profit	2 682	1 756
Total adjustments	3 514	-5 470
Amortization and depreciation	2 290	387
Interest and profit sharing (dividends)	-178	-1 387
(Profit) loss on disposal of property, plant and equipment	-	-83
Change in provisions	-101	43
Change in inventories	690	-5
Change in receivables	-51 753	-23 327
Change in current liabilities, except for loans and borrowings	53 121	18 813
Other adjustments (including deferred income)	-555	89
Cash provided by (used in) operating activities	6 196	-3 714
Income tax paid	0	308
Net cash provided by (used in) operating activities	6 196	-3 406
Cash flows – investing activities		
Inflows	591	1 069
Disposal of intangible assets and property, plant and equipment	11	2
Inflows from financial assets	580	1 067
- in related entities	580	1 067
Dividend received	-	1 067
Repayment of interest on loans granted	580	
Outflows	-332	-198
Acquisition of intangible assets and property, plant and equipment	-332	-198
Net cash provided by (used in) investing activities	259	871
Cash flows – financing activities		
Inflows	-	10 877
Bank loan incurred	-	3 377
Borrowings	-	7 500
Outflows	-6 169	-24 050
Acquisition of own shares	-	-24 000
Repayment of bank loans	-3 830	-
Payment under lease	-2 153	-
Interest and commission paid (loan)	-186	-50
Net cash provided by (used in) financing activities	-6 169	-13 173
Total cash flows, net	286	-15 708
Cash and cash equivalents at the beginning of the period	1 336	18 642
Cash and cash equivalents at the end of the period	1 622	2 934

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 2019 to 30 September 2019, containing the financial information of the company Prochem S.A. were approved for publication by the Management Board of the Parent Company Prochem S.A. on November 14, 2019.

14 November 2019 Jarosław Stępniewski President of the Management Board
date first name and surname position signature

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

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

Signature of the person responsible for bookkeeping

14 November 2019 Barbara Auguścińska-Sawicka Chief Accountant
date first name and surname position signature