

REPORT FOR THE FIRST QUARTER OF 2019

Contents:

- Interim condensed consolidated financial statements of the Capital Group of Prochem S.A. as at and for the period of three months ended 31 March 2019
- Financial information of company PROCHEM S.A.

and

- Selected financial data
- Statement of the Management Board

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

Selected financial data

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

- For the first quarter of 2019 - 4.2978 PLN/EUR
- For the first quarter of 2018 - 4.1784 PLN/EUR

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

- 4.3013 PLN/EUR as at 31 March 2019
- 4.3000 PLN/EUR as at 31 December 2018

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

Description	Reporting period ended 31 March		Reporting period ended 31 March	
	2019	2018	2019	2018
	In PLN thousands		In EURO thousands	
<i>Consolidated statement of profit and loss</i>				
Revenues from sale	42 175	20 027	9 813	4 793
Gross profit on sales	4 018	883	935	211
Results from operating activities	1 067	-1 232	248	-295
Before tax profit	1 207	-898	281	-215
Profit for the period assigned to:	998	-973	232	-233
Shareholders of the Parent Entity	990	-949	230	-227
Non-controlling interest	8	-24	2	-6
Profit/diluted profit per one share (in PLN/EURO)- assigned to shareholders of the parent entity	0.34	-0.24	0.08	-0.06
<i>Consolidated statement of cash flows</i>				
Net cash provided by (used in) operating activities	6 236	3 472	1 451	831
Net cash provided by (used in) investing activities	-231	-206	-54	-49
Net cash provided by (used in) financing activities	-4 469	-23 276	-1 040	-5 571
Total cash flow, net	1 536	-20 010	357	-4 789
Description	As at		As at	
	31 March 2019	31 December 2018	31 March 2019	31 December 2018
	In PLN thousands		In EURO thousand	
<i>Consolidated statement of financial position</i>				
Total assets	180 614	149 778	41 991	34 832
Total non-current assets	113 272	86 785	26 334	20 183
Total current assets	67 342	62 993	15 656	14 650
Equity attributable to shareholders of the parent entity	84 932	83 940	19 746	19 521
Non-controlling interest	6 478	6 470	1 506	1 505
Total equity	91 410	90 410	21 252	21 026
Total non-current liabilities	30 937	8 404	7 192	1 954
Total current liabilities	58 267	50 964	13 546	11 852
Book value per one ordinary share (in PLN/EURO)- assigned to shareholders of the parent company	28.94	28.60	6.73	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 31 March		Reporting period ended 31 March	
	2019	2018	2019	2018
	In PLN thousands		In EURO thousands	
<i>Separate statement of profit and loss</i>				
Revenues from sale	32 226	9 854	7 498	2 358
Gross profit on sales	2 474	-739	576	-177
Results from operating activities	756	-1 444	176	-346
Before tax profit	558	-1 326	130	-317
Profit for the period	372	-1 150	87	-275
Net profit/diluted profit per one ordinary share (in PLN/EURO)	0,13	-0,30	0,03	-0,07
<i>Statement of cash flows</i>				
Net cash provided by (used in) operating activities	5 874	3 644	1 367	872
Net cash provided by (used in) investing activities	-214	-58	-50	-14
Net cash provided by (used in) financing activities	-4 676	-16 516	-1 088	-3 953
Total cash flow, net	984	-12 930	229	-3 094
Description	As at		As at	
	31 March 2019	31 December 2018	31 March 2019	31 December 2018
	In PLN thousands		In EURO thousands	
<i>Statement of financial position</i>				
Total assets	111 809	91 053	25 994	21 175
Total non-current assets	68 659	55 234	15 962	12 845
Total current assets	43 150	35 819	10 032	8 330
Total equity	43 194	42 822	10 042	9 959
Total non-current liabilities	23 261	12 631	5 408	2 937
Total current liabilities	45 354	35 600	10 544	8 279
	14.72	14.59	3.42	3.39
Book value per one ordinary share (in PLN/EURO)	2 935 000	2 935 000	2 935 000	2 935 000

Statement of the Management Board

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

The Management Board of Prochem S.A. 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 31 March 2019 and 31 December 2018, results of its operations and cash flows for the period of 3 months ended on March 31, 2019 and on March 31, 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, 15 May 2019

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

**As at and for the period of three months ended
31 March 2019**

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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)

	Note No.	31 March 2019	31 December 2018
A s s e t s			
Non-current assets			
Property, plant and equipment	1	22 597	22 847
Intangible assets		173	182
Investment property	2	11 990	11 990
Assets due to rights of use		26 351	-
Shares		830	830
Shares in entities valued using the equity method	3	28 680	28 111
Deferred tax assets	4	2 141	2 340
Receivables under retained security deposits		118	63
Other financial assets	5	20 392	20 422
Total non-current assets		113 272	86 785
Current assets			
Inventories	6	1 909	3 378
Trade and other receivables	7	45 197	41 472
Amounts due from customers under contracts	13	14 274	13 691
Other assets	8	1 176	1 202
Cash and cash equivalents		4 786	3 250
Total current assets		67 342	62 993
Total assets		180 614	149 778
Equity and liabilities			
Equity			
Share capital	9	2 935	2 935
Revaluation reserve		11 789	11 789
Retained earnings		70 208	69 216
Equity assigned to shareholders of the Parent Entity		84 932	83 940
Non-controlling interest		6 478	6 470
Total equity		91 410	90 410
Non-current liabilities			
Non-current bank loans	10	52	52
Provision to deferred income tax	4	2 399	2 400
Provision to retirement and similar benefits		1 763	1 763
Non-current liabilities under retained security deposits		3 073	3 569
Liabilities under lease		23 512	482
Other non-current liabilities		138	138
Total non-current liabilities		30 937	8 404
Current liabilities			
Current bank loans	10	3 718	7 077
Trade payables	11	35 763	31 626
Amounts owed to recipients under contracts	13	6 483	2 863
Liabilities under current income tax		-	39
Liabilities under lease		3 917	338
Other liabilities	14	8 062	8 620
Deferred income		324	401
Total current liabilities		58 267	50 964

Total liabilities	89 204	59 368
Total equity and liabilities	180 614	149 778

Book value – equity assigned to owners of the Parent Entity	84 932	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	28.94	28.60

Consolidated statement of profit and loss

(all amounts in PLN thousands if not stated otherwise)

	Note No.	Period ended 31 March 2019	Period ended 31 March 2018
Revenues from sale, including:		42 175	20 027
Revenue from sale of services	15	40 220	20 020
Revenues from sale of goods and materials		1 955	7
Cost of sales, including :		-38 157	-19 144
Cost of services sold	16	-36 372	-19 137
Cost of merchandise and raw materials		-1 785	-7
Gross profit on sales		4 018	883
General and administrative expenses	16	-3 025	-3 567
Other operating income	17	85	1 468
Other operating expenses	18	-11	-16
Results from operating activities		1 067	-1 232
Financial income	19	148	143
Finance expenses	20	-577	-109
Profit sharing in entities valued using the equity method		569	300
Before tax profit		1 207	-898
Income tax :		209	75
- current tax		8	1
- deferred tax		201	74
Profit for the period		998	-973

Profit for the period assigned to :			
Shareholders of the Parent Entity		990	-949
Non-controlling interest		8	-24
Weighted average number of ordinary shares		2 935 000	3 895 000
Profit (loss) per ordinary share (in PLN per one share) assigned to owners of the Parent Entity		0.34	-0.24

Consolidated statement of comprehensive income

	Period ended 31 March 2019	Period ended 31 March 2018
Profit for the period	998	-973
Other comprehensive income net	0	0
Total comprehensive income	998	-973

Total comprehensive income assigned to :			
Shareholders of the Parent Entity		990	-949
Non-controlling interest		8	-24
Weighted average number of ordinary shares		2 935 000	3 895 000

Total comprehensive income per ordinary share (in PLN per one share) assigned to the owners of the Parent Entity 0.34 -0.24

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 parent entity	Equity assigned to non-controlling interest	Total equity
Reporting period from 1 January 2019 to 31 March 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	-	-	990	990	8	998
<i>Other comprehensive income (net)</i>	-	-	-	-	-	-
Total comprehensive income	-	-	990	990	8	998
Other changes	-	-	2	2	-	2
As at the end of the period	2 935	11 789	70 208	84 932	6 478	91 410

	Share capital	Revaluation reserve	Retained earnings	Equity assigned to shareholders of parent entity	Equity assigned to non-controlling interest	Total equity
Reporting period from 1 January 2018 to 31 March 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	-	-	-949	-949	-24	-973
<i>Other comprehensive income (net)</i>	-	-	-	-	-	-
Total comprehensive income	-	-	-949	-949	-24	-973
Own shares acquired for redemption	-960	-	-23 040	-24 000	-	-24 000
Other changes	-	-	-34	-34	-	-34
As at the end of the period	2 935	11 521	65 803	80 259	6 500	86 759

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 31 March 2019	Period ended 31 March 2018
Cash flows – operating activities			
Before tax profit		1 207	-898
Total adjustments		5 070	4 377
Udział w zysku jednostek wycenianych metodą praw własności		-569	-300
Amortization and depreciation		1 526	518
Interest and profit sharing (dividends)		258	-43
Gain on disposal of property, plant and equipment		-	-
Profit on investment		-	-
Change in provisions		57	-82
Change in inventories	6	1 469	-1 033
Change in receivables and other assets	7	-4 337	10 275
Change in current liabilities, except for loans and borrowings	11	6 646	-10 231
Other adjustments (including change in deferred income)		20	5 273
Cash provided by (used in) operating activities		6 277	3 479
Income tax paid		41	7
Net cash provided by (used in) operating activities		6 236	3 472
Cash flows – investing activities			
Inflows		-	-
Outflows		-231	-206
Acquisition of intangible assets and property, plant and equipment		-231	-206
Net cash provided by (used in) financing activities		-231	-206
Cash flows – financing activities			
Inflows		621	960
Bank loans		621	960
Outflows		-5 090	-24 236
Other than distributions to owners, payments under distribution of profit		-	-24 000
Repaid bank loan		-3 830	-
Payment of liabilities under finance lease agreements		-96	-44
Payment of liabilities under operating lease IFRS 16		-1 096	-
Interest		-68	-52
Net cash provided by (used in) financing activities		-4 469	-23 276
Total cash flows, net		1 536	-20 010
Cash and cash equivalents at the beginning of the period		3 250	28 815
Cash and cash equivalents at the end of the period		4 786	8 805

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 Company and principal activity

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

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

As at the date of 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 Oblój
- Marcin Pędziński

In the first half 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 the first quarter of 2019 was 378 FTEs, and for the first quarter of 2018 was 386 FTEs.

Level of employment in the Capital Group of Prochem S.A. on 31 March 2019 in persons was 389, and on 31 March 2018 383.

Average employment in Prochem S.A. for the first quarter of 2019 was 192 FTEs, and for the first quarter of 2018 179 FTEs.

4. Description of the Capital Group’s organization, with the 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%);
- PREDOM Sp. z o. o. seated in Wrocław – subsidiary indirectly (81.7% of share in capital and profit, 72.3% of votes);
- Prochem Zachód Sp. z o. o. seated in Warsaw – subsidiary directly (80.0%);
- ELPRO Sp. z o. o. seated in Krakow – subsidiary indirectly (92.7%, including 85.4% share in 50% share of Elektromontaż Kraków);
- Elmont Inwestycje Sp. z o. o. seated in Krakow – subsidiary indirectly (92.7%, including 85.4% share in 50% share of Elektromontaż Kraków);
- Elektromontaż Kraków S.A. seated in Krakow – subsidiary indirectly (85.4%), including 73.0% share in capital and voting rights belongs to company Prochem Inwestycje subsidiary in 100%. Company Elektromontaż Kraków S.A. prepares consolidated financial statements, which comprises data of subsidiary in 100%: ELMONT-POMIARY Sp. z o. o. seated in Krakow and two associated companies ELPRO Sp. z o. o. i and Elmont-Inwestycje Sp. z o. o.;
- IRYD Sp. z o. o. seated in Warsaw – subsidiary indirectly in 100%;
- ATUTOR Integracja Cyfrowa Sp. z o. o. seated in Warsaw – subsidiary indirectly (87.3% of share holds company Prochem Inwestycje Sp. z o. o. subsidiary in 100%);
- Prochem RPI Sp. z o. o. seated in Warsaw – subsidiary in 100% (including 3.3% of share in capital and voting right belongs to company Prochem Inwestycje).

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

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

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.

5. Adopted accounting principles

Principle of presentation and statement of compliance

Interim condensed consolidated financial statements of the PROCHEM S.A. Capital Group for the first quarter of 2019 was prepared according to IAS 34 „Interim Reporting”, in the shape it was approved by European Union, and in accordance with Minister of Finance Regulation of 19 February 2009 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 from 2018 item 757) („Decree”). 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 the first 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 assets due to rights of use in the amount of PLN 33 511 thousand on the basis of contracts that were previously classified as "operating leases" in accordance with the principles of IAS 17 Leases. These liabilities have been measured at the present value of lease payments remaining to be paid at the date of commencement of application of IFRS 16. For the purposes of implementing IFRS 16 and disclosures regarding the impact of the implementation of IFRS 16, discounting was applied using the marginal interest rate of the lessee as at January 1, 2019.

In order to calculate discount rates for IFRS 16, the Group applied the marginal interest rate reflecting the cost of financing that would be incurred to purchase the leased asset. In order to estimate the discount

rate, the Group took into account the following parameters of the agreement: type, duration, currency and potential margin that it would have to pay to financial institutions in order to obtain financing.

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

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

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

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

Initial recognition and valuation

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

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

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

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

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

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

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

Depreciation

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

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

The Group has contracts on leases for using:

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

In case of contracts on leases, being characterized by the maximum possible duration, including extension options up to 12 months, the Group applies simplifications. Leasing 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 is of 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 includes leasing and non-leasing components. Non-leasing components are abstracted from contracts which include lease and non-lease components, e.g. 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	33 511
Value of future minimum financial lease payments	820
Contractual liabilities under lease as at 31 December 2018	34 331
Discount	-6 200
Current value of lease liabilities as at 1 January 2019	28 131
Current value of financial lease as at 31 December 2018	-753
Value of contractual liabilities under lease – impact of implementing of IFRS 16 as at 1 January 2018	27 378

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, 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 31 March 2019	As at 31 December 2018
Property, plant and equipment, including:	22 570	22 829
- land	4 743	4 749
- buildings, premises and civil engineering objects	15 222	15 423
- machinery and equipment	714	591
- vehicles	1 141	1 267
- other PPE	750	799
Construction under progress	27	18
Total property, plant and equipment	22 597	22 847

	As at 31 March 2019	As at 31 December 2018
Property, plant and equipment – ownership structure		
a) own	7 975	8 225
b) used under rental, lease or other agreement, including:	14 622	14 622
- lease	775	775
- rental and lease	10 477	10 477
- value of the right of perpetual usufruct	3 370	3 370
Total, the balance sheet property, plant and equipment	22 597	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 31 March 2018 does not significantly differ from fair value. The measurement at fair value as at 31 December 2017 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 31 March 2019	Change in PPE for the period from 1 January 2018 to 31 March 2018
Gross value		
As at opening balance sheet	40 680	39 537
Increase (due to)	218	2 355
- acquisition of PPE	218	1 307
- updating of PPE	-	1 048
Decrease (due to)	-689	-1 212
- disposal of PPE	-	-564
- liquidation of PPE	-695	-642
- updating of PPE	-	-4
- changes	6	-2
As at closing balance sheet	40 209	40 680
Depreciation and impairment		
As at opening balance sheet – accumulated depreciation	17 833	16 899
Depreciation for the period (due to)	-221	934
- increase (depreciation accrued)	474	1 932
- decrease under disposal of PPE	-	-508
- decrease due to liquidation of PPE	-695	-490
As at closing balance sheet- accumulated depreciation	17 612	17 833
Impairment of PPE	-	-
PPE net value as at closing balance sheet	22 597	22 847

Note No. 2 – Investment Property

	As at 31 March 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

	Change in investment property for the period from 1 January 2019 to 31 March 2019	Change in investment property for the period from 1 January 2018 to 31 March 2018
Investment property by title		
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 disposal	-	-80
b) increase due to measurement at fair value	-	601
c) increase due to reclassification from PPE	-	755
Total change	-	1 276
As at closing balance sheet	7 193	7 193

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

Details concerning investment property and information on the hierarchy of fair values as at 31 March 2019.

	Level 1	Level 2	Level 3	Fair value as at 31 March 2018
	In PLN thousands	In PLN thousands	In PLN thousands	In PLN thousands
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-Asset

Change in the right-of-use assets.

Description	Buildings and constructions	Tools, movable instruments and equipment	Vehicles	Total
Gross book value	26 690	349	339	27 378
Write-downs	-	-	-	-
Total	26 690	349	339	27 378

Increase (decrease) net

Depreciation	-963	-24	-39	-1 026
Newly concluded contracts	-	-	-	-
Write-downs	-	-	-	-
Reclassifications	-	-	-	-
Other	-	-	-	-
Total	-963	-24	-39	-1 026
Net book value as at 31 March 2019				
Gross book value	26 690	349	339	27 378
Accumulated depreciation	-963	-24	-39	-1 026
Write-downs	-	-	-	-
Total	25 726	325	300	26 351

Note No. 4 – Shares valued using the equity method

Shares in jointly-controlled entities and in associated entities	As at 31 March 2019	As at 31 December 2018
- shares – net value	28 680	28 111
- write-downs of shares	1 011	1 011
Shares, gross value	29 691	29 122

Change in shares in jointly-controlled entities and in associated entities	As at 31 March 2019	As at 31 December 2018
a) as at the beginning of the period	28 111	26 488
- shares at cost	28 111	26 139
- application of IFRS 15 as at 1 January 2018	-	349
b) increase (due to)	569	1 623
- share in the result of current year	569	1 623
c) as at the end of the period, net	28 680	28 111
d) write-down	1 011	1 011
As at the end of the period, gross	29 691	29 122

Change in write-downs of shares in jointly-controlled entities and associated entities	31 March 2019	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 income tax assets for the first quarter of 2019 are shown in the table below.

Deferred tax assets	As at 31 March 2019	As at 31 December 2018
As at the beginning of the period	7 176	6 073
Increase	4 144	4 244
Decrease	-4 314	-3 141
As at the end of the period	7 006	7 176

Provision under deferred income tax	As at 31 March 2019	As at 31 December 2018
As at the beginning of the period	7 236	5 577
Increase	1 954	4 001
Decrease	-1 926	-2 342
As at the end of the period	7 264	7 236

Deferred tax assets	As at 31 March 2019	As at 31 December 2018
Deferred tax assets	7 006	7 176
Provision to deferred income tax	-7 264	-7 236
Assets/(Provision) under deferred income tax	-258	-60

Presentation in the statement of financial position	As at 31 March 2019	As at 31 December 2018
Deferred tax assets	2 141	2 340
Provision to deferred income tax	-2 399	-2 400
Assets/(Provision) under deferred income tax	-258	-60

Note No. 6 – Other financial assets

Other financial assets	As at 31 March 2019	As at 31 December 2018
a) from jointly-controlled entities:	19 183	19 090
- loans granted	19 183	19 090
b) the security deposits constituting security for bank guarantee lines	1 209	1 332
Total other non-current financial assets	20 392	20 422

Loans granted – as at 31 March 2019

- 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 annum, loan repayment date with interest 22 September 2031;

Increase:

- Accrued interest on loans granted in the amount of PLN 93 thousand.

Loans granted – as at 31 March 2019

- Loans granted to jointly-controlled company Irydion Sp. z o. o. seated in Warsaw:

- in the amount of PLN 12 363 thousand, including: amount of the loan PLN 11 000 thousand, accrued interest PLN 1 363 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 6 820 thousand, including: amount of the loan PLN 6 000 thousand, accrued interest PLN 820 thousand. The interest rate is set annually at a rate of 3% per annum, loan repayment date with interest 22 September 2031.

Note No. 7 – Inventories

Inventories	As at 31 March 2019	As at 31 December 2018
Materials	744	1 597
Semi-finished products and work-in-process	1 165	1 105
Goods	-	676
Total inventories	1 909	3 378
Write-downs of inventories	575	575

Note No. 8 – Trade and Other Receivables

Trade and other receivables	As at 31 March 2019	As at 31 December 2018
Trade receivables	48 733	44 752
Write-down of trade receivables	4 617	4 617
Trade receivables net, including	44 116	40 135
- with repayment period up to 12 months	39 703	39 927
- with repayment period over 12 months	4 413	208
Receivables from taxes, subsidies, customs duties, social and health insurance and other benefits	2	32
Other receivables	1 085	1 311
Write-downs of receivables	6	6
Other receivables, net	1 079	1 305
Total receivables	45 197	41 472

Trade and other receivables from related entities	As at 31 March 2019	As at 31 December 2018
Trade receivables, including:	668	1 562
- from jointly-controlled entities and associated entities	668	1 562
Total trade receivables and other receivables from related entities, net	668	1 562
Write-downs of receivables from related entities	-	-
Total trade receivables and other receivables from related entities, gross	668	1 562

Change in write-downs of trade and other receivables	As at 31 March 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)	-	1 579
- payments received	-	111
- the use of write-downs created in previous periods	-	1 467
- resolving of write-downs	-	1
Write-downs of current trade receivables and other receivables at the end of the period	4 623	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 31 March 2019	As at 31 December 2018
prepayments	1 176	1 202
- cost of property and personal insurance	251	411
- software maintenance costs	412	582
- subscriptions	19	14
- deferred costs	165	121
- other	329	74
Total other assets	1 176	1 202

Note No. 10 – Share Capital

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

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

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. Otwarty Fundusz Emerytalny PZU „Złota Jesień”.	284 900*	284 900	9.70	9.71
3. Andrzej Karczykowski	201 882**	201 882	6.88	6.88
4. APUS S.A.	311 769	311 769	10.62	10.62

*) according to number of shares registered on the XXXIX AGM of Prochem S.A. on June 21, 2018.

***) information from January 18, 2018 (274 586 of shares) and information from March 23, 2018. (sale of 72 704 shares).

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 31 March 2019	As at 31 December 2018
- non-current bank loans	52	52
- current bank loans	3 718	7 077
Total loans	3 770	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
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By Prochem S.A.

mBank SA	Warsaw	6,000 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
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By Elektromontaż Kraków S.A.

mBank S.A.	Warsaw	500	424	28 February 2020	WIBOR for 1-month deposits in PLN + margin	Mortgage
ING BANK Śląski	Katowice	2 500	2 160	19 November 2019	WIBOR for 1-month deposits ON in PLN + marża	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
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By Atutor Integracja Cyfrowa sp. z o. o.

Bank Millenium S.A.	Warsaw	150	-	15 April 2019	WIBOR 1m plus margin	Granting the bank a power of attorney for collection and for the repayment from the accounts, and authorization for the blocking the funds in the case when loan is not repaid in time
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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 July 2020	WIBOR for 1-months 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 July 2020	WIBOR for 1-months deposits in PLN + margin	BGK Bank guarantee based on a portfolio agreement. Promissory note in blank.

Note No. 12 – Trade Payables

	As at 31 March 2019	As at 31 December 2018
a) to associated entities and to jointly-controlled entities -	5	12
- from supplies and services, with maturity period:	5	12
- up to 12 months	5	12
b) to other entities -	35 758	31 614
- from supplies and services, with maturity period:	35 758	31 614
- up to 12 months	35 153	30 929
- above 12 months	605	685
Total trade payables	35 763	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 31 March 2019	As at 31 December 2018
Revenues according to contracts	315 196	361 967
Revenues invoiced	233 592	219 674
Liabilities planned under the implementation of contracts	230 222	338 234
Realized contractual liabilities	216 775	216 775
Amounts due from recipients	14 274	13 691
Amounts owed to suppliers	6 483	2 863

Note No. 14 – Other liabilities

	As at 31 March 2019	As at 31 December 2018
a) to other entities	4 436	4 202
- under taxes, duties, insurance and other charges	3 449	3 409
- under remuneration	391	477
- other (by type)	596	316
liabilities to employees	16	43
liabilities to shareholders	17	17
other	563	256
b) other non-current provisions	3 626	4 418
- provision for costs booked to the previous year relating to long-term contracts	1 687	1 550
- provision for costs	36	885
- cost of audit	61	67
- non-current provision for retirement benefits	436	445
- provision for unused holiday leaves	1 406	1 471
Total other liabilities	8 062	8 620

Note No. 15 – Deferred Income

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

Note No. 16 - Revenues from Sale of Services

Revenues from sale of services (type of service and type of activity)	As at 31 March 2019	As at 31 December 2018
- Revenues from sale of services, including:	40 220	20 020
- from related entities	1 035	3 389
Revenues from sale of services (type of service and type of activity)	As at 31 March 2019	As at 31 December 2018
- Revenues from sale of services, including:	40 220	20 020
- from related entities	1 035	3 389

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

	Period ended 31 March 2019	Period ended 31 March 2018
a) amortization and depreciation	1 526	518
b) consumption of materials and energy	4 380	3 915
c) outsourcing	23 737	8 835
d) taxes and levies	204	145
e) remuneration	7 910	7 701
f) social security and other benefits	1 524	1 512
g) costs by type (under)	782	1 184
- property and personal insurance	108	138
- business trips	250	358
- State Fund for Rehabilitation of Disabled Persons (PFRON)	58	52
- car rental	165	234
- other	366	402
Total costs by type	40 228	23 810
Change in inventories, goods and accruals and prepayments	-831	-1 106
General and administrative expenses (negative value)	-3 025	-3 567
Cost of services sold	36 372	19 137

Note No. 18- Other Operating Income

	Period ended 31 March 2019	Period ended 31 March 2018
a) gain on sale of non-financial non-current assets	-	3
b) reversal of impairment (under)	-	110
- for receivables	-	110
c) other, including:	85	1 355
- reimbursement of litigation costs	23	-
- received compensation, fines and penalties	54	-
- write-down of past due liabilities	-	1 346
-other	8	9
Total other operating income	85	1 468

Note No. 19 – Other Operating Expenses

	Period ended 31 March 2019	Period ended 31 March 2018
a) other, including:	11	16
- litigation costs	-	1
- paid fines, penalties and compensation	-	1
- other	11	14
Total other operating expenses	11	16

Note No. 20 – Financial income

	Period ended 31 March 2019	Period ended 31 March 2018
a) interest under loans granted	93	93
- from jointly-controlled entities	93	93
b) other interest	4	45
- from other entities	4	45
c) other	51	5
Total financial income	148	143

Note No. 21 – Finance costs

	Period ended 31 March 2019	Period ended 31 March 2018
a) interest on bank loans	48	40
b) other interest	11	16
- for other entities	11	16
- under lease IFRS 16	283	-
c) surplus of negative exchange rate differences	128	4
d) other, under :	107	49
- commission on bank guarantees	74	30
- commission on loans	21	16
- other cost	12	3
Total finance costs	577	109

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

Differences between the amounts established directly from the financial statements and those disclosed in the statement of cash flows result from transfer of individual amounts from operating activity for investing activity and for financing activity.

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

	In 2019	In 2018
Change in current liabilities	-4 337	10 275
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 detained security deposits as at 1 January	63	-
Receivables from PPE sold	-11	-15
Receivables under income tax	-	-641
Opening balance sheet after adjustments	56 417	42 461
Receivables as at 31 March	45 197	20 418
Amounts due from recipients under contracts as at 31 March	14 274	-
Other assets as at 31 March	1 176	12 424
Receivables under detained security deposits as at 31 March	118	-
Receivables from PPE sold	-11	-15
Receivables under income tax	-	-641
Closing balance sheet after adjustments	60 754	32 186
Change in current liabilities except for current borrowings and special funds	6 646	-10 231
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 contract as at 1 January	2 863	-
Liabilities under detained security deposits as at 1 January	3 569	-
Provision for current retirement benefits	-445	-328
Provision to holiday benefits	-1 471	-1 382
Provision to audit	-67	-71
Provision to current other costs	-1 550	-477
Liabilities under operating lease	-	-276
Liabilities to shareholders	-17	-16
Opening balance sheet after adjustments	43 128	33 340
Trade payables as at 31 March	35 763	18 762
Amounts owed to recipients under contracts as at 31 March	6 483	-
Other liabilities as at 31 March	8 062	6 859
Liabilities under detained security deposits as at 31 March	3 073	-
Provision for current retirement benefits	-436	-328
Provision to holiday benefits	-1 406	-1 307
Provision to audit	-61	-42
Provision to current other costs	-1 687	-499
Liabilities under operating lease	-	-320
Liabilities to shareholders	-17	-16
Closing balance sheet upon adjustments	49 774	23 109
Change in other adjustments as at 31 March	20	5 273
Change in deferred income – advances received	43	5 105
Amounts received from ordering parties under long-term contracts	-	150
Other	-23	18

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.

Segment result is determined on the level of operating income.

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.

Segment assets include all assets used by a segment, consisting primarily of receivables, inventories and property, plant and equipment diminished by the value of provisions and impairment losses.

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

Revenues achieved outside Poland (Exports) in March 31, 2019 and March 31, 2018 did not occur.

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

- A customer who deals in the production of chemical raw materials – sales revenue PLN 17,447.2 thousand, which represents 41.37% share in sales revenue, which was shown in the segment „General contracting” and „Design services and other engineering services”.

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

Interim condensed consolidated financial statements of Prochem S.A. Capital Group as at and for the period of three months ended 31 March 2019

For the period from 1 January 2019 to 31 March 2019	General contracting	Design services, and other engineering services	Rental of construction equipment	Assembly of electrical installations	Rental of office space and real estate	Maintenance	Commercial activity	Other IT services	Other	Items not assigned	Total
Revenues from external clients	23 119	7 152	643	7 514	1 293	146	1 955	38	315	-	42 175
Total segment revenues	23 119	7 152	643	7 514	1 293	146	1 955	38	315	-	42 175
Result of the segment	228	318	180	131	227	-	170	-162	-99	-	993
Financial income										148	148
Finance costs										-577	-577
Net financial income/finance costs										-429	-429
Profit sharing in associated entities										569	569
Profit on other operating activities										74	74
Before tax profit										1 207	1 207
Income tax										209	209
Profit for the current period										998	998
Profit assigned to non-controlling interest										-8	-8
Profit for the period assigned to shareholders of the parent entity										990	990
Assets as at 31 March 2019											
Segment assets (related to activity)	25 262	6 857	463	9 323	14 286	211	-	228	320	-	57 689
Unallocated assets (among others shares and other financial assets)										122 925	122 925
Total assets	25 262	6 857	463	9 323	14 286	211	-	228	320	122 925	180 614
Other information related to segment											
For the period from 1 January 2019 to 31 March 2019											
Depreciation of property, plant and equipment	14	26	20	151	183	10	-	16	59	-	479
Amortization of intangible assets	-	2	-	4	1	-	-	-	14	-	21

Interim condensed consolidated financial statements of Prochem S.A. Capital Group as at and for the period of three months ended 31 March 2019

Note – operating segments continuation

For the period from 1 January 2018 to 31 March 2018	General contracting	Design services, and other engineering services	Rental of construction equipment	Assembly of electrical installations	Rental of office space and real estate	Maintenance	Commercial activity	Other IT services	Other	Items not assigned	Total
Revenues from external clients	5 902	4 919	385	7 407	1 092	-	7	31	284	-	20 027
Total segment revenues	5 902	4 919	385	7 407	1 092	-	7	31	284	-	20 027
Result of the segment	204	-2 950	-51	431	159	-	-1	-128	-348	-	-2 684
Financial income										143	143
Finance costs										-109	-109
Net financial income/finance costs										34	34
Profit sharing in associated entities										300	300
Profit on other operating activities										1 452	1 452
Before tax profit										-898	-898
Income tax										75	75
Profit for the current period										-973	-973
Profit assigned to non-controlling interest										-24	-24
Profit for the period assigned to shareholders of the parent entity										-949	-949
Assets as at 31 March 2018											
Segment assets (related to activity)	7 619	7 732	630	7 140	17 033	-	-	-	176	-	40 330
Unallocated assets (among others shares and other financial assets)										87 253	87 253
Total assets	7 619	7 732	630	7 140	17 033	-	-	-	176	87 253	127 583
Other information related to segment											
For the period from 1 January 2018 to 31 March 2018											
Depreciation of property, plant and equipment	24	35	22	135	172	-	-	-	13	65	474
Amortization of intangible assets	-	2	-	5	2	-	-	-	-	35	44

Information about 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-31 March 2019	1 January -31 March 2018
Poland	42 175	20 027
Other countries	-	-
Total sales revenue	42 175	20 027

Geographical breakdown of property, plant and equipment and intangible assets.

	31March 2019	31December 2018
Poland	34 760	35 019
Total property, plant and equipment and intangible assets	34 760	35 019

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

	As at 31 March 2019	As at 31 Dec emb er 201 8
<i>Collateral granted</i>		
Bank guarantee of good performance and statutory warranty	13 834	14 192
Guarantee of reimbursement of advance payment	11 805	11 400
Payment guarantee	1 050	-
Tender guarantee	-	250
Total collateral granted	26 689	25 842
Contingent liabilities		
- surety for 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	26 689	26 089

<i>Collateral received</i>	As at 31 March 2019	As at 31 December 2018
Bank guarantee of good performance	28 547	16 865
promissory notes for guarantee of securing contract terms	450	450
Total contingent assets	28 997	17 315

Note No. 25 - Profit Distribution

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

The Issuer's net profit for 2018 in the amount of PLN 1 088 573.12 the Management Board intends to allocate in its entirety to reserve capital.

Note No. 26 - Dividends

Dividends were not paid.

Note No. 27- Financial Instruments and Financial Risk Management

Financial assets

As at 31 March 2019

(in PLN thousands)	Categories of financial instruments		
	Note No.	Loans, receivables and other	Total
Classes of financial instruments			
Receivables from supplies and services	7	44 116	44 116
Cash		4 786	4 786
Loans granted	5	19 182	19 182
Other financial assets – non-current security deposit		1 209	1 209
Total		69 293	69 293

As at 31 December 2018

(in PLN thousands)	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

As at 31 March 2019

(in PLN thousands)	Categories of financial instruments		
	Note No.	Financial liabilities measured at amortized costs	Total
Classes of financial instruments			
Kredyty	10	3 770	3 770
Zobowiązania długoterminowe z tytułu zatrzymanych kaucji		3 073	3 073
Zobowiązania handlowe	11	35 763	35 763
Razem		42 606	43 471

As at 31 December 2018

	Categories of financial instruments		
	Note No.	Financial liabilities measured at amortized costs	Total
Classes of financial instruments			
Loans	10	7 129	7 129
Non-current liabilities under retained security deposits		3 569	3 569
Trade payables	11	31 626	31 626
Total		42 324	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 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 managing 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 first 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 316 thousand,
2. Remuneration to the Members of the Supervisory Board in total amount of PLN 95 thousand.

In the first quarter of 2019 the remuneration paid to the Members of the Management Board for serving in the Management Boards and in the Supervisory Boards of companies belonging to the Capital Group amounted to PLN 38 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 31 March 2019

	Sale of services	Purchase of services	Financial income – interest on loans	Financial income – dividends received
Jointly-controlled entities and associated entities	1 035	772	93	-

As at 31 March 2019

	Trade receivables	Receivables under loans granted	Other receivables	Trade payables
Jointly-controlled entities and associated entities	668	19 183	-	5

Comparative period

(in PLN thousands)

from 1 January to 31 March 2018

	Sale of services	Purchase of services	Financial income – interest on loans	Financial income – dividends received
Jointly-controlled entities and associated entities	3 389	823	93	-

As at 31 March 2018

	Trade receivables	Receivables under loans granted	Other receivables	Trade payables
Jointly-controlled entities and associated entities	1 447	18 806	-	10

Note No. 29 – Events After the Reporting Date

They did not occur.

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.

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

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

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

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

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

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

- Jarosław Stępniewski – 68,383 units.;
- Marek Kiersznicki – 59,474 units;
- Krzysztof Marczak – 36,908 units;
- Marek Garliński – 73,996 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 31 March 2019	As at 31 December 2018
A s s e t s		
Non-current assets		
Property, plant and equipment	1 025	923
Intangible assets	119	121
Right-of-use-assets	13 410	-
Shares in subsidiaries	8 478	8 478
Shares in equity-accounted investees	4 502	4 502
Deferred tax assets	2 019	2 205
Non-current receivables under retained security deposits	118	63
Other financial assets	38 988	38 942
Total non-current assets	68 659	55 234
Current assets		
Inventories	43	717
Trade and other receivables	33 289	27 172
Amounts due from customers under contracts	6 935	5 799
Other assets	563	795
Cash and cash equivalents	2 320	1 336
Total current assets	43 150	35 819
Total assets	111 809	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	40 602	40 230
Total equity	43 194	42 822
Non-current liabilities		
Provision for retirement and similar benefits	612	612
Non-current loans	8 498	8 450
Non-current liabilities under retained security deposits	3 569	3 569
Liabilities under lease	10 582	-
Total non-current liabilities	23 261	12 631
Current liabilities		
Current bank loans	-	3 830
Trade payables	30 390	22 723
Amounts owed to recipients under agreements	6 483	2 863
Other liabilities	5 519	6 107
Liabilities under lease	2 963	-
Deferred income	-	77
Total current liabilities	45 354	35 600
Total liabilities	68 615	48 231
Total equity and liabilities	111 809	91 053

Weighted average number of ordinary shares (units)	2 935 000	2 935 000
Book value per one share (in PLN)	14.72	14.59

**Unconsolidated statement of profit and loss
for the period from 1 January 2019 to 31 March 2019**

(all amounts in PLN thousands if not stated otherwise)

	Period ended 31 March 2019	Period ended 31 March 2018
Revenues from sale, including:	32 226	9 854
Revenues from sale of services	30 380	9 853
Revenues from sale of goods and materials	1 846	1
Cost of sales, including :	-29 752	-10 593
Cost of services sold	-27 972	-10 593
Cost of merchandise and raw materials	-1 780	0
Gross profit on sales	2 474	-739
General and administrative expenses	-1 782	-2 153
Other operating income	64	1 458
Other operating expenses	-	-10
Results from operating activities	756	-1 444
Financial income	219	203
Finance expenses	-417	-85
Before tax profit	558	-1 326
Income tax :	186	-176
- current tax	-	-
- deferred tax	186	-176
Profit for the period	372	-1 150

Weighted average number of ordinary shares	2 935 000	3 895 000
Profit/diluted profit per one ordinary share (in PLN per one share)	0.13	-0.30

Unconsolidated statement of comprehensive income

	Period ended 31 March 2019	Period ended 31 March 2018
Profit for the period	372	-1 150
Other comprehensive income net	-	-
Total comprehensive income	372	-1 150

Weighted average number of ordinary shares (units)	2 935 000	3 895 000
Total comprehensive income per ordinary share (in PLN per one share)	0.13	-0.30

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 31 March 2019				
As at the beginning of the period	2 935	-343	40 230	42 822
Net profit of the given period	-	-	372	372
<i>Other comprehensive income (net)</i>	-	-	-	-
Total comprehensive income	-	-	372	372
As at the end of the period	2 935	-343	40 602	43 194

	Share capital	Revaluation reserve	Retained earnings	Total equity
Reporting period from 1 January 2018 to 31 March 2018				
As at the beginning of the period	3 895	107	61 974	65 976
Net profit of the given period	-	-	-1 150	-1 150
Buy-back of own shares for redemption	-960	-	-23 040	-24 000
<i>Other comprehensive income (net)</i>	-	-	-	-
Total comprehensive income	-960	-	-24 190	-25 150
As at the end of the period	2 935	107	37 784	40 826

Unconsolidated statement of cash flows
For the period from 1 January 2019 to 31 March 2019
(all amounts in PLN thousands if not stated otherwise)

	Period ended 31 March 2019	Period ended 31 March 2018
Cash flows – operating activities		
Before tax profit	558	-1 326
Total adjustments	5 316	4 970
Amortisation and depreciation	929	133
Interest and profit sharing (dividends)	46	-124
Change in provisions	123	10
Change in inventories	674	1
Change in receivables	-7 076	6 684
Change in current liabilities, except for borrowings and loans	10 575	-6 989
Other adjustments (including change in deferred income)	45	5 255
Cash provided by (used in) operating activities	5 874	3 644
Income tax paid	-	-
Net cash provided by (used in) operating activities	5 874	3 644
Cash flows – investing activities		
Outflows	-214	-58
Acquisition of intangible assets and property, plant and equipment	-214	-58
Net cash provided by (used in) investing activities	-214	-58
Cash flows – financing activities		
Inflows	-	7 500
Loans received	-	7 500
Outflows	-4 676	-24 016
Acquisition of own shares	-	-24 000
Repayment of bank loans	-3 830	-
Interest and commission paid (loan)	-42	-16
Paid liabilities under lease (IFRS 16)	-804	-
Net cash provided by (used in) financing activities	-4 676	-16 516
Total cash flows, net	984	-12 930
Increase/(decrease) in cash and cash equivalents net	984	-12 930
Cash and cash equivalents at the beginning of the period	1 336	18 642
Cash and cash equivalents at the end of the period	2 320	5 712

