CONSOLIDATED FINANCIAL STATEMENTS OF PROCHEM SA CAPITAL GROUP

as at and for the period ended 31 December 2019

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Table of content to the consolidated financial statements of the Prochem S.A. Capital Group

Consolidated statement of financial position

(all amounts in PLN thousands if not stated otherwise)

	Note No.	31 December 2019	31 December 2018
A s s e t s			
Non-current assets			
Property, plant and equipment	1	17 832	22 847
Intangible assets	2	130	182
Investment property	3	8 310	11 990
Right-of-use assets	4	26 909	-
Shares	5	830	830
Shares in entities valued using the equity method	6	31 499	28 111
Deferred tax assets	7	1 083	2 340
Receivables from seized security deposits		11	63
Other financial assets	8	26 884	20 422
Total non-current assets		**113 488**	**86 785**
Current assets			
Inventories	9	4 158	3 378
Trade and other receivables	10	77 980	41 472
Amounts due from recipients under agreements	20	22 851	13 691
Other financial assets	11	1 401	-
Other assets	12	943	1 202
Cash and cash equivalents		34 781	3 250
Total current assets		**142 114**	**62 993**
Assets classified as for sale		**3 773**	
Total assets		**259 375**	**149 778**

Consolidated statement of financial position
(all amounts in PLN thousands if not stated otherwise)

E q u i t y a n d l i ab i l i t i e s	**Note No.**	**31 December 2019**	**31 December 2018**
Equity			
Share capital	13	2 935	2 935
Revaluation reserve	14	6 928	11 789
Retained earnings	15	81 953	69 216
Parent's entity equity		**91 816**	**83 940**
Non-controlling interest		**6 797**	**6 470**
Total equity		**98 613**	**90 410**
Non-current liabilities			
Non-current bank loans		-	52
Provision for deferred income tax	7	2 333	2 400
Provision for retirement and similar benefits	16	1 862	1 763
Non-current liabilities under seized security deposits		5 790	3 569
Amounts owed to recipients under agreements	20	11 643	-
Non-current liabilities under lease		23 750	482
Other non-current liabilities	17	139	138
Total non-current liabilities		**45 517**	**8 404**
Current liabilities			
Current bank loans	18	1 786	7 077
Trade payables	19	69 161	31 626
Amounts owed to recipients under agreements	20	30 995	2 863
Liabilities under current income tax		15	39
Current liabilities under lease		4 466	338
Other liabilities	21	8 538	8 620
Deferred income	22	324	401
Total current liabilities		**115 245**	**50 964**
Total liabilities		**160 762**	**59 368**
Total equity and liabilities		**259 375**	**149 778**
Book value – equity assigned to owners of the Parent Entity		**91 816**	**83 940**
Weighted average number of ordinary shares (in pcs)		**2 935 000**	**2 935 000**
Book value per one share (in PLN) – assigned to owners of the Parent Entity		**31.28**	**28.60**

Consolidated profit and loss account

(all amounts in PLN thousands if not stated otherwise)

	Note no.	In 2019	In 2018
Revenues from sale, including :		323 023	153 194
Revenues from sale of services	23	319 203	150 287
Revenues from sale of goods and services	24	3 820	2 907
Cost of sales, including :		-304 640	-142 706
Cost of services sold	25	-301 385	-140 015
Cost of merchandise and raw materials		-3 255	-2 691
Gross profit on sales		**18 383**	**10 488**
General and administrative expenses	25	-12 737	-13 315
Other operating income	26	2 094	5 066
Other operating expenses	27	-1 281	-1 424
Profit (loss) from operating activity		**6 459**	**815**
including discontinued operations		**85**	**-**
Financial income	28	1 843	685
Profit from the sale of all or part of the subsidiary's shares		88	-
Finance expenses	29	-2 077	-924
Profit sharing in associated entities		3 388	1 623
including discontinued operations		**3 388**	**-**
Before tax profit		**9 701**	**2 199**
Income tax expense :	30	1 658	360
- current tax		257	69
- deferred tax		1 401	291
Profit for the period		**8 043**	**1 839**

Profit for the period assigned to :		
Shareholders of the Parent Entity	7 866	1 923
Non-controlling interest	177	-84
Weighted average number of ordinary shares (in pcs)	2 935 000	2 935 000
Profit (loss) per one ordinary share (in PLN per one share) assigned to owners of the Parent Entity	2.68	0.66

Consolidated statement of comprehensive income

	In 2019	In 2018
Profit for the period	**8 043**	**1 839**
Other comprehensive income net	**-48**	**371**
Other comprehensive income that will be reclassified to profit or loss under certain conditions:	-	-
Other comprehensive income that will not be reclassified to profit or loss:	**-48**	**371**
Revaluation of non-current assets	8	703
Actuarial gains (losses) on valuation of provisions for employee benefits	-56	-220
Income tax on other comprehensive income	-	-112
Total comprehensive income	**7 995**	**2 201**
Total comprehensive income assigned to :		
Shareholders of the Parent Entity	7 818	2 289

Non-controlling interest	177	-79
Weighted average number of ordinary shares (in pcs)	2 935 000	2 935 000
Total comprehensive income per ordinary share (in PLN per one share) assigned to owners of the Parent Entity	2.66	0.78

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
In 2019						
As at the beginning of the period after bringing the data to comparability	**2 935**	**11 789**	**69 216**	**83 940**	**6 470**	**90 410**
Net profit (loss) of the given period	-	-	7 866	**7 866**	**177**	**8 043**
Other comprehensive income (net)	**-**	***-48***		***-48***	**-**	**-48**
Total comprehensive income	**-**	**-48**	**7 866**	**7 818**	**177**	**7 995**
Sale of shares in subsidiary ATUTOR IC	-	-	-79	**-79**	**133**	**54**
Sale of real estate in subsidiary Elektromontaż Kraków S.A.	-	-4 813	4 950	**137**	**17**	**154**
Other changes	-	-	-	-	-	-
As at the end of the period	**2 935**	**6 928**	**81 953**	**91 816**	**6 797**	**98 613**

	Share capital	Revaluation reserve	Retained earnings	Equity assigned to shareholders of the parent entity	Equity assigned to non-controlling interest	Total equity
In 2018						
As at the beginning of the period	**3 895**	**11 521**	**89 826**	**105 242**	**6 524**	**111 766**
Retrospective implementation of IFRS 15	**-**	**-**	**349**	**349**	**-**	**349**
As at the beginning of the period after bringing the data to comparability	**3 895**	**11 521**	**90 175**	**105 591**	**6 524**	**112 115**
Net profit (loss) of the given period	-	-	1 923	**1 923**	**-84**	**1 839**
Other comprehensive income (net)	**-**	***294***	***-***	***294***	***68***	**362**
Total comprehensive income	**-**	**294**	**1 923**	**2 217**	**-16**	**2 201**
Own shares bought for redemption	-960	-	-23 040	**-24 000**	-	**-24 000**
Dividend paid	-	-	-	**-**	**-100**	**-100**
Other changes	-	-26	158	**132**	**62**	**194**
As at the end of the period	**2 935**	**11 789**	**69 216**	**83 940**	**6 470**	**90 410**

Consolidated statement of cash flows

(all amounts in PLN thousands if not stated otherwise)

	In 2019	In 2018
Cash flows – operating activities		
Before tax profit	9 701	2 199
Total adjustments	26 529	-7 147
Share in net profits of associates	-3 388	-1 623
Amortization and depreciation	5 655	2 085
Interest and profit sharing (dividends)	1 034	156
(Profit) loss on disposal of property, plant and equipment	-1 545	-115
Loss on investment	-131	-936
Change in provisions	47	1 332
Change in inventories	-780	-1 156
Change in receivables and other assets	-45 388	-13 956
Change in current liabilities, except for loans and borrowings	79 442	7 728
Other adjustments (including changes in deferred income)	-8 417	-662
Cash provided by (used in) operating activities	36 230	-4 948
Income tax paid	281	-354
Net cash provided by (used in) operating activities	**35 949**	**-4 594**
Cash flow – investing activities		
Inflows	**7 279**	**26**
Disposal of intangible assets and property, plant and equipment	62	26
Investment in real estate	5 950	-
Inflows from financial assets	1 267	-
- in related entities	1 267	-
disposal of financial assets (shares)	220	-
Repayment of loan with interest	1 047	-
Outflows	**-1 482**	**-1 156**
Acquisition of intangible assets and property, plant and equipment	-1 482	-1 156
Net cash provided by (used in) investing activities	**5 797**	**-1 130**
Cash flow – financing activities		
Inflows	**63**	**4 809**
Bank loan	-	4 766
Other financial proceeds	63	43
Outflows	**-10 278**	**-24 650**
Other than payments to shareholders, expenses under profit distribution	-	-24 100
Repayment of bank loans	-5 350	-
Commission and interest paid	-329	-346
Payment of liabilities under finance lease	-428	-204
Payment of liabilities under operating lease IFRS 16	-4 171	-
Net cash provided by (used in) financing activities	**-10 215**	**-19 841**
Total cash flows, net	31 531	-25 565
Increase/(decrease) in net cash and cash equivalents	31 531	-25 565
Cash and cash equivalents at the beginning of the period	**3 250**	**28 815**
Cash and cash equivalents at the end of the period	**34 781**	**3 254**
Including restricted cash	**1 072**	**4**

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

1. Establishment of the Parent Entity and principal activity

Company Prochem S.A. (hereinafter called „Prochem", „Company", „Issuer") 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 the company belongs to construction sector. Company 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 statutes were signed in 1991. Duration of the Company is unlimited.

2. The Management Board and Supervisory authorities of the Issuer

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

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

Composition of the Supervisory Board of Prochem S.A.

As at the date of preparation hereby of financial statements the Supervisory Board comprises of the following persons:

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

3. Employment

Average employment in 2019 was 390 FTEs and in 2018 375 FTEs. Level of employment in persons as at 31December 2019 was 400 persons and as at 31 December 2018 385 persons.

4. Description of the Capital Group with indication of the consolidated entities

Prochem S.A. Capital Group (hereinafter referred to as "Capital Group", „Group"), in addition to the data of the Parent Entity 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 indirectly (80.0%);
- ELPRO Sp. z o. o. seated in Krakow – subsidiary indirectly (92.7%, including 85.4% share in the

50% share of Elektromontaż Kraków);

- Elmont Inwestycje Sp. z o. o. seated in Krakow – subsidiary indirectly (92.7%, including 85.4% share in the 50% share of Elektromontaż Kraków);
- Elektromontaż Kraków S.A. seated in Krakow – subsidiary indirectly (85.4%), including 73.0% share in capital and voting right belongs to company Prochem Inwestycje subsidiary in 100%. Elektromontaż Kraków S.A. prepares consolidated financial statements, which contains data of the subsidiary in 100%: ELMONT-POMIARY Sp. z o. o. seated in Krakow and two associated companies ELPRO Sp. z o. o. and Elmont-Inwestycje Sp. z o. o.;
- IRYD Sp. z o. o. seated in Warsaw –subsidiary indirectly in 100%;
- ATUTOR Integracja Cyfrowa Sp. z o. o. seated in Warsaw – subsidiary indirectly (50.14% 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 Prochem Inwestycje).

<u>Jointly-controlled entities and associates valued using the equity method:</u>

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

Subsidiaries included in consolidation have been included in the consolidated financial statements from the date of including the control until the date of loss of control by the Parent Entity, 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 of PLN 53 thousand was excluded from consolidation. The company has not commenced activities.

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

5. Adopted accounting principles

Principles of presentation

Consolidated financial statements of the Prochem S.A. Capital Group for the period from 1 January to 31December 2019 and analogous period of the comparable year was prepared according to International According Standards (IAS) and International Financing Reporting Standards (IFRS), which were endorsed by European Union (EU) and were effective as at 31 December 2019. The scope of financial statements is compliant with the Minister of Finance Regulation of 29 March 2018 on current and periodic information provided by issuers of securities and conditions for recognition as equivalent required by the law of a non-Member State (Oficial Journal, item 757).

The presented consolidated financial statements of the Capital Group present fairly and clearly the financial and property position of the Group as at December 31, 2019 and the comparative data as at December 31, 2018, as well as the results of this activity for the year ended December 31, 2019 and comparative data for the year ended December 31, 2018.

The consolidated financial statements of the Prochem S.A. Capital Group as at 31 December 2019 was prepared assuming that the Prochem Capital Group will continue to operate as a going concern in foreseeable future. The management boards of companies included in the Capital Group of Prochem S.A. analysed the circumstances described in note 40 and, in their opinion, they do not affect the individual companies' ability to continue as a going concern.

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

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

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 influence 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.

Changes in accounting estimates and accounting policies

The preparation of financial statements under of IFRS adopted by EU requires using certain accounting estimates and adoption of assumptions concerning future events. Items of the financial statements set under the estimation are subject to verification if circumstances being base of estimates are changing or as a result of obtaining new information or of progressing course of events or of acquiring greater experience. When preparing the consolidated financial statements hereby, we applied the same accounting principles and the same calculation methods which were applied in the financial statements of Prochem for the year ended 31 December 2018 except for IFRS *16 Leases*.

Accounting estimates made
Information about the adopted assumptions and uncertainties relating to estimates made are included in the following notes:

- Note 1 – Property, plant and equipment: the key assumptions used in the prognosis of discounted cash flows;
- Note 3 – Investment properties; the key assumptions used in the prognosis of discounted cash flows;
- Note 16 – Liabilities under retirement benefits: key actuarial assumptions;

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

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

Applying IFRS 16 for the first time

The Group retrospectively applied the IFRS 16 standard with effect from January 1, 2018. In accordance with the option allowed by the standard, the Group abandoned the transformation of comparable data. Data as at December 31, 2018 was prepared based on IAS17.

As of January 1, 2019, the Group applied the requirements of the new Standard regarding the recognition, measurement and presentation of lease contracts. The implementation of IFRS 16 was made using a modified retrospective approach, therefore the comparative data for 2018 was not restated and the total effect of the first application of IFRS 16 was recognized as an adjustment to the opening balance of retained earnings on the date when it was applied first time.
The Group recognized right-of-use assets in the amount of PLN 29 331 thousand based on contracts that were previously classified as "operating leases" in accordance with the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments as at the date of starting of the application of IFRS 16. For the purposes of implementing IFRS 16 and

disclosures regarding the impact of the implementation of IFRS 16, discounting using the lessee's marginal interest rate as at January 1, 2019 was used.
In order to calculate discount rates for the purposes of IFRS 16, the Group used a marginal interest rate reflecting the cost of financing that would be incurred for the purchase of the leased item. In order to estimate the discount rate, the Group took into account the following contract parameters: type, duration, currency and potential margin that it would have to pay to financial institutions to obtain financing.
The implementation of IFRS 16 required certain estimates and calculations that have an impact on the measurement of lease liabilities":
- determination of contracts covered by IFRS 16,
- determining the remaining applicable lease period in relation to contracts concluded before 1 January 2019,
- determination of the marginal interest rates used to discount future cash flows,
- indications of useful lives and determination of depreciation rates for right-of-use assets recognized as at January 1, 2019.
When applying IFRS 16 for the first time, the Group applied the following practical simplifications allowed by the standard:
- the using of one discount rate for a portfolio of lease agreements with similar features,
- the application of an assessment whether leases give rise to burdens in accordance with IAS 37 at the moment of implementing the standard, as an alternative to conducting impairment tests of the leased assets,
-agreements under operating lease with the remaining lease period of less than 12 months as at 1 January 2019 will be treated as short-term lease,
- the using of the time perspective (using the knowledge gained after the fact) in determining the lease period, if the agreement includes options for extending or terminating of the lease agreement.

Initial recognition and measurement

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

The cost of the right-of-use asset includes:
- the value of the initial measurement of the lease liability,
- all lease payments paid on or before the date of the start of the lease, 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 lease.

The lease fees included in the valuation of the lease liability include:
- fixed leasing fees,
- variable lease fees, which depend on the index or the rate,
- the amounts expected to be paid after the end of the lease,
- financial penalties for terminating the lease contract, unless it can be assumed with certainty that the Group will not use the option of termination.
After the commencement date of the lease, the right-of-use asset is measured by:
- an increase in the carrying amount to reflect interest on the lease liability,
- a decrease in the carrying amount to reflect the paid lease payments and
- updating the balance sheet valuation to include any reassessment or change of the lease or to include updated fixed lease payments.

Depreciation
Right-of-use assets are depreciated using the straight-line method 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 lease agreements on use:

a) buildings and constructions, including office space for a fixed period of up to 30 years,
b) vehicles, including passenger cars, depreciation period up to 5 years,
c) tools, devices, movables and equipping, depreciation period up to 5 years.

The Group applies simplifications to lease contracts that have the maximum possible duration, including extension options, up to 12 months. Lease fees resulting from these contracts are accounted for as costs:
- on a straight-line basis over the duration of the contract,
- 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, valuation and presentation concluded for lease contracts, the subject of which is of low value.

Low-value assets are considered to be those which, when new, have a value of no more than PLN 15,000.

The Group assesses whether the contract includes lease and non-lease components. Non-lease components are separated from contracts that 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	29 287
Value of future minimum financial lease payments	820
Contractual liabilities under lease as at 31 December 2018	30 107
Discount	-5 777
Current value under lease liabilities as at 01 January 2019	24 330
Current value under finance liabilities as at 31 December 2018	-753
The value of contractual liabilities under lease - the impact of the implementation of IFRS 16 as at 01 January 2019	23 577

Standards adopted by the International Accounting Standards Board (IASB), endorsed by the European Union, but not yet in force

- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies (Policy), Changes in Estimates and Correcting Errors": Definition of Materiality
- Amendments to IFRS 9 - Financial Instruments, IAS 39 - Financial Instruments: Recognition and Measurement and IFRS 7 - Financial Instruments: Disclosure: Reform of the Reference Interest Rate
- Changes to references to conceptual assumptions included in IFRS, effective for annual

periods beginning on or after January 1, 2020 or later

Standards adopted by the International Accounting Standards Board (IASB), awaiting for endorsement by the European Union

- IFRS 17 – Insurance contracts
- Amendments to IFRS 3 – Business combination
- Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in associates and joint ventures: sale or contribution of assets between an investor and its associate or joint venture and subsequent changes
- Amendments to IAS 1 "Presentation of Financial Statements" - Classification of liabilities as current or non-current, effective for annual periods beginning on or after January 1, 2022
- IFRS 14 - deferred balances on regulated activities

The Group expects that the above-mentioned standards will not have a significant impact on the financial statements of Prochem SA. Group.
The standards announced, but awaiting endorsement by the European Union, the Group intends to apply all amendments in accordance with the date of their entry into force.
The Company has not decided to apply the following Standards and amendments to standards that have been published and endorsed for use in the EU earlier, but have not yet entered into force and will introduce them on the date of adoption.

The adopted accounting principles applied by the Capital Group are presented below

The principles of consolidation

1. When preparing the consolidated financial statements of the Prochem Capital Group, the following procedures were applied:
   - The data of subsidiaries were recognized in financial statements using the full method, consisting in combining the financial statements of the parent company and its subsidiaries by adding together like items of assets, liabilities, equity, revenues and expenses,
   - Shares in associated entities and jointly-controlled entities are measured in the consolidated financial statements using the equity method, and at initial recognition are recognized at cost. The purchase price include transaction costs.

Assessment whether the Parent Company controls the company requires determining whether it has the right to manage the significant activity of the company. Determination of the company's significant activity, and who of the investors controls it, requires judgment. In assessing the situation and determining the nature of ties, the following factors are taken into account: i.e. voting rights, relatively owned share, distribution of voting rights held by other investors, scope of these investors' participation in appointing of key managerial staff or members of a Supervisory Board.

2. The subsidiaries are entities controlled by the Parent Entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date of obtaining the control until the date when it expires.
3. Accounting principles applied by subsidiaries have ben unified with the principles adopted by the Group.
4. Goodwill of subsidiaries represents the surplus of the purchase price of components of assets acquired by the parent company over the fair value of the net assets of the subsidiary, in proportion to the acquired share in the entity's equity. Negative goodwill of subsidiaries is the surplus of the fair value of the net assets of the subsidiary above the purchase price of components of assets borne by the parent company, in proportion to the acquired share in the equity of this entity. As at the date of acquisition of subsidiary and associated company (obtaining control), assets, equity and liabilities and contingent liabilities of a subsidiary are measured at fair value.
5. At the moment of loss of control (e.g. in the event of sale), the Group ceases to recognize assets and liabilities of the subsidiary, non-controlling interest and remaining components of the capitals

related to the subsidiary. Possibly surplus or deficit arising from the loss of control is recognized in profit or loss of the current period. If the Group retains any interests in the former subsidiary, they are subsequently measured at fair value as at the date of the loss of the control.

6. Shares of non-controlling interest are disclosed at assigned value, even if it results in arising of a negative balance of non-controlling interests.
7. The Group of Prochem SA treats the transactions with the non-controlling interests as transactions with external entities.
8. Gains or losses arising from the sale of shares to non-controlling interests are recognized in equity.
9. As associated entities are considered such entities in which Prochem has between 20% and 50% of the total number of votes in the decisive bodies or otherwise may exercise substantial influence over their financial and operating policies. As the jointly-controlled entities are considered such the entities in which Prochem SA holds 50% of the total voting rights in the decisive bodies.
10. Investments in associated and jointly-controlled entities are accounted for using the equity method and are initially recognized at cost. Share in profit or loss of the associate or jointly-controlled is recognized in profit and loss account. If the share in losses of an associate or jointly-controlled equals or exceeds interest of the Group of Prochem in this entity, the Group does not recognize further losses, unless it is obliged. Unrealized gains between the Group and the associate are eliminated to the level of the Group's interest in such entity.
11. The purchase price of shares in associated companies and in jointly-controlled entities is subject to adjustments by any changes in the fair value of the net assets, which are attributable to the value of the share held, from the moment of purchase until the date of the financial statements, as well as effects of a stated impairment.
12. At preparing the consolidated financial statements shall be done the following adjustments and exemptions:
    - In the scope of exemptions:
        1. Shares with the equity held by the parent company, at the moment of obtaining control of subsidiaries,
        2. Mutual receivables and liabilities and other settlements of a similar nature of consolidated entities,
        3. Income and expenses from mutual buying and selling operations in the capital group,
        4. Dividends accrued or paid by the subsidiaries to the parent company, and to other consolidated entities.
    - In the scope of adjustments:
        1. Gains or losses arising as a result of economic transactions between consolidated entities.

The items of the financial statements are divided into short-term and long-term (current and non-current) according to IAS 1.

Property, plant and equipment and intangible assets

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

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

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

Value of PPE designated to liquidation, withdrawn from use as a result of the change of technology or other reasons, is being revalued by write down. Write-down is recognized in other operating costs.
Expenditures on PPE incurred at a later date are recognized at their carrying amount when it is probable that future economic benefits associated with them will flow to the entity, and this cost could be reliably measured. All other repair and maintenance costs of PPE are recognized in the cost of the period, in which they were incurred.

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

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

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

The useful lives and depreciation method applied are verified at the end of each reporting year and are adjusted in justified cases.

Own land is not subject to depreciation.

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

PPE are subject to the impairment tests, if premises for impairment exist, while in case of PPE in progress, the possible impairment is determined at least for each balance sheet day. The effects of the impairment are recognized in other operating costs.

The component of intangible assets is measured at cost less any depreciation allowances and any impairment losses.

Intangible assets, except for the goodwill are being amortized. Amortization allowances of intangible assets is made by systematic, planned allocation of the initial value in the established useful life of the component. A straight line of amortization method is applied.

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

The applied useful lives and amortization methods are verified at the end of each reporting year and adjusted in subsequent periods in justified cases.

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

Investment property

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

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

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

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

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

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

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

- The difference between the fair value and the carrying amount, which arose at the time of transfer to investment properties measured at fair value:
- PPE - is accounted for as a revaluation in accordance with IAS 16,
- inventories -is recognized as profit or as loss for the period,
- completion of construction or development of investment property on own account - as the profit or loss for the period.

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

- condition and location,

- any restrictions on the sale or use of the asset.
The impact of individual features is to differ in depending on how these features will be taken into account by the market participants.

Fair value measurement is based on the assumption that the transaction on disposal of assets is held:
- on the principal market for the asset,
- in case of the absence of a principal market, the most advantageous market for the asset. The most advantageous market means market that maximises the amount that would be received to sell the asset by the seller of the asset, after taking into account transaction costs and transport costs.

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

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

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

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

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

Measurement of fair value of the entity's investment property is carried out by an independent expert, who has qualifications relevant to carrying out valuations of real estate, as well as current experience in such valuations in locations where assets of the Group are located.
In justified cases, investment properties whose value changes by at least 10%, are valued in each year.

Leases

The Group as the lessee

At the time of concluding a new contract, the Group assesses whether the contract is a lease or whether it contains a lease. The contract is a lease or contains a lease if it provides the right to control the use of the identified asset for a given period in exchange for remuneration. To assess whether the right to exercise control over the use of an asset over a given period is vested under the contract, the Group assesses whether it has the following rights jointly over the entire useful life:
a) the right to obtain substantially all economic benefits from the use of the identified asset, and

b) the right to direct the use of the identified asset.

If the Group has the right to exercise control over the use of an identified asset for only part of the duration of the contract, the contract shall include lease in relation to that part of the period.
Rights arising from lease, rental, and other contracts that meet the definition of lease in accordance with the requirements of IFRS 16 are recognized as rights-of-use assets within the frame of non-current assets and on the other side as liabilities under lease.

Initial recognition and measurement

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

The cost of right-of-use asset includes:
- the value of the initial measurement of the lease liability,
- all lease paid on or before the date of the start of the lease, 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 lease.

The lease fees included in the valuation of the lease liability include:
- fixed leasing fees,
- variable lease fees, which depend on the index or the rate,
- the amounts expected to be paid after the end of the lease,
- financial penalties for terminating the lease contract, unless it can be assumed with certainty that the Group will not use the option of termination.

After the commencement date of the lease, the right-of-use asset is measured by:
- an increase in the carrying amount to reflect interest on the lease liability,
- a decrease in the carrying amount to reflect the paid lease payments and
- updating the balance sheet valuation to include any reassessment or change of the lease or to include updated fixed lease payments.

Depreciation
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 lease contracts regarding the use of:
d) buildings and constructions, including office space concluded for a specified period of up to 30 years,
e) means of transport, including passenger cars, depreciation period up to 5 years,
f) tools, movables, instruments and equipment, depreciation period up to 5 years.

The Group applies simplifications to lease contracts that have the maximum possible duration, including extension options, up to 12 months. Lease fees resulting from these contracts are accounted for as costs:
- on a straight-line basis over the duration of the contract,
- 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, valuation and presentation concluded for lease contracts, the subject of which is of low value.

Low-value assets are considered to be those which, when new, have a value of no more than PLN 15,000.

The Group assesses whether the contract includes lease and non-lease components. Non-lease components are separated from contracts that include leasing and non-lease components, e. g. service of assets that are the subject of the contract.

The Group as the lessor

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

Borrowing costs

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

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

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

Current assets

Inventory – item of Inventory includes - materials, goods, semi-finished products, and work-in-process.
Inventories are measured initially at cost. As at the balance sheet day the measurement of goods and materials is done with the prudence accounting principle, that is the categories are valued at the lower of following - purchase price, the production cost or the net realizable value.
Stocks of slowly-rotating goods and materials are covered among others by the write-downs created according to individual evaluation of the realizable price as at the balance sheet day.
Flows of stocks are done at using the FIFO method - "first-in", "first-out".
Write-downs concerning inventory and their reversals are recognized in the other operating expenses and revenues from operating activities.

Loans granted - arise when the entity is transferring financial means directly to the debtor, and is not intending to enter the receivable into trade. They are classified as current assets, provided the date if their maturity does not exceed 12 months from the balance sheet day. Loans with the maturity date exceeding 12 months starting from the balance sheet day are classified as non-current assets. Loans are initially recognized at their fair value. The measurement of loans at later date is done at amortized cost, using the effective interest rate method, less possible impairment losses.

Receivables are recognized initially at fair value, and subsequently measured at amortized cost using the effective interest rate method less impairment allowances. Impairment allowance of receivables is identified when there is objective evidence that the entity will not receive all amounts due according to the original terms of receivables and it is recognized in other operating expenses. Impairment allowance is established according to IFRS 9 Financial instruments.

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

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

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

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

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

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

Measurement of assets and financial liabilities
At initial recognition the Group shall measure component of assets or liabilities at fair value, increased in case of the component of assets or financial liabilities not classified as measured at fair value through profit or loss by transaction costs, which could be directly attributable to the purchase or to the issue of the component of financial asset such as: fees and commissions paid to advisers or agents, levies imposed by regulatory agencies and the stock exchange and taxes. Transaction costs do not include premium or discount from debt instruments, or financing costs, neither administrative costs nor costs of holding of the instruments.

Measurement of financial instruments – IFRS 9

IFRS 9 provides for three categories of debt instrument classification:
- at amortized cost,
- at fair value through other comprehensive income,
- *at fair value through profit or loss.*

The classification of debt instruments in accordance with IFRS 9 is based on the business model used by the entity to manage financial assets and whether the contractual cash flows include only principal and interest payments. An entity's business model means the way in which an entity manages its financial assets to generate cash flows and create value. If a financial instrument is held to generate cash flows, it is classified as measured at amortized cost, provided that it solely includes principal and interest payments.

Impairment of financial instruments

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

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

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

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

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

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

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

The classification of financial assets is presented below.

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

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

In the scope of hedge accounting, the Group has decided to continue the existing measurement and classification methods.
According to IFRS 9, which introduces an approach to estimating impairment of financial assets based on the impairment model. This model is based on the calculation of expected losses. To estimate the expected credit losses in relation to trade receivables, the Group used a simplified method permitted by IFRS 9. For the purposes of estimating the expected credit loss, the Group uses a provision ratio, which takes into account historical data.
Taking into account the above calculation methodology for expected credit losses, the value of receivables may also be updated individually in case if in the individual assessment of the Management Board the risk of non-recoverability is significant, in particular in relation to:
- receivables from contractors put in liquidation or bankruptcy
- debts questioned by debtors, and such when the debtor is in arrears, and according to the assessment of the debtor's property and financial situation, the repayment of the contractual receivable is fraught with significant risk.

As a result of individual analysis, in case when despite significant overdue of receivables, the Group has a credible declaration of the contractor's payment, the creation of a write-off may be suspended.

For measurement at the end of the reporting period or any other date after initial recognition the Group classifies financial assets into one of four categories:

1. measured at fair value through profit or loss,
2. held-to-maturity investments,
3. loans and receivables,
4. available for sale financial assets.

Component of assets measured at fair value through profit or loss means such a component of financial assets which was designated at initial recognition as measured at fair value through profit or loss or was classified as held for trading since:
- was purchased or contracted mainly for sale or repurchase in short term,
- is part of portfolio of determined financial instruments jointly managed and for which there is evidence of a recent actual pattern of short-term profits, or
- is a derivative instrument (except for derivatives that are effective hedging instruments).

Investments held-to-maturity are non-derivative financial assets with fixed or determinable time of payment or fixed maturity, which Group is intending and able to hold to its maturity.

Loans and receivables are non-derivative financial assets with fixed or determinable payments, which are not quoted on the active market.
Available-for-sale financial assets are non-derivative financial assets, which were classified as available for the sale or which do not constitute loans or other receivables, or investments held-to-maturity as well as they are not the financial assets measured at fair value through financial result.

Measurement of financial assets at fair value
The Group measures financial assets measured at fair value through the profit or loss, including derivatives being assets and available-for-sale financial assets, without reduction by the transaction costs which can be incurred in relation to the sale or using other way of the disposal of assets.
Fair value of financial assets is measured as follows:
- for instruments quoted on the active market based on the last quotations available at the end of the reporting period,
- for debt instruments unquoted on the active market based on the discounted cash flows analysis,
- for futures derivatives (forward) and swap contracts based on discounted cash flows analysis.

Investments in equity instruments (shares), that do not have quoted market price on active market and which fair value cannot be measured credibly, are valued at cost by the Group, i.e. at purchase price less possible impairment losses.
Financial assets designated as hedged items are valued in accordance with principles of hedge accounting.
Profit or loss arising from measurement of the financial asset classified as available-for-sale is recognized in other comprehensive income, except for impairment losses and exchange differences which are recognized in financial result. For debt financial instruments, interest calculated using the effective interest rate method is recognized in financial result.

Profit or loss arising from measurement of the financial asset classified as available-for-sale is recognized in other comprehensive income, except for impairment losses and exchange differences which are recognized in financial result. For debt financial instruments, interest calculated using the effective interest rate method is recognized in financial result.

Measurement of financial assets at amortized cost
The Group values loans and other receivables, including trade receivables and held-to-maturity investments according to amortized cost and using the effective interest rate method.

Measurement of financial liabilities at fair value
The Group measures financial liabilities classified as measured at fair value through profit or loss (in particular including derivatives which are not hedging instruments), as at the last day of the reporting period or any time after the initial recognition at fair value. Irrespective of the nature and purpose of

the acquisition, the Group, at the initial recognition, classifies selected financial liabilities as measured at fair value through financial result if it leads to obtaining more useful information. Fair value of the obligation is based on the current selling price for instruments quoted on the active market.
In the absence of an active market, fair value of financial liabilities is determined by:
- the use of recent market transactions conducted directly between the well informed, willing parties, or
- reference to the current fair value of another instrument that is almost the same, or
- discounted cash flows analysis.

Measurement of other financial liabilities at amortized cost

The Group measures other financial liabilities according to amortized cost using the effective interest rate method.
Financial guarantee contracts i.e. contracts that obligate the Group (issuer) to make specified payments to reimburse the holder for a loss it incurs because of not making payment by a specified debtor when due in accordance with the original or modified terms of a debt instrument, and not classified as liabilities measured at fair value through profit or loss are measured at the higher of:
- the amount determined according to the principles of valuation of reserves,
- initial value less, when appropriate, accumulated depreciation allowances.

Impairment of financial assets

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

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

Component of financial assets is classified into the category of measured on initial recognition at amortized cost if the following two conditions are met:
- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- its contractual terms give rinse on specified dates to cash flows which are solely payments of principal and interest on the principal outstanding.

Component of financial assets is classified into the category of measured at fair value through other comprehensive income if:
- the Company's objective is to hold assets in order both to receive cash flows from the contracts as well as their selling,
- its contractual terms give rinse on specified dates to cash flows which are solely payments of principal and interest on the principal outstanding.

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

The classification of financial assets is presented below.

Classes of financial instruments	Classification under IFRS 9
Financial assets available for sale	Measured at fair value through profit or loss
Security deposits under contracts for construction	Measured at amortized cost
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Loans granted	Measured at amortized cost
Derivative financial instruments not covered by hedge accounting	Measured at fair value through profit or loss

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

In the scope of hedge accounting, the Group has decided to continue the existing measurement and classification methods.
According to IFRS 9, which introduces an approach to estimating impairment of financial assets based on the impairment model. This model is based on the calculation of expected losses. To estimate the expected credit losses in relation to trade receivables, the Group used a simplified method permitted by IFRS 9. For the purposes of estimating the expected credit loss, the Group uses a provision ratio, which takes into account historical data.
Taking into account the above calculation methodology for expected credit losses, the value of receivables may also be updated individually in case if in the individual assessment of the Management Board the risk of non-recoverability is significant, in particular in relation to:
- receivables from contractors put in liquidation or bankruptcy
- debts questioned by debtors, and such when the debtor is in arrears, and according to the assessment of the debtor's property and financial situation, the repayment of the contractual receivable is fraught with significant risk.

As a result of individual analysis, in case when despite significant overdue of receivables, the Group has a credible declaration of the contractor's payment, the creation of a write-off may be suspended.

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

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

Employee benefits - the company pays the contributions to the obligatory retirement benefit plan, depending on the amount of gross wages, which is paid in accordance with the applicable laws. The Company has no other retirement benefit plans.
Pursuant to the Remuneration Regulations, employees of the Company are entitled to receive one-off retirement and pension benefits in the event of termination of employment in connection with retirement or pension. The above-mentioned severance payments are benefits after the period of employment paid when the employee no longer performs work, therefore the expenses related to them are spread over the entire period of employment of the employee by making current allowances for provisions for benefits. In some of the Group's companies, there are jubilee payments paid out at five-years intervals after reaching the required length of employment by employees. These bonuses are other long-term benefits and the expenses related to them are also spread over time from the moment of employment until the required number of years of work reached. The current amounts of provisions and write-downs are determined by an external actuarial office individually for each employee in accordance with the "projected entitlement for person" methodology. The accrued provisions

constitute the current expected value of future long-term liabilities of the Company due to severance payments less the current expected values of future write-downs, which will be made until the employee is entitled to benefit from them.
Actuarial assumptions used for calculations are determined based on the Company's historical data, market data and forecasts. They include demographic and financial indicators, including rotation rates, mortality tables, tables of total disability, indicators of postponing the moment of taking advantage of pension rights after their acquisition, rates of increase in benefits bases, interest rate for discounting.

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

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

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

Revenues from sales - include in particular revenue from execution of contracts of construction services (general contracting) and design and engineering services. From 1 January 2018, the Company applies the principles of IFRS 15 taking into account the assumptions adopted in this model. This model assumes that revenues are recognized when (or to the extent to which) the entity transfers control over the goods or services to the client and in the amount to which the entity expects to be entitled. Depending on the meeting of determined criteria, the revenues:
- are distributed over time in a way that reflects the implementation of the contract by the entity, or to which entity expects to be entitled.
- are recognized once, in such a time when the control over the goods or services is transferred to the customer.

Revenues from the contracts for construction services (general contracting) and the design and engineering services are determined in proportion to the level of the progress of the service. The level of progress of the service is measured by the share of costs incurred from the date of the contract to the date of recognition of income in the total cost of the execution of service.
Correctness of calculations of the level of the progress of service as well as expected the total expenses and revenues from the performing of the service is verified at the end of each quarter.
Revenues from sale of goods and materials are recognized in the profit and loss account when the control over goods has been transferred to the client.

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

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

Transactions in foreign currencies

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

Functional currency and presentation currency of financial statements

The consolidated financial statements is presented in thousands of Polish Zlotys (“zloty” or “PLN”), which is the functional currency of the Parent Entity and presentation currency.

The financial result and financial position of the Representation Office are translated using the following procedures:

- assets and liabilities shall be translated at the closing rate as at the date of statement of financial position,
- revenues and expenses shall be translated at the exchange rate on the transaction date, and
- arisen exchange differences shall be recognized in statement of profit and loss.

6. Explanatory Notes to consolidated financial statements as at and for the period ended 31 December 2019

Note 1 – Property, Plant and Equipment

	31 December 2019	31 December 2018
Property, plant and equipment, including:	17 807	22 829
- land	2 020	4 749
- buildings, premises and civil engineering objects	12 883	15 423
- machinery and equipment	724	591
- vehicles	1 334	1 267
- other PPE	846	799
Construction under progress	25	18
Total property, plant and equipment	**17 832**	**22 847**

Property, plant and equipment – ownership structure	31 December 2019	31 December 2018
a) owned	6 450	8 225
b) used under rental, lease or other agreement, including :	11 382	14 622
- lease	953	775
- rental and lease	9 762	10 477
- value of the right of perpetual usufruct	667	3 370
Total property, plant and equipment	**17 832**	**22 847**

The Group, pursuant to an agreement dated 23 July 2004 leases property consisting of 3 buildings with an area of 6 227.5 m^2, on a plot of 3 311 m^2 located in Warsaw at Emilia Plater 18 and Hoża 76/78. The duration of the contract from the date of its conclusion is 30 years.

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. The fair value as at 31 December 2019 was set based on valuation made by the independent valuators not associated with the Group. The valuators have the right qualifications to carry out valuations of land, buildings and structures, as well as the current experience in such valuations, which are carried out in locations where there are assets of the Group.

Methods of valuation and key unobservable data are presented in the table below.

Method of valuation	Key unobservable input data	Relation between key unobservable input data and fair value
The comparative approach using the method of the adjusted average price: The model is based on determining of the average transaction price for 1 m^2 of the area on the basis of the representative sample of the transaction concluded. The average price was corrected for weights of the market features: the attractiveness of the location and the neighbourhood, area and shape of the plot, destiny, legal status of a land, access to the plot.	• The average transaction price per 1 m^2. • Attractiveness of the location and neighbourhood. • Area and shape of the plot. • Designation. • Legal status. • Access to the plot.	The estimated fair value of real estate would be increased (or would be reduced) if: • the average transaction price per m^2 was higher (lower)
Discounted cash flows: The model of measurement is based on the presented value of future net cash flows that will be generated from the real estate taking into account: the level of leased space. The	• Level of space lease : reflecting the status of the currently leased space. • Adjusted for the risk of	The estimated fair value of real estate would be increased (or would be reduced) if: • Level of leased space was higher (was lower);

expected net cash flows are discounted with discount rates taking into account the risk. Other factors considered in the adopted average rent per square meter are: attractiveness of the location, technical condition of building, the standard and the functionality of the building, the possibilities of the access, and parking spaces.	discount rate: 6.646%-6.896%, 6.98%.	• Discount rates adjusted for the risk were lower (were higher).

There has been no change in the valuation techniques during the year.

Details concerning land, buildings and constructions, as well as information about the hierarchy of fair values as at 31 December 2019.

The Group	Fair value as at 31 December 2019 (in PLN thousands)	Fair value as at 31December 2018r.(in PLN thousands)
	Level 3	Level 3
Land, including the right of perpetual usufruct	2 020	4 749
Buildings and constructions	12 883	15 423
Total	**14 903**	**20 172**

Property, plant and equipment covered by the mortgage, hedging the repayment loans, was described in Note 18.

Change in PPE – in 2019

	- land, including the right of perpetual usufruct of land	**- buildings, premises and civil engineering objects**	**- machinery and equipment**	**- vehicles**	**- other PPE**	**- construction under progress**	**Total PPE**
Gross value							
As at 1 January 2019	**5 892**	**23 635**	**4 396**	**2 618**	**4 121**	**18**	**40 680**
Increase (due to)	-	-	495	636	291	25	1 447
- acquisition of non-current assets	-	-	495	636	291	25	1 44
Decrease (due to)	-3 495	-1 837	-432	-278	-629	-18	-6 689
- disposal of non-current assets	-	-	-122	-172	-	-	-294
- liquidation of non-current assets	-	-	-293	-107	-629	-	-1 029
- reclassification to ready-for-sale assets	-3 495	-1 836	-33	-	-	-	-5 364
- changes	-	-1	16	1	-	-18	-2
As at 31 December 2019	**2 397**	**21 798**	**4 459**	**2 976**	**3 783**	**25**	**35 438**
Depreciation and impairment							
As at 1 January 2019 – accumulated depreciation	**1 143**	**8 212**	**3 805**	**1 351**	**3 322**	**-**	**17 833**
Depreciation for the period (under)	-766	703	-70	291	-385	-	-227
- increase (depreciation accrued)	26	822	316	532	249	-	1 945
- decrease under disposal of non-current assets	-	-	-106	-151	-	-	-257
- decrease under liquidation of non-current assets	-	-	-267	-91	-629	-	-987
- reclassification to held-for-sale assets	-792	-119	-12	1	-3	-	-925

- changes	-	-	-1	-	-2	-	-3
As at 31 December 2019 - accumulated depreciation	**377**	**8 915**	**3 735**	**1 642**	**2 937**	**-**	**17 606**
Impairment of non-current assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net value of non-current assets as at 31 December 2019	**2 020**	**12 883**	**724**	**1 334**	**846**	**25**	**17 832**

Comparative data

Change in PPE – in 2018

	- land, including the right of perpetual usufruct of land	**- buildings, premises and civil engineerin g objects**	**- machinery and equipment**	**- vehicles**	**- other PPE**	**- constructi on under progress**	**Total PPE**
Gross value							
As at 1 January 2018	**5 253**	**22 527**	**4 546**	**2 409**	**4 319**	**483**	**39 537**
Increase (under)	639	238	353	604	112	-	2 355
- acquisition of PPE	-	238	353	604	112	-	1 307
- updating of PPE	639	409	-	-	-	-	1 048
Decrease (due to)	-	-461	-503	-395	-310	-465	-1 212
- disposal of PPE	-	-	-193	-355	-16	-	-564
- liquidation of PPE	-	-	-310	-40	-292	-	-642
- updating of PPE	-	-4	-	-	-	-	-4
- changes	-	465	-	-	-2	-465	-2
As at 31 December 2018	**5 892**	**23 635**	**4 396**	**2 618**	**4 121**	**18**	**40 680**
Depreciation and impairment							
As at 1 January 2018 - accumulated depreciation	**1 045**	**7 375**	**4 002**	**1 284**	**3 191**	**2**	**16 899**
Depreciation for the period (under)	98	837	-197	67	131	-2	934
- increase (depreciation accrued)	98	837	306	404	287	-	1 932
- decrease due to disposal of PPE	-	-	-194	-298	-16	-	-508
- decrease due to liquidation of PPE	-	-	-309	-39	-140	-2	-490
As at 31 December 2018 - accumulated depreciation	**1 143**	**8 212**	**3 805**	**1 351**	**3 322**	**-**	**17 833**
Impairment of PPE	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net value of PPE as at 31 December 2018	**4 749**	**15 423**	**591**	**1 267**	**799**	**18**	**22 847**

Note 2 – Intangible Assets

	31 December 2019	**31 December 2018**
Acquired concessions, patents, licenses and similar assets including computer software	130	182
Total intangible assets	**130**	**182**
Intangible assets – ownership structure		
Owned	130	182
Total intangible assets	**130**	**182**

Change in intangible assets – in 2019

	Acquired concessions, patents, licenses and similar assets including computer software	Total intangible assets
Gross value		
As at 1 January 2019	**3 370**	**3 497**
Increase (due to)	35	94
- acquisition of intangible assets	35	94
Decrease (due to)	-	-221
- liquidation	-	-221
As at 31 December 2019	**3 405**	**3 370**
Amortization and impairment		
As at 1 January 2019 – accumulated amortization	**3 188**	**3 255**
Amortization for the period (due to)	87	-67
- increase (accrued amortization)	87	154
- decrease due to liquidation	-	-221
As at 31 December 2019 - accumulated amortization	**3 275**	**3 188**
Net intangible assets as at 31 December 2019	**130**	**182**

Comparative data

	Acquired concessions, patents, licenses and similar assets including computer software	Total intangible assets
Gross value		
As at 1 January 2018	**3 497**	**3 497**
Increase (due to)	94	94
- acquisition of intangible assets	94	94
Decrease (due to)	-221	-221
- liquidation	-221	-221
As at 31 December 2018	**3 370**	**3 370**
Amortization and impairment		
As at 1 January 2018 - accumulated amortization	**3 255**	**3 255**
Amortization for the period (due to)	-67	-67
- increase (amortization accrued)	154	154
- decrease due to liquidation	-221	-221
As at 31 December 2018 - accumulated amortization	**3 188**	**3 188**
Net intangible assets as at 31 December 2018	**182**	**182**

Note 3 –Investment property

	31 December 2019	31 December 2018
Construction under progress	-	-
Buildings and constructions	7 193	7 193
Value of the 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 31 December 2019	Change in investment property for the period from 1 January 2018 to 31 December 2018
Investment property - land		
As at opening balance sheet	4 797	4 267
- decrease, including sale	-	-166
- decrease under reclassification – assets held-for-sale	-3 033	-
- increase under valuation at fair value	-	696
As at closing balance sheet	1 764	4 797
Construction under progress		
As at opening balance sheet	-	1 128
- change due to:		
- under reclassification from PPE	-	-752
- under valuation at fair value	-	-376
Total change	-	-1 128
As at closing balance sheet	-	-
Investment property – buildings and constructions		
As at opening balance sheet	7 193	5 917
- change due to:		
a) decrease under disposal	-	-80
b) increase under valuation at fair value	-	601
c) decrease under reclassification – assets held-for-sale	-647	755
Total change	-	1 276
As at closing balance sheet	6 546	7 193
Write-down of investment property	-	-
Total investment property	**8 310**	**11 990**

Fair value as at 31 December 2019 was determined based on a valuation prepared by independent appraisers, not related to the Group. Appraisers have the appropriate qualifications to conduct valuations of investment properties, as well as current experience in such valuations made at locations where the Group's assets are located.

On 4 December 2019 subsidiary Elpro Sp. z o. o. seated in Krakow signed preliminary contract of sale of real estate at Kazimierza Wielkiego Street in Krakow for the amount of PLN 4,600 thousand. The date of conclusion of the promised sale agreement has been set by March 31, 2020. As at 31 December 2019 the real estate was reclassified to ***Assets held-for-sale***.

As at 31 December 2019 this value was confirmed by independent appraisers. Valuation methods and key unobservable data are presented in the table below:

Method of valuation	**Key unobservable input data for comparable properties**	**Relation between key unobservable input data and fair value**
The comparative approach using the method of the adjusted average price: The model is based on determining of the average transaction price for 1 m^2 of the area on the basis of the representative sample of the transaction concluded. The average price was corrected for weights of the market features: the attractiveness of the location and the neighbourhood, area and shape of the plot, destiny, legal status of a land, access to the plot.	• The average transaction price per 1 m^2 for comparable properties • Attractiveness of the location and neighbourhood. • Area and shape of the plot. • Designation. • Legal status. • Access to the plot.	The estimated fair value of real estate would be increased (or would be reduced) if: • the average transaction price per m^2 was higher (lower)
Discounted cash flows: The model of measurement is based on the presented value of future net cash flows that will be generated from the real estate taking into account: the level of leased space. The expected net cash flows are discounted with discount rates taking into account the risk. Other factors considered in the adopted average rent per square meter are: attractiveness of the location, technical condition of building, the standard and the functionality of the building, the possibilities of the access, and parking spaces.	• Level of space lease : reflecting the status of the currently leased space. • Adjusted for the risk of discount rate: 6.646%-6.896%, 7% -7,5%.	The estimated fair value of real estate would be increased (or would be reduced) if: • Level of leased space was higher (was lower); • Discount rates adjusted for the risk were lower (were higher);

There has been no change in the valuation technique during the year.

Details concerning investment property, as well as information about the hierarchy of fair values as at 31 December 2019.

Group	**Fair value (in PLN thousands)**	
	31 December 2019	**31 December 2018**
	Level 3	Level 3
Land, including the right of perpetual usufruct	1 764	4 797
Buildings and constructions	6 546	7 193
Total	**8 310**	**11 990**

There were no displacements between levels 1, 2 and 3 during a year.

Note 4 – Right-of-use Assets

Description	**Buildings and constructions**	**Machinery and equipment**	**Vehicles**	**Total**
Gross book value	22 901	337	272	**23 510**
Write-downs	-	-	-	-
Total	**22 901**	**337**	**272**	**23 510**
Increase (+) /decrease (-)				
Depreciation	-3 066	-94	-466	**-3 626**
Change in contract value, new contracts	4 662	0	2 363	**7 025**
Write-downs	-	-	-	-
Total as at 31 December 2019				-

Gross book value	27 563	337	2 635	30 535
Accumulated depreciation	-3 066	-94	-466	-3 626
Write-downs	-	-	-	-
Book value net as at 31 December 2019	**24 497**	**243**	**2 169**	**26 909**

Note 5 - Shares

Shares	31 December 2019	31 December 2018
In other entities	830	830
Shares, net value	830	830
Write-downs of shares	6	6
Shares, gross value	**836**	**836**

Change in shares	31 December 2019	31 December 2018
a) as at the beginning of the period	830	830
b) as at the end of the period	830	830

Shares in other entities as at 31 December 2019

Description	Number of shares	Share in capital (%)	Carrying value of shares held (in PLN thousands)
Kostrzyńsko Słubicka Specjalna Strefa Ekonomiczna	8 250	3.04	825
CeMat'70 S.A.	39	0.04	5

Note 6 – Shares in Entities Valued Using the Equity Method

Shares in jointly-controlled entities and associated entities	31 December 2019	31 December 2018
- Shares – net value	31 499	28 111
- write-downs of shares	1 011	1 011
Shares, gross value	**32 510**	**29 122**

Change in shares in jointly-controlled entities and associated entities	31 December 2019	31 December 2018
a) as at the beginning of the period	28 111	26 488
- shares at cost	28 011	26 139
- application of IFRS 15 as at 1 January 2018	-	349
b) increase (due to)	3 388	1 623
- share in the current year result	3 388	1 623
c) at the end of the period, net value	31 399	28 111
d) write-down	1 011	1 011
e) at the end of the period, gross value	32 410	26 488

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

Irydion Sp. z o. o. is the only joint contractual arrangement (jointly-controlled entity), in which the Group participates. It is a company with an aim to build an office building under the name of „Astrum Biznes Park” in Warsaw. The Company is not quoted. The Group has classified its interest in Irydion as a joint venture. The Group exercises joint control along with the shareholder LFI 1 Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych seated in Wrocław, 50% shares for each partner. Each partner has two representatives in the Supervisory Board.

On 17 September 2019 subsidiary Prochem Inwestycje Sp. z o. o. seated in Warsaw concluded contract of sale of shares in company Atutor Integracja Cyfrowa Sp. z o. o. seated in Warsaw. Under the agreement, the sale of 310 shares owned by Prochem Inwestycje Sp. z o. o. will be in two packages: the date of sale of the first block of 132 shares is set by October 31, 2019, and the second package of 178 shares is set by 30 April 2020. The ownership of the shares is transferred to the buyer on the date of payment.

Shares in subsidiaries covered by full consolidation – as at 31 December 2019

Item No	a	b	c	d	e	f	g	h	i	j	K
	Name of the company and its legal form	Registered office	Scope of company's activities	Type of relationship (subsidiary, jointly-controlled, associated, details of direct and indirect relationship)	Consolidation method applied/valuation using the equity method, or an indication that the entity is not subject to consolidation/ valuation using the equity method	Date of obtaining control / jointly control / a significant influence	Value of shares at cost	Total revaluation adjustments	Carrying value of shares	Percentage of share capital held (directly and indirectly)	Participation in the total number of votes at the general meeting (directly and indirectly)
1	PROCHEM INWESTYCJE Sp. z o. o.	Warsaw	Consultancy on business and management	subsidiary	full	22June1992	2 999	-	2 999	100.0%	100.0%
2	PREDOM Sp. z o. o.	Wrocław	Construction designing, urban planning, process engineering	Indirect subsidiary (company Prochem Inwestycje sp. z o. o. holds 75% of capital)	full	19July2002	764	-	764	81.7%	723%
3	PRO-INHUT Sp. z o. o.	Dąbrowa Górnicza	Construction designing, urban planning, process engineering	Indirect subsidiary (company Prochem Inwestycje sp. z o. o. holds 93.2% of shares)	full	4October 2001	63	-	63	93.2%	93.2%
4	PROCHEM ZACHÓD Sp. z o. o.	Warsaw	Marketing activities, construction work and design services, commercial activity and forwarding	subsidiary	full	18March 1998	1 061	-	1 061	80.0%	80.0%
5	ELEKTROMONTAŻ KRAKÓW S.A.***)**	Kraków	Assembly of electrical installations and equipment	Indirect subsidiary (company Prochem Inwestycje Sp. z o. o. holds 65.5% of shares)	full	10December 2001	15 099	-	15 099	85.4%.	85.4%
6	ELMONT INWESTYCJE sp. z o.o.	Kraków	Developer's activity	Indirect subsidiary (Elektromontaż Kraków S.A. holds 50% of shares)	full	5April 2007	9 050	-	9 050	92.7%	92.7%
7	ELPRO sp. z o.o.	Kraków	Development and sale of real estates and rental of property on own account, management of non-residential real estates	Indirect subsidiary (Prochem Inwestycje Sp. z o. o. holds 50%, Elektromontaż Kraków S.A. holds 50% shares)	full	17April2002	3 234	-	3 234	92.7%	92.7%

8	IRYD sp. z o. o.	Warsaw	Development and sale of real estates on own account	Indirect subsidiary (Prochem Inwestycje Sp. z o. o holds 100% shares)	full	13July2000	150	150	-	100.%	100.%
9	ATUTOR INTEGRACJA CYFROWA Sp. z o.o.	Warsaw	Production and sale of computer software, computer system integration, IT service	Indirect subsidiary (company Prochem Inwestycje holds 87.3%)	full	28 September 2000	176	-	176	50.14%	50.14%
10	PROCHEM RPI S.A.	Warsaw	Developer's activity	subsidiary (company Prochem Inwestycje Sp. z o. o. holds 3.33% shares)	full	8 April 1998	513	359	154	100.0%	100.0%
11	Elmont Pomiary Sp. z o.o.	Kraków	Developer's activity	Indirect subsidiaries (Elektromontaż Kraków S.A. holds 100% shares)	full	20April 2004	190	-	190	77.6.0%	77.6%
12	PREDOM PROJEKTOWANIE sp. z o.o.**)	Wrocław	Design services	Indirect subsidiary (company PKI Predom Sp. z o. o.)	Not subject to consolidation	1 May 2002	53	53	-	81.0%	69.3%

***** share in capital and voting right is presented upon completion of redemption procedure of shares bought-back by Elektromontaż Kraków S.A. for redemption**
***** the company has not commenced activities***

Shares in subsidiaries – continuation

	a	b							c			d			e	F
Item No	Name of the company	Equity, including:							Entity’s liabilities and provisions to liabilities, including:			Entity’s trade and other receivables, including:			Total assets of entity	Total sales revenue
			Share capital	Own shares (negative value)	Revaluation reserve	Retained earnings, including:										
							profit (loss) put forward	Net profit (loss)		non-current	current		non-current	current		
1	PROCHEM INWESTYCJE Sp. z o. o.	7 369	3 000	-	-	4 369	-	19	33 533	32 056	1 477	144	-	144	40 902	4 077
2	P.K.I.PREDOM Sp. z o.o.	9 590	600	-	6 181	2 809	-	61	3 445	2 010	1 435	1 913	-	1 913	13 035	6 916
3	PRO-INHUT Sp. z o .o.	534	53	-	-	481	-229	-406	3 625	2	3 623	1 481	-	1 481	4 159	72
4	PROCHEM ZACHÓD Sp. z o.o.	1 942	1 600	-	-	338	-	24	4	-	4	-	-	-	1 942	-
5	ELEKTROMONTAŻ KRAKÓW S.A.*)	24 059	1 208	-	2 657	20 194	-	995	12 552	1 426	11 126	16 323	-	16 323	36 744	47 897
6	ELMONT INWESTYCJE sp. z o.o.	8 037	8 000	-	-	37	141	114	75	-	75	-	-	-	8 112	-
7	ELPRO sp. z o.o.	4 338	3 290	-	188	860	30	129	320	200	120	28	-	28	4 658	221
8	IRYD Sp. z o.o.	-204	150	-	-	-354	-350	-4	209	-	209	-	-	-	5	-
9	ATUTOR Sp. z o.o.	408	355	-	-	53	-	49	941	-	941	1 021	-	1 021	1 329	1 528
10	PROCHEM RPI Sp. z o.o.	125	600	-	-	-475	-470	-5	-	-	-	0	-	0	126	-
11	Elmont Pomiary Sp. z o.o.		Company covered by consolidation by Elektromontaż Kraków S.A. - company’s financial data included in financial statements of Elektromontaż Kraków S.A.													
12	PREDOM PROJEKTOWANIE Sp. z o.o.		Not subject to consolidation													

**** the share in the capital and voting rights are stated in the amounts after the completion of the redemption procedure of shares purchased by Elektromontaż Kraków S.A. for redemption***

Shares in entities valued using the equity method as at December 31, 2019

Item No	a	b	c	d	e	f	g	h	i	j	k
	Name of the company and its legal form	Registered office	Scope of the company's activities	Type of relationship (subsidiary, jointly-controlled, associated, with the detailing of direct and indirect relationship)	Consolidation method applied	Date of obtaining control / joint control / of obtaining significant influence	Value of shares / at cost	Total revaluation adjustments	Carrying value of shares	Percentage of share capital held	Share in total number of votes at the general meeting
1	ITEL Sp. z o.o.	Gdynia	Other electrical installations	associated	The equity method	13 September 2005	708	708	-	42.0%	42.0%
2	IRYDION Sp. z o.o.	Warsaw	Rental of real estate on its own account	jointly-controlled	The equity method (change in the structure of shareholding from a subsidiary to a jointly-controlled entity as from April 3, 2013)	24 March 2000	4 503	-	4 503	50.0%	50.0%

Shares in entities valued using the equity method – continuation

Item No.	a	b		c			d			e	f
	Name of the company	Company's equity, including:		Company's liabilities and provisions to liabilities, including:			Company's receivables, including:			Total company's assets	Sales revenue
			Net profit (loss)		Non-current liabilities	Current liabilities		Non-current receivables	Current receivables		
1	ITEL Sp. z o.o.	No data	No data.	No data	No data	No data	No data	No data	No data	No data.	No data.
2	IRYDION Sp. z o.o.	62 999	6 777	120 841	117 006	3 835	1 204		1 204	183 840	15 839

Note 7 – Settlement of Deferred Income Tax

- deferred tax assets

Change in deferred tax assets	31 December 2019	31 December 2018
1. Deferred tax assets as at the beginning of the period, recognized in financial result (profit or loss)	**7 235**	**6 073**
a) recognized in financial result (profit or loss)	**7 191**	**6 029**
- provisions for costs	140	426
- write-down of receivables	589	606
- unpaid remuneration under contracts of mandate and specific task contracts	31	24
- deferred income	696	707
- interest on loan	320	281
- provision for retirement benefit	366	343
- provision for holiday benefits	280	262
- unpaid employee benefits	9	-
- tax loss	1 606	2 540
- write-down of inventories	106	106
- discounted cash flow expenses	38	28
- deferred tax on write-down of financial assets	5	5
- surplus of costs incurred above margin	3 002	226
- other, including exchange differences	3	474
b) recognized in equity	**44**	**44**
- provision for retirement benefits	44	44
2. Increase	**5 396**	**4 244**
a) recognized in financial result	**5 348**	**4 244**
- provisions to costs	250	165
- write-down of receivables	60	-
- unpaid remuneration under contract of mandate and specific task contract	38	31
- deferred income	692	696
- interest on loan	57	59
- provision for retirement benefit	10	46
- provision for holiday benefits	47	59
- unpaid employee benefits	1	15
- tax loss	241	3 134
- cost of discounted cash flows	83	39
- surplus of costs incurred over margin	3 745	-
- other, including exchange differences	124	-
b) recognized in equity due to negative temporary differences	**48**	**-**
- provision for retirement benefit	48	-
3. Decrease	**4 654**	**3 141**
a) recognized in financial result	**4 654**	**3 141**
- provisions to costs	169	451
- write-down of receivables	342	17
- paid remuneration under contract of mandate and specific task contract	31	24
- deferred income	696	707
- interest on loan	-	20

- provision for retirement benefit	16	23
- provision for holiday benefit	44	41
- unpaid employee benefits	5	7
- tax loss	302	1 125
- costs of discounted cash flows	34	29
- surplus of costs incurred over margin	3 002	226
- other, including exchange differences	13	471
b) recognized in equity in connection with negative temporary differences	-	-
- provision for retirement benefits	-	-
4. Total deferred tax assets at the end of period, including:	**7 977**	**7 176**
a) recognized in financial result	**7 885**	**7 132**
- provisions to costs	221	140
- write-down of receivables	307	589
- unpaid remuneration under contracts of mandate and specific task contract	38	31
- deferred income	692	696
- interest on loan	377	320
- provision to retirement benefits	360	366
- provision to holiday benefits	283	280
- unpaid employee benefits	5	9
- tax loss	1 545	4 549
- write-down of inventories	106	106
- costs of discounted cash flows	87	38
- deferred tax on write-down of financial assets	5	5
- surplus of costs incurred over margin	3 745	-
- other, including exchange differences	114	3
b) recognized in equity in connection with negative temporary differences	**92**	**44**
- provision for retirement benefit	92	44

- provision for deferred income tax

Change in provision for deferred income tax	31 December 2019	31 December 2018
1. Provision for deferred income tax as at the beginning of the period, including:	**7 236**	**5 577**
a) recognized in financial result	**5 630**	**4 086**
- interest accrued on loan	726	607
- updating of non-current financial assets	136	136
- accrued income from uncompleted service	2 864	1 551
- updating of non-financial investments	1 009	841
- surplus of the balance sheet depreciation over tax depreciation	850	757
- other	45	194
b) recognized in equity	**1 606**	**1 491**
- remeasurement of PPE at fair value	1 606	1 491
2. Increase	**5 190**	**4 001**
a) recognized in financial result of the period in connection with positive temporary differences	**5 190**	**3 884**
- interest accrued on loan	97	153

- accrued income from uncompleted service	4 782	3 230
- updating of non-financial investments	37	405
- surplus of the balance sheet depreciation over tax depreciation	93	93
- revenues under discounted liabilities	173	-
- other	8	3
b) recognized in equity	**-**	**117**
- remeasurement of PPE at fair value	-	117
3. Decrease	**3 199**	**2 342**
a) recognized in financial result of the period in connection with positive temporary differences	**3 191**	**2 340**
- paid interest on loan	219	34
- accrued income from uncompleted service	2 820	1 917
- use of updating of non-financial investments	148	237
- other	4	152
b) recognized in equity	**8**	**2**
- remeasurement of PPE at fair value	8	2
4. Total provision to deferred income tax at the end of the period	**9 227**	**7 236**
a) recognized in financial result	**7 629**	**5 630**
- interest accrued on loan	601	726
- updating of non-current financial assets	173	136
- accrued income from uncompleted service	4 826	2 864
- updating of non-financial investments	861	1 009
- surplus of the balance sheet depreciation over tax depreciation	943	850
- revenues from discounted liabilities	173	
- other	52	45
b) recognized in equity	**1 598**	**1 606**
- remeasurement of PPE at fair value	1 598	1 606

	31 December 2019	**31 December 2018**
Deferred tax assets	7 977	7 176
Provision to deferred income tax	-9 227	-7 236
Assets/(Provision) under deferred tax	**-1 250**	**-60**

Presentation in the statement of financial position:

	31 December 2019	**31 December 2018**
Deferred tax assets	1 083	2 340
Provision to deferred tax	-2 333	-2 400
Assets/(Provision) to deferred income tax	**-1 250**	**-60**

Note 8 –Other Non-Current Financial Assets

Other financial assets	**31 December 2019**	**31December 2018**
a) from jointly-controlled entities:	18 419	19 090
- loans granted	18 419	19 090
b) other financial assets – security deposits securing the bank guarantee granted	8 465	1 332
Total non-current financial assets	**26 884**	**20 422**

Loans granted – as at 31 December 2019

- Loans granted to jointly-controlled company Irydion Sp. z o. o. seated in Warsaw:
  - in the amount of PLN 11 743 thousand, including: amount of the loan PLN 11 000 thousand, accrued interest PLN 743 thousand. Interest is set annually according to WIBOR 6M rate, repayment date of the loan with interest was set on September 22, 2031;
  - in the amount of PLN 6 676 thousand, including: amount of the loan PLN 6 000 thousand, accrued interest PLN 676 thousand. Interest rate is set annually at 3% per year, repayment date of the loan with interest was set on September 22, 2031;

Increase:

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

Decrease:

- Repayment of accrued interest on loans granted to jointly-controlled company Irydion Sp. z o. o. in the amount of PLN 1 048 thousand,

Loans granted - as at 31 December 2018

- Loans granted to jointly-controlled entity 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. Interest is set annually according to WIBOR 6M rate, repayment date of the loan with interest was set on September 22, 2031;
  - in the amount of PLN 6 775 thousand, including: amount of the loan PLN 6 000 thousand, accrued interest PLN 775 thousand. Interest is set annually at 3% rate, repayment date of the loan with interest was set on September 22, 2031;

Note 9– Inventories

Inventories	**31 December 2019**	**31 December 2018**
Materials	3 685	1 597
Semi-finished products and work-in-process	473	1 105
Goods	-	676
Total inventories	**4 158**	**3 378**
Write-down of inventories	575	575

Note 10 – Trade and Other Receivables

Trade and other receivables	**31 December 2019**	**31 December 2018**
Trade receivables	79 869	44 752
Write-down of trade receivables	5 213	4 617
Trade receivables net, including	**74 656**	**40 135**
- with repayment period up to 12 months	70 614	39 927
- with repayment period up to 12 months	4 042	208
Receivables from taxes , subsidies, custom duties, social and health insurance and other benefits	**34**	**32**
Other receivables	3 296	1 311
Write-down of other receivables	6	6
Other receivables net	**3 290**	**1 305**
Total receivables	**77 980**	**41 472**

Trade and other receivables from related entities	31 December 2019	31 December 2018
Trade receivables, including:	34	1 562
- from jointly-controlled entities and associated entities	34	1 562
Total trade and other receivables from related entities net	**34**	**1 562**
Write-downs of receivables from related entities	-	-
Total trade receivables and other receivables from related entities, gross value	**34**	**1 562**

Change in write-downs of trade and other receivables	31 December 2019	31 December 2018
As at the beginning of the period	**4 623**	**5 904**
a) increase (due to)	677	298
- provision to receivables	677	298
b) decrease (due to)	81	1 579
- payment received	81	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	**5 219**	**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. As at December 31, 2019 and as at December 31, 2018 trade receivables include the security deposits under statutory warranty for construction and assembly works respectively in the amount of PLN 15 197 thousand and PLN 5 270 thousand.

Trade receivables with time of repayment remaining from the balance sheet date :	31 December 2019	31 December 2018
a) up to 1 month	33 906	20 596
b) above 1 month up to 3 months	17 720	9 966
c) above 3 months up to 6 months	27	483
d) above 6 months up to 1 year	14 959	4 508
e) above 1year	3 756	3 245
f) receivables overdue	9 488	5 954
Total receivables from supplies and services (gross)	**79 856**	**44 752**
g) write-downs of receivables from supplies and services	5 213	4 617
Total receivables from supplies and services (net)	**74 643**	**40 135**

An age analysis of past due trade receivables (gross)	31 December 2019	31 December 2018
a) up to 1 month	3 399	841
b) above 1 month up to 3 months	187	243
c) above 3 months up to 6 months	257	339
d) above 6 months up to 1year	124	172
e) above 1year	5 521	4 359
Total past due receivables from supplies and services (gross)	**9 488**	**5 954**
f) write-downs of past due receivables from supplies and services	5 213	4 617
Total past due receivables from supplies and services (net)	**4 275**	**1 337**

Note 11 – Other financial assets

Other financial assets by type :	31 December 2019	31 December 2018
a) other financial assets - security deposits constituting security for guarantees provided by the bank	1 383	-
b) other	18	
Total other financial assets	**1 401**	**-**

Note 12 – Other assets

Other assets by type :	31 December 2019	31 December 2018
a) prepayments	943	1 202
- cost of property and personal insurance	290	411
- software maintenance costs	456	582
- subscriptions	11	14
- deferred costs	136	121
- other	50	74
Total other assets	**943**	**1 202**

The item – *other prepayments* – comprises the valuation of contracts for construction services that are in progress at the balance sheet date.

Note 13 – 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 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.

Change of rights from the issuer's securities

In acordance with information/notification received from shareholders, the Company informs that as at the date of this statement 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	3.,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	283 391	283 391	9.66	9,66.

On May 9, 2019 the Management Board of PROCHEM S.A. received information from APUS S.A. about purchase of 168,646 Issuer's shares. As a result of the transaction, the threshold for holding shares of PROCHEM S.A. was exceeded by over 10% of the total number of votes.
Before the change APUS S.A., held 143,123 Company's shares, which constituted 4.88 % of share capital and had 143,123 votes from those shares, representing 4.87 % of total number of votes at the General Meeting. After the transaction of purchase APUS S.A. Holds 311,769 Company's shares, representing 10.62 % of Company's share capital.These shares entitle to 311,769 votes at the Company's General Meeting, representing 10.62 % of total number of votes at the General Meeting.

On 9 May, 2019 the Management Board of PROCHEM S.A. received information from ESALIENS Parasol Fundusz Inwestycyjny Otwarty, ESALIENS Senior Fundusz Inwestycyjny Otwarty (hereinafter „Fundusze") about sale of 168 646 Issuer's shares.
Before transaction on accounts of ESALIENS Parasol Fundusz Inwestycyjny Otwarty, ESALIENS Senior Fundusz Inwestycyjny Otwarty (hereinafter „Fundusze") were 168,646 Company's shares, which constituted 5.75 % of Company's share capital, entitling to 168,646 votes from these shares, representing 5.74% of total number of votes at Company's General Meeting. Currently, the Funds do not hold any shares of the Company.

On March 12, 2020 the Management Board of PROCHEM S.A. received information from the member of the Issuer's Supervisory Board, Mr. Andrzej Karczykowski about purchase of 81 509 Issuer's shares.
Prior to the change Mr. Andrzej Karczykowski held 201 882 Company's shares, which constituted 6.88 % of share capital and held 201 882 votes from these shares, representing 6.88 % of total number of votes at the General Meeting. After transaction of purchase Mr. Andrzej Karczykowski holds 283 391 Company's shares, representing 9.66 % of Company's share capital. These shares entitle to 283 391 votes at the Company's General Meeting, representing 9.66 % of total number of votes at the General Meeting.

Note 14 – Revaluation reserve

	31 December 2019	31 December 2018
As at opening balance sheet	11 789	11 521
Foreign exchange translation differences	-	200
Actuarial losses on valuation of provisions for employee benefits	-57	-181
Revaluation of non-current assets	-4 804	310
Other changes	-	-61
As at closing balance sheet	**6 928**	**11 789**

Note 15 - Retained earnings

	31 December 2019	31 December 2018
Spare capital	55 489	49 741
Other capital reserve	19 764	18 688
Profit (loss) brought forward	-1 166	-1 136
Profit (loss) of the period	7 866	1 923
Total	**81 953**	**69 216**

Note 16 – Liabilities under Retirement Benefits

Long-term employee benefits for which provisions are created include retirement and disability benefits paid upon termination of employment in connection with the employee's retirement or disability pension, and jubilee bonuses paid every 5 years when the employee reaches the required number of years of service. The rules for granting severance pay and benefits depend on individual Remuneration Regulations in force in individual Companies of the Group.

Provisions for retirement and disability pension gratuity as at December 31, 2019 were determined using the individual method and at using PUCM methodology required by IAS 19 and using actuarial techniques. The actuarial assumptions have been updated based on the latest historical data of the, current market data and taking into account changes in the currency policy of the Group and each Company. The calculations were based on individual data on employees as at December 31, 2019, separately for each Company.

Here below are the averaged values of indicators determined on the basis of detailed actuarial assumptions, which were accepted individual for each Company for the calculation of provisions as at December 31, 2019:

- weighted average rotation ratio: general 7.84%-11.19%, depends on the Company, including for the traineeship > 3 years 4.51% - 6.57%, depends on the Company
- weighted average probability of death: 0.002882 – 0.006892 depends on the Company (based on the tables of the Central Statistical Office GUS PTTŻ 2018 which were reduced to 40% equally for all Companies)
- weighted average probability of total disability: 0.001378 – 0.003036 depends on the Company (tables based on the Social Insurance Office ZUS case law for the years 2014 – 2018 personalized for each Company separately)
- average annual increase in the basis for benefits : 1.88% - 2.13% depending on the obligations length and type of benefit and Company
- fixed interest rate used for discounting depending on the total length of liabilities due to assessed benefits, calculated for each company separately on the basis of an extrapolated profitability curve determined on the basis of increased by 0.35 pp. Profitability of Polish Treasury bonds as of January 3, 2020: 2.48% - 2.55% depends on the Company.

For comparison, the average values of indicators determined on the basis of actuarial assumptions, which were accepted for the calculation of provisions as at December 31, 2018:

- weighted average index of rotation: general 5.47% - 13.46%, including for the traineeship > 3 years 4.75% - 4.97%
- weighted average probability of death: 0.002904 – 0.006975
- weighted average probability of total disability: 0.001256 – 0.004003
- average annual increase in the basis for benefits: 1.66% - 2.00%
- average interest rate used for discounting: 2.96% - 3.25%

Change in provisions for retirement and disability pension gratuity, and jubilee gratuity

Description	In 2019				In 2018
	Gratuity	Bonuses	Total		Total
Opening balance for the provision for benefits	990	1 217	**2 207**		**2 040**
Benefits paid during the period (-)	-129	-315	-444		-274
Interest cost	30	32	62		67
Current employment costs /current write-downs/	56	63	119		110
Actuarial loses (gains)	115	188	303		264
Cost of past employment	0	0	0		0
Effects of the sale /acquisition / merger of the Companies	0	0	0		0
Closing balance for provisions for benefits	1 062	1 185	**2 247**		**2 207**
including current provision	*124*	*260*	*384*		*445*
including non-current provision	*938*	*925*	*1 863*		*1 762*

Breakdown of actuarial gains/losses

Description	In 2019				In 2018
	Gratuity	Bonuses	Total		Total
Actuarial (profits) losses ‘ex post’	21	96	117		223
Actuarial(profits) losses from updating of demographic assumptions	26	55	81		-8
Actuarial(profits)losses from updating financial assumptions	68	37	105		49
Total actuarial (gains) losses	**115**	**188**	**303**		**264**

Burdens in the period under retirement and disability pension gratuity, and jubilee gratuity

- recognized in profit or loss:

Description	In 2019				In 2018
	Gratuity	Bonuses	Total		Total
Current employment cost /current write-down /	-56	-63	-119		-110
Interest cost	-30	-32	-62		-67
Actuarial profits (losses) under other non-current benefits	0	-188	-188		-54
Cost of past employment	0	0	0		0
Total gains (losses)	-86	-283	**-369**		**-231**

- recognized in other comprehensive income:

Description	In 2019		In 2018
Actuarial profits (losses) under post-employment benefits	-115		-210

Maturity profile of benefits

Period	Flows	Distribution of provisions
2020	393	384
2021	287	264
2022	164	146
2023	180	144
2024	204	154
≥ 2025	4 210	1 156

Total	5 438	2 248
PV / duration	3 806	12.95 years

Sensitivity analysis of provisions for changes in basic actuarial assumptions.

Sensitivity analysis for the interest rate			Sensitivity analysis for the rate of employee rotation			Sensitivity analysis for increases in the basis of benefits	
Change in percentage points	Increase in provisions		Change in %	Increase in provisions		Change in percentage points	Increase in provisions
-1.0%	187		-20%	103		-10%	-173
-0.5%	89		-10%	50		-0.5%	-89
0.0%	**0**		**0%**	**0**		**0.0%**	**0**
0.5%	-83		10%	-48		0.5%	95
1.0%	-160		20%	-92		1.0%	198

Note 17 – Other Non-current Liabilities

Other non-current liabilities	**31 December2019**	**31 December2018**
- capital unpaid	50	50
- security deposits retained	89	88
Total non-current liabilities	**139**	**138**

Note 18- Current Bank Loans

	31 December 2019	**31 December 2018**
- loans	1 786	7 077

Information on bank loans contracted

Name of the bank	Registered office	Loan limit	The amount of engagement	Repayment date	Terms of interest	Collateral
By Prochem S.A.						
mBank SA	Warsaw	8,000 credit in overdraft	-	29.11.2020	WIBOR for O/N deposits in PLN + margin	Promissory note in blank, court pledge on shares of 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	450	28.02.2020	WIBOR for 1-month deposits in PLN + margin	Mortgage
ING BANK Śląski	Katowice	2 500	-	19.11.2020	WIBOR for 1-month ON deposits in PLN + margin	Hipoteka

By Atutor Integracja Cyfrowa sp. z o. o.

Bank Millenium S.A.	Warsaw	150	145	Revolving loan in a bank account from 02.08.2016	WIBOR 1month 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	17.05.2020	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	400	400	30.07.2020	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	57	30.07.2020	WIBOR for 1-month deposits in PLN + margin	BGK Bank guarantee based on a portfolio agreement. Promissory note in blank.

Note 19 – Trade Payables

	31 December 2019	31 December 2018
a) to associated entities and jointly-controlled entities	6	12
- from supplies and services , with maturity period:	6	12
- up to 12 months	6	12
b) to other entities	69 155	31 614
- from supplies and services, with maturity period:	69 155	31 614
- up to 12 months	68 562	30 929
- above 12 months	593	685
Total trade payables	**69 161**	**31 626**

Note 20 – Amounts Owed to Recipients under Non-current Agreements

	As at 31 December 2019	As at 31 December 2018
- amounts due from recipients under agreements	22 851	5 799
Amounts due from recipients under non-current agreements	**22 851**	**5 799**

	As at 31 December 2019	As at 31 December 2018
- amounts owed to recipients under agreements, including:	42 598	2 863
a) current	30 955	
b) non-current	11 643	
Amounts due from recipients under non-current agreements	**42 598**	**2 863**

Description	As at 31 December 2019	As at 31 December 2018
Value of revenues according to contracts	757 242	308 430
Revenues invoiced	258 278	200 768
Liabilities planned under the implementation of contracts	712 831	284 997
Realized contractual liabilities	269 142	198 854
Amounts due from recipients	22 851	5 799
Amounts owed to suppliers	42 598	2 863

Note 21 – Other Liabilities

	31 December 2019	31 December 2018
a) to other entities	3 730	4 202
- under taxes, duties, insurance and other changes	2 851	3 409
- under remuneration	456	477
- other (by type)	423	316
Liabilities to employees	6	43
Liabilities to shareholders	16	17
other	401	256
b) other non-current provisions	4 808	4 418
- provisions for costs accrued to the previous year relating to long-term contracts	1 883	1 550
- provision for costs	993	885
- cost of audit	63	67
- non-current provision for retirement benefits	384	445
- provision for unused holiday leaves	1 485	1 471
Total other liabilities	**8 538**	**8 620**

Liabilities under lease agreements

	Future minimum payments under lease	Interest	Current value	Future minimum payments under lease	Interest	Current value
In PLN thousands	**In 2019**	**In 2019**	**In 2019**	**In 2018**	**In 2018**	**In 2018**
Up to one year	351	31	382	305	33	338
From 1 to 5 years	548	17	565	448	34	482
Total	**899**	**48**	**947**	**753**	**67**	**820**

Note 22 – Deferred income

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

Note 23- Revenues from Sale of Services

Revenues from sale of services (type of service and type of activity)	In 2019	In 2018
- revenues from sale of services, including:	**319 203**	**150 287**
- from related entities	1 445	13 063

Revenues from sales (territorial structure)	In 2019	In 2018
Domestic market	318 363	150 149
- including from related entities	1 445	13 063
Exports	840	138

Revenues under contracts for construction services (general contracting) and other services are presented in Note 31. The gross amount due from ordering parties/ recipients for the work under the contracts was presented in Note 11.
Information on major customers, whose total value of revenues from sales of services exceeds 10% of the total revenue of the Group in 2019 is included in Note 31.

Note 24 - Revenues from Sale of Goods and Materials

Revenues from sale of goods and materials (by structure and type of activity)	In 2019	In 2018
Goods and materials	**3 820**	**2 907**

Revenues from sale of goods and materials (territorial structure)	In 2019	In 2018
Domestic market	3 820	2 907

Note 25 – Cost of Services Sold

Costs by type	In 2019	In 2018
a) amortization and depreciation	5 655	2 085
b) consumption of materials and energy	26 911	24 131
c) outsourcing	235 530	87 075
d) taxes and levies	508	519
e) remuneration	34 176	32 097
f) social security and other benefits	6 491	5 994
g) other types of costs (by category)	3 630	3 856
- property and personal insurance	767	891
- business trips	1 245	1 236
- PFRON (State Fund for Rehabilitation of Disabled Persons)	257	203
- car rental	500	850
- other	861	676
Total costs by type	**312 901**	**155 757**
Change in inventories, goods and accruals and prepayments	1 221	-2 427
General and administrative expenses (negative value)		
Cost of services sold	**301 385**	**140 015**

Note 26 – Other Operating Income

	In 2019	In 2018
a) gain on saloe of non-financial non-current assets	1 549	172
b) reversal of impairment alowance (due to)	119	128
- for receivables	81	113
- other	38	15
c) other, including:	426	4 766
- reimbursement of litigation costs	30	385
- received compensation, fines and penalties	155	407
- other revenues disclosure of held for sale asset	-	676
- write off of past due liabilities	4	1 871
- revaluation income	93	1 396
- other	144	31
Total other operating expenses	**2 094**	**5 066**

Note 27 – Other operating expenses

	In 2019	In 2018
a) a) loss on disposal of non-financial non-current assets	4	-
b) impairment allowance (for)	390	298
- receivables	390	298
c) other, including:	887	1 126
- litigation costs	33	99
- impairment of PPE	-	106
- paid compensation, fines and penalties	286	16
- net value of the investment property sold	-	246
- giving up investment	-	377
- other	568	282
Total other operating expenses	**1 281**	**1 424**

Note 28 – Financial income

	In 2019	In 2018
a) interest under loan granted	378	377
- from jointly-controlled entities	378	377
b) other interest	121	60
- from other entities	121	60
c) surplus of positive exchange rates	258	39
d) other, including:	1 085	209
- revenues under discounted non-current liabilities	809	205
- revenues from disposal of financial assets	63	-
- other	213	4
Total financial income	**1 842**	**685**

Note 29 – Finance costs

	In 2019	In 2018
a) interest under loans granted	206	190
b) other interest	1 111	34
- for other entities	57	34

- under lease	1 054	
c) surplus of negative exchange rate differences	-	4
d) other, due to :	760	696
- commission on bank guarantees	368	266
- commission on loans	105	137
- costs under discount of financial assets	207	206
- other costs	60	87
Total finance costs	**2 077**	**924**

Note 30 – Income tax

Deferred income tax disclosed in the statement of profit and loss	**In 2019**	**In 2018**
- decrease (increase) from arising and reversal of temporary differences	1 379	291
Total deferred income tax	**1 379**	**291**

Establishment of the effective tax rate

(in PLN thousands)	**In 2019**	**In 2018**
Tax rate	**19%**	**19%**
Profit for the period	8 043	1 839
Income tax	1 658	360
Before tax profit	9 701	2 199
Income tax at the applicable rate of 19%	1 843	418
Tax loss brought forward, which will not be settled	-	-203
Revenues, not as tax revenues	-16	283
Costs not constituting tax deductible expenses	156	8
other	-140	-146
Total income tax disclosed in the statement of profit and loss	**1 658**	**360**

Note 31 – Additional Disclosures to the Statement of Cash Flows

Operating activities include basic activity and turnover from other operating activity.
Investment activity include turnovers in the scope of investment in PPE, intangible assets, equity investments and securities held for trading.
Dividends received are disclosed in cash flows from investing activities. Loans granted and repaid together with accrued interest are disclosed in cash flows – investing activities.
Paid interest and commission under borrowings, loans and leases are recognized in cash flows - financial activity. Financial activity include also bank loans and borrowings granted and repaid.

Differences between the amounts established directly from the financial statements and disclosed in the statement of cash flows, are resulting from a transfer of individual amounts from operating activity to investing activity and financing activity.
These relate to the following balance sheet items (in PLN thousands):

	In 2019	**In 2018**
Change in current receivables	**-45 388**	**-13 956**
Receivables as at 1 January	41 472	32 014

Amounts due from recipients under contracts as at 1 January	13 691	8 415
Other assets as at 1 January	1 202	2 466
Receivables under retained security deposits as at 1 January	43	222
Receivables from PPE sold	-11	-15
Receivables under income tax	0	-641
Closing balance sheet after adjustments	**56 397**	**42 461**
Receivables as at 31 December	77 980	41 472
Amounts due from recipients under agreements as at 31December	22 922	13 691
Other assets as at 31 December	872	1 202
Receivables under retained security deposits as at 31December	11	63
Receivables from PPE sold	0	-11
Receivables under income tax	0	0
Closing balance sheet after adjustments	**101 785**	**56 417**

Change in current liabilities except for current borrowings and special funds	**79 942**	**7 728**
Trade payables as at 1 January	31 626	22 426
Other liabilities as at 1January	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	4 592
Provision for current retirement benefits	-445	-323
Provisions for annual leaves	-1 471	-1 382
Provision for audit	-67	-71
Provision for current other costs	-1 550	-477
Liabilities under operating lease	-480	-276
Liabilities to shareholders	-17	-16
Opening balance sheet after adjustments	**42 648**	**35 258**
Trade payables as at 30 September	69 161	31 626
Amounts owed to recipients under agreements as at 30 September	42 598	2 863
Other liabilities as at 30 September	8 539	8 958
Liabilities under retained security deposits as at 30 September	5 790	3 569
Provision to current retirement benefits	-384	-445
Provisions to annual leaves	-1 486	-1 471
Provisions to audit	-63	-67
Provisions to current other costs	-1 549	-1 550
Liabilities under operating lease	0	-480
Liabilities to shareholders	-16	-17
Opening balance sheet after adjustments	**122 590**	**42 986**

Change in other adjustments as at balance sheet date	**-8 417**	**-662**
Change in deferred income – advances received	-8 594	-1 271
Other	177	609

Note 32– 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), lease of the construction equipment, assembly of electrical installations, lease of office space, commercial activity and other activity.
Segment assets include all assets used by a segment, consisting primarily of receivables, inventories and property, plant and equipment diminished by the value of provisions and impairment losses.
Some assets in the joint use are assigned to the segment based on reasonable weights.
In 2019 revenues from activities achieved by the Issuer outside Polish borders (Exports) and recognized in the consolidated statement of profit and loss amounted to PLN 840 thousand, which constitutes 0.3% of sales revenue. In the analogous period of the previous year such revenues amounted to PLN 138 thousand, which represented 0.1% of sales revenue.

Information on major customers, which share in the sales revenue recognized in consolidated profit and loss account for 2019 exceeded 10% of total revenues from sale:

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

- Client who deals in the production of chemical raw materials – sales revenue PLN 217 536 thousand, which represents 79.6% of sales revenue, which was shown in the segment „General contracting" and „Design services and other engineering services".

Client who operates in the cultural sector – sales revenue PLN 11 864 thousand, which represents 4.3 % of sales revenue, which was shown in the segment „General contracting".

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

Information about the geographical areas

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

	Note	**In 2019**	**In 2018**
Poland		318 518	150 146
Other countries		840	138
	22	**319 358**	**150 287**

Current data

For the period from 01.01.2019 to 31.12.2019	General contracting	Design services and other engineering services	Rental of construction equipment	Electrical installations	Rental of office space	Maintenance	Commercial activity	Other IT services	Other	Items not assigned	Total
Revenues to customers	232 799	38 829	1 984	37 722	4 711	287	3 820	725	2 145	0	323 023
Total segment revenues	**232 799**	**38 829**	**1 984**	**37 722**	**4 711**	**287**	**3 820**	**725**	**2 145**	**0**	**323 023**
result											
Profit (loss) of the segment	**2 001**	**2 516**	**220**	**246**	**986**	**-39**	**571**	**-202**	**-654**	**0**	**5 645**
Financial income										1 931	1 931
Finance costs										-2 077	-2 077
Net financial revenues										-146	-146
Profit sharing in entities valued under the equity method										**3 388**	3 388
Profit (loss) on other operating activities										813	813
Before tax profit										9 701	**9 701**
Income tax										1 658	1 658
Profit for the current period										8 043	**8 043**
Loss assigned to non-controlling interest										177	**177**
Profit for the period assigned to shareholders of parent entity										7 866	**7 866**
Segment assets (related to activity)	56 543	11 307	556	10 204	24 806	0	0	385	129	0	103 930
Assets unallocated (among others shares and other financial assets)										155 445	155 446
Total assets	**56 543**	**11 307**	**556**	**10 204**	**24 806**	**0**	**0**	**385**	**129**	**155 446**	**259 375**
Liabilities of the segment (related to activity)	61 469	1 792	715	8 468	889	38	0	0	720	86 670	160 761
Equity of the owners of the parent entity										91 815	91 817
Non-controlling interest										6 797	6 797
Total liabilities and equity	**61 469**	**1 792**	**715**	**8 468**	**889**	**38**	**0**	**0**	**720**	**185 282**	**259 375**
Depreciation of property, plant and equipment	56	107	68	620	1 650	38	0	57	2 972	0	5 568
Amortization of intangible assets	0	8	0	19	4	0	0	3	53	0	87
Write-down of segment assets (receivables from supplies and services)	-150	-443	-3 057	-1 392	-151	0	0	0	-26	0	-5 219

Comparative data

In 2018	General contracting	Design services and other engineering services	Rental of construction equipment	Electrical installations	Rental of office space	Maintenance	Commercial activity	Other IT services	Other	Items not assigned	Total
Revenue to customers	75 837	27 347	2 130	37 617	4 899	-	2 907	786	1 671	-	153 194
Total segment revenues	75 837	27 347	2 130	37 617	4 899	-	2 907	786	1 671	-	153 194
Result											
Profit (loss) of the segment	**2 199**	**-5 954**	**243**	**24**	**463**	**-**	**213**	**71**	**-86**	**-**	**-2 827**
Financial income	-	-	-		-	-	-	-	-	685	685
Finance costs	-	-	-	-	-	-	-	-	-	-924	-924
Net financial activities	-	-	-		-	-	-	-	-	-239	**-239**
Profit sharing in entities valued under the equity method	-	-	-	-	-	-	-	-	-	1 623	**1 623**
Loss on other operating activities	-	-	-	-	-	-	-	-	-	3 642	**3 642**
Before tax profit	-	-	-	-	-	-	-	-	-	2 199	**2 199**
Income tax	-	-	-	-	-	-	-	-	-	360	**360**
Profit for the current period	-	-	-	-	-	-	-	-	-	1 839	**1 839**
Loss assigned to non-controlling interest	-	-	-	-	-	-	-	-	-	-84	**-84**
Profit for the period assigned to shareholders of parent entity	-	-	-	-	-	-	-	-	-	**1 923**	**1 923**
Segment assets (related to activity)	27 289	6 187	570	10 681	14 102	-	783	998	237	-	60 847
Assets unallocated (among others shares and other financial assets)	-	-	-	-	-	-	-	-	-	88 931	88 931
Total assets	**27 289**	**6 187**	**570**	**10 681**	**14 102**	**-**	**783**	**998**	**237**	**88 931**	**149 778**
Liabilities of the segment (related to activity)	2 846	952	1 134	7 511	723	-	-	521	898	44 783	59 368
Equity of the owners of the parent entity										83 940	83 940
Non-controlling interest										6 470	6 470
Total liabilities and equity	**2 846**	**952**	**1 134**	**7 511**	**723**	**-**	**-**	**521**	**8198**	**1435 193**	**149 778**
Depreciation of property, plant and equipment	1016	111	93	599	712	-	-	65	238	-	1 934
Amortization of intangible assets	-	19	-	19	4	-	-	3	116	-	151
Write-down of segment assets	-	-4279	-3 061	-1 106	-145	-	-	-	-26	-	-4 617

Note 33 – Profit per One Share

Net profit per 1 share remaining in trade as at balance sheet date December 31, 2019 is PLN 2.68; in 2018 profit was PLN 0.66.

Note 34- Profits Sharing and Loss Coverage

Net profit of the Issuer for 2018 in the amount of PLN 1 088 573.12 according to the Resolution No 17 of the Ordinary General Meeting of June 1, 2019 was entirely allocated to reserve capital.

Proposed distribution of net profit for 2019

The Management Board of Prochem S.A. proposes to allocate the net profit for 2019 in the amount of PLN 3 697 951.01 to supplementary capital.

Note 35 - Dividends

The Issuer did not pay dividend for 2018.

Note 36 - Financial Instruments and Financial Risk Management

36.1 Categories and classes of financial instruments

Financial assets

		Categories of financial instruments	
(in PLN thousands)		Loans, receivables and other	
Classes of financial instruments	**Note**	**31 December 2019**	**31 December 2018**
Trade receivables	10	74 656	40 198
Cash		34 781	3 250
Loans granted	8	18 419	19 090
Other financial assets – Security deposits securing a bank guarantee	8 and 11	9 866	1 332
Total		**137 722**	**63 870**

Financial liabilities

31 December 2019

		Categories of financial instruments	
(in PLN thousands)		**Financial liabilities measured at amortized cost**	**Total**
Classes of financial instruments	**note**		
Loans	17	1 786	1 786
Amounts owed to recipients under agreements	19	22 851	22 851
Trade payables	19	74 951	74 951
Total		**99 588**	**99 588**

31 December 2018

		Categories of financial instruments	
(in PLN thousands)		Financial liabilities measured at amortized cost	Total
Classes of financial instruments	**note**		
Loans	17	7 129	7 129
Finance lease		-	820
Trade payables	18	35 195	35 195
Total		**42 198**	**43 144**

Impairment allowances of financial assets by classes of financial instruments

(in PLN thousands)	As at	
	31 December 2019	**31 December 2018**
Trade receivables	5 213	4 617
Total	**5 213**	**4 617**

Impairment allowances of financial assets are presented in Note 10.

The fair value of financial instruments approximates to the carrying amount due to their short-term nature and the floating interest rate.

36.2. Financial risk management

The Group's operations are exposed to the following financial risks:

- credit risk;
- liquidity risk;
- market risk (including currency risk, interest rate risk).

Credit risk

The Group conducting business activities sells services to business entities with deferred payment, as a result of which there may be a risk of not receiving a payment from contractors for the services provided. In order to minimize the credit risk, the company manages the risk through the obligatory procedure of obtaining collateral.
The assumed period of receivables repayment related to the normal course of sales is 14-60 days.
Amounts due from contracting parties are regularly monitored by the financial services. In case of overdue amounts the procedures of vindication are started.
The age analysis of trade receivables, which are overdue on the end of the reporting period, but in case of which no impairment occurred, is presented in Note No. 10.
In order to reduce the risk of not recovering the receivables from deliveries and services, the Group accepts a collateral from its customers in the form of, among other: bank and insurance guarantees, mortgages, promissory notes, as well as security deposits.
For the improvement of the current liquidity, in order release the receivables, which have been retained by investors for a proper security for the contracts implemented and statutory warranty for the construction and assembly works, the Group provides bank guarantee and insurance guarantee as a part of guarantee lines, which were launched with this purpose.
Credit risk associated with monetary resources and with bank deposits is considered as low by the Group.
All entities in which the Group deposits its free monetary resources operate in the financial sector.

These include domestic banks and branches of the foreign banks with first class current credibility. Risk of threatened financial assets is reflected by impairment allowances.

Liquidity risk

Credit risk associated with monetary resources and with bank deposits is considered as low by the Group. The Group is exposed to the liquidity risk resulting from the relation of current liabilities to current assets
As at December 31, 2019 and as at December 31, 2018 the index of ratio of current assets to current liabilities (current liquidity ratio) was respectively 1,23 i 1,24.
Detailed information regarding loans is disclosed in Note 17.
Analysis of maturity of liabilities is in Notes Nos. from 15 to 21.

Currency exchange rate risk

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

Exposure to currency risk as at 31 December 2019

(in PLN thousands)	EUR	USD	NOK	Other in PLN	Total after translation into PLN
Financial assets					
Receivables from supplies and services	1 903	-	-	-	8 244
Cash	241	63	88	3	1 310
Total	**2 144**	**63**	**88**	**3**	**9 554**
Financial liabilities					
Trade payables	1 293	6	-	-	5 529
Total	**1 293**	**6**	**-**	**-**	**5 529**

Exposure to currency risk as at 31 December 2018

(in PLN thousands)	EUR	USD	NOK	BYR	Total after translation into PLN
Financial assets					
Trade receivables	50	-	-	-	215
Amounts owed to recipients under agreements	2 306	-	-	-	9 916
Cash	230	57	88	6	1 247
Total	**2 586**	**57**	**88**	**6**	**11 378**
Financial liabilities					
Trade payables	1 091	50	-	-	4 879
Total	**1 091**	**50**	**-**	**-**	**4 879**

Analysis of sensitivity to currency risk as at 31 December 2019

(in PLN thousands)	Increase in exchange rate	Total impact on before tax profit	Drop in the exchange rate	Total impact on before tax profit

EUR/PLN	15%	544	15%	-544
USD/PLN	15%	54	15%	-54
NOK/PLN	15%	6	15%	-6
Total impact		**604**		**-604**

Analysis of sensitivity to currency risk as at 31 December 2018

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

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

Revenues in foreign currency achieved in the currency in the years 2019 and 2018 were as follows:

currency	**revenues**		**Average exchange rate for sales**		**expenses**		**Average exchange rate for purchases**	
(in PLN thousands)	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
EUR	8 681	360	4.3061	4.2810	12 764	764	4.3087	4.2361
USD	554	1 805	3.7880	3.7324	1 472	9	3.9068	3.9862

Analysis of the impact of potential change in value of financial instruments as at December 31, 2019 on the gross financial result in connection with hypothetical change in foreign currency exchange rates in relation to the Polish Zloty/functional currency.
The above fluctuations were calculated based on historical valatility of particular currencies and forecasts.

In the reporting period EURO was the main currency.

Hipothetically assuming that if the Polish Zloty weakened/strengthened by 1% against EUR, then revenues in 2019 would increase or decrease by PLN 494 thousand and in 2018 by PLN 15 thousand, which would have an impact on before tax profit, while costs would increase in 2019 by PLN 608 thousand, and in 2018 by PLN 56 thousand.
The above deviations were calculated on the basis of historical fluctuation for particular currencies and forecasts.
Sensitivity of financial instruments for currency risk was calculated as the difference between the initial book value of financial instruments and its potential book value at assumed increase/drop in exchange rates.

For other currencies sensitivity of financial instruments is not material.

Interest rate risk

The Group is exposed to the risk of volatility of cash flows under interest rate resulting from bank loans based on floating interest rate WIBOR ON (overnight) and loans granted based on floating rate WIBOR 6M and bill of exchange rediscount rate. The Group did not take into account the decline in interest rates in its analysis.

Analysis of financial instruments with floating interest rate

(in PLN thousands)	WIBOR 31 December 2019	WIBOR 31 December 2018	Fixed rate of interest 31 December 2019	Fixed rate of interest 31 December 2018
Financial assets				
Loans granted	11 744	12 314	6 676	6 776
Financial liabilities				
Loan	1 786	7 129	-	-

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

(in PLN thousans)	Fluctuations assumed 31 December 2019	Fluctuations assumed 31 December 2018	impact (in PLN thousands) 31ecember 2019	impact (in PLN thousands) 31 December 2018
Financial assets				
WIBOR	+50 base point	+50 base point	659	62
Financial liabilities				
Loans	+50 base point	+50 base point.	(9)	(136)

Note 37 – Related Party Transactions

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

Key management staff include Members of the Company's Management Board and Members of the Company's Supervisory Board.
In 2019 key management personnel and persons related to key management personnel, in addition to remuneration did not conclude other transactions with the Issuer and the Companies from the Capital Group.

Remuneration paid in 2019 in the Issuer's enterprise to the Members of the Management Board:

1. Jarosław Stępniewski	PLN 444 thousand
2. Marek Kiersznicki	PLN 448 thousand
3. Krzysztof Marczak	PLN 401 thousand

Remuneration paid in 2019 in the Issuer's enterprise to the Members of the Supervisory Board:

1. Marek Garliński	PLN 72 thousand,
2. Andrzej Karczykowski	PLN 60 thousand,
3. Krzysztof Obłój	PLN 60 thousand:
4. Marcin Pędziński	PLN 60 thousand.
5. Karol Żbikowski	PLN 60 thousand.

Remuneration paid to the Members of the Supervisory Board in 2019 for performing the functions in the Management Boards and the Supervisory Boards of the companies from the Capital Group:

1. Jarosław Stępniewski	PLN 80 thousand
2. Krzysztof Marczak	PLN 68 thousand

Transactions with affiliated entities, as below, were concluded on market conditions and relate to sale and purchase of services, among others – of construction and assembly services, and rental services, as

well as loans granted mutually.
Guarantees and sureties granted to related entities are presented in Note 38.

Reporting period
(in PLN thousands.)
from 1 January 2019 to 31 December 2019

	Sale of services	Purchase of services	Financial income – interest on loans
Jointly-controlled entities and associated entities	1 310	3 089	377

The sale of services in its entirety relate to revenues from the jointly-controlled company Irydion Sp. z o. o. in Warsaw, for the benefit of which is implemented investment task under the name of „Astrum Business Park" in Warsaw, and costs of purchase of services – relate to fees for rental of office.

As at 31 December 2019

	Trade and other receivables	Receivables under loans granted	Trade payables
Jointly-controlled entities and associated entities	34	18 420	6

Comparative period
(in PLN thousands)

from 1 January 2018 to 31 December 2018

	Sale of services	Purchase of services	Financial income – interest on loans
Jointly-controlled entities and associated entities	13 063	3 404	377

as at 31 December 2018

	Trade receivables	Receivables under loans granted	Trade payables
Jointly-controlled entities and associated entities	1 562	19 090	12

Revenues from the sale of services to jointly-controlled entities and associated entities in 2019 and 2018 in its entirety relate to revenues from the jointly-controlled company Irydion Sp. z o. o. in Warsaw, for the benefit of which is implemented investment task under the name of „Astrum Biznes Park" in Warsaw.
In 2019 the costs relate to the rental of office space.

Note 38- Contingent liabilities and Contingent Assets and Other Collateral

Contingent liabilities
Contingent liabilities include bank guarantee of a good performance, guarantee of reimbursement of advance payment, guarantee of payment, tender guarantee, and promissory note securing good performance of a contract, which as at the balance sheet date are amounting to:

	31December2019	31December 2018
Collateral granted		
Bank guarantee of the good performance	51 383	14 192
Guarantee of reimbursement of advance payment	7 869	11 400
Guarantee of payment	1 050	-
Tender guarantee	-	250
Total collateral granted	**60 302**	**25 842**
Contingent liabilities		
Surety concerning 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 concerning good performance	-	247
Surety for the loan in the Group	36 975	-
Total collateral granted and contingent liabilities	**97 277**	**26 089**

Contingent assets

Contingent assets of the Group are bank guarantees of the good performance, which as at balance-sheet day amount to:

Collateral received

	31 December 2019	31 December 2018
Bank guarantee of good performance	8 738	16 865
Bill of exchange guarantees securing the terms of the contract	1 777	450
Total contingent assets	**10 515**	**17 315**

Note 39 – Information on Significant Proceedings Pending before the Court

Did not occur.

Note 40- Events after Reporting Date

On the activity of the Prochem S.A. Capital Group in 2020 the macroeconomic environment of the Company will have a significant impact, in particular the condition of the Polish economy will significantly affect the decisions of potential clients of the Prochem S.A. Capital Group (in particular industrial companies) about starting of new investments.
The company's portfolio of orders allows to assume that the financial results in 2020 will continue to improve.
At the end of 2019, news from China about the coronavirus appeared for the first time. In the first months of 2020, the virus spread around the world, and its negative impact gained momentum. The Management Board of Prochem S.A. considers this situation to be an event that does not result in adjustments to the financial statements for 2019, but an event after the balance sheet date. Although this situation is still changing at the time of publication of these financial statements, so far the companies from the Capital Group have not noticed a noticeable impact on the sales or supply chain, but no future effects can be predicted. In connection with this, the contracts of individual companies from the Group were reviewed. On this basis and on the basis of declarations of customers, the Management Boards of the companies from the Group stated that currently implemented orders are not threatened and are expected to be completed in accordance with the signed contracts.
The Management Boards of the companies from the Prochem S.A. Capital Group with particular attention monitors the current situation and, if necessary, is prepared to take appropriate actions to adapt its potential to new conditions in order to mitigate any negative effects on the entity.

In reference with the recommendation sent by the Office of the Polish Financial Supervision Authority on March 12, 2020, the Management Board of the Parent Entity informs that as at the date of submitting this report it has not completed the qualitative and quantitative analysis of the scope in which SARSCoV-2 / COVID 19 coronavirus may have an impact on future financial position and financial results achieved in future.

Note 41 – Other Explanatory Information to the Financial Statements

Statement of changes in the shareholding of the issuer's shares or rights to them (options) by the Management Board and the Supervisory Board, in accordance with the Issuer's knowledge

As at the date of preparation of the hereby financial statements, the following members of the Management Board and Supervisory Board hold shares of Prochem S.A.

- Jarosław Stępniewski – 68,383 units;
- Marek Kiersznicki – 59,474 units;
- Krzysztof Marczak – 36,908 units;
- Marek Garliński – 83,996 units;
- Andrzej Karczykowski – 283,391 units;

The nominal value of 1 share is PLN 1.

Note 42- Approval of the Financial Statements

Consolidated Financial statements of the Prochem S.A. Capital Group for 2019 were approved for issue by the Management Board of the Parent Entity on April 24, 2020.

Signatures of the Members of the Management Board

24 April 2020	Jarosław Stępniewski	President of the Management Board	……………………..
date	First name and surname	position	signature

24 April 2020	Marek Kiersznicki	Vice President of the Management Board	……………………..
date	First name and surname	position	signature

24 April 2020	Krzysztof Marczak	Vice President of the Management Board	……………………..
date	First name and surname	position	signature

Signature of the person responsible for bookkeeping

24 April 2020	Barbara Auguścińska-Sawicka	Chief Accountant	……………………..
date	First name and surname	position	signature