CONSOLIDATED FINANCIAL STATEMENTS OF PROCHEM S.A. CAPITAL GROUP

as at and for the period ended 31 December 2020

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Consolidated statement of financial position

(all amounts in PLN thousands if not stated otherwise)

	Note No.	31 December 2020	31 December 2019
A s s e t s			
Non-current assets			
Property, plant and equipment	1	17 190	17 832
Intangible assets	2	76	130
Investment property	3	9 861	8 310
Right-of-use assets	4	26 318	26 909
Shares	5	830	830
Shares in entities valued using the equity method	6	33 907	31 499
Deferred tax assets	7	1 484	1 083
Receivables under retained security deposits		883	11
Other financial assets	8	17 083	26 884
Total non-current assets		**107 632**	**113 488**
Current assets			
Inventories	9	5 339	4 158
Trade and other receivables	10	75 099	77 980
Receivables under current income tax		756	-
Amounts due from recipients under contracts	20	13 163	22 851
Other financial assets	11	9 669	1 401
Other assets	12	879	943
Cash and cash equivalents		38 928	34 781
Total current assets		**143 833**	**142 114**
Assets classified as for sale		**-**	**3 773**
Total assets		**251 465**	**259 375**

Consolidated statement of financial position

(all amounts in PLN thousands if not stated otherwise

Equity and liabilities	**Note No.**	**31 December 2020**	**31 December 2019**
Equity			
Share capital	13	2 935	2 935
Revaluation reserve	14	7 043	6 928
Retained earnings	15	95 645	81 953
Equity assigned to shareholders of the parent entity		**105 623**	**91 816**
Non-controlling interest		**6 942**	**6 797**
Total equity		**112 565**	**98 613**
Non-current liabilities			
Provision to deferred income tax	7	2 459	2 333
Provision to retirement and similar benefits	16	2 066	1 862
Non-current liabilities under retained security deposits		14 291	5 790
Amounts owed to recipients under contracts	20	-	11 643
Non-current liabilities under lease		23 562	23 750
Other non-current liabilities	17	143	139
Total non-current liabilities		**42 521**	**45 517**
Current liabilities			
Current bank loans	18	1 334	1 786
Trade payables	19	60 951	69 161
Amounts owed to recipients under contracts	20	20 486	30 955
Liabilities under current income tax		159	15
Current liabilities under lease		4 576	4 466
Other liabilities	21	8 501	8 538
Deferred income	22	372	324
Total current liabilities		**96 379**	**115 245**
Total liabilities		**138 900**	**160 762**
Total equity and liabilities		**251 465**	**259 375**
Book value – equity assigned to owners of the Parent Entity		**105 623**	**91 816**
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		**35.99**	**31.28**

Consolidated statement of profit and loss

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

	Note No.	In 2020	In 2019
Revenues from sale, including :		352 207	323 023
Revenues from sale of services	23	348 991	319 203
Revenues from sale of goods and materials	24	3 216	3 820
Cost of sale, including:		-323 413	-304 640
Cost of services sold	25	-320 526	-301 385
Cost of merchandise and raw materials		-2 887	-3 255
Gross profit on sales		**28 794**	**18 383**
General and administrative expenses	25	-14 652	-12 737
Other operating income	26	3 274	2 094
Other operating expenses	27	-1 390	-1 281
Other income – result of one-off event		1 015	-
Results from operating activities		**17 041**	**6 459**
Financial income	29	847	1 843
Profit from the sale of all or part of the shares of the subsidiary		60	88
Finance expenses	30	-2 438	-2 077
Profit sharing in entities valued using the equity method		2 408	3 388
Before tax profit		**17 918**	**9 701**
Income tax :	31	3 910	1 658
- current tax		4 222	257
- deferred tax		-312	1 401
Profit (loss) from continuing operations		**-**	**4 655**
Profit (loss) from discontinued operations		**-**	**3 388**
Profit for the period		**14 008**	**8 043**

Profit for the period assigned to :		
Shareholders of the Parent Entity	13 863	7 866
Non-controlling interest	145	177
Weighted average number of ordinary shares (in pcs.)	2 935 000	2 935 000
Profit (loss) per ordinary share (in PLN per one share) assigned to owners of the Parent Entity	4.72	2.68

Consolidated statement of comprehensive income

	In 2020	In 2019
Profit for the period	**14 008**	**8 043**
Other comprehensive income net	**125**	**-48**
Other comprehensive income that will be reclassified to profit and loss under certain conditions:	**-**	**-**
Other comprehensive income that will not be reclassified to profit or loss (before tax):	**159**	**-48**
Non-current assets update	293	8
Actuarial profit (losses) on valuation of provisions for employee benefits	-134	-56
Income tax on other comprehensive income	34	-
Total comprehensive income	**14 133**	**7 995**

Total comprehensive income assigned to :		
Shareholders of the Parent Entity	13 975	7 818
Non-controlling interest	158	177
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)	4.76	2.66

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 2020						
As at the beginning of the period after making the data comparable	**2 935**	**6 928**	**81 953**	**91 816**	**6 797**	**98 613**
Net profit of the given period	-	-	13 863	**13 863**	**145**	**14 008**
Iother comprehensive income (net)	***-***	***112***	***-***	***112***	***13***	**125**
Total comprehensive income	**-**	**112**	**13 863**	**13 975**	**158**	**14 133**
Other changes	-	3	-171	**-168**	**-13**	**-181**
As at the end of the period	**2 935**	**7 043**	**95 645**	**105 623**	**6 942**	**112 565**

	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 making the data comparable	**2 935**	**11 789**	**69 216**	**83 940**	**6 470**	**90 410**
Net profit of the given period	-	-	7 866	**7 866**	**177**	**8 043**
Iother comprehensive income (net)	***-***	***-48***		***-48***	***-***	**-48**
Total comprehensive income	**-**	**-48**	**7 866**	**7 818**	**177**	**7 995**
Sale of shares in the subsidiary ATUTOR IC	-	-	-79	**-79**	**133**	**54**
Sale of real estate in the 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**

Consolidated statement of cash flows

(all amounts in PLN thousands if not stated otherwise)

	In 2020	In 2019
Cash flows – operating activties		
Before tax profit	17 918	9 701
Total adjustments	-8 794	26 529
Share in net profits of associates	-2 408	-3 388
Amortization and depreciation	6 311	5 655
Interest and profit sharing (dividends)	736	1 034
Gain on disposal of property, plant and equipments	-2 301	-1 545
Loss on investment	-60	-131
Change in provisions	354	47
Change in inventories	-1 181	-780
Chnge in receivables and other assets	11 761	-45 388
Change in current liabilities except for loans and borrowings	-22 089	79 442
Other adjustments (including change in deferred income)	83	-8 417
Cash flows provided by (used in) operating activities	9 124	36 230
Income tax paid	4 834	281
Net cash provided by (used in) operating activities	**4 290**	**35 949**
Cash flows – investing activities		
Inflows	**6 270**	**7 279**
Disposal of intangible assets and property, plant and equipment	4 639	62
Real estate investments	-	5 950
Proceeds from financial assets	1 631	1 267
- in related entities	1 631	1 267
Disposal of financial assets (shares)	-	220
Repayment of loan with interest	1 631	1 047
Outflows	**-1 117**	**-1 482**
Acquisition of intangible assets and property, plant and equipment	-1 110	-1 482
Other outflows	-7	-
Net cash provided by (used in) investing activities	**5 153**	**5 797**
Cash flows – financing activities		
Inflows	**58**	**63**
Bank loan incurred	5	-
Other financial inflows	53	63
Outflows	**-5 354**	**-10 278**
Repayment of bank loans	-450	-5 350
Interest and commission paid	-177	-329
Payment of liabilities under finance lease	-73	-428
Payment of liabilities under operating lease IFRS 16	-4 654	-4 171
Net cash provided by (used in) financing activities	**-5 296**	**-10 215**
Total cash flows, net	4 147	31 531
Net increase / decrease in cash and cash equivalents	4 147	31 531
Cash and cash equivalents as at the beginning of the period	**34 781**	**3 250**
Cash and cash equivalents at the end of the end of the period	**38 928**	**34 781**
Including restricted cash	**1 077**	**1 072**

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, XIV 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.

Information for esef
Place of business: Warszawa (02-457), ul. Łopuszańska 95
Country of registration: Poland
Name change: was not

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 :

- Marek Garliński Chairman of the Supervisory Board
- Karol Żbikowski Vice Chairman of the Supervisory Board
- Andrzej Karczykowski
- Krzysztof Obłój
- Wiesław Kiepiel

3 Employment

Average employment in 2020 was 388 FTEs, and in 2019 390 FTEs. Level of employment as at December 31, 2020 in persons was 396 and as at December 31, 2019 400.

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

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

<u>Subsidiaries covered by full consolidation:</u>

- Prochem Inwestycje Sp. z o.o. seated in Warsaw – subsidiary directly (100.0%);
- PRO-INHUT Sp. z o.o. seated in Dąbrowa Górnicza – subsidiary indirectly (93.2%);

- PREDOM Sp. z o.o. seated in Wrocław – subsidiary indirectly (81.7% of share in capital and profit, 72.3% of votes);
- Prochem Zachód Sp. z o.o. seated in Warsaw – subsidiary directly (80.0%);
- ELPRO Sp. z o.o. seated in Krakow – subsidiary indirectly (92.7%, including 85.4% share in 50% share of Elektromontaż Kraków);
- Elmont Inwestycje Sp. z o.o. seated in Krakow – subsidiary indirectly (92.7%, including 85.4% share in 50% share of Elektromontaż Kraków);
- Elektromontaż Kraków S.A. seated in Krakow – subsidiary indirectly (85.4%), including 73.0% share in capital and voting rights holds company Prochem Inwestycje subsidiary in 100%. Company Elektromontaż Kraków S.A. prepares consolidated financial statements, which comprises data of subsidiary in 100%: ELMONT-POMIARY Sp. z o.o. seated in Krakow and two associates ELPRO Sp. z o.o. and Elmont-Inwestycje Sp. z o.o.;
- 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 rights holds company Prochem Inwestycje).

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

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

Subsidiaries covered by 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.

By a resolution of the Shareholders' Meeting of June 23, 2020, it was decided to dissolve and open liquidation of the subsidiary Elmont Inwestycje sp.z o.o. based in Krakow.

By a resolution of the Shareholders' Meeting of June 23, 2020, it was decided to dissolve and open liquidation of the subsidiary Elpro sp.z o.o. based in Krakow.

5 Adopted Accounting Principles

Principles of presentation

Consolidated financial statements of the Prochem S.A. Capital Group for the period from 1 January to 31 December 2020 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 2020. 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 (Official 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, 2020 and the comparative data as at December 31, 2019, as well as the results of this activity for the year ended December 31, 2020 and comparative data for the year ended December 31, 2019.

The consolidated financial statements of the Prochem S.A. Capital Group as at 31 December 2020 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 endorsed 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 the Capital Group of Prochem S.A. for the year ended 31 December 2019.

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 and their impact

The International Accounting Standards Board approved the amendments to the standards for application from 1 January 2020:

- Amendments to IAS 1 and IAS 8 regarding the definition of the concept of "material",
- Amendments to IFRS 9, IAS 39 and IFRS 7 concerning the reform of the interest rate reference ratio,
- Improvements to IFRS 3 concerning the definition of a business,
- Amendments to references to the IFRS conceptual Framework.

The above changes to the standards were endorsed for use by the European Union by the date of publication of hereby financial statements and did not affect the accounting policy of the Group and the consolidated financial statements.

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

- Amendments to IFRS 10 and IAS 28 regarding the sale or contribution of assets between an investor and its associates or joint ventures,
- IFRS 17 Insurance Contracts with the amendments to IFRS 17,
- Amendments to IFRS 4 regarding the extension of the temporary exemption from the application of IFRS 9,
- Amendments to IAS 1 relating to the classification of liabilities as current or non-current,,
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 regarding the reform of the interest rate reference ratio - Stage 2,
- Amendments to IFRS 3 relating to references to the conceptual Framework,
- Amendments to IAS 16 relating to revenues generated before the asset is put into use,
- Amendments to IAS 37 regarding the costs of fulfilling onerous contracts,
- Amendments to IAS 1 concerning disclosures in the field of accounting policy,
- Amendments to IAS 8 concerning the definition of accounting estimates,
- Annual amendments to IFRS 2018-2020.

The Group expects that the above standards will not have a significant impact on the consolidated financial statements of the Capital Group of Prochem S.A.

In hereby financial statements, the Group did not decide to apply the published standards, interpretations or amendments to the existing standards before their effective date.

Standards announced but pending endorsement by the European Union, the Group intends to apply all changes in accordance with the date of their entry into force.

1 The impact of the coronavirus pandemic on the operations of the Group of Prochem S.A.

Since the outbreak of the epidemic, Prochem S.A. and companies from the Group implemented many procedures related to the need to adapt to the constantly changing conditions of functioning, as well as to prevent the spread of COVID-19 infections.

Actions taken by the Group in relation to the COVID-19 pandemic

Companies from the Group of Prochem S.A. has taken a number of steps in connection with the COVID-19 pandemic. When the first cases of COVID-19 appeared in the country, the Group of Prochem S.A. developed action plans to ensure the continuity of operation and the provision of key services provided by Prochem S.A. Similar procedures were also implemented in the remaining companies of the Group. They are constantly adapted to the changing environmental conditions.
In relation to the contracts being implemented, the Group has implemented additional measures to reduce the risk of potential breaches of the terms of the contracts signed by contractors as a result of a change in the economic situation. In particular, in the area of construction and assembly contracts and deliveries, additional procedures were implemented in the field of ongoing monitoring of compliance with the terms and dates of contract performance and the contractor's financial situation. The risk of losing financial liquidity by key suppliers is analysed on an ongoing basis and, if necessary, appropriate actions are taken, including shortening payment terms in individual cases.
As at the date of hereby interim condensed consolidated financial statements, the Group's financial position is stable. As a result of the analysis, the Management Board of the Parent Entity of the Capital Group Prochem S.A. sees no need to:

- revaluation of the Group's assets due to the negative effects of COVID-19,
- write-downs of receivables due to the insolvency of contractors,
- changing or correcting the Group's supply chain,
- correction of credit obligations,
- adjustments to lease liabilities - all lease contracts are implemented in accordance with a schedule,
- introducing changes to the work and remuneration system of the Group's employees, all payroll obligations are met on an ongoing basis.

The Group analyses the situation on the markets on an ongoing basis and signals from contractors that may indicate a deterioration of the financial situation and, if necessary, will update the adopted estimates when preparing the financial statements.

Management boards of companies from the Capital Group of Prochem S.A. monitor the current situation with particular care. Actions were also taken to stabilize the financial and operational stability of the Group's companies by collecting the necessary financial reserves and using appropriate tools and IT solutions to maintain the project potential (e.g. creating remote work opportunities). Due to the fulfilment of the conditions set out in the relevant act (e.g. due to the decline in economic turnover), one company from the Group also used the available support programs.
If necessary, the Management Boards of the Companies are prepared to take further steps to adapt their potential to the new conditions in order to mitigate any negative effects.

In addition, the Group has taken a number of preventive measures to reduce the possibility of the virus spreading in the facilities and protect employees, including:
- procedures were introduced in the field of personnel and material movement, in particular consisting in minimizing direct contacts - where possible, employees were provided with the possibility of remote work;
- procedures were introduced to ensure the availability of the key personnel of the Group companies;
- it was recommended to limit business trips and participation in business meetings, and to use media such as instant messaging and videoconferencing instead;
- employees were equipped with protective equipment (protective masks, gloves) and disinfectants, and hygienic and sanitary and disinfecting procedures were introduced.

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 S.A. 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 S.A. 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 value is tested for impairment at the end of the financial year. 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:

a. buildings and constructions, including office space concluded for a specified period of up to 30 years,
b. means of transport, including passenger cars, depreciation period up to 5 years,
c. 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.

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 measured at fair value through the profit or loss is recognized in the profit or loss.
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

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), assembly of electrical installations and design and engineering services, rental of office space and supplies. 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.

2. Explanatory Notes to consolidated financial statements as at and for the period ended 31 December 2020

Note 1 – Property, Plant and Equipment

	31 December 2020	31 December 2019
Property, plant and equipment, including:	17 165	17 807
- land	2 148	2 020
- buildings, premises and civil engineering objects	12 168	12 883
- machinery and equipment	872	724
- vehicles	1 219	1 334
- other PPE	758	846
Construction under progress	25	25
Total property, plant and equipment	**17 190**	**17 832**

Property, plant and equipment - ownership structure	**31 December 2020**	**31 December 2019**
a) owned	14 772	6 450
b) used under rental, lease or other agreement, including :	2 418	11 382
- lease	902	953
- rental and lease	-	9 762
- value of the right of perpetual usufruct	1 516	667
Total property, plant and equipment	**17 190**	**17 832**

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 m2 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 2020 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 expected net cash flows are discounted	• Level of space lease : reflecting the status of the currently leased space • Adjusted for the risk of discount rate: 6.646%-6.896%, 6.98%.	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

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.		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 2020

The Group	Fair value as at 31 December 2020 (in PLN thousands)	Fair value as at 31 December 2019(in PLN thousand)
	Level 3	Level 3
Land, including the right of perpetual usufruct	2 148	2 020
Buildings and constructions	12 168	12 883
Total	**14 316**	**14 903**

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

Change in PPE – in 2020

	- 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 2020	**2 397**	**21 798**	**4 459**	**2 976**	**3 783**	**25**	**35 438**
Increase (due to)	330	537	493	437	178	2	1 977
- acquisition of non-current assets	-	-	493	437	178	2	1 110
- reclassification to non-current assets	330	537	-	-	-	-	867
Decrease (due to)	-176	-528	-32	-289	-35	-2	-1 062
- disposal of non-current assets	-	-	-7	-289	-	-	-296
- liquidation of non-current assets	-	-	-28	-	-31	-	-59
- reclassification to assets	-176	-528	-	-	-	-2	-706
- changes	-	-	3	-	-4	-	-1
As at 31 December 2020	**2 551**	**21 807**	**4 920**	**3 124**	**3 926**	**25**	**36 353**
Depreciation and impairment							
As at 1 January 2020 – accumulated depreciation	**377**	**8 915**	**3 735**	**1 642**	**2 937**	**-**	**17 606**
Depreciation for the period (under)	26	724	313	263	231	-	1 557

- increase (depreciation accrued)	26	822	342	518	256	-	1 964
- decrease under disposal of non-current assets	-	-	-6	-254	-	-	-260
- decrease due to liquidation of non-current assets	-	-	-23	-	-30	-	-53
- reclassification to assets	-	-100	-	-	-	-	-100
- changes	-	2	-	-1	5	-	6
As at 31 December 2020 - accumulated depreciation	**403**	**9 639**	**4 048**	**1 905**	**3 168**	**-**	**19 163**
Impairment of PPE	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net value of PPE as at 31 December 2020	**2 148**	**12 168**	**872**	**1 219**	**758**	**25**	**17 190**

Comparative data

Change in PPE – in 2019

	- land, including the right of perpetual usufruct of land	- buildings, premises and civil engineering objects	- buildings, premises and civil engineering objects	- 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 (under)	-	-	495	636	291	25	1 447
- acquisition of PPPE	-	-	495	636	291	25	1 44
Decrease (under)	-3 495	-1 837	-432	-278	-629	-18	-6 689
- disposal of PPE	-	-	-122	-172	-	-	-294
- liquidation of PPE	-	-	-293	-107	-629	-	-1 029
- reclassification to held-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 31December 2019	**2 020**	**12 883**	**724**	**1 334**	**846**	**25**	**17 832**

Note 2 – Intangible Assets

	31 December 2020	31 December 2019
Acquired concessions, patents, licenses and similar assets including computer software	76	130
Total intangible assets	**76**	**130**
Intangible assets – ownership structure		
Owned	76	130
Total intangible assets	**76**	**130**

Change in intangible assets – in 2020

	Acquired concessions, patents, licenses and similar assets including computer software	Total intangible assets
Gross value		
As at 1 January 2020	**3 405**	**3 405**
Increase (due to)	27	27
- acquisition of non-current assets	27	27
Decrease (due to)	-287	-287
- disposal	-3	-3
- liquidation	-284	-284
As at 31 December 2020	**3 145**	**3 145**
Amortization and impairment		
As at 1 January 2020 – accumulated amortization	**3 275**	**3 275**
Amortization for the period (under)	-206	-206
- increase (amortization accrued)	78	78
- decrease due to sale	-1	-1
- decrease due to liquidation	-28	-283
As at 31 December 2020 - accumulated amortization	**3 069**	**3 069**
Net intangible assets as at 31 December 2020	**76**	**76**

Comparative data

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

Note 3 – Investment property

	31 December 2020	31 December 2019
Construction under progress	-	-
Buildings and constructions	7 672	6 546
Value of the land	2 189	1 764
Total investment property	**9 861**	**8 310**

Investment property by titles	Change in investment property for the period from 1January 2020 to 31December 2020	Change in investment property for the period from 1 January 2019 to 31 December 2019
Investment property - land		
As at opening balance sheet	1 764	4 797
- decrease, including sale	-	-
- decrease under reclassification – assets held-for-sale	176	-3 033
- increase under valuation at fair value	249	-
As at closing balance sheet	2 189	1 764
Investment property under progress		
As at opening balance sheet	-	-
- change due to:		
- under reclassification from PPE	-	-
- under valuation at fair value	-	-
Total change	-	-
As at closing balance sheet	-	-
Investment property - buildings and constructions		
As at opening balance sheet	6 546	7 193
- change under:		
a) decrease under disposal	-	-
b) increase under valuation at fair value	598	-
c) decrease under reclassification – assets held-for-sale	528	-647
Total change	1 126	-
As at closing balance sheet	7 672	6 546
Write-down of investment property	-	-
Total investment property	**9 861**	**8 310**

Fair value as at 31 December 2020 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.

As at 31 December 2020 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. • Przeznaczenie. • Designation.. • 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 valuation model is based on the present value of the future net cash flows that will be generated from the property, taking into account: the level of space leased, rent-free periods. 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 2020.

Group	**Fair value (in PLN thousands)**	
	31 December 2020	**31 December 2019**
	Level 3	Level 3
Land, including the right of perpetual usufruct	2 189	1 764
Buildings and construction	7 672	6 546
Total	**9 861**	**8 310**

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	27 563	337	2 635	**30 535**
Increase in value - concluding new contracts.	2 633	-	1 039	**3 672**
Decrease in value - ending of contract	-	-	-70	**-70**
Write-downs	-	-	-	**-**
Total	**30 196**	**337**	**3 604**	**34 137**
Increase (+) /decrease (-)				
Depreciation	-3 066	-94	-466	**-3 626**
Change of contract value, new contracts	-3 343	-94	-821	**-4 258**
Decrease - ending of the contract	-	-	65	**65**
Write-downs	-	-	-	**-**
Total	**-6 409**	**-188**	**-1 222**	**-7 819**

Total as at 31 December 2019				**-**
Gross book value	30 196	337	3 604	34 137
Accumulated depreciation	-6 409	-188	-1 222	-7 819
Write-downs	-	-	-	**-**
Book value net as at 31 December 2020	**23 787**	**149**	**2 382**	**26 318**

Note No. 5 - Shares

Shares	31 December 2020	31 December 2019
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 2020	31 December 2019
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 2020

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 2020	31 December 2019
- Shares – net value	33 907	31 499
- write-downs of shares	1 011	1 011
Shares, gross value	**34 918**	**32 510**

Change in shares in jointly-controlled entities and associated entities	31 December 2020	31 December 2019
a) as at the beginning of the period	31 499	28 111
- shares at cost	31 499	28 011
b) increase (due to)	2 408	3 388
- share in the current year result	2 408	3 388
c) as at the end of the period, net	33 907	31 499
d) write-down	1 011	1 011
e) as at the end of the period, gross	34 918	32 510

Change in write-downs of shares in jointly-controlled entities and associated entities	31 December 2020	31 December 2019
As at the beginning of the period	1 011	1 011
- decrease – use of provisions	-	-
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.

Under the contract for the sale of shares in Atutor Integracja Cyfrowa Sp. z o. o. with its registered office in Warsaw on September 17, 2019, a subsidiary company, Prochem Inwestycje Sp. z o. o. with its seat in Warsaw was to sell the second block of shares comprising 178 shares. Pursuant to the agreement, the sale date is set to April 30, 2020, and the ownership of the shares is transferred to the buyer on the date of payment. Due to the epidemiological situation, the second block of shares was not sold.

Shares in subsidiaries covered by full consolidation - as at 31 December 2020

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 / 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	22 June1992	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%	72.3%
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	04October 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% 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% shares)	full	05April 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	ATUTOR INTEGRACJA CYFROWA Sp. z o. o.	Warsaw	Production and sale of computer software, computer system integration, IT service	Indirect subsidiary (Prochem Inwestycje holds 87.3%)	full	28 September 2000	176	-	176	50.14%	50.14%
9	PROCHEM RPI S.A.	Warsaw	Developer's activity	subsidiary (Prochem Inwestycje Sp. z o. o. Holdes 3.33% shares)	full	08April1998	513	359	154	100.0%	100.0%
10	Elmont Pomiary Sp. z o.o.	Kraków	Developer's activity	Indirect subsidiary (Elektromontaż Kraków S.A. holds 100% shares)	full	20April2004	190	-	190	77.6,0%	77.6%
11	PREDOM PROJEKTOWANIE sp. z o.o.**)	Wrocław	Design services	Indirect subsidiary (company PKI Predom Sp. z o.o.)	Not subject to consolidation	01May2002	53	53	-	81.0%	69.3%

**** share in capital and voting rights 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) brought forward	Net profit (loss)		non-current	current		non-current	current		
1	PROCHEM INWESTYCJE Sp. z o. o.	7 317	3 000	-	-	4 317	-	-52	31 826	30 220	1 606	170	-	170	39 143	4 027
2	P.K.I.PREDOM Sp. z o.o.	9 224	600	-	5 813	2 811	-	3	3 958	2 019	1 939	1 302	-	1 302	13 182	4 602
3	PRO-INHUT Sp. z o .o.	308	53	-	-	255	-	-233	3 744	14	3 730	1 331	-	1 331	4 052	19
4	PROCHEM ZACHÓD Sp. z o.o.	1 965	1 600	-	-	365	-	27	1	-	1	-	-	-	1 966	-
5	ELEKTROMONTAŻ KRAKÓW S.A.*)	25 752	1 208	-	3 209	21 335	-	1 142	10 774	3 695	7 079	13 847	1 091	12 756	36 526	34 479
6	ELMONT INWESTYCJE sp. z o.o.	8 027	8 000	-	-	27	-	-10	9	-	9	-	-	-	8 036	-
7	ELPRO sp. z o.o.	4 947	3 290	-	-	1 657	-	712	19	-	19	3	-	3	4 966	77
8	ATUTOR Sp. z o.o.	286	355	-	-	-69	-	-126	607	-	607	277	-	277	893	861
9	PROCHEM RPI Sp. z o.o.	119	600	-	-	-481	-475	-6	1	-	1	-	-	-	120	-
10	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.													
11	PREDOM PROJEKTOWANIE Sp. z o.o.		Not subject to consolidation													

**** 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 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 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	Revaluation adjustments (total)	Carrying value of shares	Percentage of share capital held	Share in total number of votes at the general meeing
1	ITEL Sp. z o.o.	Gdynia	Other electrical installations	associated	The equity method	13September 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 of the status of a subsidiary to a jointly-controlled company on 3 April 2013)	24.03.2000	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:		Entity's liabilities and provisions to liabilities, including:			Entity's liabilities, including:			Entity's assets, total	Sales revenue
			profit (loss) net		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.	67 816	4 816	121 243	116 866	4 377	867		867	189 059	17 787

Note 7 – Settlement of Deferred Income Tax

- deferred tax assets

Change in deferred tax assets	31 December 2020	31 December 2019
1. Deferred tax assets as at the beginning of the period, recognized in financial result	**7 977**	**7 235**
a) recognized in financial result	**7 885**	**7 191**
- provisions for costs	221	140
- write-down of receivables	307	589
- unpaid remuneration under contracts of mandate and specific task contracts	38	31
- deferred income	692	696
- interest on loans	377	320
- provision for retirement benefit	360	366
- provision for holiday benefits	283	280
- unpaid employee benefits	5	9
- tax loss	1 545	1 606
- write-down of inventories	106	106
- discounted cash flows expenses	87	38
- deferred tax on write-down of financial assets	5	5
- surplus of costs incurred above margin	3 745	3 002
- other, including exchange differences	114	3
b) recognized in equity	**92**	**44**
- provision for retirement benefits	92	44
2. Increase	**4 682**	**5 396**
a) recognized in financial result	**4 668**	**5 348**
- provision to costs	217	250
- write-down of receivables	2	60
- unpaid remuneration under contract of mandate and specific task contract	33	38
- deferred income	980	692
- interest on loan	11	57
- provision for retirement benefit	44	10
- provision for holiday benefits	91	47
- unpaid employee benefits	91	1
- tax loss	53	241
- discounted cash flows expenses	35	83
- surplus of costs incurred above margin	3 068	3 745
- other, including exchange differences	43	124
b) recognized in equity due to negative temporary differences	**14**	**48**
- provision for retirement benefit	14	48
3. Decrease	**6 763**	**4 654**
a) recognized in financial result	**6 763**	**4 654**
- provisions to costs	197	169
- write-down of receivables	302	342
- paid remuneration under contract of mandate and specific task contract	38	31
- deferred income	653	696
- interest on loan	136	-
- provision for retirement benefit	8	16

- provision for holiday benefit	46	44
- unpaid employee benefits	8	5
- tax loss	1 455	302
- write-down of inventories	106	-
- discounted cash flows expenses	44	34
- deferred tax on write-down of financial assets	5	-
- surplus of costs incurred above margin	3 747	3 002
- other, including exchange differences	18	13
b) recognized in equity due to negative temporary differences	**-**	**-**
- provision for retirement benefit	-	-
4. Total deferred tax assets at the end of period, including:	**5 896**	**7 977**
a) recognized in financial result	**5 790**	**7 885**
- provisions to costs	241	221
- write-down of receivables	7	307
- unpaid remuneration under contracts of mandate and specific task contract	33	38
- deferred income	1 019	692
- interest on loan	252	377
- provision for retirement benefits	396	360
- provision to holiday benefits	328	283
- unpaid employee benefits	88	5
- tax loss	143	1 545
- write-down of inventories	-	106
- cost of discounted cash flows	78	87
- deferred tax on write-down of financial assets	-	5
- surplus of costs incurred above margin	3 066	3 745
- other, including exchange differences	139	114
b) recognized in equity due to negative temporary differences	**106**	**92**
- provision for retirement benefits	106	92

- provision for deferred income tax

Change in provision for deferred income tax	31December 2020	31 December 2019
1. Provision to deferred income tax as at the beginning of the period, including:	**9 227**	**7 236**
a) recognized in financial result	**7 629**	**5 630**
- interest accrued on loan	601	726
- updating of non-current financial asets	173	136
- acrued 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
- income under discounted liabilities	173	-
- other	52	45
b) recognized in equity	**1 598**	**1 606**
- remeasurement of PPE at fair value	1 598	1 606
2. Increase	**3 466**	**5 190**
a) recognized in financial result of the period in connection with positive temporary differences	**3 466**	**5 190**

- interest acrued on loan	23	97
- accrued income from uncompleted service	2 537	4 782
- updating of non-financial investments	658	37
- surplus of the balance sheet depreciation over tax depreciation	92	93
- income from discounted liabilities	132	173
- other	24	8
b) recognized in equity	**-**	**-**
- surplus of the balance sheet depreciation over tax depreciation	-	-
3. Decrease	**5 822**	**3 199**
a) recognized in financial result of the period in connection with positive temporary differences	**5 729**	**3 191**
- paid interest on loan	408	219
- accrued income from uncompleted service	4 892	2 820
- use of updating of non-financial investments	192	148
- surplus of the balance sheet depreciation over tax depreciation	32	-
- income from discounted liabilities	202	-
- other	3	4
b) recognized in equity	**93**	**8**
- remeasurement of PPE at fair value	93	8
4. Total provision under deferred income tax at the end of period	**6 871**	**9 227**
a) recognized in financial result	**5 366**	**7 629**
- interest accrued on loan	216	601
- updating of non-current financial assets	173	173
- accrued income from uncompleted service	2 471	4 826
- updating of non-financial investments	1 327	861
- surplus of the balance sheet depreciation over tax depreciation	1 003	943
- income from discounted liabilities	103	173
- other	73	52
b) recognized in equity	**1 505**	**1 598**
- remeasurement of PPE at fair value	1 505	1 598

	31 December 2020	**31 December 2019**
Deferred tax assets	5 896	7 977
Provision to deferred tax	-6 871	-9 227
Assets/(Provision to deferred income tax	**-975**	**-1 250**

Presentation in the statement of financial position:

	31 December 2020	**31 December 2019**
Deferred tax assets	1 484	1 083
Provision to deferred tax	-2 459	-2 333
Assets/(Provision) to deferred income tax	**-975**	**-1 250**

Note 8 –Other Non-current Financial Assets

Other financial assets	**31 December 2020**	**31 December 2019**
a) from jointly-controlled entities :	17 083	18 419
- loans granted	17 083	18 419
b) other financial assets – security deposits securing the bank guarantee granted	-	8 465
Total other non-current financial assets	**17 083**	**26 884**

Loans granted - as at 31 December 2020

- loans granted to jointly-controlled company Irydion Sp. z o. o. seated in Warsaw:
  - in the amount of PLN 11 083 thousand, including: amount of the loan PLN 11 000 thousand, accrued interest PLN 83 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 6 000 thousand, including: amount of the loan PLN 6 000 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. on the amount of PLN 29 thousand,

Decrease:

- Repayment of accrued interest on loans granted to jointly-controlled company Irydion Sp. z o.o. in the amount of PLN 1 630 thousand,

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 is set annually according at 3% rate per year, repayment date of the loan with interest was set on September 22, 2031;

Note 9– Inventories

Inventories	**31 December 2020**	**31 December 2019**
Materials	4 315	3 685
Semi-finished goods and work-in-process	743	473
Goods	281	-
Total inventories	**5 339**	**4 158**
Write-down of inventories	557	557

Note 10 –Trade and Other Receivables

Trade and Other Receivables	**31 December 2020**	**31 December 2019**
Trade receivables	76 938	79 869
Write-down of trade receivables	4 319	5 213
Trade receivables net, including	**72 619**	**74 656**
- with repayment period up to 12 months	66 681	70 614
- with repayment date more than 12 months	5 938	4 042
Receivables from taxes, subsidies, custom duties, social and health insurance and other benefits	**1 132**	**34**
Other receivables	1 348	3 296
Write-down of other receivables	-	6
Other receivables net	**1 348**	**3 290**
Total receivables	**75 099**	**77 980**

Trade and other receivables from related entities	31 December 2020	31 December 2019
Trade receivables, including:	76	34
- from jointly-controlled entities and associated entities	76	34
Total trade and other receivables from related entities, net	**76**	**34**
Write-downs of receivables from related entities	-	-
Total trade receivables and other receivables from related entities, gross value	**76**	**34**

Change in write-downs of trade and other receivables	31 December 2020	31December 2019
As at the beginning of the period	**5 219**	**4 623**
a) increase (due to)	156	677
- provision to receivables	156	677
b) decrease (due to)	1 056	81
- payment received	495	81
- the use of write-downs created in the previous periods	561	-
Write-downs of current trade and other receivables at the end of the period	**4 319**	**5 219**

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 31 December 2020 and as at 31 December 2019 trade receivables include the security deposits under statutory warranty for construction and assembly works respectively in the amount of PLN 15 395 thousand and PLN 15 197 thousand.

Trade receivables with time of repayment remaining from the balance sheet date:	31 December 2020	31 December 2019
a) up to 1 month	33 092	33 919
b) above 1 month to 3 months	21 378	17 720
c) above 3 months to 6 months	56	27
d) above 6 months up to 1 year	15 362	14 959
e) above 1 year	313	3 756
f) receivables overdue	6 737	9 488
Total receivables from supplies and services (gross)	**76 938**	**79 869**
g) write-downs of receivables from supplies and services	4 319	5 213
Total receivables from supplies and services (net)	**72 619**	**74 656**

An age analysis of past due trade receivables (gross)	31 December 2020	31 December 2019
a) up to 1 month	85	3 399
b) above 1 month to 3 months	1 369	187
c) above 3 months up to 6 months	53	257
d) above 6 months up to 1 year	779	124
e) above 1 year	4 451	5 521
Total past due receivables from supplies and services (gross)	**6 737**	**9 488**
f) write-downs of past due receivables from supplies and services	4 319	5 213
Total past due receivables from supplies and services (net)	**2 418**	**4 275**

Note 11 – Other Financial Assets

Other financial assets by type :	31 December 2020	31 December 2019
a) other financial assets - security deposits constituting security for guarantees provided by the bank	9 651	1 383
b) other	18	18
Total financial assets	**9 669**	**1 401**

Note 12 – Other Assets

Other assets by type :	31 December 2020	31 December 2019
a) prepayments	879	943
- cost of property and personal insurance	232	290
- software maintenance costs	556	456
- subscriptions	2	11
- deferred costs	5	136
- other	84	50
Total other assets	**879**	**943**

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	-	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 accordance with information /notifications received from shareholders, the Company informs that as at the date of report hereby 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	975 250	975 250	33.21	33.22
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

Change of rights from shares of Prochem S.A. in 2020.

On July 10, 2020. Steven Georg Tappan has issued a tender offer to subscribe for the sale of the Issuer's shares.
As a result of the call, the Calling Party intended to acquire up to 66% of the total number of votes at the Company's General Meeting of Shareholders.

On August 19, 2020, the Management Board of PROCHEM S.A. with its seat in Warsaw (hereinafter referred to as the "Issuer", "Company") has obtained information, that the attorney of Steven George Tappan - a shareholder of the Company - announced an increase in his share in the share capital of Prochem and in the total number of votes in Prochem respectively to the level of approx. 33.228% and approx. 33.215% ("Transaction"). As a result, Mr. Steven George Tappan exceeded the threshold of 33% of the total number of votes at the general meeting of Prochem SA.
Before the settlement of the Transaction, Mr. Steven George Tappan held directly 968,500 shares of Prochem, constituting approx. 32.998% of the share capital of Prochem, entitling to 968,500 votes at the general meeting of Prochem, constituting approx. 32.985% of the total number of votes at the general meeting of Prochem. Currently, after the settlement of the transaction, Mr. Steven George Tappan directly holds 975,250 shares, constituting approx. 33.228 % of the share capital of Prochem, entitling to 975,250 votes at the general meeting of Prochem, constituting approx. 33.215 % of the total number of votes at the general meeting of Prochem.

Note 14 – Revaluation Reserve

	31 December 2020	31 December 2019
As at opening balance sheet	6 928	11 789
Sale of real estate in subsidiary	-69	-
Actuarial losses on valuation of provisions for employee benefits	-54	-57
Revaluation of non-current assets	238	-4 804
As at closing balance sheet	**7 043**	**6 928**

Note 15 - Retained Earnings

	31 December 2020	31 December 2019
Spare capital	62 697	55 489
Other capital reserve	19 550	19 764
Profit (loss) brought forward	-465	-1 166
Profit (loss) of the period	13 863	7 866
Total	**95 645**	**81 953**

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 benefits as at December 31, 2020 were determined using an individual method using the PUCM methodology required by IAS 19 and using actuarial mathematics techniques. The actuarial assumptions have been updated based on the latest historical data of the Companies, current market data and taking into account changes in the current policy of the Group and individual Companies. The calculations were based on individual data on employees as at December 31, 2020, 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, 2020:

- weighted average rotation ratio: general 7.98%-10.28%, including for the traineeship > 3 years 4.73% - 7.31%, depends on the Company
- weighted average probability of death: 0.003320 – 0.006620 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: 0.001337 – 0.002897 depends on the Company (tables based on the Social Insurance Office ZUS case law for the years 2015 – 2019 personalized for each Company separately)
- average annual increase in the basis for benefits: 2.11% - 2.73% 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 December 31, 2020: 1.84% - 1.92% 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, 2019:

- weighted average index of rotation: general 7.84% - 11.19%, including for the traineeship > 3 years 4.51% - 6.57%
- weighted average probability of death: 0.002882 – 0.006892
- weighted average probability of total disability: 0.001358 – 0.003036
- average annual increase in the basis for benefits: 1.88% - 2.12%
- average interest rate used for discounting: 2.48% - 2.55%

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

Description	In 2020			In 2019
	Gratuity	Bonuses	Total	Total
Opening balance for the provision for benefits	1 062	1 185	**2 247**	**2 207**
Benefits paid during the period (-)	-116	-308	-421	-444
Interest cost	26	26	51	62
Current employment cost s /current write-downs/	68	73	141	119
Actuarial losses(gains)	123	250	372	303
Cost of past employment	0	32	32	0
Effects of the sale / acquisition / merger of the Companies	0	0	0	0
Closing balance for provisions for benefit	1 163	1 258	**2 421**	**2 247**

including current provision	*167*	*188*	*355*		*385*
Including non-current provision	*998*	*1 070*	*2 066*		*1 862*

Breakdown of actuarial gains /losses

Description	In 2020				In 2019
	Gratuity	Bonuses	Total		Total
Actuarial (profits) losses ‘ex post’	67	107	174		117
Actuarial (profits)losses from updating demographic assumptions	-21	8	-13		81
Actuarial (profits)losses from updating financial assumptions	77	135	212		105
Total actuarial (gains) losses	**123**	**250**	**373**		**303**

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

- recognized in profit or loss:

Description	In 2020				In 2019
	Gratuity	Bonuses	Total		Total
Current employment cost /current write-down /	-68	-73	-141		-119
Interest cost	-26	-26	-52		-62
Actuarial profits (losses) under other non-current benefits	0	-250	-250		-188
Cost of past employment	0	-32	-32		0
Total gains (losses)	-95	-381	**-475**		**-369**

- recognized in other comprehensive income:

Description	In 2020		In 2019
Actuarial profits (losses) under post-employment benefits	-123		-115

Maturity profile of benefits

Period	Flows	Distribution of provisions
2021	363	355
2022	203	187
2023	218	187
2024	247	191
2025	173	134
≥ 2026	4 481	1 367
Total	**5 685**	**2 421**
PV / duration	4 316	13.81 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%	224		-20%	133		-1.0%	-202
-0.5%	107		-10%	64		-0.5%	-104

0.0%	**00**	**0%**	**0**	**0.0%**	**0**
0.5%	-99	10%	-59	0.5%	112
1.0%	-190	20%	-115	1.0%	233

Note 17 – Other Non-current Liabilities

Other non-current liabilities	**31 December 2020**	**31 December 2019**
- capital unpaid	50	50
- security deposits retained	81	89
- other	12	-
Total non-current liabilities	**143**	**139**

Note 18- Current Bank Loans

	31 December 2019	**31 December 2019**
- loans	1 334	1 786

Information on bank loans contracted

Name of the bank	Registered office	Loan linit	The amount of engagement	Repayment date	Terms of interest	Security
By Prochem S.A.						
mBank SA	Warsaw	8,000 credit in overdraft	-	26.02.2021	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	-	28.02.2021	WIBOR for 1-month deposits in PLN + margin	Mortgage
ING BANK Śląski	Katowice	2 500	-	19.11.2021	WIBOR for 1-month ON deposits in PLN + margin	Mortgage
By Atutor Integracja Cyfrowa sp. z o.o.						
Bank Millenium S.A.	Warsaw	150	150	Revolving loan in a bank account from 02.08.2016.	WIBOR 1m plus margin	Granting the bank of a power of attorney to collect and repay from the account and block the funds if the loan is not repaid on time
By Pro-Inhut sp. z o.o.						
ING Bank Śląski S.A.	Dąbrowa Górnicza	734	735	17.05.2021	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	398	30.07.2021	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	51	30.07.2021	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 2020	31 December 2019
a) to associated entities and jointly-controlled entities	1	6
- from supplies and services , with maturity period:	1	6
- up to 12 months	1	6
b) to other entities	60 950	69 155
- from supplies and services, with maturity period:	60 950	69 155
- up to 12 months	60 447	68 562
- above 12 months	503	593
Total trade payables	**60 951**	**69 161**
Non-current liabilities under seized security deposits	14 291	5 790
Total trade payables	**75 242**	**74 951**

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

	As at 31 December 2020	As at 31 December 2019
- amounts due from recipients under agreements	13 163	22 851
Amounts due from recipients under non-current agreements	**13 163**	**22 851**

		As at 31 December 2020	As at 31 December 2019
- amounts owed to recipients under agreements, including:		**20 486**	**42 598**
a	current	20 486	30 955
b	non-current	-	11 643

Description	As at 31 December 2020	As at 31 December 2019
Revenues according to contracts	767 845	757 242
Revenues invoiced	570 103	258 278
Liabilities planned under the implementation of contracts	698 768	712 831
Realized contractual liabilities	543 668	269 142
Amounts due from recipients	13 163	22 851
Amounts owed to recipients	20 486	42 598

Note 21 – Other Liabilities

	31 December 2020	31 December 2019
a) to other entities	3 352	3 730
- under taxes, duties, insurance and other benefits	2 212	2 851
- under remuneration	10	456
- other (by type)	1 130	423
liabilities to employees	438	6
liabilities to shareholders	16	16
other	676	401
b) other non-current provisions	5 149	4 808
- provision for costs accrued to the previous year relating to long-term contracts	1 675	1 883
- provision for costs	1 333	993

- cost of audit	62	63
- non-current provision for retirement benefits	359	384
- provision for unused holiday leaves	1 720	1 485
Total other liabilities	**8 501**	**8 538**

Liabilities under lease agreements

	Future minimum payments under lease	Interest	Current value	Future minimum payments under lease	Interest	Current value
In PLN thousands	**In 2020**	**In 2020**	**In 2020**	**In 2019**	**In 2019**	**In 2019**
Up to one year	492	0	492	351	31	382
From 1 to 5 years	406	0	406	548	17	565
Total	**898**	**0**	**898**	**899**	**48**	**947**

Liabilities for the right- of- use

	Future minimum payments under lease	Interest	Current value	Future minimum payments under lease	Interest	Current value
In PLN thousands	**In 2020**	**In 2020**	**In 2020**	**In 2019**	**In 2019**	**In 2019**
Up to one year	3 715	855	4 570	3 005	1 085	4 090
From 1 to 5 years	14 206	2 048	16 254	13 452	2 562	16 014
Over 5 years	5 089	1 327	6 416	5 509	1 656	7 165
Total	**23 010**	**4 230**	**27 240**	**21 966**	**5 303**	**27 269**

Note 22 – Deferred Income

	31 December 2020	31 December 2019
- funding from PFR received	48	-
- other	324	324
Deferred income at the end of the period, including:	**372**	**324**
Non-current liabilities	**-**	**-**
Current liabilities	**372**	**324**

Note 23- Revenues from Sale of Services

Revenues from sale of services (type of service and type of activity)	In 2020	In 2019
- revenues from sale of services, including:	**348 991**	**319 203**
- from related entities	2 525	1 310

Revenues from sales (territorial structure)	In 2020	In 2019
Domestic market	348 259	318 363
- including from related entities	2 525	1 310
Exports	732	840

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 2020, is included in note 31.

Note 24 - Revenues from Sale of Goods and Materials

Revenues from sale of goods and materials (material structure and types of activity	**In 2020**	**In 2019**
Goods and materials	**3 216**	**3 820**

Revenues from sale of goods and materials (territorial structure)	**In 2020**	**In 2019**
Domestic market	3 216	3 820

Note 25 – Cost of services sold

Costs by type	**In 2020**	**In 2019**
a) amortization and depreciation	6 311	5 655
b) consumption of materials and energy	13 673	26 911
c) outsourcing	268 899	235 530
d)taxes and levies	266	508
e) remuneration	35 664	34 176
f) social security and other benefits	6 882	6 491
g) other type of costs (by category)	3 188	3 630
- property and personal insurance	862	767
- business trips	902	1 245
- PFRON (State Fund for Rehabilitation of Disabled Persons)	448	257
- car rental	285	500
- other	691	861
Total costs by type	**334 883**	**312 901**
Change in inventories, goods and accruals and prepayments	295	1 221
General and administrative expenses (negative value)	-14 652	-12 737
Cost of services sold	**320 526**	**301 385**

Note 26 – Other Operating Income

	In 2020	**In 2019**
a) gain on sale of non-financial non-current assets	333	1 549
b) reversal of impairment allowance (due to)	444	119
- for receivables	444	81
- other	-	38
c) other, including:	2 497	426
- reimbursement of litigation costs	22	30
- received compensation, fines and penalties	1 013	155
- writing off past due liabilities	113	4
- revaluation income	1 274	93
- other	75	144
Total other operating expenses	**3 274**	**2 094**

Note 27 – Other Operating Expenses

	In 2020	In 2019
a a) loss on disposal of non-financial non-current assets	2	4
b) impairment allowance (due to)	157	390
- receivables	157	390
c) other, including:	1 231	887
- litigation costs	235	33
- actuarial valuation of employee benefits	55	-
- paid compensation, fines and penalties	628	286
- writing off bad debts	259	-
- impairment of PPE	3	-
- other	51	568
Total other operating expenses	**1 390**	**1 281**

Note 28 – Result of One-off Events

	In 2020	In 2019
Revenues from sale of real estate	4 600	-
Assets classified for sale	3 770	-
Dissolution of a deferred tax asset	-185	-
Result of event	**1 015**	**-**

Note 29 – Financial Income

	In 2020	In 2019
a) interest under loans granted	293	378
- from jointly-controlled entities	293	378
b) other interest	106	121
- from other entities	106	121
c) surplus of positive exchange rates	87	258
d) other, including:	361	1 085
- revenues under discounted non-current liabilities	215	809
- revenues from disposal of financial assets	66	63
- other	80	214
Total financial income	**847**	**1 843**

Note 30 – Finance expenses

	In 2020	In 2019
a) interest under bank loans	37	206
b) other interest	1 164	1 111
- for other entities	73	57
- under lease	1 091	1 054
c) surplus of positive exchange rates	15	-
d) other, due to :	1 222	760
- commission on bank guarantees	555	368
- commission on loans	140	105
- costs under discount of financial assets	385	207
- cost of sale of financial assets	60	-
- other costs	82	80
Total finance expenses	**2 438**	**2 077**

Note 31 – Income Tax

Deferred income tax disclosed in the statement of profit and loss	**In 2020**	**In 2019**
- decrease (increase) from arising and reversal of temporary differences	-312	1 401
Total deferred income tax	**-312**	**1 401**

Determining the effective tax rate

(in PLN thousands)	**In 2020**	**In 2019**
Tax rate	**19%**	**19%**
Profit for the period	14 008	8 043
Income tax	3 910	1 658
Before tax profit	17 918	9 701
Income tax at the aplicable rate 19%	3 404	1 843
Tax loss brought forward , which will not be settled	-	-
revenues that are not tax revenues	-42	-16
costs that are not tax deductible costs	415	156
other	133	-140
Total income tax disclosed in the statement of profit and loss	**3 910**	**1 658**

Note 32 – 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, capital 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 2020	**In 2019**
Change in current receivables	**11 757**	**-45 388**
Receivables as at 1 January	77 980	41 472
Amounts due from recipients under contracts as at 1 January	22 851	13 691
Other assets as at 1 January	943	1 202
Receivables under retained security deposits as at 1 January	11	43
Receivables from PPE sold	0	-11
Receivables under income tax	0	0
Opening balance sheet after adjustments	**101 785**	**56 397**
Receivables as at 31 December	75 103	77 980
Amounts due from recipients under agreements as at 31December	13 163	22 851
Other assets as at 31 December	879	943
Receivables under retained security deposits as at 31December	883	11
Receivables from PPE sold	0	0

Receivables under income tax	0	0
Closing balance sheet after adjustments	**90 028**	**101 785**

Change in current liabilities except for current borrowings and special funds	**-22 089**	**79 442**
Trade payables as at 1 January	69 161	31 626
Other liabilities as at 1January	42 598	8 620
Amounts owed to suppliers under contracts as at 1 January	8 538	2 863
Liabilities under retained security deposits as at 1 January	5 790	3 569
Provision for current retirement benefits	-384	-445
Provisions for annual leaves	-1 485	-1 471
Provision for audit	-63	-67
Provision for current other costs	-1 550	-1 550
Valuation of financial assets - forward	-20	-
Investment commitments as of January 1	-28	-
Liabilities under operating lease	-	20
Liabilities to shareholders	-16	-17
Opening balance sheet after adjustments	**122 541**	**42 148**
Trade payables as at 30 September	60 951	69 161
Amounts owed to recipients under agreements as at 30 September	20 486	42 598
Other liabilities as at 30 September	8 501	8 539
Liabilities under retained security deposits as at 30 September	14 291	5 790
Provision to current retirement benefits	-359	-384
Provisions to annual leaves	-1 720	-1 486
Provisions to audit	-62	-63
Provisions to current other costs	-1 564	-1 549
Investment commitments as of 31 December	-55	-
Liabilities to shareholders	-17	-16
Closing balance sheet after adjustments	**100 452**	**122 590**

Change in other adjustments as at balance sheet date	**83**	**-8 417**
Change in deferred income – advances received	48	-8 594
Other	35	177

Note 33– 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 2020 revenues from activities achieved by the Issuer outside Polish borders (Exports) and recognized in the consolidated statement of profit and loss amounted to PLN 732 thousand, which constitutes 0.2% of sales revenue. In the analogous period of the previous year such revenues amounted to PLN 840 thousand, which represented 0.3% of sales revenue.

Information on major customers, which share in the sales revenue recognized in consolidated profit and loss account for 2020 exceeded 10% of total revenues from sale:

Information on major customers, which share in the sales revenue for 2019 exceeded 10% of total revenues from sale:

- Client who deals in the production of chemical raw materials – sales revenue PLN 141 853 thousand, which represents 40.28 % of sales revenue, which was shown in the segment „General contracting” and „Design services and other engineering services”
- A client involved in the production of fertilizers – sales revenue PLN 132 752 thousand, which represents 37.69 % 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 2020**	**In 2019**
Poland		348 259	318 363
Other countries		732	840
	22	**348 991**	**319 203**

Current data

For the period from 01.01.2020 to 31.12.2020	General contracting	Design services, 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	285 709	33 783	741	21 932	4 582	204	3 216	465	1 424	151	352 207
Total segment revenues	**285 709**	**33 783**	**741**	**21 932**	**4 582**	**204**	**3 216**	**465**	**1 424**	**151**	**352 207**
Result											
Profit (loss) of the segment	**16 830**	**-3 464**	**-516**	**1 409**	**675**	**-7**	**329**	**-242**	**-749**	**-123**	**14 142**
Financial income										907	907
Finance costs										-2 438	-2 438
Net financial revenues										-1 531	-1 531
Profit sharing in entities valued under the equity method										2 408	2 408
Profit (loss) on other operating activities										2 899	2 899
Before tax profit										17 918	**17 918**
Income tax										3 910	3 910
Profit for the current period										14 008	**14 008**
Loss assigned to non-controlling interest										145	**145**
Profit for the period assigned to shareholders of parent entity										13 863	**13 863**
Segment assets (related to activity)	70 377	7 875	291	10 431	23 251	-	144	263	204	-	112 836
Assets unallocated (among others shares and other financial assets)										138 629	138 629
Total assets	**70 377**	**7 875**	**291**	**10 431**	**23 251**	**-**	**144**	**263**	**204**	**138 629**	**251 465**
Liabilities of the segment (related to activity)	93 132	1 972	142	4 135	673	-	-	-	616	38 230	138 900
Equity of the owners of the parent entity										105 622	105 622
Non-controlling interest										6 943	6 943
Total liabilities and equity	**93 132**	**1 972**	**142**	**4 135**	**673**	**-**	**-**	**-**	**616**	**150 795**	**251 465**
Depreciation of property, plant and equipment	388	1 515	88	892	1 712	-	-	69	91	1 488	6 243
Amortization of intangible assets	-	2	-	-	-	-	-	-	-	66	68
Write-down of segment assets (receivables from supplies and services)	-65	-45	-2 794	-1 397	-	-	-	-	-18	-	-4 319

Comparative data

For the period from 01.01.2019 to 31.12.2019	General contracting	Design services, 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	-	323 023
Total segment revenues	**232 799**	**38 829**	**1 984**	**37 722**	**4 711**	**287**	**3 820**	**725**	**2 145**	-	**323 023**
Result											
Profit (loss) of the segment	**2 001**	**2 516**	**220**	**246**	**986**	**-39**	**571**	**-202**	**-654**	**-**	**5 645**
Financial income										1 931	1 931
Finance costs										- 2077	-2 077
Net financial activities										-146	**-146**
Profit sharing in entities valued under the equity method										3 388	**3 388**
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	-	-	385	129	-	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**	**-**	**-**	**385**	**129**	**155 446**	**259 375**
Liabilities of the segment (related to activity)	61 469	1 792	715	8 468	889	38	-	-	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**	**-**	**-**	**720**	**185 282**	**259 375**
Write-down of segment assets (receivables from supplies and services)	56	107	68	620	1 650	38	-	57	-	2 972	5 568
Write-down of segment assets (receivables from supplies and services)	-	8	-	19	4	-	-	3	-	53	87
Write-down of segment assets (receivables from supplies and services)	-150	-443	-3 057	-1 392	-151	-	-	-	-26	-	-5 219

Note 34 – Profit per One Share

Net profit per 1 share remaining in trade as at balance sheet date 31 December 2020 is PLN 4,72 and in 2019 was PLN 2,68.

Nota 35- Profit Sharing and Loss Coverage

Company's net profit for 2019 in the amount of PLN 3 697 951.01 according to the Resolution No. 15 of the Ordinary General Meeting of September 25, 2020 was entirely allocated to reserve capital.

Proposed distribution of net profit for 2020

The Management Board of Prochem S.A. proposes to allocate the net profit for 2020 in the amount of PLN 10 076 753.04 to supplementary capital.

Note No. 36 - Dividends

The Issuer did not pay dividend for 2019.

Note 37 - Financial Instruments and Financial Risk Management

37.1 Categories and classes of financial instruments

Financial assets

		Categories of financial instruments	
(in PLN thousands)		Loans, receivables and other	
Classes of financial instruments	**Note No.**	**31.12.2020**	**31.12.2019**
Trade receivables	10	72 619	74 656
Cash		38 928	34 781
Loans granted	8	17 083	18 419
Other financial assets – security deposits securing bank guarantees granted	11	9 669	9 866
Total		**138 299**	**137 722**

Financial liabilities

31 December 2020

		Categories of financial instruments	
(in PLN thousands)		**Financial liabilities measured at amortized cost**	**Total**
Classes of financial instruments	**Note No.**		
Loans	15	1 334	1 334
Amounts owed to recipients under agreements	16	20 486	20 486
Trade payables	18	75 242	75 242
Total		**97 062**	**97 062**

31 December 2019

(in PLN thousands)		Categories of financial instruments: Financial liabilities measured at amortized cost	Total
Classes of financial instruments	**Note No.**		
Loans	15	1 786	1 786
Amounts owed to recipients under agreements	16	42 598	42 598
Trade payables	18	74 951	74 951
Total		**119 335**	**119 335**

Impairment allowances of financial assets by classes of financial instruments

(in PLN thousands)	As at 31 December 2019	31 December 2019
Trade receivables	4 319	5 213
Total	**4 319**	**5 213**

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.

37.2. 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

The Group is exposed to the liquidity risk resulting from the relation of current liabilities to current assets.
As at December 31, 2020 and December 31, 2019 the index ratio of current assets to current liabilities (current liquidity ratio) was respectively 1,49 i 1,23.
Detailed information regarding loans is disclosed in Note 15.
Analysis of maturity of liabilities is in Notes Nos. from 16 to 20.

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 2020

(in PLN thousands)	**EUR**	**USD**	**NOK**	**Other in PLN**	**Total after translation into PLN**
Financial assets					
Receivables from supplies and services	367	5	-	-	1 712
Cash	1 605	156	88	7	8 039
Total	**1 972**	**161**	**88**	**7**	**9 751**
Financial liabilities					
Trade payables	753	7	-	-	3 501
Total	**753**	**7**	**-**	**-**	**3 501**

Exposure to currency risk as at 31 December 2019

(in PLN thousands)	**EUR**	**USD**	**NOK**	**BYN**	**Total after translation into PLN**
Financial assets					
Trade receivables	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**

Analysis of sensitivity to currency risk as at December 31, 2020

(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%	844	15%	-844
USD/PLN	15%	87	15%	-87
NOK/PLN	15%	6	15%	-6
Total impact		**937**		**-937**

Analysis of sensitivity to currency risk as at December 31, 2019

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

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

Revenues in foreign currency achieved in the currency in the years 2020 and 2019 were as follow:

currency	**revenues**		**Average exchange rate for sales**		**expenses**		**Average exchange rate for purchases**	
(in PLN thousands)	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
EUR	6 567	8 681	4.4337	4.3061	4 359	12 764	4.4409	4.3087
USD	2 601	554	3.9108	3.7880	1.378	1 472	3.9095	3.9068

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 volatility of particular currencies and forecasts.

In the reporting period EURO was the main currency.

Hypothetically assuming that if the Polish Zloty weakened/strengthened by 1 % against EUR, then revenues in 2020 would increase or decrease by PLN 743 thousand, and in 2019 by PLN 494 thousand, which would have an impact on before tax profit, while costs would increase in 2020 by PLN 247 thousand, and in 2019 by PLN 68 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

	WIBOR		Fixed rate of interest	
(in PLN thousands)	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**
Financial assets				
Loans granted	11 083	11 744	6 000	6 676
Financial liabilities				
Loan	1 334	1 786	-	-

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

	Fluctuations assumed		**impact (in PLN thousands)**	
(in PLN thousands)	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**
Financial assets				
WIBOR	+50 base point.	+50 base point.	55	659
Financial liabilities				
Loans	+50 base point.	+50 base point.	(7)	(9)

Note 38 – 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 2020 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 2020 in the Issuer's enterprise to the Members of the Management Board:

1. Jarosław Stępniewski PLN 537 thousand
2. Marek Kiersznicki PLN 528 thousand
3. Krzysztof Marczak PLN 482 thousand

Remuneration paid in 2020 in the Issuer’s enterprise to the Members of the Supervisory Board:

Marek Garliński PLN 72 thousand,
Andrzej Karczykowski PLN 60 thousand,
Wiesław Kiepiel PLN 21 thousand,
Krzysztof Obłój PLN 60 thousand:
Marcin Pędziński PLN 39 thousand.
Karol Żbikowski PLN 60 thousand.

Remuneration paid to the Members of the Supervisory Board in 2020 for performing the functions in the Management Boards and the Supervisory Boards of the companies from the Capital Group:

1. Jarosław Stępniewski	PLN 85 thousand
2. Krzysztof Marczak	PLN 72 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 2020 to 31 December 2020

	Sale of services	Purchase of services	Financial income – interest on loan
Jointly-controlled entities and associated entities	2 525	3 256	293

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 2020

	Trade and other receivables	Receivables under loans granted	Trade payables
Jointly-controlled entities and associated entities	76	17 083	1

Comparative period
(in PLN thousands)

from 1 January 2019 to 31December 2019

	Sale of services	Purchase of services	Financial income – interest on loans
Jointly-controlled entities and associated entities	1 310	3 089	378

As at 31 December 2019

	Trade receivables	Receivables under loans granted	Trade payables
Jointly-controlled entities and associated entities	34	18 419	6

Revenues from the sale of services to jointly-controlled entities and associated entities in 2020 and 2019 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 2020 the costs relate to the rental of office space.

Note 39- 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:

	31.12.2020	31.12.2019
Collateral granted		
Bank guarantee of the good performance	50 729	51 383
Guarantee of reimbursement of advance payment	1 500	7 869
Guarantee of payment	995	1 050
Tender guarantee	-	-
Total collateral granted	**53 224**	**60 302**
Contingent liabilities		
Surety for the return of advance payment in the Group	7 374	-
Surety for the loan in the Group	-	36 975
Total collateral granted and contingent liabilities	**60 598**	**97 277**

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 2020	31 December 2019
Bank guarantee of good performance	21 094	8 738
Promissory note guarantees securing the terms of the contract	450	1 777
Total contingent assets	**21 544**	**10 515**

Note 40 - Information on Significant Proceedings Pending before the Court

Did not occur

Note 41- Events after Reporting Date

Did not occur

Note 42 – 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 – 63,383 pcs.;
- Marek Kiersznicki – 59,474 pcs.;
- Krzysztof Marczak – 42,386 pcs.;
- Marek Garliński – 83,996 pcs.;
- Andrzej Karczykowski – 283,391 pcs.;

The nominal value of 1 share is PLN 1.

In 2020, the Vice-President of the Management Board, Krzysztof Marczak, purchased 3,450 shares of Prochem S.A. Before the transaction, Mr. Krzysztof Marczak owned 38,936 shares.

Note 43- Approval of the Financial Statements

Consolidated Financial statements of the Prochem S.A. Capital Group for 2020 were approved for issue by the Management Board of the Parent Entity on April 28, 2021.

Signatures of the Members of the Management Board

28 April 2021	Jarosław Stępniewski	President of the Management Board	……………………..
date	First name and surname	position	signature
28 April 2021	Marek Kiersznicki	Vice President of the Management Board	……………………..
date	First name and surname	position	signature
28 April 2021	Krzysztof Marczak	Wiceprezes Zarządu	……………………..
date	First name and surname	position	signature

Signature of the person responsible for bookkeeping

28 April 2021	Barbara Auguścińska-Sawicka	Główny Księgowy	……………………..
date	First name and surname	position	signature