SEPARATE FINANCIAL STATEMENTS OF PROCHEM S.A.

as at for the period ended 31 December 2020

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Separate statement of financial position as at 31December 2020

(all amounts in PLN thousands if not stated otherwise)

	Note No.	As at 31 December 2020	As at 31 December 2019
A s s e t s			
Non-current assets			
Property, plant and equipment	1	1 150	1 180
Intangible assets	2	40	89
Right-of-use assets	3	11 910	13 875
Shares in subsidiaries	4	8 478	8 478
Shares in equity-accounted investees	5	4 502	4 502
Deferred tax assets	6	1 323	765
Non-current receivables under retained security deposits		883	11
Other financial assets	7	34 734	45 709
Total non-current assets		**63 020**	**74 609**
Current assets			
Inventories	8	3 594	2 456
Trade and other receivables	9	61 232	61 035
Receivables due to current income tax		756	-
Amounts due from recipients under contracts	18	7 019	15 997
Other financial assets	10	9 669	1 383
Other assets	11	687	718
Cash and cash equivalents		20 854	21 703
Total current assets		**103 811**	**103 292**
Total assets		**166 831**	**177 901**
E q u i t y a n d l i a b i l i t i e s			
Equity			
Share capital	12	2 935	2 935
Revaluation reserve	13	-449	-390
Retained earnings	14	54 004	43 928
Total equity		**56 490**	**46 473**
Non-current liabilities			
Non-current loans	16	950	950
Provisions for retirement and similar benefits	15	713	691
Long-term liabilities due to retained security deposits		15 359	6 284
Amounts owed to recipients under contracts	18	-	11 643
Lease liabilities		9 221	11 097
Total non-current liabilities		**26 243**	**30 665**
Current liabilities			
Trade payables	17	55 481	61 168
Amounts owed to recipients under contracts	18	20 486	30 955
Lease liabilities		2 946	2 858
Other liabilities	19	5 185	5 782
Total current liabilities		**84 098**	**100 763**
Total liabilities		**110 341**	**131 428**
Total equity and liabilities		**166 831**	**177 901**

Separate statement of profit and loss
from 1 January 2020 to 31 December 2020
(all amounts in PLN thousands if not stated otherwise)

	Note No.	Period ended 31 December 2020	Period ended 31 December 2019
Revenues from sale, including :		320 775	273 110
Revenues from sale of services	20	317 905	270 122
Revenues from sale of goods and materials	21	2 870	2 988
Cost of sales, including :		-298 118	-261 115
Cost of services sold	22	-295 493	-258 436
Cost of merchandise and raw materials		-2 625	-2 679
Gross profit on sales		**22 657**	**11 995**
General and administrative expenses	22	-8 814	-7 361
Other operating income	23	962	255
Other operating expenses	24	-939	-277
Results from operating activities		**13 866**	**4 612**
Financial income	25	819	2 093
Finance expenses	26	-1 801	-1 520
Before tax profit		**12 884**	**5 185**
Income tax expense :	27	2 808	1 487
- current tax		3 352	-
- deferred tax		-544	1 487
Profit for the period		**10 076**	**3 698**
Weighted average number of ordinary shares (in pcs.)		2 935 000	2 935 000
Profit (loss) per one share (in PLN per share) assigned to owners of the Parent Entity		3.43	1.26

Separate statement of comprehensive income

	In 2020	In 2019
Profit for the period	**10 076**	**1 089**
Other comprehensive income net	**-59**	**-157**
Other comprehensive income that will be reclassified to profit and loss under certain condition:	**0**	**0**
Other comprehensive income that will not be reclassified to profit and loss:	**-59**	**-157**
Actuarial profit (losses) on valuation of provisions for employee benefits	-72	-157
Income tax on other comprehensive income	13	-
Total comprehensive income	**10 017**	**932**
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)	3.41	0.32

Separate statement of changes in equity
(all amounts in PLN thousands if not stated otherwise)

	Share capital	Revaluation reserve	Retained earnings	Total equity
Reporting period from 1 January 2020 to 31 December 2020				
As at the beginning of the period	**2 935**	**-390**	**43 928**	**46 473**
Net profit of the given period			10 076	**10 076**
Other comprehensive income (net)		*-59*	**-**	**-59**
Total comprehensive income	**-**	**-59**	**10 076**	**10 017**
Other decreases		-	-	**-**
As at the end of the period	**2 935**	**-449**	**54 044**	**56 490**

	Share capital	Revaluation reserve	Retained earnings	Total equity
Reporting period from 1 January 2019 to 31 December 2019				
As at the beginning of the period	**2 935**	**-343**	**40 230**	**42 822**
Net profit of the given period			3 698	**3 698**
Other comprehensive income (net)		*-47*	**-**	**-46**
Total comprehensive income	**-**	**-47**	**3 698**	**3 651**
As at the end of the period	**2 935**	**-390**	**43 928**	**46 473**

Separate statement of cash flows
from 1 January 2020 to 31 December 2020
(all amounts in PLN thousands if not stated otherwise)

	Period ended 31 December 2020	Period ended 31 December 2019
Cash flows – operating activities		
Before tax profit	12 884	5 185
Total adjustments	-8 508	29 445
Amortization and depreciation	3 500	3 174
Interest and profit sharing (dividends)	176	155
Change in provisions	137	74
Change in inventories	-1 138	-1 739
Change in receivables and other assets	7 940	-43 943
Change in current liabilities except for borrowings and loans	-19 516	80 554
Other adjustments (including deferred income)	392	-8 830
Cash provided by (used in) operating activities	**4 376**	**34 630**
Income tax paid	4 108	-
Net cash provided by (used in) operating activities	**268**	**34 630**

Cash flows – investing activities		
Inflows	**2 847**	**1 058**
Disposal of intangible assets and property, plant and equipment	-	11
Inflows from financial assets	2 847	1 047
- in related entities	2 847	1 047
repayment of loan	500	-
repayment of interest on loans granted	2 347	1 047
Outflows	**-396**	**-8 336**
Acquisition of intangible assets and property, plant and equipment	-396	-671
Outlays on financial assets	-	-7 665
- in related entities	-	-7 665
repayment of loan	-	-7 500
repayment of interest on loans granted	-	-165
Net cash provided by (used in) investing activity	**2 451**	**-7 278**
Cash flows – financing activities		
Inflows	**5**	**63**
Other financial proceeds	5	63
Outflows	**-3 573**	**-7 048**
Payment of liabilities under operating lease IFRS16	-3 393	-2 972
Repayment of bank loans	-	-3 830
Interest and commission paid	-151	-218
Interest on loans paid	-29	-28
Net cash provided by (used in) financing activity	**-3 568**	**-6 985**
Total cash flows, net	-849	20 367
Increase/(decrease) cash and cash equivalents net	-849	20 367
Cash and cash equivalents at the beginning of the period	**21 703**	**1 336**
Cash and cash equivalents at the end of the period	**20 854**	**21 703**
Including restricted cash	**445**	**1 018**

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

1. Establishment of the Company and principal activity

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

1.1. The Management Board and Supervisory authorities of the Issuer

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

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

Composition of the Supervisory Board of Prochem S.A.

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

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

1.2. Employment

Average employment in 2020 was 203 FTEs, and in 2019 200 FTEs. Level of employment in persons as at 31 December 2020 was 202, and as at 31 December 2019 was 206.

2. Adopted accounting principles

2.1. Principles of presentation

Separate financial statements was prepared according to International Financial Reporting Standards endorsed by European Union.
The separate financial statements consist of the statement of financial position, the statement of profit and loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and explanatory notes.

The financial statements was prepared based on the principle of the historical cost.

Prochem S.A. is the Parent Entity in the Capital Group and prepares consolidated financial statements.

The preparation of the financial statements is based on the assumption that the Company will continue its operations as a going concern in the foreseeable future. The circumstances described in note 39 were analyzed and, in the opinion of the Management Board, they do not affect the entity's ability to continue as a going concern.

2.2. Changes in accounting estimates and 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 financial statements hereby, we applied the same accounting principles and the same calculation methods which were applied in the financial statements of Prochem for the year ended 31 December 2019.

2.3. New standards, interpretations and changes in published IFRS and its 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 benchmark,
- Improvements to IFRS 3 concerning the definition of a business,
- Amendments to references to the Framework in IFRS.

The above changes to the standards were approved for use by the European Union by the date of publication of these financial statements and did not affect the accounting policy of the Company and the separate 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 benchmark - Stage 2,
- Amendments to IFRS 3 relating to references to the 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 company expects that the above standards will not have a significant impact on the financial statements of Prochem S.A

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

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

2.4 Remaining accounting principles applied by the Company

Property, plant and equipment and intangible assets

Property, plant and equipment include fixed assets and expenditures on construction in progress which the entity 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 Company:

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

The correctness of the applied useful lives, of depreciation methods is verified at the end of each reporting year, and in justified cases is adjusted.

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 of all items 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 financial statements for the current period and comparative periods the Company applied useful life period of 3-10 years for amortization of intangible assets.

The correctness of the applied useful lives, of depreciation methods is verified at the end of each reporting year, and in justified cases is adjusted in the current and in subsequent periods.

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

Leases

The company as the lessee

At the time of concluding a new contract, the Company 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 Company 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 Company 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

As at the date of commencement of the lease, the Company 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 Company 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 company 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, movable instruments and equipment, depreciation period up to 5 years.

The Company 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 Company 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 company 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 company as the lessor

Lease agreements, such as rent agreements according to which the Company 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.

Investments in subsidiaries, associates or in joint ventures

The Company measures the value of shares at cost, i.e. at the price of the purchase reduced by any impairment losses.
The fair value of investment on the date when it ceases to be a subsidiary shall be treated as the purchase price at the moment of initial measurement as financial asset.

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.

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 Company 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 Company 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 Company used a simplified method permitted by IFRS 9. For the purposes of estimating the expected credit loss, the Company 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 Company has a credible declaration of the contractor's payment, the creation of a write-off may be suspended.

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 initially recognized at fair value, and then measured according to IFRS 9.

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. Cash equivalents classified as financial assets are measured at fair value through profit or loss.

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. 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 full in Other comprehensive income due to the fact that all relate to post-employment 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 (such as 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 measured at fair value,
  - capital arisen from the foreign exchange differences – from translation of the foreign operations of Representation Office,
  - actuarial gains and losses resulting from the changes in actuarial assumptions (including those due to change in discount rate).
- Retained earnings, which include:

- Spare capital, which is created from the surpluses of sale of shares above its nominal value, and from annual write-downs of net profits and write-downs of revaluation of property, plant and equipment in the previous years,
- Reserve capital which arose from the profit allocated to equity,
- Undistributed profit/loss brought forward and profit (loss) of the current year,
- Advance payments paid on account of dividends.

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

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

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

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

2.5. Seasonality

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

2.6. Transactions in foreign currencies

Transactions in foreign currencies are initially recognized at the exchange rate of the 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.

2.7. Functional currency and presentation currency of financial statements

The financial statements is presented in thousands of Polish Zlotys ('zloty' or 'PLN') which is the functional currency 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.

3. Explanatory notes to separate financial statements as at 31 December 2020 and for the period of twelve months of 2020

Note No. 1 – Property, Plant and Equipment

	31 December 2020	31 December 2019
Property, plant and equipment, including:	1 150	1 180
- machinery and equipment	672	555
Total property, plant and equipment	**1 150**	**1 180**

Property, plant and equipment – ownership structure	**31 December 2020**	**31 December 2019**
a) own	1 150	1 180
Balance sheet property, plant and equipment	**1 150**	**1 180**

Changes in property, plant and equipment – 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	**-**	**-**	**3 342**	**68**	**2 522**	**-**	**5 932**
Increase (due to)	-	-	360	-	64	-	424
- acquisition	-	-	360	-	64	-	424
Decrease (due to)	-	-	-11	-	-20	-	-31
- liquidation	-	-	-11	-	-20	-	-31
As at 31 December 2020	**-**	**-**	**3 691**	**68**	**2 566**	**-**	**6 325**
Depreciation and impairment							
As at 1 January 2020 – accumulated depreciation	**-**	**-**	**2 787**	**68**	**1 897**	**-**	**4 752**
Depreciation for the period (under)	-	-	232	-	191	-	423
- increase – depreciation for the period	-	-	242	-	210	-	452
- decrease under liquidation	-	-	-10	-	-19	-	-29
As at 31 December 2020 - accumulated depreciation	**-**	**-**	**3 019**	**68**	**2 088**	**-**	**5 175**
Impairment of PPE	-	-	-	-	-	-	-
Net value of PPE as at 31 December 2020	**-**	**-**	**672**	**-**	**478**	**-**	**1 150**

Changes in property, plant and equipment – in 2019

	Land, including the right of perpetual usufruct of land	Buildings premises and civil engineering objects	Machinery and equipment	Vehicles	Other PPE	Construction under progress	Total PPE
Gross value							
As at 1 January 2019	**-**	**-**	**3 150**	**68**	**2 926**	**-**	**6 144**
Increase (under)	-	-	425	-	225	-	650
- acquisition	-	-	425	-	225	-	650
Decrease (due to)	-	-	-233	-	-629	-	-862
- liquidation	-	-	-233	-	-629	-	-862
As at 31 December 2019	**-**	**-**	**3 342**	**68**	**2 522**	**-**	**5 932**
Depreciation and impairment							
As at 1 January 2019 – saccumulated depreciation	**-**	**-**	**2 818**	**68**	**2 335**	**-**	**5 221**
Depreciation for the period (under)	-	-	-31	-	-438	-	-469
- increase – depreciation for the period	-	-	204	-	189	-	393
- decrease under liquidation	-	-	-233	-	-629	-	-862
- other decrease	-	-	-2	-	2	-	-
As at 31 December 2019 - accumulated depreciation	**-**	**-**	**2 787**	**68**	**1 897**	**-**	**4 752**
Impairment of PPE	-	-	-	-	-	-	-
Net value PE as at 31 December 2019	**-**	**-**	**555**	**-**	**625**	**-**	**1 180**

Note No. 2 – Intangible Assets

	31 December 2020	31 December 2019
Acquired concessions, patents, licenses and similar assets including computer software	40	89
Total intangible assets	**40**	**89**
Ownership structure		
- own	40	89
Total intangible assets	**40**	**89**

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	**2 804**	**2 804**
Increase/decrease	-	-
As at 31 December 2020	**2 804**	**2 804**
Amortization and impairment		
As at 1 January 2020 - accumulated amortization	**2 715**	**2 715**
Amortization for the period (under)	-197	-197
- increase (amortization accrued)	49	49
- decrease due to liquidation	-246	-246
As at 31 December 2020 - accumulated amortization	**2 518**	**2 518**
Net intangible assets as at 31 December 2020	**40**	**40**

Change in intangible assets – in 2019

	Acquired concessions, patents, licenses and similar assets including computer software	Total intangible assets
Gross value		
As at 1 January 2019	**2 783**	**2 783**
Increase (due to)	21	21
- acquisition	21	21
As at 31 December 2019	**2 804**	**2 804**
Amortization and impairment		
As at 1 January 2019 - accumulated amortization	**2 662**	**2 662**
Amortization for the period (under)	53	53
- increase (amortization accrued)	53	53
As at 31 December 2019 - accumulated amortization	**2 715**	**2 715**
Net intangible assets as at 31 December 2019	**89**	**89**

Note No. 3 – Right-of-use Assets

	Buildings and constructions	Machinery and equipment	Vehicles	Total
Gross value				
As at opening balance sheet	**13 632**	**337**	**2 635**	**16 604**
Increase in gross value - new contracts concluded	-	-	1 039	1 039
Decrease in gross value - ending of a contract	-	-	-70	-70
Total, gross value closing balance sheet	13 632	337	3 604	17 573
Depreciation				
As at opening balance sheet	2 169	94	466	2 729
Depreciation accrued	2 084	94	821	2 999
Decrease - ending of a contract	-	-	-65	-65
Total, accumulated depreciation as at closing balance sheet	**4 253**	**188**	**1 222**	**5 663**
Net book value as at opening balance sheet - 0 1.01.2020	**11 463**	**243**	**2 169**	**13 875**
Net book value as at closing balance sheet– 31.12.2020				
Gross book value	13 632	337	3 604	17 573
Accumulated depreciation	4 253	188	1 222	5 663
Write-downs	-	-	-	-
Total net value as at 31 December 2020	**9 379**	**149**	**2 382**	**11 910**

Note No. 4 – Shares in Subsidiaries

Shares in subsidiaries	31 December 2020	31 December 2019
a) in subsidiaries	8 478	8 478
Shares, net value	8 478	8 478
Write-downs of financial non-current assets	1 523	1 523
Shares, gross value	**10 001**	**10 001**

Change in write-downs of shares in subsidiaries and in other entities	31 December 2020	31 December 2019
a) as at the beginning of the period	8 478	8 478
- shares at cost	8 478	8 478
b) decrease (due to)	-	-
- write-down of shares	-	-
As at the end of the period	**8 478**	**8 478**

Change in write-downs of shares in subsidiaries	31 December 2020	31 December 2019
As at the beginning of the period	1 523	1 523
Write-down of shares	-	-
As at the end of the period	1 523	1 523

As at 31 December 2020 the Company performed an analysis which did not show any impairment in the case of shares.

Note No. 5 – Shares in Jointly-controlled Entities and in Associated Entities

Shares in jointly-controlled entities and in associated entities	31 December 2020	31 December 2019
- shares – net value	4 502	4 502
- write-down of shares	708	708
Shares, gross value	**5 210**	**5 210**

Change in shares in jointly-controlled entities and in associated entities	31 December 2020	31 December 2019
a) as at the beginning of the period	4 502	4 502
- shares at cost	4 502	4 502
b) at the end of the period net	4 502	4 502
c) write-down	708	708
d) at the end of the period gross	5 210	5 210

As at December 31, 2020 the fair value of the joint venture was PLN 184 702 thousand, of which PLN 92 351 thousand is attributable to the Issuer - as at 31 December 2019 was PLN 179 856 thousand, of which PLN 89 956 thousand was attributable to the Issuer.

Shares in subsidiaries as at December 31, 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 the company's activity	Type of relationship (subsidiary, associated, with detailing direct and indirect relations)	Consolidation method applied / valuation using the equity method, or indication that entity is not subject to consolidation / valuation under equity method	Date of gaining control / joint control / date of obtaining significant influence	Value of shares / at cost	Total revaluation adjustments	Carrying value of shares	Percentage of share capital held directly and indirectly	Share in total number of votes at the General Meeting (directly or indirectly)
1	PROCHEM INWESTYCJE Sp. z o. o.	Warsaw	Consultancy on business activity and management	subsidiary	full	22 June 1992	2 999	-	2 999	100.0%	100.0%
2	P.K.I. PREDOM Sp. z o.o.	Wrocław	Construction designing, urban planning, process engineering	Subsidiary indirectly (Prochem Inwestycje sp. z o.o. holds 75% of capital)	**full**	**19 July 2002**	177	-	177	81.7%	72.3%
3	PROCHEM ZACHÓD Sp. z o.o.	Warsaw	Marketing activity, providing construction works and design services, commercial activity and forwarding	subsidiary	full	18 March 1998	1 061	-	1 061	80.0%	80.0%
4	ELEKTROMONTAŻ KRAKÓW S.A. *	Kraków	Assembly of electrical installations and equipment	Subsidiary indirectly (Prochem Inwestycje holds 65.5% of shares)	full	10 December 2001	221	-	221	85.4%	85.4%
5	PROCHEM RPI Sp. z o.o.	Warsaw	Developer's activity	subsidiary (Prochem Inwestycje holds 3.33%)	full	08 April 1998	493	359	134	100.0%	100.0%
6	ELMONT INWESTYCJE Sp. z o.o.	Kraków	Developer's activity	Subsidiary indirectly (Elektromontaż Kraków S.A. holds 50% of shares)	full	05 April 2007	5 050	-	5 050	92.7%	92.7%

** Participation in the total number of votes at the general meeting and the percentage share in the capital in the subsidiary Elektromontaż Kraków S.A. were established as at 31 December 2020*

Shares in subsidiaries - continuation

Item No	a	b							c			d			e	f
	Name of the company	equity, including:							Entity's liabilities and provisions to liabilities, including:			Company's receivables, including:			Total company's assets	Sales revenue
			Share capital	Own shares (negative value)	Revaluation reserve)	Retained earnings										
							profit (loss) put forward	Net profit (loss) net		Non-current liabilities	Current liabilities		Non-current receivables	Current receivables		
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	PROCHEM ZACHÓD Sp. z o.o.	1 965	1 600	-	-	365	-	27	1	-	1	-	-	-	1 966	-
4	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
5	PROCHEM RPI Sp. z o.o.	119	600	-	-	-481	-475	-6	1	-	1	-	-	-	120	-
6	ELMONT INWESTYCJE Sp. z o.o.	8 027	8 000	-	-	27	-	-10	9	-	9	-	-	-	8 036	-

** Shares in the total number of votes at the general meeting, and the percentage share in the capital in the subsidiary Elektromontaż Kraków S.A. were established as at December 31, 2020 after the setlement of shares purchased for redemption by the company Elektromontaż Kraków SA*
*** Data from the consolidated financial statements of the Capital Group of Elektromontaż Kraków S.A. as at December 31, 202*

Shares in jointly-controlled entities and associated companies as at December 31, 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 the Company's activity	Type of relationship (subsidiary, associated, with detailing direct and indirect relations)	Consolidation method applied / valuation using the equity method, or indication that entity is not subject to consolidation / valuation under equity method	Date of gaining control / date of obtaining significant influence	Value of shares / at cost	Total revaluation adjustments	Carrying value of shares	Percentage of share capital (directly or indirectly)	Share in total number of votes at the General Meeting (directly or indirectly)
1	ITEL Sp. z o.o.	Gdynia	Other electrical installations	associated	the equity method	13 September 2005	708	708	0	42.0%	42.0%
2	IRYDION Sp. z o. o.	Warsaw	Rental of real estate on its own account	jointly-controlled	The equity method (change in the structure of shareholding from a subsidiary to a jointly-controlled entity as from April 3, 2013)	24 March 2000	4 502	-	4 502	50.0%	50.0%

Shares in jointly-controlled entities and in associated companies - continuation

Item No.	a	b		c			d			e	f
	Name of the Company	Company's equity, including:		Company's liabilities and provisions to liabilities, including:			Company's receivables, including:			Total company's assets	Sales revenue
			Net profit (loss)		Non-current liabilities	Current liabilities		Non-current receivables	Current receivables		
1	ITEL Sp. z o.o.	No data.	No data	No data	No data	No data	No data	No data	No data	No data	No data
2	IRYDION Sp. z o. o.	67 816	4 816	121 243	116 866	4 377	867	Total company's assets	Sales revenue	189 059	17 787

Note 6 – 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 (profit or loss)	**5 744**	**4 903**
a) recognized in financial result	**5 652**	**4 859**
- provision for operating expenses	191	114
- write-down of receivables	26	366
- unpaid remuneration under contracts of mandate and specific task contracts	38	31
- provision for retirement benefit	88	91
- provision for holiday benefits	246	244
- unpaid employee benefits	1	-
- tax loss	1 108	867
- write-down of inventories	106	106
- discounted cash flow expenses	88	39
- surplus of costs incurred above margin expected	3 744	3 001
- other	16	-
b) recognized in equity	**92**	**44**
- provision for retirement benefits	92	44
2. Increase	**3 415**	**4 388**
a) recognized in financial result	**3 401**	**4 388**
- provision for operating expenses	212	244
- unpaid remuneration under contracts of mandate and specific task contracts	33	38
- provision for retirement benefits	13	10
- provision for holiday benefits	41	10
- unpaid employee benefits	-	1
- tax loss	-	241
- discounted cash flow expenses	34	83
- surplus of costs incurred above margin expected	3 068	3 745
- other	-	16
b) recognized in equity	**14**	**44**
- provision for retirement benefits	14	44
3. Decrease	**5 294**	**3 595**
a) recognized in financial result	**5 294**	**3 595**
- use of provision for operating expenses	191	167
- write-down of receivables	26	340
- paid remuneration under contract of mandate and specific task contract	38	31
- provision for retirement benefit	8	13
- provision for holiday benefits	10	8
- unpaid employee benefits	1	-
- use of tax loss asset	1 108	-
- write-down of inventories	106	-

- discounted cash flow expenses	44	34
- surplus of costs incurred above margin expected	3 746	3 002
- other including settlement with the Representation Office	16	-
b) recognized in equity in connection with negative temporary differences (due to)	**-**	**-**
- provision for retirement benefit	-	-
4. Total deferred tax assets at the end of the period, including:	**3 865**	**5744**
a) recognized in financial result	**3 759**	**5 652**
- provision for costs	212	191
- write-down of receivables	-	26
- unpaid remuneration under contract of mandate and specific task contract	33	38
- provision for holiday benefits	93	88
- provision for holiday benefits	277	246
- unpaid tax expenses	-	1
- tax loss	-	1 108
- write-down of inventories	-	106
- discounted cash flows expenses	78	88
- surplus of costs incurred above margin expected	3 066	3 744
- other, including settlement with the Representation Office	-	16
b) recognized in equity in connection with negative temporary differences (due to)	**106**	**92**
- provision for retirement benefit	106	92

- provision for deferred income tax

Change in provision for deferred income tax	31 December 2020	31 December 2019
1. Provision for deferred income tax as at the beginning of the period, including:	**4 979**	**2 698**
a) recognized in financial result	**4 979**	**2 698**
- interest accrued on loan	584	706
- revaluation of non-current financial assets	136	136
- revenues under discounted liabilities	248	42
- margin on revalued revenues	4 011	1 814
b) recognized in equity	**-**	**-**
- revaluation of non-current investment at fair value	-	-
2. Increase	**2 184**	**4 316**
a) recognized in financial result of the period under positive temporary differences (due to)	**2 184**	**4 316**
- interest acrued on loan	23	97
- revenues under discounted liabilities	132	207
- measurement of income, change as of the balance sheet date	2 029	4 012
3. Decrease	**4 621**	**2 035**
a) recognized in financial result of the period under positive temporary differences (due to)	**4 621**	**2 035**
- paid interest on loan	408	219
- revenues under discounted liabilities	202	1
- measurement of income, change as of the balance sheet date	4 011	1 815

b) recognized in equity	**-**	**-**
- revaluation of non-current investment at fair value	-	-
4. Total provision for deferred income tax as at the end of the period	**2 542**	**4 979**
a) recognized in financial result	**2 542**	**4 979**
- interest accrued on loan	199	584
- revaluation of non-current financial assets	136	136
- revenues under discounted liabilities	178	248
- measurement of income, change as of the balance sheet date	2 029	4 011
b) recognized in equity	**-**	**-**
- revaluation of non-current investment at fair value	-	-

Total amount of temporary differences associated with investments in subsidiaries, to which provisions for tax were created as at 31 December 2020 was PLN 241 thousand and relates to:

- interest on non-current loans granted to subsidiaries – PLN 22 thousand.
- Interest on non-current loans granted to jointly-controlled companies and associated companies – PLN 15 thousand.

As at 31 December 2019 the total amount of temporary differences associated with investments in subsidiaries for which tax provisions were established is PLN 584 thousand and relates to:

- interest on non-current loans granted to subsidiaries – PLN 332 thousand.
- Interest on non-current loans granted to jointly-controlled companies and associated companies – PLN 252 thousand.

Presentation in the statement of financial position:

	31 December 2020	31 December 2019
Deferred tax assets	3 865	5 744
Provision for deferred income tax	-2 542	-4 979
Deferred tax assets	**1 323**	**765**

Note No. 7 – Other Financial Assets

Other financial assets	**31 December 2020**	**31 December 2019**
a) from subsidiaries indirectly and directly :	17 651	18 824
- non-current loans granted	17 651	18 824
b) from associated entities and jointly-controlled entities :	17 083	18 420
- non-current loans granted	17 083	18 420
c) other financial assets - security deposits securing the bank guarantee	-	8 465
Total other non-current financial assets	**34 734**	**45 709**

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. The interest rate is set annually according to WIBOR 6M rate, the repayment date of the loan with interest was set on 22 September 2031;

- in the amount of PLN 6 000 thousand, including: amount of the loan PLN 6 000 thousand. The interest rate is set annually at 3% rate annually, the repayment date of the loan with interest was set on 22 September 2031;

- Loan granted to subsidiary Prochem Inwestycje Sp. z o. o.:
  - in the amount of PLN 2 501 thousand, including: amount of the loan PLN 2 500 thousand, accrued interest PLN 1 thousand. The interest rate is set annually according to WIBOR 6M rate effective at the end of every calendar year, the repayment date of the loan with interest was set on 31 December 2023;
  - in the amount of PLN 15 150 thousand, including: amount of the loans PLN 14 000 thousand, accrued interest PLN 1 150 thousand. The interest rate is set annually according to WIBOR 6M rate effective at the end of every calendar year, the repayment date of the loan with interest was set on 31 December 2023.

Increase:

- Accrued interest on loans granted to jointly-controlled company Irydion Sp. z o.o. in the amount of PLN 293 thousand,
- Accrued interest on loans granted to subsidiary Prochem Inwestycje Sp. z o.o.– PLN 43 thousand

Decrease:

- Repayment of the loan by subsidiary Prochem Inwestycje Sp. z o. o. in the amount of PLN 500 thousand.
- Repayment of interest on loans by subsidiary Prochem Inwestycje Sp. z o. o. in the amount of PLN 716 thousand.
- Repayment of interest on loans by jointly-controlled company Irydion Sp. z o. o. in the amount of PLN 1 630 thousand.

Loand 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 11 744 thousand, including: amount of the loan PLN 11 000 thousand, accrued interest PLN 744 thousand. The interest rate is set annually according to WIBOR 6M rate, the repayment date of the loan with interest was set on 22 September 2031;
  - in the amount of PLN 6 676 thousand, including: amount of the loan PLN 6 000 thousand, accrued interest PLN 676 thousand. The interest rate is set annually at 3% rate annually, the repayment date of the loan with interest 22 September 2031;
- Loans granted to subsidiary Prochem Inwestycje Sp. z o.o.:
  - in the amount of PLN 3 282 thousand, including: amount of the loan 3 000 thousand, accrued interest PLN 282 thousand. The interest rate is set annually according to WIBOR 6M rate effective at the end of every calendar year, the repayment date of the loan with interest was set on 31 December 2023;
  - in the amount of PLN 15 542 thousand, including: amount of the loans PLN 14 000 thousand, accrued interest PLN 1 542 thousand. The interest rate is set annually according to WIBOR 6M rate effective at the end of every calendar year, the repayment date of the loan with interest was set on 31 December 2023.

Note 8– Inventories

Inventories	**31 December 2020**	**31 December 2019**
Materials	3 594	2 456
Goods	-	-
Total inventories	**3 594**	**2 456**
Write-down of inventories	557	557

Nota 9 – Trade and Other Receivables

Trade and other receivables	**31 December 2020**	**31 December 2019**
Trade receivables	63 040	64 200
Write-down of trade receivables	-2 889	-3 230
Trade receivables net, including	**60 151**	**60 970**
- with the repayment period up to 12 months	60 102	60 879
- with the repayment period more than 12 months	49	91
Receivables from taxes, subsidies , custom duties, social and health insurance and other benefit	**1 067**	**-**
Other receivables	14	65
Write-down of other receivables	-	-
Net other receivables	**14**	**65**
Total receivables	**61 232**	**61 035**

Trade and other receivables from related entities	**31 December 2020**	**31 December 2019**
Trade receivables, including:	105	47
- from subsidiaries	29	13
- from jointly-controlled entities and associated entities	76	34
Total trade and other receivables from related entities, net	**105**	**47**
Write-down of receivables from related entities	-	-
Total trade and other receivables from related entities gross	**105**	**47**

Change in write-down of trade and other receivables	**31 December 2020**	**31 December 2019**
As at the beginning of the period	3 230	3 305
a) increase (due to)	118	6
- provision for trade receivables	118	6
b) decrease (due to)	459	81
- payments received	220	81
- the use of provisions created in the previous years	239	-
Write-downs of curent trade and other at the end of the period	**2 889**	**3 230**

Trade receivables with the period of repayment remaining since the balance sheet date :	**31 December 2020**	**31 December 2019**
a) up to 1 month	21 781	24 359
b) more than 1 month up to 3 months	20 563	17 594
c) more than 3 months up to 6 months	56	-
d) more than 6 months up to 1year	15 284	14 959
e) more than 1 year	49	91
f) receivables overdue	5 307	7 197
Total trade receivables (gross)	**63 040**	**64 200**
g) write-down of trade receivables	-2 889	-3 230
Total trade receivables (net)	**60 151**	**60 970**

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

Age analysis of overdue trade receivables (gross value)	31 December 2020	31 December 2019
a) up to 1 month	84	3 399
b) more than 1 month up to 3 months	1 369	187
c) more than 3 months up to 6 months	54	257
d) more than 6 months up to 1 year	779	124
e) more than 1 year	3 021	3 230
Total overdue trade receivables (gross)	5 307	7 197
f) write-downs of trade receivables, overdue	-2 889	-3 230
Total overdue trade receivables (net)	**2 418**	**3 967**

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

Note No. 10 – Other Financial Assets

Other financial assets by types :	31 December 2020	31 December 2019
a) other financial assets - security deposits constituting security for gurantees provided by the bank	9 669	1 383
Total other financial assets	**9 669**	**1 383**
Write-downs of other financial assets	18	-
Other financial assets, gross	**9 687**	**1 383**

Note No. 11 – Other Assets

Other assets by types :	31 December 2020	31 December 2019
a) prepayments	687	718
- cost of property and personal insurance	180	236
- software maintenance costs	500	396
- subscriptions	2	9
- deferred costs	5	77
Total other assets	**687**	**718**

Note No. 12 – Share Capital

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

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

Changing the rights from the issuer's securities

In accordance with information /notifications received from shareholders, the Company informs that as at the date of 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	9750250	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 S.A.
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 No. 13 - Revaluation Reserve

	31 December 2020	31 December 2019
As at the opening balance sheet	-390	-343
Foreign exchange translation differences	-	-
Actuarial losses on valuation of provisions for employee benefits	-59	-47
Disposal of PPE	-	-
As at closing balance sheet	**-449**	**-390**

Note No. 14 - Retained Earnings

	31 December 2020	31 December 2019 .
Spare capital	19 495	15 797
Other capital reserve	24 433	24 433
Profit for the period	10 076	3 698
Total	**54 004**	**43 928**

Note No. 15 – Provision for Retirement and Similar Benefits

The Company implemented the post-employment benefits program, which include the retirement and disability pension gratuity for employees. Provisions for retirement and disability pension gratuity payments are calculated on an individual basis for every employee. The basis for calculating the provision for employee is the expected amount of the benefit that the Company obliges to pay according to applicable Regulations of remuneration. Retirement and disability pension gratuity is paid once at the moment of the beginning of retirement or disability pension of the person. Current value of these obligations is determined by an independent actuary and revalued. The level of provisions corresponds with the discounted payments that will be made in the future, taking into consideration the staff turnover, and relate to the period until the date ending the reporting year . .

The principal actuarial assumptions adopted at the end of the reporting period:

Provisions for retirement and disability pension gratuity as at December 31, 2020 were determined using the individual method and at using PUCM methodology required by IAS 19 and using actuarial techniques. The actuarial assumptions have been updated based on the latest historical data of the Company current market data and taking into account changes in the currency policy of the Company. The calculations were based on individual data on employees as at December 31, 2020.

Below are average values of ratios determined on the basis of detailed actuarial assumptions that were used in the calculation of provisions as at December 31,2020:

- weighted average rotation ratio: overall 8.43%, including for traineeship > 3 years 5.29%
- weighted average probability of death: 0.003320 (based on tables of the Central Statistical Office GUS PTTŻ 2019 which were reduced to 40%)
- weighted average probability of total disability: 0.001809 (ratios based on ZUS-Social Insurance Office - case law -for the years 2015 – 2019 which were increased up to 150%)

- average annual increase in the basis for benefits: 2.0%
- interest rate used for discounting: 1.92% on the basis of yields on Polish government bonds with maturity corresponding to the time length of liabilities, increased by 0.35 percentage point. (discounting factor: 0.98116)

For comparison, the average values of selected ratios being determined on the basis of actuarial assumptions, which were accepted for the calculation of provisions as t December 31, 2019:

- weighted average ratio of rotation: 9.44%
- average annual increase in the base for calculation of the retirement and pension benefits: 2% (for the years 2019 – 2029)
- interest rate used for discounting 2.57% (discounting factor: 0.974944)

Change in provisions for retirement and disability pension gratuity

Description	In 2020	In 2019
Opening balance sheet for provisions for benefit	**790**	**713**
Benefits paid during the period (-)	-90	-81
Interest cost	19	22
Current employment cost /current write-downs/	50	42
Actuarial losses (gains)	72	94
Cost of past employment	0	0
Effect of the sale / merger of the Companies	0	0
Closing balance for provisions for benefits	**842**	**790**
Including current provision	129	99
Including non-current provision	713	691

Burdens under retirement and disability pension gratuity recognized in profit and loss:

Description	In 2020	In 2019
Current employment cost /current write-down/	-50	-42
Interest cost	-19	-22
Actuarial gains (losses) under other non-current benefits	0	0
Cost of past employment	0	0
Total gain (loss)	**-69**	**-64**

Recognized in other comprehensive income:

Description	In 2020	In 2019
Actuarial gains (losses) under post-employment benefits	-59	-46

Breakdown of actuarial gains/losses

Description	In 2020
Actuarial gains (losses) 'ex post'	46
Actuarial gains(losses)from the update of demographic assumptions	-22
Actuarial gains (losses) from the update of financial assumptions	48
Total actuarial gains (losses)	**72**

Maturity profile of retirement and disability pension gratuity (amounts in PLN thousand, duration in years)

Period	Flows	Breakdown of provisions
2021	133	130
2022	66	63
2023	69	60
2024	64	53
2025	46	34
≥ 2026	1 667	502
Total	**2 045**	**842**
PV / duration	1 524	14.48

Analysis of the sensitivity of provisions to changes in basic actuarial assumptions

Sensitivity analysis for the interest rate			Sensitivity analysis for employee rotation rates			Sensitivity analysis for increases in the basis of benefits	
Change in p. p.	Value of provisions		Change in %	Value of provisions		Change in p .p.	Value of provisions
-1.00%	-8		-20%	-10		-1.0%	-8
-0.50%	-4		-10%	-6		-0.5%	-4
0.00%	**0**		**0%**	**0**		**0.0%**	**0**
0.50%	11		10%	7		0.5%	4
1.00%	26		20%	16		1.0%	8

Note No. 16 – Non-current Loans

Non-current loans	31 December 2020	31 December 2019
a) to subsidiaries indirectly and directly	950	950
Total non-current loans	**950**	**950**

Loans received – as at 31 December 2020

- Loan received from subsidiary Prochem Zachód Sp. z o .o. in the amount of PLN 950 thousand, including: amount of the loan PLN 950 thousand. The interest rate is set annually according to rate of 3% annually. The repayment date was set on 31 December 2023, but not earlier than repayment of a loan in ING Bank

Increase:

- Accrued interest on loan received from subsidiary Prochem Zachód Sp. z o. o.
  In the amount of PLN 29 thousand.

Decrease:

- Repayment of interest on loan from subsidiary Prochem Zachód Sp. z o. o. in the amount of PLN 29 thousand.

Loans received - as at 31 December 2019

- loan received from subsidiary Prochem Zachód Sp. z o.o. in the amount of PLN 950 thousand, including: amount of the loan PLN 950 thousand. The interest rate is set annually according to rate of 3% annually. Repayment date was set on 31 December 2023.

Note No. 17- Trade payables

	31 December 2020	31 December 2019
a) to subsidiaries	1 921	4 344
- for supplies and services, with maturity:	1 921	4 344
- up to 12 months	1 921	4 344
b) to associated companies and jointly-controlled entities	1	6
- for supplies and services, with maturity:	1	6
- up to 12 months	1	6
c) to other entities	53 559	56 818
- for supplies and services with maturity:	53 559	56 818
- up to 12 months	53 559	56 818
Total trade payables	**55 481**	**61 168**
Non-current liabilities – under seized security deposits with maturity more than 12 months	**15 359**	**6 284**
Total trade payables	**70 840**	**67 452**

Note No. 18 – Settlements under Long-term Agreements

	31 December 2020	31 December 2019
- amounts due from recipients under agreements	7 019	15 997
Amounts due from recipients under long-term agreements	**7 019**	**15 997**

	31 December 2020	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
Amounts due from recipients under long-term agreements	**20 486**	**42 598**

Description	31 December 2020	31 December 2019
The value of revenues according to agreements	759 264	749 150
The value of revenues invoiced	566 524	255 115
Planned commitments under the implementation of agreements	694 135	706 847
Realized contractual obligations	539 179	265 280
Amounts due from recipients	7 019	15 997
Amounts owed to recipients	20 486	42 598

Note No. 19 –Other Liabilities

	31 December 2020	31 December 2019
a) to other entities	779	1 515
- under taxes, duties, insurance and other benefits	729	1 485
- under remuneration	-	-
- other (by type)	50	30
Liabilities to employees	1	6
To shareholders	5	5
other (liabilities under forward)	44	19
b) other non-current provisions	4 406	4 267
- provision for loss on contracts	1 660	1 883
- provision for future costs	1 136	962
- cost of audit	26	28
- non-current provision for retirement benefit	129	99
- provision for unused annual leaves	1 455	1 295
Total other liabilities	**5 185**	**5 782**

Note No. 20 - 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:	**317 905**	**270 122**
- from related entities	2 538	1 464

Revenues from sales (territorial structure)	In 2020	In 2019
Domestic market	317 173	269 282
- including from related entities	2 538	1 464
Exports	732	840

Revenues under contracts for construction services (general contracting) and other services are presented in Note No. 32 – Operating segments.
The gross amount due from ordering parties/buyers for the work under contracts was presented in Note No. 11.
Information on major customers, whose total value of revenues from sales of services exceeds 10% of total revenues which were disclosed in the entity's statement of profit and loss for 2020, is included i Note No. 31 – Operating segments.

Note No. 21 - Revenues from Sale of Goods and Materials

Revenues from sale of materials (type of material and type of activity)	In 2020	In 2019
- revenues from sale of goods	2 870	2 988

Revenues from sale of goods and materials (territorial structure)	In 2020	In 2019
Domestic market	2 870	2 988

Note No. 22 – Cost of Services

Costs by type	**In 2020**	**In 2019**
a) amortization and depreciation	3 500	3 174
b) consumption of materials and energy	798	808
c) outsourcing	270 611	234 068
d) taxes and levies	55	43
e) remuneration	23 144	21 560
f) social security and other benefits	4 131	3 702
g) other types of costs (by category)	1 890	2 012
- property and personal insurance	698	611
- business trips	167	296
- State Fund for Rehabilitation of Disabled Persons (PFRON)	299	257
- cars rental	283	500
- other	443	348
Total costs by type	**304 129**	**265 367**
Change in inventories, goods and prepayments	178	430
General and administrative expenses (negative value)	-8 814	-7 361
Cost of services	**295 493**	**258 436**

Note No. 23 – Other operating income

	In 2020	**In 2019**
a) gain on sale of non-financial non-current assets	-	-
b) reversal of impairment allowance (due to)	220	81
-for receivables	220	81
c) other, including:	742	174
- reimbursement of litigation costs	8	23
- received compensation, fines and penalties	723	140
- impairment allowance for receivables past due	-	3
- other	11	8
Total operating income	**962**	**255**

Note No. 24 – Other operating expenses

	In 2020	**In 2019**
a) impairment allowance	118	6
- for receivables	118	6
b) other, including:	821	271
- litigation costs	118	31
- paid damages, penalties and fines	443	233
- writing off bad debts	259	-
- other operational costs of the Representation Office	-	-
- other	1	7
Total operating expenses	**939**	**277**

Nota No. 25 – Financial Income

	In 2020	In 2019
a) income from dividends and profit sharing	-	-
- from subsidiaries	-	-
b) interest on granted loans	336	682
- from subsidiaries	43	304
- from jointly-controlled entities	293	378
c) other interest	78	77
- from other entities	78	77
d) surplus of positive exchange rate differences	86	248
e) other, including:	319	1 086
- revenues from discounted non-current liabilities	215	843
- revenues from sale of financial assets	66	63
- other	38	180
Total financial income	**819**	**2 093**

Note No. 26 – Finance costs

	In 2020	In 2019
a) interest on bank loans	13	113
b) interest on loans received:	29	193
- for subsidiaries	29	193
b) other interest	618	474
- er entities	618	474
d) other, due to :	1 141	740
- commissionon bank guarantees	555	368
- commission on loans	138	105
- costs due to discount of financial assets	385	207
- cost of sale of financial assets	60	-
- costs under write-down of financial assets	-	20
- other costs	3	40
Total finance costs	**1 801**	**1 520**

Note No.27 – Income tax

Establishment of the effective tax rate	In 2020	In 2019
(in PLN thousands)		
Profit for the period	10 076	3 698
Income tax	2 808	1 487
Before tax profit	12 884	5 185
Income tax at the applicable rate 19 %	2 448	985
Revenues, not classified as tax revenue	-42	-16
Costs not constituting tax deductible expenses	269	156
Other	133	362
Income tax	**2 808**	**1 487**

Note No. 28– Additional disclosures to the statement of cash flows

Differences between the amounts established directly from the financial statements and presented in the statement of cash flows result from a transfer of specified 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	**7 940**	**-43 943**
Trade and other receivables as at 1 January	61 035	27 172
Receivables under seized security deposits as at 1 January	11	63
Other assets as at 1 January	718	795
Amounts due under agreements as at 1 January	15 997	5 799
Receivables for non-current assets sold	-	-11
Receivables under income tax	-	-
Opening balance sheet after adjustments	**77 761**	**33 818**
Trade and other receivables as at 31December	61 232	61 035
Receivables under seized security deposits as at 31 December	883	11
Other assets as at 31December	687	718
Amounts due under agreements as at 31 December	7 019	15 997
Receivables under income tax	-	-
Closing balance sheet after adjustments	**69 821**	**77 761**
Change in current liabilities (except for borrowings, loans and special funds)	**-19 516**	**80 554**
Trade payables as at 1 January	61 168	22 723
Othe liabilities as at 1 January	5 782	6 107
Amounts owed under agreements	42 598	2 863
Liabilities under seized security deposits	6 284	3 569
Provision to retirement benefit obligations	-99	-101
Provision to unused annual leaves	-1 295	-1 286
Provision to audit of statements	-28	-40
Provision to other costs	-1 549	-1 549
investment commitments	-28	-
Liabilities under discount of non-current liabilities	-20	-
Liabilities to shareholders	-5	-5
Opening balance sheet after adjustments	**112 808**	**32 282**
Trade payables as at 31 December	55 481	61 168
Other liabilities as at 31 December	5 185	5 782
Amounts owed under agreements as at 31 December	20 486	42 598
Liabilities under seized security deposits as at 31 December	15 359	6 284
Provision to retirement benefit obligations	-129	-99
Provision to unused annual leaves	-1 456	-1 295
Provision to audit of statements	-25	-28
Provision to other costs	-1 549	-1 549
Investment commitments	-55	
Measurement of financial assets	-	-20
Liabilities to shareholders	-5	-5
Closing balance sheet after adjustments	**93 292**	**112 836**
Change in other adjustments as at 31 December	**392**	**-8 830**
Change in deferred income - advances received	-	-77
Adjustment of non-current financial assets	-	-8 517
Other	392	-236

Note No. 29– Operating Segments

Revenues from operations achieved outside of Poland (Exports) in the period from January1, 2020 to December 31, 2020 amounted to PLN 732 thousand (i.e. 0.23 % of sales revenue), in the analogous period of the previous year revenues amounted to PLN 840 thousand (i.e. 0.3% of sales revenue).

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

- A customer who deals in the production of chemical raw materials – sales revenue PLN 141 853 thousand, representing 44.62 % 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, representing 41.76 % of sales revenue, which was shown in the segment „General contracting".

Detailed data on the activities of Prochem S.A. in the individual segments are shown in the tables below. Analysis of the revenues and results of the Company in the different segments which are covered by reporting is presented below.

For the period from 01.01.2020 to 31.12.2020 .	General contracting	Design services, other engineering services	Rental of construction equipment	Commercial sactivity	Other	Items not assigned	Total
Revenues for external clients	287 758	27 957	742	2 870	1 448	-	320 775
Total revenues of the segment	**287 758**	**27 957**	**742**	**2 870**	**1 448**	**-**	**320 775**
Result							
Profit (loss) of the segment	**19 146**	**-4 284**	**-516**	**245**	**-748**	**-**	**13 843**
Financial income						819	819
Finance costs						-1 801	-1 801
Net financial income						**-982**	**-982**
Profit (loss) on other operating activities						23	23
Before tax profit						**12 884**	**12 884**
Income tax						2 808	2 808
Profit for the current period						**10 076**	**10 076**
Assets of the segment (related to activities)	70 377	5 115	291	-	204		75 987
Assets not assigned/unallocated (among others shares, stocks and other financial assets)						90 844	90 844
Total assets	**70 377**	**5 115**	**291**	**-**	**204**	**90 844**	**166 831**
Liabilities of the segment (related to activities)	96 143	274	142	-	641	13 141	110 341
Equity						56 490	56 490
Total liabilities and equity	**96 143**	**274**	**142**	**-**	**641**	**69 631**	**166 831**
Depreciation of property, plant and equipment	388	1 408	88		91	1 476	3 451
Amortization of intangible assets						49	49
Write-downs of segment assets (receivables from supplies and services)	-65	-12	-2 794		-18		-2 889

For the period from 01.01.2019 to 31.12.2019	General contracting	Design services, other engineering services	Rental of construction equipment	Commercial activity	Other	Items not assigned	Total
Revenues for external clients	231 841	34 461	1 984	2 988	1 836	-	273 110
Total revenues of the segment	**231 841**	**34 461**	**1 984**	**2 988**	**1 836**	**-**	**273 110**
Result							
Profit (loss) of the segment	**2 457**	**2 277**	**220**	**309**	**-630**	**-**	**4 634**
Financial income	-	-	-	-	-	2 093	2 093
Finance costs	-	-	-	-	-	-1 520	-1 520
Net financial income	**-**	**-**	**-**	**-**	**-**	**573**	**573**
Profit (loss) on other operating activities	-	-	-	-	-	-22	-22
Before tax profit	**-**	**-**	**-**	**-**	**-**	**5 185**	**5 185**
Income tax	-	-	-	-	-	1 487	1 487
Profit for the current period	**-**	**-**	**-**	**-**	**-**	**3 698**	**3 698**
Segment assets (related to activities)	52 747	7 521	556		142		60 966
Assets not assigned/unallocated (among others shares, stocks and other financial assets)						116 935	116 935
Total assets	**52 747**	**7 521**	**556**	**0**	**142**	**116 935**	**177 901**
Liabilities of the segment (related to activities)	66 383	354	715		706	63 264	131 428
Equity						46 473	46 473
Total liabilities and equity	**66 383**	**354**	**715**	**0**	**706**	**109 737**	**177 901**
Depreciation of property, plant and equipment	52	29	68		2 972		3 121
Amortization of intangible assets					53		53
Write-downs of segment assets (receivables from supplies and services)	-150	-5	-3 057		-18		-3 230

Information about the geographical areas

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

	01.01-31.12.2020	01.01-31.12.2019
Poland	320 043	272 492
Belgium	-	277
Denmark	27	-
Japan	11	292
Switzerland	38	-
Italy	656	271
Total sales revenue	**320 775**	**273 332**

Geographical breakdown of property, plant and equipment and intangible assets

	31.12.2020	31.12.2019
Poland	1 190	1 269
Total property, plant and equipment and intangible assets	**1 190**	**1 269**

Note No. 30 – Profit per One Share

Net profit per share remaining in trading as at balance sheet date December 31 2020 is PLN 3,43; in 2019 profit amounted to PLN 1.26.

Note No. 31 – Profit Sharing and Loss Coverage

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

Proposed distribution of net profit for 2020

The Management Board of Prochem S.A. proposed that the net profit for 2020 in the amount of PLN 10 076 753.04 will be allocated to reserve capital.

Note No. 32 - Dividends

The Issuer did not pay dividend for 2019.

Note No. 33 - Financial Instruments and Financial Risk Management

33.1 Categories and classes of financial instruments

Financial assets

31 December 2020		**Categories of financial instruments**	
		Loans, receivables and other	**Total**
Classes of financial instruments	**Note no.**		
Receivables from supplies and services	9	61 034	61 034
Amounts due from recipients under agreements	19	7 019	7 019
Cash		20 854	20 854
Security deposits	7 i 10	9 669	9 669
Loans granted	7	37 734	37 734
Total		**136 310**	**136 310**

31 December 2019		**Categories of financial instruments**	
		Loans, receivables and other	**Total**
Classes of financial instruments	**Note No.**		
Receivables from supplies and services	9	60 981	60 981
Amounts due from recipients under agreements	20	15 997	15 997
Cash		21 703	21 703
Security deposits	7	9 848	9 848
Loans granted	7 and 10	37 244	37 244
Total		**145 773**	**145 773**

Financial liabilities

31 December 2020

Classes of financial instruments	Note No.	Financial liabilities measured at amortized costs	Total
Loans	18	-	-
Borrowings received	16	950	950
Amounts owed to recipients under agreements	19	20 486	20 486
Liabilities under supplies and services	18	55 481	55 481
Total		**76 917**	**76 917**

31 December 2019

Classes of financial instruments	Note No.	Financial liabilities measured at amortized cost	Total
Loans	18	-	-
Borrowings received	16	950	950
Amounts owed to recipients under agreements	20	42 598	42 598
Liabilities under supplies and services	19	61 168	61 168
Total		**104 716**	**104 716**

Impairment allowances of financial assets by classes of financial instruments
(in PLN thousands)

Classes of financial instruments	31 December 2020	31 December 2019
Receivables from supplies and services	(2 889)	(3 230)
Other receivables	-	-
Other financial assets	(121)	(328)
Total	**(3 010)**	**(3 633)**

Impairment allowances of financial assets are presented in Notes 9 and 10.

33.2. Financial Risk Management

The Company's operations are exposed to the following financial risks:
- credit risk;
- liquidity risk;
- market risk (including currency risk, interest rate risk).

Credit risk

The company 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. 9.
In order to reduce the risk of not recovering the receivables from deliveries and services, the Company 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 Company 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 Company.
All entities in which the Company deposits its free monetary resources operate in the financial sector. These include domestic banks and branches of the foreign banks.

Credit risk resulting from loans granted within the Group is considered as low by the Company, due to the fact that the loans are destined for a specific purpose such as the purchase of investment property. In some cases when for a long time the subsidiary is not fulfilling its liabilities under loans incurred, the Issuer creates write-down of the loans and interest accrued. Changes in write-downs of loans granted were presented in Notes Nos. 7 and 10.
In the estimation of the Management Board the risk of impaired financial assets is reflected in the impairment allowances. Information on impairment allowances of financial assets is presented in Note No. 36.1.

Liquidity risk

The Company is exposed to the liquidity risk resulting from the relation of current liabilities to current assets.
As at 31 December 2020 and 31 December 2019 the index of ratio of current assets to current liabilities (current liquidity ratio) was respectively 1.23 and 1.03.
Analysis of maturity of current liabilities is in Notes Nos. 17,18 and 20.

Market risk

1. Exchange rate risk

Part of contracts of sale of services is concluded with foreign companies in foreign currencies (EUR, USD). In the case of a significant strengthening of the domestic currency it may adversely affect the performance of the Company. 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					
Liabilities under supplies and services	753	7	-	-	3 501
Total	**753**	**7**	**-**	**-**	**3 501**

Exposure to currency risk as at 31 December 2019

(in PLN thousands)	EUR	USD	NOK	Other in PLN	Total after translation into PLN
Financial assets					
Receivables from supplies and services	1 903	-	-	-	8 244
Cash	241	63	88	3	1 309
Total	**2 144**	**63**	**88**	**3**	**9 554**
Financial liabilities					
Liabilities under supplies and services	1 293	6	-	-	5 299
Total	**1 293**	**6**	**-**	**-**	**5 299**

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

(in PLN thousands)	Increase in exchange rate	Total impact on before tax profit	Drop in the exchange rate	Total impact on before tax profit
EUR/PLN	15%	544	15%	-544
USD/PLN	15%	54	15%	-54
NOK/PLN	15%	6	15%	-6
Total impact		**604**		**-604**

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

Analysis of the impact of potential change in value of financial instruments as at December 31, 2020 on the gross financial result in connection with hypothetical change in foreign currency exchange rates in relation to the Polish Zloty/functional currency.

Revenues in foreign currency achieved in the currency in the years 20120 and 2019 were as follows:

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

In the reporting period EURO was the main currency.

Hipothetically assuming that if the Polish Zloty weakened/strengthened by 1 % against EUR, then revenues in 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.

1. *Interest rate risk*

The Company is exposed to the risk of variability 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 1M and WIBOR 6M.

Analysis of financial instruments with floating interest rates

	WIBOR		**Fixed rate of interest**	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
Financial assets				
Loans granted	28 734	30 568	6 000	6 676
Financial liabilities				
Loan	-	-		
Borrowings received	-	-	950	950

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

	Assumed fluctuations of WIBOR				**impact (in PLN thousands)**			
	31 December 2020		**31December 2019**		**31 December 2020**		**31 December 2019**	
	increase	**increase**	**increase**	**increase**	**increase**	**increase**	**increaset**	**increase**
Financial assets								
Loans granted	+50 base point	-50 base point	+50 base point	-50 base point	144	(144)	153	(153)
Financial liabilities								
Loan	+50 base point	-50 base point	+50 base point	-50 base point	-	-	-	-
Borrowings received	+50 base point	-50 base point	+50 base point	-50 base point.	-	-	-	-

Note No. 34 – Related Party Transactions and Transactions with Key Management Staff

Related entities include entities controlled and jointly-controlled entities, as well as those on which the Issuer has 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 Kierssnicki	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:

1. Marek Garliński	PLN 72 thousand,
2. Andrzej Karczykowski	PLN 60 thousand,
3. Krzysztof Obłój	PLN 60 thousand:
4. Marcin Pędziński	PLN 39 thousand.
5. Wiesław Kiepiel	PLN 21 thousand.

Remuneration paid to the Members of the Supervisory Board in 2020 for performing the functions in the Management Boards and in 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.

Settlements with related entities include receivables, trade payables and financial liabilities. Guarantees and sureties granted to related entities are presented in Note No. 35.

Reporting period
(in PLN thousands.)

from 1 January to 31 December 2020

	Sale of services	Purchase of services	Financial income – interest on loans	Financial income – dividends received	Finance costs - interest on loans
subsidiaries	13	12 620)*	43	-	29
Jointly-controlled entities and associated entities	2 525)**	3 259	293	-	-

)* - including purchased electrical services and supplies of electrical equipment from subsidiary Elektromontaż Kraków S.A. in the amount of PLN 12 410 thousand.

)** - sale of services and purchase of services in total concern revenues from the jointly controlled company Irydion Sp. z o. o. in Warsaw, for the benefit of which is implemented investment project under the name of „Astrum Biznes Park" in Warsaw.

As at 31 December 2020

	Trade receivables	Receivables under loans granted	Other receivables	Trade payables	Liabilities under loans granted
Subsidiaries	29	17 651	-	3 034	950
Jointly-controlled entities and associated entities	76	17 083	-	1	-

Comparative period

(in PLN thousands.)

From 1 January to 31 December 2019

	Sale of services	Purchase of services	Financial income – interest on loans	Financial income – dividends received	Finance costs - interest on loans
Subsidiaries	19	10 846)*	304	-	193
Jointly-controlled entities and associated entities	1 310)**	3 089	377	-	-

)* - including purchased electrical services and delivery of electrical equipment from subsidiary Elektromontaż Kraków S.A. in the amount of PLN 3 495 thousand.

)** - sale of services and purchase of services in total concern revenues from the jointly controlled company Irydion Sp. z o.o. in Warsaw, for the benefit of which is implemented investment project under the name of „Astrum Biznes Park” in Warsaw.

as at 31 December 2019

	Trade receivables	Receivables under loans granted	Trade payables	Other liabilities	Liabilities under loans granted
subsidiaries	13	18 824	3 906	-	950
Jointly-controlled entities and associated entities	34	18 420	6	-	-

Note No. 35 – Collateral Granted and Received and Contingent Liabilities and Contingent Assets

	As at 31 December 2020	**As at 31 December 2019**
Collateral granted		
Bank guarantee of good performance and statutory warranty	49 619	47 976
Tender guarantee	-	-
Guarantee of payment	995	1 050
Guarantee of return of advance payment	583	7 869
Total collateral granted	**51 197**	**56 895**
surety agreement for the return of an advance payment from the company from the Capital Group of Prochem S.A.,	**7 374**	**-**
Total collateral granted and contingent liabilities	**58 571**	**56 895**

Collateral received	**As at 31 December 2020**	**As at 31 December 2019**
Bank guarantee of good performance	16 008	8 738
Bill-of-exchange guarantees securing the terms of the contract	450	1 777
Total collateral received	**16 458**	**10 515**

Note No. 36 – Events after the Balance Sheet Date

On February 4, 2021, on the basis of an agreement of sale of shares, the company Prochem S.A. acquired 20,234 series A registered shares of Elektromontaż Kraków S.A. based in Kraków, with a nominal value of PLN 5 each. The parties agreed purchase price of shares at PLN 50 per share, the total purchase price was PLN 1,011,700. Before the transaction, the company Prochem S.A. had a direct and indirect share in the voting right in the amount of 85.4%, and after the transaction, the share in the voting right is 73.8%

Note No. 37 - Other Explanatory Notes to Separate Financial Statements

Statement of changes in the ownership of the issuer's shares or rights to them (options) by persons holding managerial responsibilities and supervising responsibilities of the issuer, in accordance with the information held by the Issuer.

As at the date of the separate financial statements hereby, according to the statements received, the following members of the Management Board and of the Supervisory Board held shares of PROCHEM S.A.:
- Jarosław Stępniewski – 68,383 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 had 38,936 shares.

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

Not applicable.

Factors which in the opinion of the issuer will have an impact on its financial performance in the prospect of at least the subsequent quarter

The issuer conducts intensive activities that will soon lead to the signing of several significant orders. In the coming quarters, these orders will result in an improvement both in terms of revenues from sales of services and results on operations. The commercialization of the Astrum Business Park project in Warsaw will have a significant impact on the results of the Issuer and the Capital Group.

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

Since the outbreak of the epidemic, Prochem S.A. 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 in relation to the COVID-19 pandemic

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 Company developed action plans to ensure the continuity of operation and the provision of key services provided by Prochem S.A..

At the end of 2020, there are no disruptions in any of the areas of operation.

In relation to the contracts being implemented, the Company 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.
The company has taken a number of preventive measures to reduce the possibility of the virus spreading on the premises 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 opportunity to work remotely;
- 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 instead to use media such as instant messaging and videoconferencing;
- employees were equipped with protective equipment (protective masks, gloves) and disinfectants, and hygienic and sanitary and disinfecting procedures were introduced. Until the end of 2020, the Company did not noted noticeable impact on sales and the supply chain. As at the date of these financial statements, the financial position of the Company is stable.

As a result of the analysis and due to the relatively short duration of the epidemic, there are currently no reliable data available on the basis of which the Company could estimate an additional element of the risk of debt repayment in the near future.
The company analyzes 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 current financial statements.

Note No. 38 – Approval of the Financial Statements

Financial statements of Prochem S.A. for the period from 1 January 2020 to 31 December 2020 were approved for issue by the Management Board of Prochem S.A. on 28 April 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 Kierisznicki	Vice President of the Management Board	….......................
date	first name and surname	position	signature
28 April 2021	Krzysztof Marczak	Vice President of the Management Board	….......................
date	first name and surname	position	signature

Signature of the person responsible for bookkeeping

28 April 2021	Barbara Auguścińska-Sawicka	Chief Accountant	....
date	first name and surname	position	signature