

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

**As at and for the period of six months ended  
30 June 2023**

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

[www.prochem.com.pl](http://www.prochem.com.pl)

## Selected financial data

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

- For the first half of 2023 - 4.6130 PLN/EURO
- For the first half of 2022 - 4.6427 PLN/EUR

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

- 4.4503 PLN/EUR as at 30 June 2023
- 4,6899 PLN/EUR as at 31 December 2022

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

Description	Reporting period ended 30 June		Reporting period ended 30 June	
	2023	2022	2023	2022
	In PLN thousands		In EURO thousands	
<b>Consolidated statement of profit and loss</b>				
Revenues from sale	180 994	102 851	39 235	22 153
Gross profit on sale	-12 801	6 507	-2 775	1 402
Results from operating activities	-14 626	-3 720	-3 171	-801
Before tax profit	-17 627	1 336	-3 821	288
Profit for the period assigned to :	-14 615	457	-3 168	98
Shareholders of the Parent Entity	-14 670	97	-3 180	21
Non-controlling interest	55	360	12	78
Profit/diluted profit (in PLN/EUR) per one ordinary share – assigned to shareholders of the parent entity	-7.32	0.04	-1.59	0.01
<b>Consolidated statement of cash flows</b>				
Net cash provided by (used in) operating activities	-8 068	-11 725	-1 749	-2 525
Net cash provided by (used in) investing activities	-925	45 740	-201	9 852
Net cash provided by (used in) financing activities	-302	-2 553	-65	-550
Total cash flows, net	-9 295	31 462	-2 015	6 777
<b>Consolidated statement of financial position</b>				
Description	As at		As at	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
	In PLN thousands		In EURO thousands	
Total assets	210 220	205 395	47 237	43 795
Total non-current assets	64 388	61 768	14 468	13 170
Total current assets	145 832	143 627	32 769	30 625
Equity assigned to shareholders of the parent entity	75 443	90 060	16 952	19 203
Non-controlling interest	2 106	2 334	473	498
Total equity	77 549	92 394	17 426	19 701
Total non-current liabilities	36 343	40 476	8 166	8 630
Total current liabilities, razem	96 328	72 525	21 645	15 464
Book value per one ordinary share (in PLN/EUR)- assigned to shareholders of the parent entity	37.63	44.92	8.46	9.58
Weighted average number of shares (in pcs.)	2 005 000	2 005 000	2 005 000	2 005 000

## **Statement of the Management Board of the Parent Entity**

### **Statement regarding the true and fair preparation of the interim consolidated financial statements**

The Management Board of Prochem S.A. declares that interim condensed consolidated financial statements of the Prochem S.A. Capital Group were prepared in compliance with requirements of IAS 34 „Interim financial reporting” and with the Regulation of the Minister of Finance dated March 29, 2018 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Journal of Laws of 2018 item 757) („Regulation”) and it reflects in a true, reliable and clear manner the financial position of the Prochem S.A. Capital group as of June 30, 2023 and as of December 31, 2022, and results of its operations and cash flows for the period of 6 months ended June 30, 2023 and June 30, 2022.

Semi-annual report on the activities of the Prochem S.A. Capital Group. contains a true picture of the Group's development, achievements and financial position, including a description of the basic risks and threats.

### **Statement regarding the entity authorized to review the true and reliable preparation of the interim condensed consolidated financial statements**

The Management Board of Prochem S.A. the Parent Entity of the Prochem S.A. Capital Group declares that Misters Audytor Adviser Sp. z o. o. with headquarters in Warsaw, ul. Wiśniowa 40, 02-520 Warsaw, the entity authorized to audit and review financial statements entered on the list of auditing companies under number 3704 was selected in accordance with the law and that this entity and the statutory auditors reviewing the financial statements met the conditions for issuing an impartial and independent report on review, in accordance with applicable law.

Member  
of the Management Board  
Michał Dąbrowski

Vice President  
of the Management Board  
Krzysztof Marczak

President of the Management Board  
Marek Kiersznicki

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***Consolidated condensed financial statements of PROCHEM S.A. Capital Group***  
***As at and for the period of six months ended 30 June 2023***

**Consolidated statement of financial position as at 30 June 2023**

(all amounts in PLN thousands if not stated otherwise)

	Note No.	As at 30 June 2023	As at 31 December 2022
<b>A s s e t s</b>			
<b>Non-current assets</b>			
Property, plant and equipment	1	15 027	14 769
Intangible assets		61	81
Investment property	2	12 368	12 558
Right-of-use assets	3	27 327	29 003
Shares		830	830
Shares in equity accounted investees	4	-	-
Deferred tax assets	5	5 419	2 096
Receivables under retained security deposits		2 490	2 431
Other financial assets	6	866	-
<b>Total non-current assets</b>		<b>64 388</b>	<b>61 768</b>
<b>Current assets</b>			
Inventories	7	2 125	936
Trade and other receivables	8	67 130	51 511
Receivables under current income tax		684	360
Amounts due from recipients under contracts	15	40 064	41 194
Other financial assets	9	6 712	7 962
Other assets	10	1 533	4 784
Cash and cash equivalents		27 584	36 880
<b>Total current assets</b>		<b>145 832</b>	<b>143 627</b>
<b>Total assets</b>		<b>210 220</b>	<b>205 395</b>

## **Consolidated statement of financial position as at 30 June 2023**

(all amounts in PLN thousands if not stated otherwise)

	Note No.	As at 30 June 2023	As at 31 December 2022
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Share capital	11	2 355	2 355
Own shares		-350	-350
Revaluation reserve		3 364	3 364
Retained earnings	12	70 074	84 691
<b>Owners' equity</b>		<b>75 443</b>	<b>90 060</b>
<b>Non-controlling interest</b>		<b>2 106</b>	<b>2 334</b>
<b>Total equity</b>		<b>77 549</b>	<b>92 394</b>
<b>Non-current liabilities</b>			
Provision to deferred income tax	5	1 790	1 939
Provision to retirement and similar benefits		2 120	2 134
Non-current liabilities under seized security deposits	13	5 911	8 761
Non-current liabilities under lease	16	26 362	27 489
Other non-current liabilities		160	153
<b>Total non-current liabilities</b>		<b>36 343</b>	<b>40 476</b>
<b>Current liabilities</b>			
Current bank loans	13	3 992	1 624
Trade payables	14	70 046	55 802
Amounts owed to recipients due to contracts	15	2 603	538
Liabilities under current income tax		297	291
Current liabilities under lease	16	3 867	3 875
Other liabilities	17	15 516	10 071
Deferred income		7	324
<b>Total current liabilities</b>		<b>96 328</b>	<b>72 525</b>
<b>Total liabilities</b>		<b>132 671</b>	<b>113 001</b>
<b>Total equity and liabilities</b>		<b>210 220</b>	<b>205 395</b>
<b>Book value – equity assigned to owners of the Parent Entity</b>		<b>75 443</b>	<b>90 060</b>
<b>Average number of ordinary shares (in pcs.)</b>		<b>2 005 000</b>	<b>2 005 000</b>
<b>Book value per one share (in PLN) – assigned to owners of the Parent Entity</b>		<b>37.63</b>	<b>44.92</b>

**Condensed consolidated statement of profit and loss  
from 1 January 2023 to 30 June 2023**

(all amounts in PLN thousands if not stated otherwise)

	Note No.	Period ended 30 June 2023	Period ended 30 June 2022
Revenues from sale, including :		180 994	102 851
Revenues from sale of services	18	180 334	101 870
Revenues from sale of goods and materials	19	660	981
Cost of sales, including :		-193 795	-96 344
Cost of services sold	20	-193 277	-95 276
Cost of merchandise and raw materials		-518	-1 068
<b>Gross profit on sales</b>		<b>-12 801</b>	<b>6 507</b>
General and administrative expenses	20	-7 886	-7 653
Other operating income	21	6 543	844
Other operating expenses	22	-482	-3 418
Other operating expenses – the result of a one-off event		-	-
<b>Result from operating activities</b>		<b>-14 626</b>	<b>-3 720</b>
Financial income	23	683	1 349
Gain (loss) on sale/liquidation of all or part of the shares of a subsidiary		-	34
Finance expenses	24	-3 684	-1 378
Profit sharing in associated entities		-	5 051
<b>Before tax profit</b>		<b>-17 627</b>	<b>1 336</b>
Income tax :		-3 012	879
- current tax		464	226
- deferred tax		-3 476	653
<b>Profit for the period</b>		<b>-14 615</b>	<b>457</b>

Profit for the period assigned to :			
Shareholders of the Parent Entity		-14 670	97
Non-controlling interest		55	360
Weighted average number of ordinary shares (in pcs.)		2 005 000	2 355 000
Profit (loss) per ordinary share (in PLN per one share assigned to owners of the Parent Entity)		-7.32	0.04

**Consolidated statement of comprehensive income**

	Period ended 30 June 2023	Period ended 30 June 2022
<b>Profit for the period</b>	<b>-14 615</b>	<b>457</b>
<b>Other comprehensive income net</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>	<b>-14 615</b>	<b>457</b>

Total comprehensive income assigned to :		
Shareholders of Parent Entity	-14 670	97
Non-controlling interest	55	360
Weighted average number of ordinary shares (in pcs.)	2 005 000	2 355 000
Total comprehensive income per ordinary share (in PLN per one share) assigned to owners of the Parent Entity	-7.32	0.04

## Consolidated statement of changes in equity

(all amounts in PLN thousands if not stated otherwise)

	Share capital	Own shares	Revaluation reserve	Retained earnings	Equity assigned to shareholders of the parent entity	Equity assigned to non-controlling interest	Total equity
<b>Reporting period from 1 January 2023 to 30 June 2023</b>							
As at the beginning of the period	2 355	-350	3 364	84 691	90 060	2 334	92 394
As at the beginning of the period upon making the data comparable	2 355	-350	3 364	84 691	90 060	2 334	92 394
Net profit of the given period	-	-	-	-14 670	-14 670	55	-14 615
<i>Other comprehensive income (net)</i>	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-14 670	-14 670	55	-14 615
Other changes – sale of subsidiary	-	-	-	53	53	-52	1
Dividend paid to non-controlling interest	-	-	-	-	-	-231	-231
As at the end of the period	2 355	-350	3 364	70 074	75 443	2 106	77 549

### *Comparative period*

	Share capital	Own shares	Revaluation reserve	Retained earnings	Equity assigned to shareholders of the Parent Entity	Equity assigned to non-controlling interest	Total equity
<b>Reporting period from 1 January 2022 to 30 June 2022</b>							
As at the beginning of the period	2 935	-580	6 513	90 270	99 138	3 636	102 774
As at the beginning of the period upon making the data comparable	2 935	-580	6 513	90 270	99 138	3 636	102 774
Net profit of the given period	-	-	-	97	97	360	457
<i>Other comprehensive income (net)</i>	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	97	97	360	457
Other changes	-	-	-29	-566	-566	-606	-1 172
As at the end of the period	2 935	-580	6 513	89 801	98 669	3 390	102 059



**Consolidated statement of cash flows**  
**For the period from 1 January 2023 to 30 June 2023**  
(all amounts in PLN thousands if not stated otherwise)

	Period ended 30 June 2023	Period ended 30 June 2022
<b>Cash flows – operating activities</b>		
Before tax profit	-17 627	1 336
Total adjustments	10 331	-13 183
Share in net profit of associated entities	-	-5 051
Amortization and depreciation	3 324	3 440
Interest and profit sharing (dividends)	1 279	292
Gain on disposal of property, plant and equipment	-23	-
(Gain) loss on investment	-	-34
Change in provisions	-286	-1 593
Change in inventories	-1 289	3 872
Change in receivables and other assets	-14 498	35 453
Change in current liabilities, except for loans and borrowings	21 282	-48 947
Other adjustments (including change in deferred income)	543	-615
Cash provided by (used in) operating activities	-7 296	-11 847
Income tax paid	772	-122
<b>Net cash provided by (used in) operating activities</b>	<b>-8 069</b>	<b>-11 725</b>
<b>Cash flows – investing activities</b>		
Disposal of intangible assets and property, plant and equipment	56	8
Loans received –return of loans granted to related entities	-	17 000
Received interest on loans granted to related entities	-	355
Dividends received from jointly-controlled entity	-	29 042
Inflows from sale of shares in subsidiary	-	210
Acquisition of intangible assets and property, plant and equipment	-926	-875
Acquisition of shares in subsidiary	-111	-
Other investment inflows	56	-
<b>Net cash provided by (used in) investing activities</b>	<b>-925</b>	<b>45 740</b>
<b>Cash flows – financing activities</b>		
Bank loan incurred	3 552	510
Payments to owners, expenses related to profit distribution	-231	-
Acquisition of shares for redemption	-59	-
Interest and commission paid	-124	-106
Payment of liabilities under lease	-3 440	-2 957
<b>Net cash provided by (used in) financing activities</b>	<b>-302</b>	<b>-2 553</b>
Total cash flows, net	-9 296	31 462
Increase/(decrease)in net cash and cash equivalents	-9 296	31 462
<b>Cash and cash equivalents as at the beginning of the period</b>	<b>36 880</b>	<b>14 394</b>
<b>Cash and cash equivalents as at the end of the period</b>	<b>27 584</b>	<b>45 856</b>
<b>Including restricted cash ( VAT account)</b>	<b>1 116</b>	<b>851</b>

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

**1. Establishment of the company and its principal activity**

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

**1.1. The Management Board and Supervisory authorities of the Issuer**

The Management Board of the parent company of Prochem S.A. as at the date of preparation of hereby interim condensed consolidated financial statements, includes the following persons:

Marek Kiersznicki - President of the Management Board  
Krzysztof Marczak - Vice President  
Michał Dąbrowski - Member of the Management Board

In the first half of 2023, there were no changes in the composition of the Management Board of Prochem S.A.

*Composition of the Supervisory Board of Prochem S.A*

As at the date of preparation of hereby interim consolidated financial statements, the following persons are included:

- Marek Garliński Chairman of the Supervisory Board
- Karol Żbikowski Vice Chairman of the Supervisory Board
- Wiesław Kiepiel
- Jarosław Stępniewski
- Paweł Bielski

In the first half of 2023, there was a change in the composition of the Company's Supervisory Board. Ordinary General Meeting of Prochem S.A. dismissed Mr. Andrzej Karczykowski from the position of member of the Supervisory Board. By resolution No. 25 of June 14, 2023, was appointed Mr. Paweł Bielski as a member of the Supervisory Board of the 11th joint term of office.

**2. Employment**

Average employment in the Prochem Capital Group in the first half of 2023 was 346 FTEs, and in the first half of 2022 356 FTEs. Level of employment in persons as at 30 June 2023 was 352 persons, and as at 30 June 2022 366 persons.

### **3. Description of the organization of the capital group, with an indication of the entities subject to consolidation**

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

#### Subsidiaries covered by full consolidation:

- Prochem Inwestycje Sp. z o.o. seated in Warsaw – subsidiary directly (100.0%);
- PKI PREDOM Sp. z o.o. seated in Wrocław – subsidiary indirectly (91.4% share in capital and profit, 91.4% of votes);
- Prochem Zachód Sp. z o.o. seated in Warsaw – subsidiary directly (80.0%);
- Elektromontaż Kraków S.A. seated in Krakow – subsidiary indirectly (91.8%), including 57.49% share in capital and voting rights belongs to the company Prochem Inwestycje subsidiary in 100%.
- Prochem RPI Sp. z o.o. seated in Warsaw – subsidiary in 100% (including 3.3% share in capital and voting rights belongs to Prochem Inwestycje).
- Irydion Sp. z o.o. seated in Warsaw – subsidiary directly (100%).

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

- ITEL Sp. z o.o. seated in Gdynia – 42.0% of share (18.7% share in voting rights and capital belongs directly to Prochem S.A., and 23.3% belongs to Prochem RPI Sp. z o. o. subsidiary in 100%) – value covered by a write-down - the company does not conduct business.

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

Company Predom Projektowanie Sp. z o.o. with equity amounted to PLN 53 thousand was excluded from consolidation. The Company did not start operations.

On June 23, 2023, Prochem Inwestycje Sp. z o. o. 100% subsidiary of Prochem S.A. sold shares of Pro-Inhut Sp. z o. o. in bankruptcy. The subject of the transaction was 96 shares in the Pro-Inhut company with a nominal value of PLN 515 each, with a total nominal value of PLN 49,440. The selling price for the sale of 96 shares was agreed by the parties at PLN 1.

On April 14, 2023, the Ordinary Meeting of Shareholders adopted a resolution regarding consent to the acquisition by PKI Predom Sp. z o. o. own shares in the share capital for the purpose of their redemption. The maximum number of shares that can be purchased is 5,494 with a total nominal value of PLN 274,700. The purchase price of own shares of PKI Predom Sp. z o. o. was set at PLN 182 per share. The value of funds allocated to purchase own shares will not exceed PLN 999,908.

On May 25, 2023, based on the above-mentioned resolution, Prochem Inwestycje (a 100% subsidiary of Prochem S.A.) signed an Agreement for the sale of 4,349 shares of Predom for the purpose of their redemption, with a total nominal value of PLN 217,450, for a total remuneration of PLN 791,518.

On May 25, 2023, based on the above-mentioned resolution, Prochem S.A. signed an Agreement for the sale of 680 shares of Predom for the purpose of their redemption, with a total nominal value of PLN 34,000, for a total remuneration of PLN 123,760.

#### **4. Adopted accounting principles**

##### *Principle of presentation and statement of compliance*

Interim condensed consolidated financial statements of Prochem S.A. for the current period from January 1 to June 30, 2023, the comparable period from January 1 to June 30, 2022, together with selected explanatory notes, was reviewed by the statutory auditor.

Interim condensed consolidated financial statements of PROCHEM S.A. for the first half of 2023 was prepared according to International Accounting Standards IAS 34 „Interim Reporting”, in the shape approved by the European Union and with Decree of the Minister of Finance of 19 February 2009 on current and periodic information provided by issuers of securities and with Decree of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and conditions for recognition as equivalent an information required by the law of a non-Member State (Official Journal of 2018 item 757) („Decree”). Hereby interim condensed financial statements do not contain the information and disclosures required for complete financial statements and should be read together. Hereby interim condensed consolidated financial statements do not contain the information and disclosures required for complete financial statements and should be read together with consolidated financial statements for the financial year ended 31 December 2022.

The presented financial statements of the Prochem S.A. Capital Group present fairly and clearly the financial and property position as at June 30, 2023 and the comparative data as at December 31, 2022, as well as the results of this activity for the year ended June 30, 2023 and the comparative data for the year ended June 30, 2022.

Interim condensed financial statements of the Prochem S. A. Capital Group as at June 30, 2023 were prepared at assuming to continue business operations as a going concern in the foreseeable future .

Financial statements were prepared based on the principle of the historical cost, apart from:

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

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

The duration of the operations of the individual Capital Group companies is not limited.

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

### ***Significant accounting principles and changes in IFRS***

#### ***Changes in accounting estimates, and in accounting policies***

The preparation of financial statements under IFRS endorsed by EU requires using certain accounting estimates and adoption of assumptions concerning future events. Items of the financial statements set on the basis of the estimates are subject to verification if circumstances being base of estimates are changing or as a result of obtaining new information, or of the progressive development of events or of acquiring greater experience. In preparing hereby financial statements were applied the same accounting principles and the same calculation methods which were applied in the consolidated financial statements of the Prochem S.A. Capital group for the year ended 31 December 2022.

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

From January 1, 2023, Prochem S.A. changed the method of accounting for tangible current assets (materials). Materials and goods purchased are written off as expenses on the date of their purchase. As at the end of the financial year, i.e. December 31, the Company is obliged to determine the stock of materials, value them and adjust costs by the value of this stock.

Writing off the value of materials and goods as at the date of their purchase or finished products at the time of their production, combined with determining the status of these assets and its valuation, as well as cost adjustments by the value of this status, no later than as at the balance sheet date.

The impact of the recording method of materials on the financial result in the first half of 2023 amounted to PLN 52,000. PLN - *increase in the costs of materials consumption* - the stock of materials on the Opening Balance included in the costs of the current period.

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

Approved by the IASB for use after January 1, 2023.:

- Amendments to IFRS 17 "Insurance Contracts" and amendments to IFRS 17;
- Amendments to IAS 1 "Presentation of financial statements" Guidelines of the IFRS Board regarding disclosures about accounting policies in practice" – the requirement to disclose material information about accounting policies;
- Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" – definition of accounting estimates;
- Amendments to IAS 12 "Income Taxes" - obligation to recognize deferred tax in connection with assets and liabilities arising as part of a single transaction;
- Amendments to IFRS 17 "Insurance contracts" – first application of IFRS 17 and IFRS 9 - comparative information

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

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

- Amendments to IFRS 16 "Lease" - lease liabilities in sale and leaseback transactions;
- Amendments to IAS 1 "Presentation of Financial Statements" - classification of liabilities as current or non-current;

The Group has not decided to earlier apply the Standards and amendments to standards that have been published and approved for use in the EU, but have not yet come into force, will implement them on the date of adoption.

**5. Functional currency and presentation currency of financial statements**

Consolidated financial statements are presented in thousands of Polish Zloty ('zloty' or "PLN"), which is the reporting currency and the functional currency of the Companies from the Capital Group S.A.

**6. The Impact of the Military Conflict in Ukraine on the Company's Operations**

The Management Board monitors the impact of the political and economic situation in Ukraine on the Company's operations on an ongoing basis. As at the date of hereby financial statements, the Company noticed a noticeable impact on sales and the supply chain. First of all, there has been noticed a sharp increase in the prices of goods and services, delivery times for equipment and materials have been extended and the availability of some goods has been limited. Therefore, certain problems may occur when conducting implementation contracts.

The Management Board of Prochem S.A. the parent entity of the Capital Group monitors the current situation with particular attention and, if necessary, is prepared to take appropriate action to adapt its potential to the new conditions in order to mitigate any negative effects on the entity.

## **7. Explanatory notes to interim condensed consolidated financial statements prepared for the six-month period ended June 30, 2023**

### **Note 1 – Property, Plant and Equipment**

	As at 30 June 2023	As at 31 December 2022
Property, plant and equipment, including:	14 361	14 769
- land	1 898	1 914
- buildings, premises and civil engineering objects	9 664	10 068
- machinery and equipment	1 114	1 287
- vehicles	1 299	1 009
- other PPE	386	491
Construction under progress	666	-
<b>Total property, plant and equipment</b>	<b>15 027</b>	<b>14 769</b>

Property, plant and equipment – ownership structure	As at 30 June 2023	As at 31 December 2022
a) own	5 125	5 435
b) used under rental, lease or other agreement, including :	9 902	9 334
- lease	8 885	8 301
- value of the right of perpetual usufruct	1 017	1 033
<b>Total carrying value of property, plant and equipment</b>	<b>15 027</b>	<b>14 769</b>

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

Land, buildings and constructions are carried at revalued amount, being its fair value at the date of the revaluation, set by experts, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Fair value as at June 30, 2023 was set based on measurement as at December 31, 2022 made by the independent valuers not associated with the Group. The valuers have the right qualifications to carry out valuations of land, buildings and structures, as well as current experience in such valuations in locations where are located assets of the Group.

	Change in PPE from 1 January 2023 to 30 June 2023	Change in PPE from 1 January 2022 to 30 June 2022
<b>Gross value</b>		
<b>As at opening balance sheet</b>	<b>35 889</b>	<b>36 435</b>
Increase (due to)	1 462	2 602
- acquisition of PPE	1 462	1 380
- revaluation of PPE	-	1 222
Decrease (due to)	-1 255	-3 148
- disposal of PPE	-206	-2 204
- liquidation of PPE	-377	-154
- change – sale of subsidiary	-665	-739
- changes	-7	-51
<b>As at closing balance sheet</b>	<b>36 096</b>	<b>35 889</b>

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**Depreciation and impairment**

<b>As at opening balance sheet –accumulated depreciation</b>	<b>21 120</b>	<b>20 678</b>
Depreciation for the period	-51	442
- increase (depreciation accrued)	996	2 060
- decrease under disposal of PPE	-29	-821
- decrease under liquidation of PPE	-520	-150
- changes – sale of subsidiary	-491	-646
- other changes	-7	-1
<b>As at closed balance sheet – accumulated depreciation</b>	<b>21 069</b>	<b>21 120</b>
<b>Impairment of PPE</b>	<b>-</b>	<b>-</b>
<b>PPE net value as at closing balance sheet</b>	<b>15 027</b>	<b>14 769</b>

**Note 2 – Investment Property**

	As at 30 June 2023	As at 31 December 2022
Buildings and constructions	7 962	8 152
Land	4 406	4 406
<b>Total investment property</b>	<b>12 368</b>	<b>12 558</b>

**Investment property by type**

	Change in investment property for the period from 1 January 2023 to 30 June 2023	Change in investment property for the period from 1 January 2022 to 30 June 2022
<b>Investment property - land</b>		
As at opening balance sheet:	4 406	2 382
- increase due to measurement at fair value	-	2 024
<b>As at closing balance sheet</b>	<b>4 406</b>	<b>4 406</b>
<b>Investment property - buildings and constructions</b>		
As at opening balance sheet:	8 152	8 216
- change due to:		
a) decrease	-	-42
b) decrease – depreciation accrued	-190	-22
<b>Total change</b>	<b>-190</b>	<b>-64</b>
<b>As at closing balance sheet</b>	<b>7 962</b>	<b>8 152</b>
Write-down of investment property	-	-
<b>Total investment property</b>	<b>12 368</b>	<b>12 558</b>

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

Carrying value of the investment property as at 30 June 2023 does not significantly differ from fair value. Measurement at fair value as at 31 December 2022 was made by the independent valuers not associated with the Group. Valuers have the right qualifications to carry out valuations of investment property as well as current experience in such valuations in locations where are located assets of the Group. Valuation was carried out by reference to the market transaction prices for similar assets.

Details concerning investment property and information on the hierarchy of fair values as at 30 June 2023.



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	Level 1	Level 2	Level 3	Fair value as at 30.06.2023
	In PLN thousands	In PLN thousands	In PLN thousands	In PLN thousands
Investment property	-	-	12 368	12 368

There were no displacements between the levels 1, 2 and 3 in the first half of 2023.

**Note 3 – The Right-of-Use Assets**

	As at 30 June 2023	As at 31 December 2022
- buildings and constructions	26 322	27 807
- machinery and equipment	27	41
- vehicles	978	1 155
<b>Total assets</b>	<b>27 327</b>	<b>29 003</b>

For the period from 1 January 2023 to 30 June 2023	Buildings and constructions	Tools, instruments, movables and equipment	Vehicles	Total
<b>Gross book value</b>	<b>41 326</b>	<b>378</b>	<b>3 846</b>	<b>45 550</b>
Increase in gross value – new contracts concluded	-	-	175	175
Increase in gross value – updating of value of contracts concluded	198	-	69	267
Decrease in gross value – ending of contract	-	-	-163	-163
<b>Total</b>	<b>41 524</b>	<b>378</b>	<b>3 927</b>	<b>45 829</b>
<b>Increase (+) /decrease (-)</b>				
Depreciation - as at opening balance	13 519	337	3 691	16 547
Depreciation accrued	1 683	14	417	2 114
Decrease - ending of contract	-	-	-159	-159
<b>Total as at 30.06.2023</b>	<b>15 202</b>	<b>351</b>	<b>2 949</b>	<b>18 502</b>
Gross book value	41 524	378	3 927	45 829
Accumulated depreciation	-15 202	-351	-2 949	-18 502
<b>Book value net as at 30.06.2023 r.</b>	<b>26 322</b>	<b>27</b>	<b>978</b>	<b>27 327</b>

**Comparative data**

Description	Buildings and constructions	Machinery and equipment	Vehicles	Total
Book value gross	32 628	378	3 826	36 832
Increase in value – conclusion of new contracts	-	-	380	380
Increase in gross value – updating of value of contracts concluded	8 698	-	175	8 873
Decrease in value – ending of contract	-	-	-535	-535
<b>Total</b>	<b>41 326</b>	<b>378</b>	<b>3 846</b>	<b>45 550</b>
<b>Increase (+) /decrease (-)</b>				
Depreciation – as at opening balance sheet	-9 984	-282	-2 144	-12 410
Depreciation accrued	-3 535	-55	-959	-4 549
Decrease – ending of contract	-	-	412	412
<b>Total</b>	<b>-13 519</b>	<b>-337</b>	<b>-2 691</b>	<b>-16 547</b>

*Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group as at and for the period of 6 months ended 30 June 2023*

<b>Total as at 31.12.2022.</b>				-
Book value gross	41 326	378	3 826	<b>45 550</b>
Accumulated depreciation	-13 519	-337	-2691	<b>-16 547</b>
<b>Book value net as at 31.12.2022</b>	<b>27 807</b>	<b>41</b>	<b>1 155</b>	<b>29 003</b>

**Note 4 – Shares in Entities Valued Using the Equity Method**

<b>Shares in jointly-controlled entities and in associated entities</b>	<b>As at 30 June 2023</b>	<b>As at 31 December 2022</b>
- shares – net value	-	-
- write-downs of shares	1 011	1 011
<b>Shares, gross value</b>	<b>1 011</b>	<b>1 011</b>

<b>Change in shares in jointly-controlled entities and in associated entities</b>	<b>As at 30 June 2023</b>	<b>As at 31 December 2022</b>
a) as at the beginning of the period	-	39 139
- shares at cost	-	39 139
b) increase (due to)	-	4 979
- share in the result of the current year	-	4 979
c) decrease (due to)	-	-44 118
- dividend paid	-	-31 562
- change of the company's status from an associate to a subsidiary	-	-12 556
d) as at the end of the period net	-	-
e) write-down	1 011	1 011
<b>f) as at the end of the period gross</b>	<b>1 011</b>	<b>1 011</b>

**Note 5 – Settlement of Deferred Income Tax**

Changes in provision and deferred tax assets for the first half of 2023 are presented in the table below.

<b>Deferred tax assets</b>	<b>As at 30 June 2023</b>	<b>As at 31 December 2022</b>
As at the beginning of the period	10 495	5 193
Increase	9 695	9 839
Decrease	-7 937	-4 537
<b>As at the end of the period</b>	<b>12 253</b>	<b>10 495</b>

  

<b>Provision under deferred income tax</b>	<b>As at 30 June 2023</b>	<b>As at 31 December 2022</b>
As at the beginning of the period	10 338	6 590
Increase	5 017	8 254
decrease	-6 731	-4 506
<b>As at the end of the period</b>	<b>8 624</b>	<b>10 338</b>

  

	<b>As at 30 June 2023</b>	<b>As at 31 December 2022</b>
Deferred tax assets	12 253	10 495
Provision under deferred income tax	-8 624	-10 338
<b>Assets/(Provision) under deferred income tax</b>	<b>3 629</b>	<b>157</b>

*Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group as at and for the period of 6 months ended 30 June 2023*

<b>Presentation in the statement of financial position</b>	<b>As at 30 June 2023</b>	<b>As at 31 December 2022</b>
Deferred tax assets	5 419	2 096
Provision under deferred income tax	-1 790	-1 939
<b>Assets/(Provision) under deferred income tax</b>	<b>3 629</b>	<b>157</b>

*Note 6 – Other Financial Assets*

<b>Other financial assets</b>	<b>As at 30 June 2023</b>	<b>As at 31 December 2022</b>
a) discounted security deposits securing bank guarantee lines	866	-
<b>Total other non-current financial assets</b>	<b>866</b>	<b>-</b>

*Note 7 - Inventories*

<b>Inventories</b>	<b>As at 30 June 2023</b>	<b>As at 31 December 2022</b>
Materials	2 125	936
<b>Total inventories</b>	<b>2 125</b>	<b>936</b>
Including write-down of inventories	557	557

*Note 8 – Trade and Other Receivables*

<b>Trade and other receivables</b>	<b>As at 30 June 2023</b>	<b>As at 31 December 2022</b>
Trade receivables	69 308	53 027
Write-down of trade receivables	4 870	4 728
<b>Trade receivables net, including</b>	<b>64 438</b>	<b>48 299</b>
- with repayment period up to 12 months	60 932	43 617
- with repayment period more than 12 months	3 506	4 682
<b>Receivables from taxes, subsidies, custom duties, social and health insurance and other benefits</b>	<b>99</b>	<b>-</b>
Other receivables	6 896	3 212
Write-down of other receivables	-	-
<b>Other receivables net</b>	<b>2 593</b>	<b>3 212</b>
<b>Total receivables</b>	<b>67 130</b>	<b>51 511</b>

To estimate the expected credit loss, the Group used a reserve matrix, which was developed based on observations of historical levels of aging and repayment of receivables. The Group performed an impairment test for assets - in the trade receivables item. As a result of the test, expected credit losses were estimated and recognized in other operating expenses. The write-off amounts to PLN 52,000.

*Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group as at and for the period of 6 months ended 30 June 2023*

<b>Trade receivables with the remaining repayment period from the balance sheet date</b>	<b>As at 30 June 2023</b>	<b>As at 31 December 2022</b>
a) up to 1 month	40 584	28 779
b) above 1 month up to 3 months	19 865	13 314
c) above 3 months up to 6 months	418	1 997
d) above 6 month up to 1 year	935	1 341
e) above 1 year	2 499	2 710
f) receivables overdue	5 007	5 014
<b>Total trade receivables (gross)</b>	<b>69 308</b>	<b>53 155</b>
g) write-downs of trade receivables	4 870	4 856
<b>Total trade receivables (net)</b>	<b>64 438</b>	<b>48 299</b>
<b>Age analysis of overdue trade receivables (gross)</b>	<b>As at 30 June 2023</b>	<b>As at 31 December 2022</b>
a) up to 1 month	4	15
b) above 1 month up to 3 months	11	5
c) above 3 months up to 6 months	26	12
d) above 6 month up to 1 year	329	62
e) above 1 year	4 637	4 920
<b>Total overdue trade receivables (net)</b>	<b>5 007</b>	<b>5 014</b>
f) write-downs of overdue trade receivables	4 870	4 856
<b>Total trade receivables overdue (net)</b>	<b>137</b>	<b>158</b>

<b>Change in write-downs of trade and other receivables</b>	<b>As at 30 June 2023</b>	<b>As at 31 December 2022</b>
<b>A at the beginning of the period</b>	<b>4 856</b>	<b>4 261</b>
a) increase (due to)	52	625
- provision to receivables	52	497
- change of company status	-	128
b) decrease (due to)	38	30
- use of write-offs created in previous periods	22	-
- release of provision to receivables	15	-
- other	-	30
<b>Write-downs of current trade and other receivables as at the end of the period</b>	<b>4 870</b>	<b>4 856</b>

As at 30 June 2023 and 31 December 2022 trade receivables include current security deposits under statutory warranty granted for construction and assembly work, respectively for the amounts of PLN 908 thousand and PLN 1 342 thousand.

**Note 9 – Other Financial Assets**

<b>Other financial assets</b>	<b>As at 30 June 2023</b>	<b>As at 31 December 2022</b>
a) from related entities :	6 712	7 962
- other financial assets – statutory warranty securing bank guarantee	6 712	7 962
<b>Total other financial assets</b>	<b>6 712</b>	<b>7 962</b>
Write-downs of other financial assets	-	-
<b>Other financial assets gross</b>	<b>6 712</b>	<b>7 962</b>

**Note 10 – Other Assets**

Other assets by type :	As at 30 June 2023	As at 31 December 2022
a) prepayments	1 533	4 784
- cost of property and personnel insurance	408	338
- software maintenance costs	732	784
- subscriptions	13	9
- deferred costs	38	9
- land use fee	32	-
- other	2	3 644
- write-off for the Social Fund	308	-
<b>Other assets</b>	<b>1 533</b>	<b>4 784</b>

**Note 11 – Share Capital**

SHARE CAPITAL (STRUCTURE)							
Series / emission	Type of share	Type of share preference	Number of shares	Series / emission at nominal value	Method of coverage of capital	Registration date	Right to dividend (from the date)
Founding	Inscribed	3 votes per 1 share	580	580	Cash	23-07-1991	01-10-1991
Founding	Inscribed	-	6 067	6 067	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	-	187 499	187 499	Cash	29-07-1993	01-01-1993
<b>Total number of shares</b>			<b>2 005 000</b>				
<b>Total share capital</b>				<b>2 005 000</b>			
<b>Nominal value of one share = PLN 1.00</b>							

On August 1, 2023, an entry was made in the National Court Register based on Resolution No. 17 of the Ordinary General Meeting (AGM) of June 14, 2023 regarding the redemption of shares by reducing the share capital - the AGM redeemed 350,000 shares with a nominal value of PLN 1 each, including: 749 founding shares issued as registered shares and 349,251 series B bearer shares.

As at the date of publication of hereby financial statements 2 005 000 shares remains in trade, the total number of votes attached to these shares is 2 006 160.

**Changing the rights from the issuer's securities**

In accordance with information/notifications received from shareholders, the Company informs that as at the date of hereby report the following shareholders hold at least 5% 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	1 000 000	1 000 000	49,97	50,00
2. Otwarty Fundusz Emerytalny PZU „Złota Jesień”	284 916	284 916	14,20	14,21

Change of rights attached to shares of Prochem S.A. in 2023:

1. On August 8, 2023, the Management Board of Prochem S.A. (hereinafter referred to as the "Company") received from Powszechnie Towarzystwo Emerytalne PZU S.A. acting on behalf of the Otwarty Fundusz Emerytalny PZU „Złota Jesień” ("OFE PZU"), notification of a change in the share in the total number of votes held so far by OFE PZU at the general meeting of the Company.

The change is a consequence of the reduction of the share capital from PLN 2,355,000 to PLN 2,005,000 through the redemption of 350,000 shares of the Company with a nominal value of PLN 1 each.

Before the change OFE PZU held 284 916 shares of the Company, which constituted 12.10% of the share capital and had 284 916 votes from these shares, which constitutes 12.09% of the total number of votes at the General Meeting.

After the change OFE PZU holds 284 916 shares of the Company, which constitutes 14.21% of the share capital and holds 284 916 votes from these shares, which constitutes 14.20% of the total number of votes at the General Meeting.

2. On August 9, 2023 the Management Board of Prochem S.A. (hereinafter referred to as the "Company") received information from the Company's shareholder, Mr. Steven Tappan, about the change in the share held so far in the total number of votes at the Company's general meeting. The change is the consequence of the reduction of the share capital from PLN 2 355 000 to PLN 2 005 000 through the redemption of 350 000 shares of the Company with a nominal value of PLN 1 each.

Before the change Mr. Steven Tappan held 1 002 450 shares of the Company, which constituted 42.57% of the share capital and had 1 002 450 votes from these shares, which constituted 42.55% of the total number of votes at the General Meeting.

After the change Mr. Steven Tappan holds 1 002 450 shares of the Company, which constituted 50.00% of the share capital and holds 1 002 450 votes from these shares, which constitutes 49.97% of the total number of votes at the General Meeting.

### **Note 12 – Retained Earnings**

	As at 30 June 2023	As at 31 December 2022
Spare capital	74 442	75 701
Other reserve capitals	10 267	9 569
Profit for the previous period	-20	-603
Profit for the period	-14 615	23
<b>Total</b>	<b>70 074</b>	<b>84 691</b>

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**Note 13 – Current Bank Loans**

	As at 30 June 2023	As at 31 December 2022
- loans	3 992	1 624

Information on bank loans incurred

Name of the bank	Registered office	Loan limit	Amount engaged	Repayment Date	Terms of interest	Collateral
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Incurred by Elektromontaż Kraków S.A.

ING BANK Śląski	Katowice	3 000	2 889	19.11.2023	WIBOR for 1-month deposits ON in PLN + margin	Mortgage + bill of exchange
mBank S.A.	Warsaw	1 500	1 103	29.02.2024	WIBOR ON + margin	Mortgage + bill of exchange

**Note 14 – Trade Payables**

	As at 30 June 2023	As at 31 December 2022
a) to associated entities and jointly-controlled entities	-	-
- from supplies and services, with maturity period:	-	-
- up to 12 months	-	-
b) to other entities	70 046	55 802
- from supplies and services, with maturity period:	70 046	55 802
- up to 12 months	70 046	55 802
-over 12 months	-	-
<b>Total current trade payables</b>	<b>70 046</b>	<b>55 802</b>
Non-current liabilities under security deposits seized with maturity period above 12 months	5 911	8 761
<b>Total trade payables</b>	<b>75 957</b>	<b>64 563</b>

**Note 15 - Settlements under Non-current Agreements**

	As at 30 June 2023	As at 31 December 2022
- amounts due from recipients under non-current contracts	40 064	41 194
<b>amounts due from recipients under non-current contracts</b>	<b>40 064</b>	<b>41 194</b>

	As at 30 June 2023	As at 31 December 2022
- amounts owed to recipients under non-current contracts:	2 603	538
a) current	2 603	538
<b>Amounts owed to recipients under non-current contracts</b>	<b>2 603</b>	<b>538</b>

Description	As at 30 June 2023	As at 31 December 2022
Revenues according to contracts	711 506	1 611 306
Revenues invoiced	577 226	429 713
Liabilities planned under execution of contracts	654 998	1 510 892
Fulfilled liabilities under contracts	555 817	420 027
Amounts due from recipients	40 064	41 194
Amounts owed to recipients	2 603	538

**Note 16 - Liabilities under Lease**

<b>Liabilities at the end of the period, including:</b>	<b>As at 30 June 2023</b>	<b>As at 31 December 2022</b>
- liabilities under finance lease	922	650
- liabilities under right-of-use	29 307	30 714
<b>Total liabilities under lease</b>	<b>30 229</b>	<b>31 364</b>
<b>Including current</b>	<b>3 867</b>	<b>3 875</b>

**Liabilities under finance lease**

	Future minimum lease payments	Interest	Current value	Future minimum lease payments	Interest	Current value
<b>In PLN thousands</b>	<b>In 2023</b>	<b>In 2023</b>	<b>In 2023</b>	<b>In 2022</b>	<b>In 2022</b>	
Up to one year	338	-	338	382	-	382
1 to 5 years	584	-	584	268	-	268
<b>Razem</b>	<b>922</b>	<b>-</b>	<b>922</b>	<b>650</b>	<b>-</b>	<b>650</b>

**Liabilities under right-of-use**

	Future minimum lease payments	Interest	Current value	Future minimum lease payments	Interest	Current value
<b>In PLN thousands</b>	<b>In 2023</b>	<b>In 2023</b>	<b>In 2023</b>	<b>In 2022</b>	<b>In 2022</b>	<b>In 2022k</b>
Up to one year	3 529	1 847	5 376	3 493	1 910	5 403
1 to 5 years	16 865	4 857	21 722	14 461	5 127	19 588
above 5 years	8 913	1 364	10 277	12 760	1 250	14 010
<b>Total</b>	<b>29 307</b>	<b>8 068</b>	<b>37 375</b>	<b>30 714</b>	<b>8 287</b>	<b>39 001</b>

**Note 17 – Other Liabilities**

	<b>As at 30 June 2023</b>	<b>As at 31 December 2022</b>
a) to other entities	2 977	4 003
- under taxes, duties, insurance and other charges	2 265	3 098
- under remuneration	494	656
- other (by type)	218	249
liabilities to employees	5	6
liabilities to shareholders	10	16
other	203	227
b) other current provisions	12 539	6 068
- provision for costs accrued to the previous year, concerning long-term contracts	9 861	1 377
- provision to costs	776	2 524
- cost of audit	-	69
- current provision for retirement benefit	266	301
- provision for unused holiday leaves	1 636	1 797
<b>Total other liabilities</b>	<b>15 516</b>	<b>10 071</b>



**Note 18 - Revenues from Sale of Services**

Revenues from sale of services (type of service and type of activity)	Period ended 30 June 2023	Period ended 30 June 2022
- revenue from sale of services, including:	<b>180 334</b>	<b>101 870</b>
- from related entities	-	2 671

Revenues from sale of services (type of service and type of activity)	Period ended 30 June 2023	Period ended 30 June 2022
Domestic	<b>180 334</b>	<b>101 870</b>

Revenues under contracts for construction services (general contracting) and other services are presented in Note 26 – operating segments.

The gross amount due from ordering parties/buyers for the work under the contracts was presented in Note 15.

Information on major customers, whose total value of revenues from sales of services exceeds 10% of the total revenues disclosed in statement of profit and loss of the entity for the first half of 2023 is included in Note 26 – operating segments

**Note 19 - Revenues from Sale of Goods and Materials**

Revenues from the sale of goods and materials (material structure and types of activities)	Period ended 30 June 2023	Period ended 30 June 2022
- revenues from sale of goods	<b>660</b>	<b>981</b>

Revenues from sale of goods and materials (territorial structure)	Period ended 30 June 2023	Period ended 30 June 2022
Domestic	<b>660</b>	<b>981</b>

**Note 20 – Cost of Services Sold**

Costs by type	Period ended 30 June 2023	Period ended 30 June 2022
a amortization and depreciation	3 324	3 440
b) consumption of materials and energy	12 284	19 499
c) outsourcing	149 521	57 702
d) taxes and levies	177	126
e) remuneration	22 154	18 868
f) social security and other benefits	4 829	4 261
g) other costs by type	2 714	2 287
- property and personal insurance	611	663
- business trips	1 031	394
- State Fund for Rehabilitation of Disabled Persons PFRON	272	242
- rental of cars	176	133
- other	624	855
<b>Total costs by type</b>	<b>195 003</b>	<b>106 183</b>
Change in inventories, products and prepayments	6 159	-3 254
General and administrative expenses (negative value)	-7 885	-7 653
<b>Costs of services sold</b>	<b>193 277</b>	<b>95 276</b>

*Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group as at and for the period of 6 months ended 30 June 2023*

**Note 21 - Other Operating Income**

	Period ended 30 June 2023	Period ended 30 June 2022
a) gain on sale of non-financial non-current assets	24	543
b) reversal of impairment allowance (due to)	14	-
- for receivables	14	-
c) other, including:	6 505	301
- return of litigation cost	57	-
- compensation, fines and penalties received	6 364	218
- release of provision	24	70
- other	60	13
<b>Total other operating income</b>	<b>6 543</b>	<b>844</b>

**Note 22 - Other Operating Expenses**

	Period ended 30 June 2023	Period ended 30 June 2022
a) loss on disposal of non-financial non-current assets	-	2
b) write-down (of)	52	264
- receivables	52	264
c) other, including:	430	3 152
- litigation costs	141	31
- fines, penalties and compensation paid	162	102
- actuarial valuation of employee benefits	1	-
- provision to future liabilities	-	3 000
- other	129	19
<b>Total other operating expenses</b>	<b>482</b>	<b>3 418</b>

**Note 23 - Financial Income**

	Period ended 30 June 2023	Period ended 30 June 2022
a) interest under loans granted	-	356
- from jointly-controlled entities	-	356
b) other interest	386	74
- from other entities	386	74
c) surplus of positive exchange rate differences	-	581
d) other, including:	297	338
- revenues under discounted non-current liabilities	283	329
- other	14	9
<b>Total financial income</b>	<b>683</b>	<b>1 349</b>

**Note 24 – Finance Costs**

	Period ended 30 June 2023	Period ended 30 June 2022
a) interest on bank loans	120	109
b) interest on borrowings	-	3
c) other interest	1 183	560
- for other entities	28	21
- under lease	1 155	539

*Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group as at and for the period of 6 months ended 30 June 2023*

d) surplus of negative exchange rate differences	1 637	15
e) other, under :	744	691
- commission on bank guarantees	595	385
- commission on loans	4	-
- costs under discount of financial assets	70	262
- other costs	75	44
<b>Total finance costs</b>	<b>3 684</b>	<b>1 378</b>

*Note 25– Additional Disclosures to the Statement of Cash Flows*

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

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

	30 June	
	2023 rok	2022 rok
<b>Change in current receivables</b>	<b>-15 290</b>	<b>35 453</b>
Receivables as at 1 January	51 511	87 288
Amounts due from recipients under contracts as at 1 January	41 194	14 996
Other assets as at 1 January	4 784	998
Receivables under seized security deposits as at 1 January	2 431	231
Adjustment under disposal of subsidiary in 2022	-280	-
Adjustment under disposal of subsidiary in 2023	-3 937	-
<b>Opening balance sheet after adjustments</b>	<b>95 703</b>	<b>103 513</b>
Receivables as at 30 June	67 130	46 144
Amounts due from recipients under contracts as at 30 June	40 064	16 774
Other assets as at 30 June	1 533	4 865
Receivables under seized security deposits as at 30 June	2 490	277
Receivables under non-current assets sold	-224	-
<b>Closing balance sheet after adjustments</b>	<b>110 993</b>	<b>68 060</b>
<b>Change in current liabilities except for current loans and special funds</b>	<b>21 282</b>	<b>-49 372</b>
Trade payables as at 1 January	55 802	77 461
Other liabilities as at 1 January	10 071	12 405
Amounts owed to recipients under contracts as at 1 January	538	5 803
Liabilities under seized security deposits as at 1 January	8 761	9 020
Other non-current liabilities as at 1 January	153	-
Provision for current retirement benefits	-301	-228
Provisions for annual leaves	-1 797	-1 767
Provision for audit	-69	-48
Provision for current other costs	-9	-1 579
Investment commitments	-84	-8
Liabilities to shareholders	-16	-15
Adjustment of Opening Balance Sheet under sale of subsidiary in 2023	-2 072	-
<b>Opening Balance after adjustments</b>	<b>70 977</b>	<b>101 044</b>
Trade payables as at 30 June	70 046	32 854
Amounts owed to recipients under contracts as at 30 June	2 603	2 482
Other liabilities as at 30 June	15 516	10 925
Liabilities under seized security deposits as at 30 June	5 911	8 048
Other non-current liabilities as at 30 June	160	-

***Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group as at and for the period of 6 months ended 30 June 2023***

Provision for current retirement benefits	-266	-196
Provisions for annual leaves	-1 636	-1 612
Provision for audit	-	-76
Provision for current other costs	-	-177
Investment commitments	-65	-560
Liabilities to shareholders	-10	-16
<b>Closing balance after adjustment</b>	<b>92 259</b>	<b>51 672</b>
<b>Change in other adjustments as at 30 June</b>	<b>542</b>	<b>519</b>
Change in deferred income – advances received	7	-361
Other	535	880

***Note 26– Operating Segments***

In the period from January 1, 2023 to June 30, 2023, there were no revenues from operations generated outside Poland (Exports) in the analogous period of the previous year, and the Group did not also generate revenues from Exports.

Information on major customers, which share in sales revenue for the first half of 2023 exceeded 10% of the total sales revenue:

- A Client, who deals in the production of chemical raw materials – sales revenue – PLN 52 975 thousand, representing 29.3% of sales revenue, which were disclosed in the segment „General contracting” and „Design services and other engineering services”.
- A Client dealing in the production of artificial fertilizers – sales revenue PLN 30 070 thousand, representing 16.7% of sales revenue, which were disclosed in the segment „General contracting”.
- The Client, who deals in the production of other basic inorganic chemicals – sales revenue PLN 56 424 thousand, representing 31.3% of sales revenue, which were disclosed in the segment „Design services and other engineering services”.

Detailed data on the operations of Prochem S.A. Group in the individual segments are shown in the following tables. The analysis and results of the Group in the individual reporting segments covered by the reporting is presented below.

*Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group as at and for the period of 6 months ended 30 June 2023*

*Note operating segments*

For the period from 01.01.2023 to 30.06.2023	General contracting	Design services, and other engineering services	Rental of construction equipment	Assembly of electrical installation	Rental of office space and real estate	Management of real estates	Commercial activity	Other IT services	Other	Items not assigned	Total
Revenues to external clients	127 421	26 582	116	23 384	2 694	104	660	-	33	-	180 994
<b>Total segment revenues</b>	<b>127 421</b>	<b>26 582</b>	<b>116</b>	<b>23 384</b>	<b>2 694</b>	<b>104</b>	<b>660</b>	-	33	-	180 994
<b>Result of the segment</b>	<b>-24 252</b>	<b>1 747</b>	<b>-29</b>	<b>1 211</b>	<b>551</b>	-	<b>142</b>	-	-57	-	-20 687
Financial income										683	683
Finance costs										-3 684	-3 684
Net financial income										-3 001	-3 001
Profit on operating activities										6 061	6 061
Before tax profit										-17 627	<b>-17 627</b>
Income tax										-3 012	-3 012
Profit for the current period										-14 615	<b>-14 615</b>
Loss assigned to non-controlling interest										55	<b>55</b>
<b>Profit for the period assigned to shareholders of the parent entity</b>										-14 670	<b>-14 670</b>
Segment assets (related to activity)	41 041	10 011	13	21 326	18 916	-	-	-	-	-	91 307
Unallocated/not assigned assets (among others shares and other financial assets)										118 913	118 913
<b>Total assets</b>	<b>41 041</b>	<b>10 11</b>	<b>13</b>	<b>21 326</b>	<b>18 916</b>	-	-	-	-	<b>118 913</b>	<b>210 220</b>
Depreciation of property, plant and equipment	173	717	10	463	1 045	-	-	-	56	835	3 299
Amortization of intangible assets	-	-	-	13	-	-	-	-	-	12	25

*Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group as at and for the period of 6 months ended 30 June 2023*

<i>Note operating segments continuation from 01.01.2022 to 30.06.2022</i>	<b>General contracting</b>	<b>Design services, and other engineering services</b>	<b>Rental of construction equipment</b>	<b>Assembly of electrical installations</b>	<b>Rental of office space and real estate</b>	<b>Management of real estates</b>	<b>Commercial activity</b>	<b>Other IT services</b>	<b>Other</b>	<b>Items not assigned</b>	<b>Total</b>
Revenues to external clients	47 898	21 754	218	26 122	2 530	115	981	1 375	1 858	-	102 851
<b>Total segment revenues</b>	<b>47 898</b>	<b>21 754</b>	<b>218</b>	<b>26 122</b>	<b>2 530</b>	<b>115</b>	<b>981</b>	<b>1 375</b>	<b>1 858</b>	<b>-</b>	<b>102 851</b>
<b>Result of the segment</b>	<b>-5 570</b>	<b>1 596</b>	<b>-184</b>	<b>435</b>	<b>543</b>	<b>0</b>	<b>-87</b>	<b>991</b>	<b>1 134</b>	<b>-4</b>	<b>-1 146</b>
Financial income										1 383	1 383
Finance costs										-1 378	-1 378
Net financial income										5	5
Profit sharing in entities valued using equity method										5 051	5 051
Profit on other operating activities										-2 574	-2 574
Before tax profit										1 336	<b>1 336</b>
Income tax										879	879
Profit for the current period										457	<b>457</b>
Loss assigned to non-controlling interest										-360	<b>-360</b>
<b>Profit for the period assigned to shareholders of the parent entity</b>										97	<b>97</b>
Segment assets (related to activity)	19 746	11 459	237	11 881	21 172	-	-	149	2 336	-	66 980
Unallocated /not assigned assets (among others shares and other financial assets)										132 971	132 971
<b>Total assets</b>	<b>19 746</b>	<b>11 459</b>	<b>237</b>	<b>11 881</b>	<b>21 172</b>	<b>-</b>	<b>-</b>	<b>149</b>	<b>2 336</b>	<b>132 971</b>	<b>199 951</b>
Depreciation of property, plant and equipment	208	851	29	493	857	-	-	26	29	927	3 420
Amortization of intangible assets	-	-	-	8	-	-	-	-	-	12	20

*Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group as at and for the period of 6 months ended 30 June 2023*

***Information on the geographical areas***

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

	<b>01.01-30.06.2023</b>	<b>01.01-30.06.2022</b>
Poland	180 994	102 851
<b>Total sales revenue</b>	<b>180 994</b>	<b>102 851</b>

Geographical breakdown of property, plant and equipment and intangible assets

	<b>30.06.2023</b>	<b>30.06.2022</b>
Poland	15 088	15 506
<b>Total property, plant and equipment and intangible assets</b>	<b>15 088</b>	<b>15 506</b>

***Note 27 - Profit per One Share***

Net loss per 1 share of the Parent Entity remaining in trade as at 30 June 2023 was PLN (7.32), and for the analogous period of 2022 net profit was PLN 0.04.

***Note 28 – Profit Distribution and Loss Coverage***

Profit for the period of the Prochem S.A. Capital Group is not subject to distribution.

Pursuant to the Resolution No. 14 of the Ordinary General Meeting of June 14, 2023 the Issuer's net profit for 2022 in the amount of PLN 26,255,776.50 was entirely allocated to the reserve capital.

***Note 29 - Dividends***

The Issuer did not pay dividend for 2022.

***Note 30 - Financial Instruments and Financial Risk Management***

***30.1. Categories and classes of financial instruments***

***Financial assets***

<b>30 June 2023</b>	<b>Categories of financial instruments</b>		
		<b>Loans, receivables and other</b>	<b>Total</b>
<b>Classes of financial instruments</b>	<b>note</b>		
Receivables from supplies and services	8	64 438	64 438
Amounts due from recipients under contracts	15	40 064	40 064
Cash		27 584	27 584
Security deposits constituting collateral	6 i 9	7 578	7 578
<b>Total</b>		<b>139 664</b>	<b>139 664</b>

*Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group as at and for the period of 6 months ended 30 June 2023*

31 December 2022	Categories of financial instruments		
		Loans, receivables and other	Total
<b>Classes of financial instruments</b>	<b>nota</b>		
Receivables from supplies and services	8	48 299	48 299
Amounts due from recipients under contracts	15	538	538
Cash		36 880	36 880
Security deposits constituting collateral	9	7 962	7 962
<b>Total</b>		<b>93 679</b>	<b>93 679</b>

*Financial liabilities*

30 June 2023	Financial liabilities measured at amortized cost		Total
<b>Classes of financial instruments</b>	<b>nota</b>		
Amounts owed to recipients under contracts	15	2 603	2 603
Trade payables	14	70 046	70 046
Loans	13	3 992	3 992
<b>Total</b>		<b>76 641</b>	<b>76 641</b>

31 December 2022	Financial liabilities measured at amortized cost		Total
<b>Classes of financial instruments</b>	<b>nota</b>		
Amounts owed to recipients under contracts	15	538	538
Trade payables	14	64 563	64 563
Loans	13	1 624	1 624
<b>Total</b>		<b>66 725</b>	<b>66 725</b>

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

Classes of financial instruments	30 June 2023	31 December 2022
Receivables from supplies and services	4 870	4 856
<b>Total</b>	<b>4 870</b>	<b>4 856</b>

Impairment allowances of financial assets are presented in note 8.

**30.3. Liquidity risk related to the concentration of sales revenue**

Prochem S.A. Capital group realized in the first half of 2023 sales revenue in the amount of PLN 180 334 thousand. Clients whose sales revenue exceeded 10% of sales revenue disclosed in the profit and loss account are listed in note 26.

**30.4. Credit Risk**

The Group conducting business activities sells services to business entities with deferred payment, as a result of which there may be a risk of not receiving a payment from contractors for the services provided. In order to minimize the credit risk, the Group 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 8.

In order to reduce the risk of not recovering the receivables from deliveries and services, the Group accepts a collateral from its customers in the form of, among other: bank and insurance guarantees, mortgages, promissory notes, as well as security deposits.

For the improvement of the current liquidity, in order release the receivables, which have been retained by investors for a proper security for the contracts implemented and statutory warranty for the construction and assembly works, the Group provides bank guarantee and insurance guarantee as a part of guarantee lines, which were launched with this purpose.

Credit risk associated with monetary resources and with bank deposits is considered as low by the Group.

All entities in which the Group deposits its free monetary resources operate in the financial sector. These include domestic banks and branches of the foreign banks with first class current credibility.

Risk of threatened financial assets is reflected by impairment allowances.

### ***30.5. Currency exchange rate risk***

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

### ***30.6. Interest rate change risk***

The Group is exposed to the risk of variability of cash flows due to interest rates resulting from bank loans based on the variable interest rate WIBOR ON (overnight) and loans granted based on the variable WIBOR 3M rate and the bill rediscount rate. The group did not take into account the decline in interest rates in its analysis.

### ***30.7. Capital risk***

The aim of capital risk management is to protect the Group's ability to continue its operations so that it is possible to generate returns for shareholders and maintain an optimal capital structure in order to reduce its cost.

***Note 31 – Collateral Granted and Received and Contingent Liabilities and Contingent Assets***

	As at 30 June 2023	As at 31 December 2022
<b>Collateral granted</b>		
Bank guarantee of good performance and statutory warranty	60 758	66 362
Tender guarantee	1 163	1 163
Guarantee of return of advance payment	-	69
<b>Total guarantee granted</b>	<b>61 921</b>	<b>67 594</b>
<b>Total collateral granted and contingent liabilities</b>	<b>61 921</b>	<b>67 594</b>

	As at 30 June 2023	As at 31 December 2022
<b>Collateral received</b>		
Bank guarantee of good performance	16 938	16 326
Promissory notes guarantees securing the terms of the contract	618	450
<b>Total collateral received</b>	<b>17 556</b>	<b>16 776</b>

***Note 32 - Related Party Transactions and Transactions with Key Management Staff***

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

Key management personnel include Members of the Company's Management Board and Members of the Company's Supervisory Board.

In the first half of 2023 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.

In the first half of 2023 in the Issuer's enterprise was paid remuneration:

- to the Members of the Management Board in total amount of PLN 1 492.6 thousand,
- to the Members of the Supervisory Board in total amount of PLN 216.1 thousand.

Remuneration paid to Members of the Management Board and Supervisory Board in the first half of 2023 for performing functions in Management Boards and Supervisory Boards of companies included in the capital group amounted to PLN 155.9 thousand.

The transactions between related entities presented below were concluded on market conditions and relate to the sale and purchase of services, among others construction, assembly and rental, as well as loans mutually granted.

Settlements with related entities include receivables, trade payables and financial liabilities. Guarantees and sureties granted to related entities are presented in note 31.

**Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group as at and for the period of 6 months ended 30 June 2023**

**Comparative period**

**from 1 January to 30 June 2022**

	Sale of services	Purchase of services	Financial income – interest on loans	Financial income – dividends received	Finance costs – interest on loans
Jointly-controlled entities and associated entities	2 671)**	1 941	356	29 042	-

)\*\* - sale of services and purchase of services in its entirety relate to revenues from the jointly controlled company Irydion Sp. z o. o. in Warsaw, for the benefit of which is implemented investment task under the name of „Astrum Biznes Park” in Warsaw.

**As at 30 June 2022**

	Trade receivables	Receivables under loans granted	Other receivables	Trade payables	Liabilities under loans granted
Jointly-controlled entities and associated entities	2 278	-	-	7	-

**Note 33 – Events after the Balance Sheet Date**

On August 17, 2023, the Issuer signed with its subsidiary Irydion Sp. z o. o. annex to the loan agreement. Pursuant to the annex, Irydion granted Prochem S.A. loan in the amount of PLN 700,000 EUR, which is the equivalent of PLN 3.1 million. The interest rate and repayment terms have not changed.

On August 22, 2023, the Issuer signed an overdraft agreement for the amount of PLN 4.0 million. The loan can be used until August 29, 2024. The loan interest rate will be equal to the WIBOR ON PLN base rate plus a margin. Interest is charged annually on the amount of the loan used.

**Note 34- Other Explanatory Notes to Interim Condensed Consolidated Financial Statements**

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

As at the date of separate financial statements hereby and according to the declaration received, the following members of the Management Board and the Supervisory Board held shares of PROCHEM S.A:

- Marek Kiersznicki – 44,327 pcs.;
- Krzysztof Marczak – 30,268 pcs.;
- Marek Garliński – 27,977 pcs.;
- Jarosław Stępniewski – 50,206 pcs.;

The nominal value of 1 share is PLN 1.

In the first half of 2023, there were no changes in the number of shares held by managing and supervising persons.

***Information on granting a surety for loan or borrowing or guarantee 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.

***Indication of factors which, in the issuer's opinion will have an impact on the results achieved by the issuer in the perspective of at least the subsequent quarter***

For the activities of Prochem S.A. Capital Group in the subsequent quarters of 2023, the macroeconomic environment will have a significant impact, in particular the course of the war in Ukraine, the possibility of obtaining EU funds for the National Reconstruction Plan, interest rates on loans, the level of inflation and the related prices of energy and construction materials and services. All these factors significantly influence the decisions made by potential customers of Prochem S.A. (in particular industrial companies) to start new investment plans. The effects of ongoing negotiations regarding the indexation of implementation contracts concluded before February 2022 will also be of great importance for future financial results.

### ***Note 35 - Approval of the Consolidated Financial Statements***

Interim condensed consolidated financial statements of the Prochem S.A. Capital Group for the period from 1 January 2023 to 30 June 2023 were approved for issue by the Management Board of Prochem S.A. on September 29, 2023.

### **Signatures of the Members of the Management Board**

29.09.2023	Marek Kiersznicki	President of the Management Board	.....
date	name and surname	position	signature

29.09.2023	Krzysztof Marczak	Vice President of the Management Board	.....
date	name and surname	position	signature

29.09.2023	Michał Dąbrowski	Member of the Management Board	.....
date	name and surname	position	signature

### **Signature of person responsible for bookkeeping**

29.09.2023	Barbara Auguścińska-Sawicka	Chief Accountant	.....
date	name and surname	position	signature